Biyani's Think Tank

Concept based notes

BUSINESS & MANAGEMENT

(BBA. Sem-2)

Dr. Neha Pandey

Professor

Dept. of Commerce & Management

Biyani Group of Colleges, Jaipur

Kajal Kanwar

Dept. of Commerce & Management

Biyani Girls College, Jaipur

Published by:

Think Tanks

Biyani Group of Colleges

Biyani Shikshan Samiti, Sector-3, Vidhyadhar Nagar, Jaipur-302 023 (Rajasthan)

Ph : 0141-2338371, 2338591-95 • Fax : 0141-2338007

E-mail : acad@biyanicolleges.org

Website :www.gurukpo.com; www.biyanicolleges.org

ISBN :-

First Edition : 2009

Second Edition: 2011

Revised Edition: 2022

Leaser Type Setted by:

Biyani College Printing Department

Preface

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

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

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

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

Author

□ □ □

BBA SEM II

Principles of Business Management

Unit I

Business & Management: Features and scope of Business. Elementary knowledge of Trade, Industry and Commerce, Types of Industries, Forms of ownership- Sole trading, Partnership, Company, Cooperatives, Joint sector, Public Enterprises.

Unit-II

Concept of management, Nature and scope of management. Management Functions, An Overview of Functional Areas of Management, Development of Management Thoughts - Classical, Neo-Classical and Contingency Approaches. Principles of Management, Planning: Nature and components of planning. Types of Plans, Process of planning, Effective planning

Unit-III

Decision-making: Process and Techniques of decision-making. Management by Objectives (MBO); Organization: Definition, Principles of organisation, Forms of structure, Formal and informal Organization, Delegation of authority. Coordination: Principles and Techniques of coordination, Effective coordination

Unit-IV

Direction; Meaning & Principles Leadership: Function and Theories of Leadership, Leadership Styles. Motivation: Human needs, Techniques of motivation, Sound motivation system, Theories of motivation (suggested by Maslow, Herzberg, McGregor, and Victor Vroom) Managerial Control: Nature and process of control, Techniques of control elementary knowledge only. Effective control system

Contents

UNIT 1

SHORT ANSWERS QUESTIONS:

Q.1 Define Business. Write its characteristics.

I. Traditional definitions:
According to Haney, L.H., "Business is a human activity directed towards producing or acquiring wealth through buying and selling of goods."
II. Customer-oriented Definitions:
According to McNaughton, "The term business means the exchange of goods, money or services for mutual benefit."
III. Societal Definitions/Modern Eclectic Definitions:
According to Keith Davis and Blomstorm, "The term business refers to both private and public institutions which develop and process economic values in a society."
In brief, the modern eclectic definition of business consists of the following three aspects:
(i) Satisfaction of customers' needs and wants by providing goods and services,
(ii) Improving the standard of living and quality of life of the members of the society.
(iii) Earning profits.
Thus, business refers to all the lawful economic activities of all the public and private enterprises for providing goods and services to the customers with a view to deliver the desired satisfaction effectively and efficiently in such a way that improves the well-being of both the customers and the society.

NATURE/CHARACTERISTICS OF BUSINESS

Following are the fundamental characteristics of business:

1. Business is an **economic activity** carried out by individuals or groups, such as organizations. This activity involves the production of goods and services, transforming resources into valuable products that society needs. Goods can be consumer goods (like bread or shoes) or producer goods (like industrial machinery). Additionally, services, intangible activities or benefits, are offered for sale, such as gas, electricity, and banking services.

2. **Exchange of goods or services** is a crucial aspect of business. It distinguishes business from non-business activities. If goods or services are produced for personal use without involving a price, it's not considered business but barter. Prof. Haney emphasized that business is founded upon the exchange of goods for a price, highlighting the essence of buying and selling.

3. Business creates different **utilities**, including form, place, time, ownership, possession, task, and knowledge utilities. Utility refers to the power of a product or service to satisfy human needs. For instance, a business that delivers goods to your doorstep (place utility) or offers a product at the right time (time utility) is creating additional value.

4. Another key feature is the **recurrence of transactions or exchanges**. True business involves the regular production and exchange of goods or services. Casual or one-time

transactions do not qualify as business. The continuity of these activities is a hallmark of a business.

5. **Legality** is a vital consideration. Engaging in unlawful activities, such as selling stolen goods, is not within the scope of legitimate business. Businesses are expected to operate within the legal framework of the country.

6. The **profit objective** is inherent in business. Every economic activity termed as business must aim to earn profits. Profit is essential for the survival, growth, and expansion of a business. While business can engage in charitable activities, profit-making remains a fundamental objective.

7. **Risk and uncertainty** are inherent in business, often described as a game of risk. Factors like price fluctuations, increased competition, technological changes, and natural calamities contribute to uncertainty. While some risks are uninsurable, others, like disputes and human misconduct, can be mitigated through insurance.

8. **Entrepreneurship**, the ability to take risks, is crucial for starting and operating a business. Entrepreneurs play a significant role in the development, expansion, and innovation of businesses.

9. **Capital** is another essential feature. Running a business without capital is impractical. Capital allows businesses to invest in resources, technology, and expansion.

10. Modern businesses focus on **profit through customer and social well-being**. They aim to produce goods and services efficiently, satisfying the needs of customers while contributing to social well-being. Businesses recognize their role as an organ of society and acknowledge social obligations.
11. The modern business landscape is characterized by being **capital-intensive**. Significant investments, including foreign direct investments, are made, leading to increased mechanization and computerization. Labor intensity has reduced over time.

12. **Increasing competition** is a notable trend, especially after policies like liberalization and globalization. While competition is beneficial for businesses and society, consumers now have more options, leading to better-quality products.

13. There's a growing **concern for the environment** in the business world. Businesses understand the importance of a clean and healthy environment, driven by government laws and policies. This has resulted in the production of eco-friendly products and the adoption of practices to reduce pollution.

14. Traditionally, business was based on intuition, but in modern times, it's regarded as **both an art and science**. The application of skills is essential (art), but it's also conducted based on scientifically developed principles and procedures (science). This means that conducting business is an art, while the underlying principles form a scientific foundation.

Q.2 Write the Inter relationship & Differences between Industry, commerce and trade.

Inter-relationship between Industry, Commerce and Trade :

'Industry' and 'commerce' are important activities or components of business system and 'trade' is a sub-activity of commerce. There is no doubt that these two activities are almost different but absolutely interdependent. An attempt is being made to establish the inter-relationship between the three.

Now, the general belief is that the consumption is the mother of production. Hence, commercial activities are directly related and responsible for consumption. Whatever is produced by the industry cannot be consumed without the help of commerce. Commerce provides the goods at the right place, at the right time, at the right price, in the right quantity, and to the right persons.

Secondly, commerce helps industry in procuring raw-materials, machines, tools and equipments and other things required in the process of production.

Thirdly, commerce through the activities auxiliaries to trade helps industry to transport, warehouse and insure its goods and other property, raise and transfer funds and advertise and publicise the goods.

Lastly, commerce also facilitates industry in making products and product related decisions. The decisions as to what, when, where, how, how much/many products are to be produced by industry are taken on the basis of feedback information provided by the traders and agents working in the field of commerce.

On the other hand, industry produces goods and services that consumers or customers need. If the industry does not produce goods, perhaps no commercial activity would be required. Therefore, the very foundation of all commercial activities rests on industry.

Secondly, industry not only produces goods but also helps build infrastructure facilities upon which whole world of commerce operates. The Products of industry such as cement, steel, power, etc. are the basic materials by which infrastructure facilities are built.

<u>Difference between Industry/Commerce/Trade</u>

Industry	Commerce	Trade
Industry is concerned with the production or manufacturing of goods for final consumption or further production.	Commerce means buying and selling of goods and providing necessary services for the smooth and safe flow of goods to the consumers.	Trade means buying and selling of goods for a price.
It involves huge amount of fixed and working capital.	It requires limited amount of fixed capital but huge amount working capital.	It requires very small amount for fixed capital and moderate amount for working capital.
Industrial operations are carried out at factories, farms or in mines.	Commercial operations are carried out between the places of production and	Trading operations take place nearer to the place of consumption or use.

	places of consumption or use of the products.	
It involves very high risk.	Less risk is involved in it as compared to industry.	Very low risk is involved in trading activities.
It creates form utility.	It creates place, time and task utilities.	It creates ownership utility along with place and time utility to a limited extent
It covers all activities involving conversion of raw materials or semi-finished pro- ducts into finished products as well as extraction, repro- duction and construction of useful products.	It consists of trade and auxiliaries to trade.	It involves exchange of goods for a price.

Q.3 Define sole proprietorship and write its characteristics.

"The preservation of the single proprietorship offers the best promise of securing motivation and widespread ownership and control of industry." R.N. Owens.

Sole proprietorship is the simplest and oldest form of business ownership, and it's still widely used today.

MEANING AND DEFINITIONS OF SOLE PROPRIETOR
In simple terms, a sole proprietor is a person who single-handedly invests in and runs their business, taking on all the risks associated with it.

According to James Stephenson, "A sole trader is a person who carries on business exclusively by and for himself. He is not only the owner of the capital of the undertaking, but is usually the organiser and manager and takes all the profits or responsibility for losses."

Thus, an individual who is owner or master, organiser, controller and responsible for success or failure of a business is a sole proprietor.

According to Boone and Kurtz, "A sole proprietorship is an organisation owned and usually operated by a single individual."

Thus, sole proprietorship is that form of business ownership which is planned, organised, managed, owned, controlled and usually operated by an individual and who alone assumes all the risks of loss or failure of the business and is entitled to all the profits earned from it.

The sole proprietorship is also known as 'individual proprietorship', "sole tradership', 'single proprietorship' or 'sole ownership'.

The individual who owns and operates sole proprietorship business is known as sole proprietor or sole trader or sole entrepreneur.

CHARACTERISTICS/FEATURES OF SOLE PROPRIETORSHIP

Sole proprietorship is characterised by the following features:

1. **The oldest form:**

Sole proprietorship can be traced back to the earliest forms of trade and commerce, where individuals engaged in various economic activities independently. For instance, a person selling handmade tools in a local market is practicing a form of sole proprietorship, much like ancient traders in early civilizations.

2. **Sole ownership:**

In a sole proprietorship, the business is an extension of the owner, who is solely responsible for its operations. Consider a small roadside food vendor; the owner invests personal savings, manages the daily activities, and is the sole decision-maker.

3. **Unlimited liability:**

The concept of unlimited liability means the owner is personally responsible for all business debts. Suppose an independent graphic designer, facing financial challenges, is unable to pay off business debts. In such a scenario, personal assets of the designer, like their car or home, may be used to settle the business obligations.

4. **Entitled to all profits:**

Unlike other business structures, where profits are shared, the sole proprietor enjoys all the business profits. For example, a freelance content creator earns income directly from clients without sharing it with partners or shareholders.

5. **No separate existence of the business:**

Legal entities like corporations have a distinct separation from their owners, but in sole proprietorships, the business and the individual are considered one. If a sole proprietorship is taken to court, the personal assets of the owner may be at risk. An illustration could be a local artist who sells paintings directly to customers.

6. **Free from legal formalities:**

Establishing a sole proprietorship is often straightforward. A local craftsperson, for example, can start selling handmade goods at a local market without needing extensive legal documentation that might be required for more complex business structures.

7. **Sole decisions and control:**

The proprietor has complete autonomy over all aspects of the business. Imagine a freelance web developer who not only codes for clients but also manages client relationships, sets project timelines, and determines the overall business strategy independently.

8. **Limited scope of operations:**

Due to resource constraints and the involvement of a single individual, sole proprietorships often operate on a smaller scale. A neighbourhood bakery, run by a single baker, may focus on serving the local community rather than expanding to a larger market.

9. **Discretionary start and end:**

The owner has the freedom to initiate or terminate the business at their discretion. A person providing gardening services, for instance, can decide to start offering services to neighbours and later choose to discontinue the business without external approvals.

10. **Personal involvement:**

Sole proprietors are deeply involved in the day-to-day operations. Consider a personal fitness trainer who not only manages the business but actively participates in training sessions, establishing a direct connection with clients.

11. **Ease of decision-making:**

With a simplified organizational structure, decisions can be made swiftly. For instance, an independent consultant offering business advice can quickly adjust service fees without the need for lengthy discussions or approvals from partners.

12. **Taxation simplicity:**

Tax reporting for sole proprietorships is often less complex. A self-employed photographer, for example, can report business earnings as part of their personal tax return, simplifying the tax process compared to more intricate corporate tax structures.

Q.4 What is Partnership? Write its characteristics.

"The partnership of fellow travellers is an example of the difficulty in men living together and having things in common for they generally fall out by the way and quarrel about any trifle which turns up." Haney

"Necessity is the mother of invention." Partnership is one of the fittest examples of this adage. The need for partnership arose due to the need for greater amount of capital, more managerial capacities, sharing the enhanced risk and so on. Thus, the need for partnership arose when one man control did not prove to be the best due to his certain limitations. This Chapter highlights the different aspects of partnership, Joint Hindu family business etc.

MEANING AND DEFINITIONS OF PARTNERSHIP

Generally, a partnership is an association of two or more persons who agree to carry on business for earning and sharing profit among them.

According to Haney, "A partnership may be defined as the relation existing between persons who agree to carry on a business in common with a view to private gain."

In the words of Gerstenberg, "The general partnership is a form of business organisation in which two or more individuals carry on a business as co-owners for profit".

According to Indian Partnership Act, "Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all." [Sec.4]1

Thus, Partnership is a relation of mutual agency between the persons who agree to carry on business for earning and sharing profits.

The persons who entered into partnership with one another are called individually the 'partners' and collectively 'a firm.' The name under which the business is canied on is called the 'firm name.'

A firm is not distinct and legal person from the partners constituting it A partnership firm is identifiable from the partnership agreement

ESSENTIALS/CHARACTERISTICS OF PARTNERSHIP

Following are some of the main characteristics/essentials of partnership:

1. **At least two persons**- There must be at least two persons to form a partnership. All of them must be competent to contract. If at any time the numbers of partners in a firm gets reduced to one (whether by death or insolvency) the firm is dissolved.

2. **Maximum number of partners**- The partnership Act does not prescribes the maximum number of partners in a firm. However, Section 11 of the Companies Act, states that the partners in a firm carrying on banking business must not exceed ten and in a firm carrying on any other business for gain must not exceed 20. If the number exceeds this limit, it will become an illegal partnership unless it is registered under the Companies Act or formed under

some other Indian Law. Therefore, the statutory maximum limit of membership in a partnership firm is 10 or 20, as the case may be.

3. **Agreement**- The relation of partnership arises from a valid agreement, i.e. contract. There must be an agreement between two or more persons to act as partners. It must be voluntary. The agreement may either be expressed or implied from the conduct of partners or from the circumstance of the case.

Where there is no agreement, there cannot be a partnership because the relation of partnership arises from a contract and not from status. Partnership even does not arise from operation of law or from inheritance.

Illustration: A was a sole proprietor of a business and died leaving a number of heirs. The heirs inherited the business and its goodwill. Held the heirs were not the partners as there was no express or implied agreement to carry on the business as partners. [Habib Bux v. Samuel Fitz Co. (1925) 23 All LJ 961]

4. **Business**- A partnership can be formed for the purpose of carrying on business and business alone. Where there is no business, there exists no partnership. The term "business" includes every trade, occupation and profession.

Illustrations: (a) Anta and Banta buy 100 bales of cotton, agreeing to share the same between them. Anta and Banta are not partners.

(b) Anta and Banta agree that Anta will buy and supply gold to Banta and Banta will make ornaments of the gold. They further agree that they will share the resulting profit or loss equally. Anta and Banta are partners.

5. **Sharing of Profits**- Sharing of profits of the partnership business among the partners is a must but sharing of losses by all the partners is not essential. Thus, if any partner does not get a share in the profits of the firm, he is not a partner. However, the partners by an express agreement, may agree that any one or more of them shall not be liable for the losses. But if nothing is expressly agreed upon by the partners, it is implied that the profits and losses will be shared equally.

It should be noted that although the sharing of profit is precondition of the existence of a partnership but it is not conclusive evidence. The reason is every person receiving a share in the profits may not be a partner but may be in some other capacity. This point is being discussed later in this Chapter

6**. Mutual Agency**- To constitute a partnership, there must be a relation of mutual agency between the partners. Section 4 states that the partnership business must be carried on by al' or any of them acting for all. Therefore, every partner has implied authority to carry on business on behalf of all the partners and can, by his actions, bind all the partners of the firm.

This situation creates a relation of mutual agency. Every partner while carrying on the business of the firm, stands in a position of an agent as well as the principal. As an agent, he by his acts binds the firm i.e. all the partners. As a principal, he is bound by the acts of other partners. Thus, every partner binds mutually to each other.

7. **Unlimited liability**- The liability of partners is unlimited. Even the private property of any partner can be used in discharge a partnership debts and obligations.

8. **Jointly and several liability**- All the partners of a firm can be held liable jointly and severally by any creditor of the firm.

9. **Mutual trust and confidence**- The relation of partnership is founded upon mutual trust and confidence. Therefore, every partner is bound to be faithful to each other. Each partner must perform his duties with utmost fairness and never deceive his copartners.

10. **Transfer of interest**- No partner can transfer his interest to any other person with the consent of all other partners.

11. **Business in firm's name**- The business of the firm is carried on in the name of the firm. The firm is a collective noun and firm name is a collective name of all the partners.

12. **No separate existence of the firm**- The firm name is a collective name of all its partners. But a firm does not have separate legal existence from its partners. Firm is not a person in the eye of law.

13. **Registration not compulsory**- The registration of partnership firm is not compulsory in India. It is optional. If partners wish, they may get it registered at any time during the life of the partnership.

14.**Unanimous decisions**- The all-important decisions in the partnership are taken unanimously i.e. with the consent of all the partners. The routine decision may be taken by majority.

15. **Capital**- The capital of the firm is the contribution made by all the partners towards capital. All the partners need not being in capital. All partners need not contribute capital in equal proportion.

Above all, the contribution towards capital is not an essential requirement for becoming a partner. But a firm must have capital.

Q.5 What are the essentials of a Partnership.

Whether a group of persons is a partnership or not, can be determined by looking into its features or characteristics. If the group possesses all essential of a valid partnership as required by Section 4, the group is said to be a partnership, otherwise not. The essential features of a valid partnership are a under:

1. There must be an agreement between two or more persons, subject to a maximum limit of 10 or 20, as the case may be.

2. There must be a business of partnership.

3. The partners must have agreed to share the profits of the business

4. The business must be carried on by all or any one acting for all In other words, there must be 'mutual agency' between the partners

Tracing the Essentials:

1. **Express Agreement and Essential Features of Partnership:**
According to legal principles, a partnership is formed when individuals agree to carry on a business together and share the profits. This agreement is termed as an express agreement.
The essential features of a partnership, as outlined in Section 4, must be clearly defined in this agreement for it to be legally recognized as a partnership.
2. **Confusion Arising from Express Agreements:**
Sometimes, express agreements may lead to confusion. For instance, an agreement may state that certain individuals are partners, but the legal requirements for a partnership might not be met.
Example: Alex and Blake sign an agreement stating they are partners, but the agreement lacks the sharing of profits, a crucial element for a partnership.
Conversely, an agreement may explicitly state that it does not create a partnership, yet legal conditions may still establish a partnership.
Example: Carol and Dave agree that their collaboration is not a partnership, but if they share profits and jointly manage a business, it may still be considered a partnership in the eyes of the law.
3. **Liability Based on Holding Out:**
Even without a formal agreement, if a person holds themselves out to be a partner, they may be held liable as one, irrespective of the actual legal status.
Example: Emma introduces herself as a partner in a business to clients, even though she's not legally considered a partner. If legal conditions are met, she may be held responsible as a partner due to her actions.
4. **Real Relation Between Persons:**
Despite express agreements, the actual existence of a partnership is determined by the real relationship between individuals involved.
Courts may consider factors like profit-sharing, joint decision-making, and the overall collaboration in determining whether a partnership exists.
Example: Frank and Grace have a written agreement stating they are not partners, but if they jointly manage a business and share profits, the real relationship may indicate a partnership.
5. **Conclusion:**
In summary, while express agreements provide a foundation, the legal determination of a partnership goes beyond these agreements. The real relationship between individuals, as observed by factors like profit-sharing and joint management, is crucial in establishing the existence of a partnership. Courts assess the practical aspects of the collaboration rather than solely relying on the terms of an agreement.
The real relation may be determined by taking all the relevant facts together into consideration. The all-relevant facts may be sourced from the following:
(i) Written agreement between the persons forming the group.
(ii) Verbal agreements between the parties, circumstances prevailing at the time of agreement, conduct of the persons, correspondence among them, books of accounts etc.
Where all the relevant facts show that the persons forming the group have real relation of partners, the association is called partnership.
The sharing of profit is not a conclusive proof of real relation of partnership. It is prima facie evidence of partnership. The real relation between the partners is that of mutual agency.

A ideal partnership possesses the following essential features :

1. **Understanding and Respect:**

Partnerships work best when there's mutual understanding and respect. Even if partners differ in abilities or finances, choosing partners wisely is crucial to avoid future problems.
Example: Two partners who appreciate each other's strengths and weaknesses can work together effectively. One might be good with money, while the other has valuable business experience.

2. **Shared Approach and Values:**

Successful partnerships have partners who share similar approaches and values in business. Differences in risk-taking or legal views can strain partnerships.
Example: If one partner likes to play it safe in business, and the other is more of a risk-taker, conflicts might arise. An ideal partnership involves partners with shared views to prevent disagreements.

3. **Trust and Good Faith:**

Trust and honesty are vital in a partnership. Partners must act in good faith, avoiding deceit and maintaining honesty in their business dealings.
Example: A partner should never deceive others in business matters. Honesty is crucial for the overall health of the partnership.

4. **Officially Registered:**

Ideal partnerships are officially registered, providing legal rights and protections. Registration ensures the firm and its partners have legitimate claims against others.
Example: While registration might be optional, an ideal partnership values legality, protecting the interests of the firm and its partners.

5. **Partnership Agreement:**

To prevent misunderstandings, a detailed written agreement or partnership deed is necessary. This document outlines critical details for the long-term survival of the partnership.
Example: A partnership agreement should cover contributions to capital, profit-sharing ratios, and the rights and obligations of each partner, preventing disputes and fostering transparency.

6. **Common Benefit Focus:**

Partners should work towards the mutual benefit of the firm, using their skills for the greater good rather than personal gain.
Example: Instead of focusing solely on individual gains, partners should collaborate to maximize the overall success of the business.

7. **Honesty and Diligence:**

Partners must carry out their duties diligently and honestly, taking responsibility for any losses incurred due to neglect.
Example: If a partner's negligence leads to a financial loss, they should acknowledge it and be accountable, ensuring the integrity of the partnership.

8. **Balanced Skills and Resources:**

An ideal partnership involves partners with diverse skills, talents, and resources that complement each other, creating a well-rounded team.
Example: One partner's financial expertise can balance another partner's marketing skills, contributing to the overall success of the business.

9. **Long-Term Perspective:**

Partnerships should have a reasonably long duration to allow for understanding, team-building, and strategic planning.
Example: A long-term partnership ensures partners can fully realize the benefits of collaborating over time.

10. **Sufficient Capital:**

Adequate capital is crucial for the life of a business, and partners should arrange enough funds for both short-term and long-term needs.
Example: Partners need to ensure they have enough capital to start and sustain the business. They should also be capable of obtaining loans if necessary.

11. **Moderate Number of Partners:**

The number of partners should be balanced to avoid inefficiency (if too many) or resource limitations (if too few).
Example: A partnership with a moderate number of partners, perhaps between five to seven, strikes a balance between having diverse skills and avoiding complications that arise with a large group.

Q.6 How many types of Partners are there in a partnership?

TYPES OF PARTNERS

1. **Actual or Active Partner:**

An actual partner is someone who agrees to be a partner and actively takes part in the business. They act on behalf of the firm, making decisions that affect all partners in the regular course of business. *Example:* Sarah and Jake decide to start a gardening business together. They both work actively in the business, making joint decisions, and Sarah, as an actual partner, can commit the business to agreements that involve both of them.

2. **Sleeping or Dormant Partner:**

A sleeping partner joins the business through an agreement but doesn't actively participate in day-to-day operations. Despite their inactivity, they are still responsible for the actions of the other partners.
Example: Alex invests money in a friend's online store but doesn't get involved in running it. Alex is a sleeping partner, sharing in profits and losses but not participating in decision-making.

3. **Nominal Partner:**

A nominal partner lends their name to the business but doesn't contribute money or actively engage in its operations. Despite this, they share liability for the firm's debts.
Example: Chris allows their name to be associated with a bookstore but doesn't participate financially or operationally. Chris is a nominal partner, still responsible for the store's debts.

4. **Partner in Profits Only:**

This partner shares in the business profits but isn't responsible for losses. However, they are legally accountable for the firm's debts to third parties.
Example: Taylor agrees to share profits from a restaurant venture but is not on the hook for any losses incurred by the business. Despite limited liability, Taylor is still answerable to third parties for the business's debts.

5. **Partner by Estoppel or Holding Out:**

A person creates an impression, through words or actions, that they are a partner, even if they are not. If a third party relies on this impression and extends credit to the firm, the person becomes a partner by estoppel and is liable.
Example: Jordan introduces themselves as a partner in a design agency. Even if not a real partner, Jordan becomes responsible if clients extend credit based on this impression.

6. **Minor as a Partner in Benefits:**

Minors, due to their inability to sign contracts, cannot be full partners. However, with everyone's agreement, a minor can enjoy a share in profits without personal liability.

Example: Casey, a minor, is allowed to enjoy a share in the profits of a small business. Although not personally responsible for debts, Casey benefits from the business's success with the agreement of all partners.

Q.7 What are co-operative organisations? Write the characteristics of co-operative organisation.

Prof Mill has very aptly remarked, "**Co-operation is the noblest idea. It transforms human life from a conflict of classes struggling for opposite interests to a friendly rivalry in the pursuit of the common good of all.**"

MEANING AND DEFINITIONS OF CO-OPERATION AN CO-OPERATIVE ORGANISATION

The term 'Co-operation' has been derived by adding a prefix 'Co' with the word 'operation'. 'Co' means together and 'operation' means work. Therefore, the literal meaning of the term co-operation is to work together. In real terms, Cooperation means working together for a common purpose or common good of all.

A Co-operative society or organisation is one which has been voluntarily formed by some persons for the promotion of their common economic interests. Term co-operative society or organisation has been defined by a number of experts in the field.

A few definitions are reproduced as follows:

According to E.H. Calvert, "**Co-operation is a form of organisation wherein persons voluntarily associate together as human beings, on a basis of equality for the promotion of economic interests of themselves**." In the words of Prof. P.H. Casselman, "**Co-operation" is an economic system with a social content.**"

CHARACTERISTICS OF CO-OPERATIVE ORGANISATION

1. **Voluntary Membership:**

A cooperative organization allows people to join voluntarily and leave whenever they wish. There's no pressure for anyone to become a member, and anyone who wants to participate can do so freely. For instance, if someone wants to join a local farmers' cooperative to collectively sell their produce, they can do so without any obligation to stay.

2. **Registration:**

A cooperative society must be officially registered under the Cooperative Societies Act or a similar state law. This registration process ensures that the cooperative follows legal requirements and can operate as a formal entity. For example, if a group of artisans wants to form a cooperative to sell their crafts, they need to register it with the appropriate authorities.

3. **Legal Existence:**

Once registered, a cooperative becomes a legal entity separate from its members. This means it can own property, enter contracts, and take legal action in its own name. For instance, if a consumers' cooperative wants to lease a building for its store, it can do so under its own name.

4. **Limited Liability:**

The liability of cooperative members is limited to the extent of their investment in the cooperative. This means that if the cooperative faces financial difficulties, members are not personally responsible for its debts beyond their investment. For example, if a member invests $100 in a cooperative and it incurs a debt of $1000, the member is only liable for the initial $100.

5. **Perpetual Existence:**

Once formed, a cooperative has perpetual existence, meaning it can continue to operate even if its original members leave or change. It can only dissolve following the legal procedures outlined in the law. For instance, if some members of a cooperative retire or pass away, the cooperative can still continue its activities with new members joining.

6. **Capital Contribution:**

Every member of a cooperative contributes to its capital by purchasing shares. However, members are usually limited in the number of shares they can buy to ensure equal participation. For example, if a cooperative requires each member to buy one share worth $10, every member must contribute $10 towards the cooperative's capital.

7. **Non-Transferable Shares:**

Shares in a cooperative cannot be freely traded like in a regular company. Members cannot sell or transfer their shares to others outside the cooperative. If a member wants to leave the cooperative, they can only surrender their shares back to the cooperative. For instance, if a member decides to leave a cooperative housing society, they cannot sell their share in the society to someone else.

8. **One Member, One Vote:**

In a cooperative, each member has equal voting rights, regardless of the number of shares they hold. This ensures democratic decision-making where each member's voice carries the same weight. For example, whether a member owns 1 share or 100 shares in a cooperative, they still have only one vote in the cooperative's decisions.

9. **Democratic Management:**

Cooperative societies are managed democratically, with decisions made by members through general meetings. Members elect an executive committee to oversee day-to-day operations, and decisions are made based on majority agreement. For example, if a cooperative of farmers wants to decide on which crops to plant next season, they would hold a general meeting where all members vote, and the decision would be based on the majority's choice.

10. **Equitable Profit Distribution:**

Profits earned by a cooperative are distributed among its members based on their participation rather than the amount of capital they contribute. This ensures fairness and encourages active participation by all members. Additionally, a portion of profits is usually set aside for community benefits or reserved for future needs. For example, if a cooperative grocery store makes a profit, it may distribute bonuses to members based on their purchases rather than the amount of money they invested.

11. **Enterprise Focus:**

A cooperative society operates as a business enterprise, aiming to fulfill the economic needs of its members through mutual cooperation. Unlike charitable organizations, cooperatives focus on generating profits for their members while sharing risks and benefits. For example, a cooperative of artisans might collectively produce and sell handmade crafts to generate income for its members.

12. **Service Motive:**

While cooperatives aim to earn profits like any other business, their primary objective is to serve their members' needs. This service-oriented approach distinguishes cooperatives from purely profit-driven enterprises. For example, a cooperative bank may offer financial services to its members at lower interest rates compared to commercial banks, prioritizing member satisfaction over maximizing profits.

13. Principles of Equality and Mutual Help:

Cooperatives are founded on principles of equality, justice, and mutual assistance. The spirit of cooperation encourages members to support each other and work together for mutual benefit. This ethos fosters solidarity and strengthens communities. For example, a cooperative of small-scale farmers may pool resources to purchase farming equipment collectively, benefiting from economies of scale and supporting each other's livelihoods.

Q.8 What are the principles of co-operative organisation.

The fundamental co-operative principles are as follows:

1. **Principle of voluntary and open membership**: This principle states that co-operatives are voluntary organisations. It is open to all persons capable of using their services and willing to accept the responsibilities of membership, without discrimination on basis of gender, social inequality, racial, political ideologies or religious consideration.

2. **Principle of democratic member control** : This principle hold that co-operatives are democratic organisations controlled by their members, who actively' participate in setting their policies and decision making. Elected representative of these co-operatives are responsible and accountable to their members.

3. **Principle of member's economic participation** : This principle holds that members contribute to and control the capital of their co-operative democratically. At least a part of the surplus arising out of the economic results would be the common property of the co-operatives. The remaining surplus could be utilised benefiting the members in proportion to their share in the co operative.

4. **Principle of autonomy and independence** : This principle assumes that co-operatives are autonomous, self-help organisations controlled by their members. If co-operatives enter into an agreement with other organisations including Government or raise capital from external sources, they do so on terms that ensure their democratic control by members and maintenance of co- operative autonomy.

5. **Principle of education, training and information**: This principle assumes that co-operatives provide education and training to their members, elected representatives and employees so that they can contribute effectively to the development of their co-operatives. They also make the general public, particularly young people and leaders aware of the nature and benefits of co- operation.

6. **Principle of co-operation among co-operatives**: This principle hold that co-operatives serve their members most effectively and strengthen the co-operative movement, by working together through available local, regional, national and international structures.

7. **Principle of concern for community** : This principle states that while focusing on the needs of their members, co-operatives work for the sustainable development of communities through policies accepted by their members.

8. **Principle of economy and efficiency** i.e. to run the cooperative society economically and efficiently.

9. **Principle of service** I.e. the primary objective of a society is to serve its member.

10. **The principle of unity and fraternity** i.e. societies should aim at developing unity and fraternity among its members.

11. **Principle of justice and quality** i.e. societies should carry on its 129 operations to provide justice and equality to its members against exploitation and injustice.

12. **Principle of cash trading** i.e. societies should trade on 'cash basis'.

13. **Principle of State control** i.e. working of societies should be regulated and controlled by the Government.

Q.9 What is Joint Sector? Write its Characteristics & objectives.

"Joint Sector enterprise have a great future because they combine entrepreneurial initiative of private firms with the social philosophy of public sector." V. V. Giri.

The joint sector is when the government and private companies work together. It started after a law in 1956 reserved certain industries for this partnership. Later, in 1969, a committee recommended this partnership strongly. Since then, many companies have been formed this way, including some that were previously only government-owned or private.

MEANING AND DEFINITIONS OF JOINT SECTOR ENTERPRISE

In simple words, a joint sector enterprise is one which is established in the partnership of the public sector and the private sector. Many experts have defined the joint sector or joint sector enterprise. A few definitions are reproduced as follows.

J.R.D. Tata submitted a memorandum on Industrial Growth in 1972. In this memorandum J.R.D. Tata stated, "A joint sector enterprise is intended to be a form of partnership between the private sector and the government, in which State participation of capital will be not less than 26 percent, day-to-day management will normally be in the hands of the private sector partners and control and supervision will be exercised by a board of directors on which government is adequately represented."

According to M. Adhikari, "Joint sector is a form of partnership between the public sector and the private sector or between the government and business."

Government and private sector and controlled by a board of directors having representatives of both the sectors but its day-to-day operations are in the hands of the private sector entrepreneur. It may be noted that the Government includes the Central Government, the State Governments, public financial institution like IDBI and Government organisation in which Government holds more than 51 per cent of its equity.

Here the private sector includes Indian as well as foreign private entrepreneurs and public in general including financial institutions.

CHARACTERISTICS OF A JOINT SECTOR ENTERPRISE

A joint sector enterprise is like a teamwork between the government and private companies, where they both invest money to run a business together.

1. **Public and private partnership**: This means both the government and private companies put in money to start the business. For example, if they want to start a factory making clothes, the government might put in 26% of the money, a private company 25%, and the rest from the public, including banks.
2. **Capital contribution ratio**: It's like everyone pitching in money according to certain rules. If a foreign company wants to join, they have to follow different rules.
3. **Management and control**: Imagine the business is like a ship, and the board of directors is the captain and crew. The government and private companies each get to appoint people to the board, and the chairperson is chosen by the government. The managing director, who runs the day-to-day stuff, is picked by the private company.
4. **Operation by private sector**: The managing director is like the captain of the ship - they handle the everyday running of the business, without too much interference from the government.
5. **No public accountability**: This means the business doesn't have to report to the government or public about its yearly activities.
6. **Philosophy, not organization**: Joint sector is more about the idea of teamwork between government and private companies, rather than a specific type of company.
7. **Company organization**: Joint sector businesses are set up like regular companies.
8. **Conversion from public or private**: Any existing government or private company can become a joint sector enterprise.
9. **Government permission for big players**: If a big company or foreign investor wants to join a joint sector enterprise, they need permission from the central government.
10. **Government's role in management**: The government likes to have a say in how joint sector businesses are run, to make sure they work well for everyone involved.

OBJECTIVES OF JOINT SECTOR ENTERPRISES

The main objective for promoting joint sector enterprises are as follows:

1. To check the concentration of economic power in the hands of a few.
2. To obtain the benefits of both public and private sector enterprises.
3. To broaden the base of industrial development and entrepreneurship.
4. To exercise social control over industrial enterprises.
5. To eliminate the need for nationalisation.
6. To promote social objectives of the Government.
7. To encourage dispersal of industries.
8. To mobilise savings of the public and use them for industrial enterprises.
9. To accelerate industrial growth at a faster rate.
10. To ensure an effective voice in industrial organisations without investing huge amount of money.

Q.10 What are the methods of formation of joint sector enterprises?

Joint sector enterprises may be formed in any of the following methods/ways:

1. By establishing new enterprises by the Central Government:

First method of formation of joint sector enterprises is that the Central Government and private entrepreneur may jointly establish a new enterprise/ company. In this company, capital contribution ratio shall be as follows as per the Government policy:

(i) Government contribution 26 %
(ii) Private entrepreneur's contribution 25%
(iii) Public including financial institutions contribution 49%

Total- 100 per cent

B) In case of foreign private entrepreneur :

(i) Government contribution 25%
(ii) Foreign entrepreneur's contribution 20 %
(iii) Indian entrepreneurs' contribution 20%
(iv) Public including financial institution's contribution 35%

Total- 100%

State 2. By establishing new joint sector enterprises through their State Governement.

State State Government may corporations or any public corporatuation, the for the purpose of industrial develop in the State. In such a situation, the capital contribution ratio shall be as follows as per the Government policy:

(A) In case of Indian entrepreneur:

(i) State Public Corporation's contribution 26 per cent
(ii) Private entrepreneur's contribution 25 per cent
(iii) Public including financial institutions contribution 49 per cent

(B) In case of foreign entrepreneur:

(i) State Public Corporation's contribution 25 per cent
(ii) Indian entrepreneur's contribution 20 per cent
(iii) Foreign entrepreneur's contribution 20 per cent
(iv) Public including financial institution's contribution 35 %

3. By allotting equity shares and/or conversion of debt into equity to financial institutions:

Another method of formation of joint sector is
(a) by fresh allotment of shares of a company to financial institutions, or
(b) by converting loans by financial institutions into equity shares of the company.

In this way financial institution will be holding a large portion of equity shares in the company and company will become a joint sector company. Central Government had done this much before by amending Companies Act. But now such provision has been repeated. Hence, this method may now be used voluntarily by the companies.

4. **By transfer of public sector companies into joint sector** : Another method of formation of joint sector is by transferring the public sector companies to joint sector. Under this method, Government may transfer its excess equity to private sector entrepreneur and to the public including financial institutions. Government equity holding is thus brought down to 26 or 25 per cent as the case requires.

5. **By transfer of equity shares of private sector company to a public sector company** : It is a method under which a private sector entrepreneur transfers the excess share of equity capital in his company to a private sector company and the public including financial institutions.

In both the above stated methods the transferring company may make an offer for sale. Alternatively, transferring company may further issue the equity shares of the company and bring its equity holding down to the required level.

Q.11 What is the distinction between public and joint sector enterprise?

Basis of distinction	Public Sector	Joint Sector
Ownership	It is wholly owned or at least 51 per cent of shares are hold by the Government.	It is owned by Government, private entrepreneur and public including financial institutions in the specified proportion.
Objective	The primary objectives of a public enterprise is to serve the public by providing goods or services at a reasonable rates.	The primary objective of a joint sector enterprise is to earn profits by serving the public.
Form of organisation	It can be organised in departmental, public corporation, Government company or any other form of organisation.	It can be organised only in company form of organisation.
Financing	It is generally financed by the Government. Borrowings from the market is done by Government companies.	It is financed by the private entrepreneur and public including financial institutions.
Competition	A public enterprise generally enjoys the monopoly position. In some other cases, competition is not fierce.	A joint sector enterprise always faces competition of the open market.
Management	It is managed by the depart- mental officials or governing board constituted by the Government.	It is managed by a Board of directors which is constituted by the representatives of the Government, private entrepreneur and the public.
Operations	Its day-to-day operations are carried on by the public sector manages and employees	Its day-to-day operations are managed by private sector entrepreneur and the employees of the companies.

Q.12 What are Public Enterprises? Write its objectives.

PUBLIC ENTERPRISES

Even though we lived in one of the poorest countries, with lots of talented people, we weren't using our money and workforce efficiently. This was because we focused too much on government-run services and didn't trust businesses enough

After the Second World War, public enterprises grew in number and size globally. However, by the start of the 21st century, many were downsized or sold off. In India, public enterprises expanded rapidly after independence. The Industrial Policy Resolution of 1956 gave them a significant role and massive investments were made until the 1980s. They spread across all sectors, from essential infrastructure to non-core areas. But their poor performance led policymakers to rethink. The Industrial Policy Resolution of 1991 emphasized the need to improve their efficiency. As a result, the number of public enterprises decreased, with many being downsized.

MEANING AND DEFINITIONS OF PUBLIC ENTERPRISES

In simple words, A public enterprise (PE) is an entity owned and operated by the government or a public authority.

According to A.H. Hanson, "Public enterprises means state ownership and operation of Industrial, agricultural, financial and commercial undertakings."

In the opinion of Prof. Laxmi Narain, "Public Enterprise can be defined as an activity of the government, whether Central, state or local, involving manufacturing or production of goods, including agriculture, or making available manufacturing or production of activity being managed either directly, that is departmentally, or through an autonomous body with the government having a majority ownership, that is, more than 50 per cent of equity."

Thus, A public enterprise is an industrial, commercial, or service-based organization owned and managed by the government or a public authority/government organization. Its primary purpose is to provide goods or services to the general public.

Characteristics of Public Enterprises

1. **Ownership by Government**: Public enterprises are companies or organizations that are owned by the government or public authorities. This means the government holds either all the shares or a significant portion of shares in these enterprises.

Example: In India, BSNL (Bharat Sanchar Nigam Limited) is owned by the government and provides telecommunications services across the country.

2. **Government Control and Operation**: Public enterprises are managed, controlled, and operated by the government. Sometimes, the government may delegate management to private entrepreneurs.

Example: Indian Railways is controlled and operated by the government, ensuring it runs smoothly across the nation.

3. **Wide Range of Activities**: Public enterprises engage in various activities such as producing and distributing goods or services. These can include industrial production, commercial activities, or providing services.

Example: ONGC (Oil and Natural Gas Corporation) in India is involved in the exploration and production of oil and natural gas, contributing significantly to the energy sector.

4. **Different Organizational Forms**: Public enterprises can have different organizational structures like departments, public corporations, government companies, boards, or trusts.

Example: Air India operates as a government-owned company, providing air transportation services.

5. **Special Objectives**: Public enterprises are established with specific objectives, including economic, social, and political goals.

Example: NABARD (National Bank for Agriculture and Rural Development) in India focuses on promoting rural development through financial and developmental initiatives.

6. **Service Motive**: The primary aim of public enterprises is to serve the public, with profit being a secondary concern.

Example: Indian Oil Corporation (IOC) ensures the availability of petroleum products across the country, prioritizing the needs of consumers.

7. **Public Accountability**: Public enterprises are accountable to the public through government representatives. They must answer to Parliament or state legislatures regarding their functioning.

Example: MPs and MLAs can question the management of public enterprises like SAIL (Steel Authority of India Limited) in the Indian Parliament.

8. **Audit**: Public enterprises are subject to government audit rules. Their accounts are audited either by government auditors for departmental organizations or by statutory auditors appointed by the government for corporations and companies.

Example: Hindustan Aeronautics Limited (HAL) undergoes auditing processes to ensure financial transparency and accountability.

9. **Annual Reporting**: Every year, public enterprises prepare annual reports detailing their activities and present them to the relevant legislative bodies.

Example: Power Grid Corporation of India provides annual reports to Parliament, summarizing its operations and financial performance.

10. **Monopoly Position (Historically)**: Historically, public enterprises held monopolies in certain sectors like railways, telecommunications, and mining. However, with liberalization policies, competition from the private sector has increased.

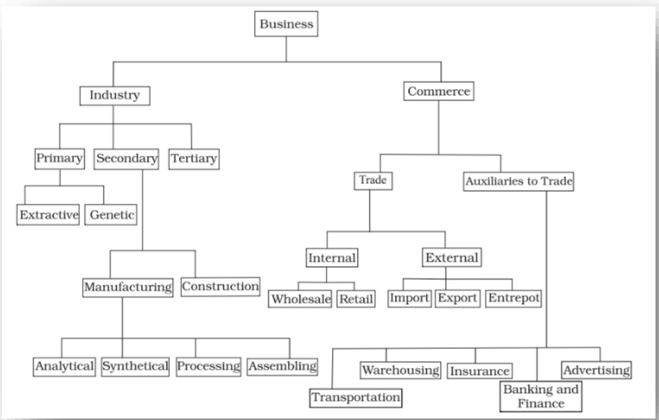
Example: Before liberalization, BSNL had a monopoly on telecommunications services in India, but now it competes with private telecom companies like Airtel and Jio.

LONG ANSWER QUESTIONS

Q.1 Write the scope of business.

SCOPE OF BUSINESS

The scope of business is very wide. All the activities that are performed by industrial, commercial and service organisations may be covered within the scope of business.



The scope of business may best be discussed and explained by classifying the activities of business. The business activities may broadly be classified under the following three groups:

I. Industry,
II. Commerce, and

III. Direct Services, which are operated on commercial basis and sometimes called service industries.

I. **Industry:**

Industry is concerned about the production or manufacturing of goods for final consumption or further production. Where goods are produced for final consumption or use by the ultimate consumers, it is called the consumer goods industry. Food and foodstuffs, soap, toothpaste, cloth, scooter, car, TV sets etc. are the examples of consumer goods. Where goods produced by one industry are used or consumed by another industry for further production, it is called the producer goods. Industrial machineries, equipment, tools etc. are examples of producer goods.

Where goods produced by one industry are used or consumed as inputs of production by another industry, it is known as Intermediate goods. Cotton or synthetic yam, plastic sheets and granules, steel and aluminium sheets, industrial chemicals etc. are some of the intermediate goods which are produced by one industry and consumed by another industry.

There are five main kinds/categories of Industries which are as follows:

1. **Primary industry**: Primary industry is the industry that is engaged in production of primary goods such as foodgrains, cotton, vegetables, fruits etc. on commercial basis.

(a) **Genetic industry**: Genetic industry is one which is engaged in breeding and reproduction of plants, animals and other creatures on commercial basis. Plant breeding, cattle breeding, dairy farming, poultry farming, acquaculture, bee-keeping, sericulture etc. are the examples of activities undertaken by the genetic industry.
(b) **Extractive industry**: Extractive industry is one which is engaged in extraction of materials from land, sea or air. Extraction of minerals e.g. iron ore, zinc, gold, gas, stones (including precious and semi-precious), fishing and extracting materials from sea etc. are some of the activities of the extractive industry. The products of this industry can be finally used or consumed by the ultimate users or consumers or be used by other industries.

2. **Secondary Industries:**

(a) **Construction industry:** Construction industry is one which is engaged in construction of roads, building, bridges, fly-overs, airports, industrial estates, railway lines and yards, dams, canals etc. This industry extensively uses the products of manufacturing and extractive industries. The products of this industry are the immovable property. Hence, such products may be bought and sold anywhere in market but their place of existence never change.
(b) **Manufacturing industry** : Manufacturing industry is one which is engaged in production of goods by converting raw-material (or producer goods) into products for the use or consumption by ultimate consumers or other producers. Manufacturing industries generally create form utility in the product. The products of genetic and extractive industries or producer goods generally become the raw-materials of the manufacturing industry. The manufacturing industries may be sub-divided into the following four categories :

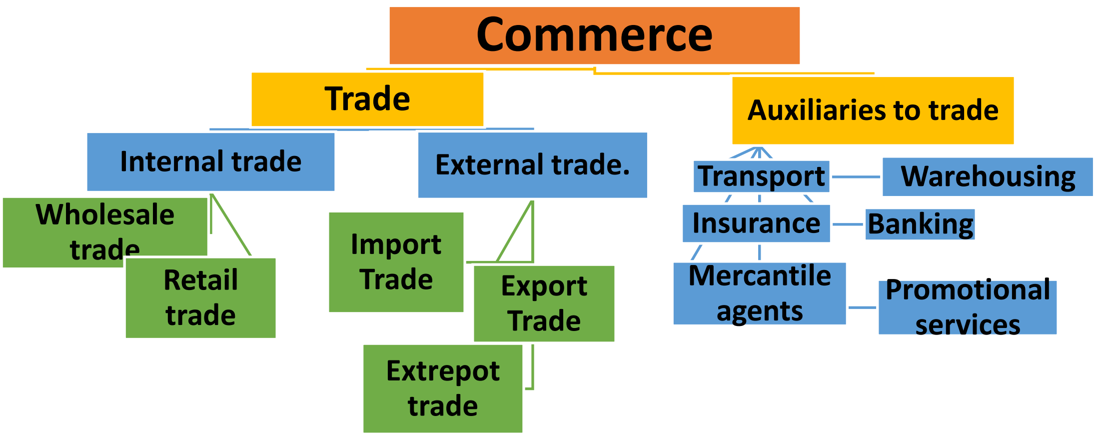
i. **Analytical industry**: Analytical industry is engaged in analysing some basic material in order to separate different products associated or mixed in it.For example, curd is churned in a churning pot with help of a dolly or mathni with a view to analyse and to separate from it the butter and butter-milk. Similarly, crude oil is analysed in oil refinery with a view to separate from it the petrol, diesel, kerosene, lubricants etc.
ii. **Synthetic industry**: Synthetic industry is engaged in synthesising or mixing two or more materials with a view to manufacture a new product. Cosmetics, soaps, shampoo, medicines, fertilizers, artificial fibre, paints etc. are produced by synthetic industry.
iii. **Processing industry**: Processing industry is engaged in processing of raw-materials or producer goods through a series of manufacturing processes in order to produce some new product. Weaving or dyeing of clothes, production of sugar, tea, paper, steel etc. are the examples of processing industry.
iv. **Assembly industry**: Assembly industry is engaged in assembling various related parts or components in order to make a useful product. Watches, cycles, scooters, cars, TV sets, computer sets, air conditioners etc. are some of the products that are assembled by assembly industry. Assembly industry is sometimes called as assembly line industry.

II. Commerce:

The term '**Commerce**' includes so many activities that help deliver the right goods to the right persons at the right place at the right time and at the right price.

According to James Stephenson, "**Commerce covers not only functions of buying and selling and handling of goods but also many services which must be provided to finance, insure, store and transfer of goods in the course of these exchanges**."

Thus, the term 'Commerce' is a wide one and covers all those activities which are essential for smooth flow of goods and services from the producers/ suppliers to the consumers. Free and smooth flow of goods and services can be ensured by means of trade and activities auxiliary to trade. Thus, the activities covered in the term commerce can be grouped under the following two heads:



1. **Trade**; and

2. **Auxiliaries to trade**.

1. Trade: Trade refers to the lawful buying and selling or exchange of the goods for a price. The trade can be classified into two categories:

Home or internal trade or domestic trade refers to the exchange of goods and services for a price within the boundaries of a country. The price is paid in the currency of the country.

(a) **Wholesale trade** : Where goods are purchased and sold in bulk, it is known as wholesale trade. A trader who is engaged in wholesale trade is called the wholesaler. He is an important link between the producers and retailers. He buys goods from producers or manufacturers or from their agents in large quantities and stocks them in warehouses and then, in turn, sells them to retailers in comparatively smaller quantities as and when required by them.
Example: Imagine a wholesaler purchasing 1000 smartphones directly from a factory. They store these in their warehouse and sell batches of 50 phones to local retailers who, in turn, sell them to individual customers.

(b) **Retail trade** : Where goods are sold to consumers or ultimate customers in very small quantities, it is known as the retail trade. Retail trader is known as retailer. A retailer is usually a link between the wholesalers and the ultimate customers. But in these days, large scale retailing has become the order of the day. Therefore in case of large scale retailing, the retailers serve as a link between the producers and ultimate customers. The large scale retailers are in the form of departmental stores, multiple or chain shops, cooperative stores, super markets or hyper markets.
Example: A retail clothing store buys a variety of clothing items from wholesalers. Customers visit the store to purchase individual pieces of clothing for personal use.

(ii) **External or foreign trade or international trade** : Where goods are bought and sold across the national boundaries i.e. between two or more countries, it is known as external or foreign or international trade. The payment of price is made in the currency of the sellers' country. The international trade can be sub-classified into three categories:

(a) **Import trade**: When a trader buys goods in a foreign market and brings them into his home country, it is said to be import trade. The buyer/ importer has to pay the price of the goods in foreign currency. Therefore, importer has to buy foreign currency for making the payment. **Example:** An American tech company imports computer chips from South Korea. The American company must purchase South Korean Won to pay the Korean supplier.

(b) **Export trade**: When a trader sells his goods to a foreign buyer to be taken out to his country, it is said to be the export trade.

Example: A French winery exports its wines to China. The Chinese buyers pay for the wine in Euros, which the French winery then exchanges for its local currency.

(c) **Entrepot trade**: When a trader imports goods from other countries with a view to export them to another country or countries, it is known as entrepot trade. It is also known as re-export trade.

Example: A company in Hong Kong imports electronic gadgets from Japan and then re-exports them to various countries in the Middle East without the gadgets entering the Hong Kong market.

2. **Auxiliaries to trade or Aids to trade**: The term 'Commerce' includes auxiliaries to trade or services auxiliary to trade. These activities or services facilitate trade. These services include transportation, warehousing, insurance, banking, advertising etc.

(i) **Transport**: Transport service creates the place utility in the goods. Transport service provides facility of moving the goods from the place of production to the market place or the place of consumption. Thus, it removes the hinderance of place of the goods.

(ii) **Warehousing**: The goods are produced in anticipation of future demand. Moreover, certain goods are produced seasonally but are used through- out the year. Therefore, there is generally a time lag between the production and consumption of goods. Consequently, the goods produced are required to be stored and preserved till the demand arises. Thus, warehousing is an activity that creates time utility in the goods and removes the hinderance of time by making the goods available when the goods are demanded by the customers.

(iii) **Insurance**: Business activities are exposed to various kinds of risks. Risk of transit, theft, fire, natural calamities, insolvency of debtors, dishonesty of employees etc. are involved in the conduct of business. Insurance is a device which protects the insured from such risks for a small amount of premium. Thus, insurance removes the hinderance of risk or time.

(iv) **Banking**: Business involves the transactions of huge amount. Hence, the payment of money in physical form is neither possible nor convenient. Therefore, banking services are essential for smooth functioning of trade. Moreover, business requires huge amount of funds for its fixed and working capital needs. Banks by mobilising savings of the public, make available the needed funds. The banking services, thus, removes the hinderance of exchange and finance.

(v) **Mercantile agents**: Mercantile agents are service middlemen who provide services in the process of trade. They help in buying and selling the goods. They help establish a link between the producers/suppliers and the wholesale and retail buyers. Such, agents are known by different names on the basis of the service they provide. They include factors, brokers, forwarding and clearing agents, auctioneers etc.

(vi) **Promotional services**: Promotional service includes advertising, sales promotion, personal selling, publicity and public relations. All these services assist in the process of trade. Advertising creates awareness among customers about the availability of different products and their substitute products. These also provide important information about the products such as quality, price, features etc. of the products. The other promotional services also help in creating demand for the products. All promotional activities do create goodwill of the Sponsoring firm which, in turn, creates sustainable demand for its products. The promotional services, thus, remove the hinderance of knowledge.

Q. 2 Write the Role/Importance of Businesses.

ROLE OR IMPORTANCE OF BUSINESS/BUSINESS ORGANISATIONS

Business is crucial for everyone in society and the economy. It not only meets daily needs but also creates jobs and improves the overall standard of living for everyone. Businesses contribute money to the government through taxes, supporting public services. Therefore, it plays a crucial role in the development of society, the economy, and the lives of citizens.

Importance for the national economy.

1. **Proper Utilization of Natural Resources:**

Businesses use a country's raw materials like minerals and turn them into useful products, helping the nation grow economically.
Ex: In India, mining companies efficiently extract minerals from the earth, like iron ore, contributing to the country's economic growth by making valuable products.

2. **Proper Utilization of Human Resources:**

Companies effectively use their employees, contributing to the country's development.
Ex: Successful companies, such as Google, attract skilled people, and by putting their talents to good use, they help the country progress.

3. **Creation of Employment Opportunities:**

Business activities create jobs in different areas, supporting economic growth.
Ex: In China, the growing manufacturing sector opened up millions of jobs, especially in industries like electronics and textiles, helping the country's economy.

4. **Increase in Productivity of Resources:**

Businesses invest in research to make things more efficient.
Ex: Companies like Apple keep coming up with new and better products, like the iPhone, making the electronics industry more efficient and helping the economy grow.

5. **Encouragement of Capital Formation:**

Businesses encourage saving and investment, which helps create wealth.
Ex: In the United States, the dynamic business environment motivates people to save and invest money, leading to more wealth and supporting overall economic growth.

6. **Contribution to National Planning:**

Businesses follow the country's plans, contributing to overall development.
Ex: Companies that support goals like sustainable development contribute to the nation's plans by considering social and environmental factors in their strategies.

7. **Balanced Economic Development:**

Businesses contribute to growth in all parts of the country, making sure development is spread out.

Ex: Germany's businesses are spread across different regions, preventing all growth from happening in just one area and making sure development is balanced.

8. **Poverty and Inequality Reduction:**

Businesses can help reduce poverty and make things fairer for everyone.
Ex: Grameen Bank in Bangladesh helps people in rural areas by providing small loans, reducing poverty, and giving everyone a fair chance.

9. **Contribution to National Prosperity:**

Successful businesses lead to a richer and more prosperous nation.
Ex: Japan's success in technology and manufacturing businesses has made the whole country richer and more prosperous.

10. **Contribution to Economic Growth in Developing Economies:**

Businesses growing in developing countries speed up overall economic progress.
Ex: South Korea's quick economic growth happened because businesses there became strong and developed, helping the whole country advance.

11. **Contribution to the National Exchequer:**

Businesses pay a lot of taxes, helping the government get money for public services.
Ex: Big companies in the United States pay a good amount in taxes, providing the government with money for things like roads and schools.

12. **Contribution to Foreign Exchange Reserves:**

Businesses help the country have enough money from foreign trade.
Ex: China sells a lot of products to other countries, which brings in money and builds up the country's foreign exchange reserves.

13. **Diplomatic Relations through Trade:**

Businesses working with other countries build good relationships and cooperation.
Ex: In the European Union, countries working together in business and trade help create good diplomatic relations, fostering collaboration and mutual benefits.

Importance for the society.

1. **Proper Utilization of Society's Resources:**
Business efficiently uses various resources like people, money, technology, and information for the benefit of society. It employs technology, managerial skills, and knowledge to make the best use of these resources.
E.g., Companies investing in sustainable practices and green technologies showcase how business can use resources effectively for societal well-being.
2. **Integration of Interests Across Society:**

Businesses serve and align the interests of various stakeholders in society, including investors, customers, employees, local communities, and government.
E.g., Companies engaging in corporate social responsibility initiatives, supporting local causes, and adhering to ethical business practices demonstrate the integration of societal interests.

3. **Production and Distribution of Goods and Services:**

Business plays a significant role in producing and distributing the goods and services needed by society. It ensures the availability of quality products at the right prices and in the right places.
E.g., Retail businesses, by efficiently distributing products to different locations, contribute to the accessibility of goods for consumers.

4. **Improvement of Standard of Living:**

Business enhances the standard of living by providing new and improved products, contributing to an upgraded quality of life for society.
E.g., Technological companies releasing innovative gadgets or appliances that make daily life more convenient showcase how business contributes to an improved standard of living.

5. **Generation of Employment Opportunities:**

Business creates jobs directly and indirectly, employing people for various roles and fostering economic growth.
E.g., The expansion of a manufacturing company leading to the hiring of more workers is an example of how business generates direct employment opportunities.

6. **Provision of Career Opportunities:**

Business not only offers jobs but also provides opportunities for career growth, especially for experienced and talented individuals in managerial positions.
E.g., A person starting as an entry-level employee in a company and later becoming a manager exemplifies how business provides career advancement.

7. **Avenues for Savings and Investments:**

Business introduces numerous options for the public to save and invest money, including stocks, mutual funds, and financial institutions.
E.g., Companies issuing shares or debentures for public investment, like through the stock market, provide avenues for people to invest and earn returns.

8. **Promotion of Social Change:**

Business acts as a catalyst for societal change and innovation, influencing values and culture.
E.g., Companies embracing diversity and inclusion initiatives contribute to social change by fostering a more inclusive and diverse work culture.

9. **Promotion of Social Upliftment:**

Businesses contribute to solving societal problems, such as poverty and injustice, leading to social upliftment.
E.g., Initiatives by businesses to address social issues, like supporting education programs or advocating for equal rights, promote social upliftment.

10. **Benefits for All Sections of the Public:**

Modern businesses focus on benefiting all segments of society, actively working to protect the interests of investors, customers, employees, and the community.
E.g., Companies sponsoring educational institutions, healthcare facilities, and community development projects showcase the inclusive impact of business activities.

Importance for Customers:

1. **Right Product, Right Place, Right Time, Right Price:**

Businesses help customers by offering the correct product, available at the right place, time, and price.
E.g., Online retailers like Amazon ensure customers can find a wide range of products, get them delivered to their doorstep, and often at competitive prices.
2. **Satisfaction of Consumer Needs for Quality Life:**
Business strives to fulfill customer needs, contributing to their satisfaction and a better quality of life.
E.g., Companies producing eco-friendly products contribute to customer satisfaction by addressing their environmental concerns and promoting a healthier lifestyle.
3. **Better Facilities, Deals, and After-Sale Services:**
Businesses provide additional services like installment payments, zero-interest credit, and goods on approval, enhancing customer experience.
E.g., Electronics stores offering installment payment plans for expensive gadgets make it more affordable for customers to purchase these items.
4. **Benefits under Loyal Customer Schemes:**
Regular customers often receive extra benefits and discounts through loyalty programs.
E.g., Airlines offering frequent flyer programs reward loyal customers with free flights, upgrades, or other exclusive perks.
5. **Better Products and Services at Lower Costs:**
Large businesses can offer better products and services at lower costs due to economies of scale and operational efficiencies.
E.g., Retail giants like Walmart can negotiate better deals with suppliers, leading to lower operational costs, and they often pass on these savings to customers through lower prices.
6. **Joy of Larger Choice:**
The growth and competition in businesses provide customers with a variety of options, allowing them to choose what suits them best.
E.g., The smartphone market offers numerous brands and models, giving customers the joy of choosing a device that matches their preferences and needs.

Importance for Business Persons/Institutions:

1. **Accomplishing Objectives:**
Business is the vehicle through which individuals and institutions achieve their goals. For instance, a small local business owner might set a goal to increase sales. Through effective business strategies like advertising and customer engagement, they work towards accomplishing this objective, driving the growth of their business.
2. **Acquiring Knowledge and Skills:**
Business provides a platform for continuous learning and skill enhancement. Entrepreneurs can attend workshops, business conferences, or pursue business courses to gain insights into market trends, marketing strategies, and efficient management practices. This continual learning contributes to their personal and professional development.
3. **Expansion and Diversification:**
With an improved skill set and a deeper understanding of business dynamics, individuals can explore opportunities for business expansion and diversification. A successful local retailer, having honed their business acumen, may decide to open additional branches in different locations or diversify into related product lines, showcasing adaptability and growth.
4. **Innovation and Product Development:**
Business individuals actively engage with customers and middlemen to gather feedback, fostering innovation and new product development. This collaborative approach allows

businesses to understand consumer needs and preferences, leading to the introduction of improved or entirely new products in the market.

5. **Customer-Oriented Practices:**

Business practices emphasize customer satisfaction as a key priority. This involves not only meeting but exceeding customer expectations. For example, a restaurant owner may regularly incorporate customer feedback into their menu, ensuring that the offerings align with customer preferences and contribute to a positive dining experience.

6. **Building Relations with Intermediaries:**

Successful business operations involve establishing and maintaining positive relationships with various intermediaries such as wholesalers, retailers, and distributors. A manufacturer, for instance, ensures a seamless distribution process by collaborating closely with these intermediaries, fostering trust and reliability in the supply chain.

7. **Responsiveness to Society:**

Engaging in business makes individuals more attuned to societal needs and emphasizes social responsibility. Companies actively participate in community projects, support local causes, and implement fair business practices, showcasing a commitment to contributing positively to the broader society.

8. **Optimum Resource Utilization:**

Business practices encourage individuals to optimize the use of resources efficiently and effectively. An environmentally conscious business, for instance, may invest in sustainable practices, minimizing resource wastage and aligning their operations with eco-friendly principles.

9. **Institution's Image:**

Business practices significantly contribute to shaping the image of an institution in society and the business world. Companies that consistently deliver quality products, adhere to ethical business practices, and prioritize customer satisfaction gradually build a positive and reputable image over time.

10. **Social Status of Business Owners:**

The success and positive image of a business institution elevate the social status of its owners. Individuals like Narayan Murti, Azim Premji, and Mukesh Ambani, who are associated with institutions known for excellence and societal contributions, enjoy high social esteem. Their achievements not only impact the business world but also position them as influential figures in the larger social context.

Q.3 Write the advantages and disadvantages of sole proprietorship.

- **Ease in Formation:**

Sole proprietorship stands out as the most accessible form of business initiation. An aspiring entrepreneur can set up a sole proprietorship with minimal bureaucracy. Consider Sarah, who, armed with a passion for crafting, effortlessly starts her online business selling handmade jewelry with just a modest investment.

- **Discretion in Start and Dissolution:**

The autonomy granted to sole proprietors is exemplified when they decide to commence or cease operations. Imagine Tom, a budding photographer, having the freedom to kickstart his photography venture and later, if circumstances demand, gracefully dissolve it without external interference.

- **Flexibility:**

The flexibility inherent in sole proprietorship is akin to a business chameleon, capable of adapting to evolving market needs. Visualize Emma, the owner of a local flower shop, seamlessly diversifying her product range during special occasions, catering to varying customer preferences.

- **Free from Legal Formalities:**

While adhering to general legal norms, sole proprietors escape the intricate legal web. For instance, Jake, a freelance writer, can commence his writing services without being entangled in extensive legal formalities, allowing for a smoother business launch.

- **Independence of Proprietor:**

The allure of being one's own boss is not just a slogan but a defining feature. Alex, the owner of a small catering business, relishes the freedom to decide work hours, choose employees, and shape the culinary destiny of the enterprise independently.

- **Quick Decisions:**

In the dynamic world of sole proprietorship, decision-making is not hampered by bureaucratic red tape. Picture Mia, the owner of a cozy cafe, swiftly deciding on introducing new menu items or running impromptu promotions, seizing business opportunities without delay.

- **Facilitates Coordination:**

Coordination becomes an art in the limited scope of sole proprietorship operations. Mark, who owns a small plumbing business, orchestrates tasks seamlessly with his tight-knit team, ensuring projects are completed efficiently and without unnecessary complexity.

- **Personal Contacts with Customers:**

The personal touch with customers is not just a strategy; it's a hallmark of sole proprietorship. Julia, a local tailor, establishes direct connections with clients, understanding their preferences intimately and delivering tailor-made garments with a personal touch.

- **Secrecy:**

Sole proprietors can maintain a veil of secrecy around their business strategies. David, a freelance graphic designer, may choose not to disclose intricate project details, preserving a competitive advantage in a constantly evolving market.

- **Perfect Control:**

The pinnacle of authority lies in the perfect control a sole proprietor exercises. Maria, the owner of a small grocery store, navigates every facet of the business, ensuring decisions align with the overarching goals and maintaining effective control.

- **Economy in Operation:**

Sole proprietors are akin to economic maestros, managing costs efficiently. Paul, a local carpenter, wears multiple hats, overseeing operations and finances independently, resulting in an economic operation model that thrives on efficiency.

- **Easy to Borrow Funds:**

The unlimited liability characteristic of sole proprietorship instills confidence in lenders. Rachel, the owner of a small bakery, easily secures a loan to invest in new baking equipment, leveraging the trust that comes with personal ownership and risk.

- **Direct Relation between Effort and Reward:**

Prof. Haney's words resonate profoundly as we observe the journey of Lisa, a hardworking painter. Her dedication, energy, and skill directly translate into the financial rewards she reaps, creating a direct and proportional relationship between effort and profit.

- **Successors Benefited by Inherited Business:**

The legacy of a sole proprietorship extends beyond the founder. John, inheriting his father's small business, not only gains access to established machines and customer relations but also steps into a business culture built on principles and practices honed over time.

- **Social Advantages:**

Sole proprietorship, beyond individual success, contributes to societal well-being:

1. **Dispersal of Ownership:**

Sole proprietorships distribute ownership among a larger number of individuals. This dispersal helps prevent the concentration of economic power in the hands of a few, promoting economic diversity and resilience.

2. **Bulwark Against Monopolies:**

Sole proprietorships contribute to a competitive market environment. By fostering the existence of numerous small businesses, they act as a bulwark against monopolies, ensuring that no single entity dominates an entire industry. This competition is vital for innovation, fair pricing, and overall market health.

3. **Local Economic Growth:**

Independent job opportunities created by sole proprietorships contribute to local economic growth. As these businesses thrive, they hire local talent, stimulate demand for local goods and services, and contribute to the overall prosperity of the community.

4. **Generational Business Involvement:**

Many sole proprietorships are family-owned businesses. Involvement in these businesses over generations fosters entrepreneurial skills within families. This continuity not only supports the success of the business but also contributes to the development of a skilled and experienced entrepreneurial class within the community.

5. **Personalized Services and Credit Facilities:**

Sole proprietorships often focus on serving local communities, understanding their unique needs, and providing personalized services. Additionally, they may be more flexible in offering credit facilities, catering to the financial requirements of local businesses and individuals in ways that larger corporations may not.

6. **Ripple Effect on Economic Prosperity:**

The growth of small sole proprietorships can have a ripple effect on economic prosperity. As these businesses expand, they create demand for various goods and services. This, in turn, can stimulate the growth of other small businesses and eventually contribute to the creation of larger enterprises, fostering a cycle of economic development.

DISADVANTAGES/DEMERITS OF SOLE PROPRIETORSHIP

The main disadvantages of sole proprietorship form of organisation are as follows:

1. **Limited Managerial Capacity:**

One inherent challenge lies in the singular management structure. An individual, no matter how skilled, may encounter difficulties in effectively handling diverse functions such as financial management, marketing, and personnel oversight. This is akin to an artisan excelling in craft but facing challenges in areas like financial planning or marketing strategies.

2. **Hasty Decisions:**

While quick decision-making is a virtue, the autonomy of a sole proprietor might lead to impulsive decisions. Consider a small software business owner hastily securing a project without comprehensive scrutiny of contractual intricacies, potentially resulting in legal complexities and financial setbacks.

3. **Secrecy Causes Suspicion:**

Maintaining confidentiality in business strategy is prudent, yet excessive secrecy can instill suspicion. For instance, an innovative tech startup, while safeguarding critical strategies, risks eroding investor and stakeholder confidence due to a perceived lack of transparency.

4. **Unlimited Liability:**

The exposure to unlimited liability remains a significant drawback. In essence, the personal assets of the proprietor, including residences, become vulnerable if business assets fall short in meeting financial obligations. Consider a restaurant proprietor facing potential financial crises jeopardizing both business and personal assets.

5. **Limited Financial Resources:**

The financial limitations of a sole proprietor often stem from reliance on personal savings or loans from acquaintances. This constrains the proprietor's ability to secure substantial loans for business expansion. Picture a small online boutique struggling to access significant funds for technological advancements or marketing campaigns.

6. **Loss in Absence:**

The absence of a sole proprietor can disrupt the seamless continuity of business operations. Imagine a scenario where a consulting firm owner is temporarily indisposed; critical decisions, client interactions, and routine operations may experience delays, impacting overall productivity and business standing.

7. **Difficulty in Attracting and Retaining Employees:**

As the business expands, attracting and retaining skilled employees becomes a formidable task. For example, a graphic design studio owner may face challenges in providing competitive salaries and comprehensive benefits compared to larger corporations, impacting the calibre and retention of the workforce.

8. **High Mortality Rate:**

The propensity for sole proprietorships to face a high failure rate, often attributed to inadequate management, is evident. Consider a passionate hardware store owner relying primarily on practical knowledge. Without strategic planning, the business might succumb to unforeseen challenges, leading to closure.

9. **Lack of Stability:**

The absence of a structured succession plan introduces instability. In the event of an unforeseen circumstance incapacitating the proprietor, a business without a clear path forward risks closure. Picture a tech startup facing uncertainties in stability due to an owner's unforeseen absence.

10. **Unfit for Medium and Large Businesses:**

While ideal for small ventures, the sole proprietorship structure becomes progressively impractical as the business scales. Consider the analogy of a small bakery transitioning into a larger enterprise. The inherent limitations in financial resources, managerial capabilities, and liability render the sole proprietorship less suitable for medium to large-scale operations.

Q.4 Write the advantages and disadvantages of partnership.

ADVANTAGES/MERITS OF PARTNERSHIP

1. **Easy Formation:**

Partnerships are straightforward to establish. Two competent individuals can form a partnership through an explicit or implied agreement without the need for formalities like a partnership deed or firm registration.

Example: Jane and Mike decide to start a small consulting business together without any complex paperwork.

2. **Larger Resources and Better Creditworthiness:**

Partnerships can pool more resources compared to a sole proprietorship. Partners, individually, can contribute significant capital. Additionally, they can easily secure loans due to their collective creditworthiness.

Example: Sarah and David, as partners, invest their savings into a new venture and secure a loan from a bank with their combined financial strength.

3. **Greater Managerial Talent:**

A partnership benefits from a diverse pool of managerial talent as each partner brings unique qualities. Coordinating these talents can result in a synergy that enhances the overall performance of the firm.

Example: In a graphic design partnership, one partner excels in client relations, while another is highly skilled in creative design, leading to a well-rounded service.

4. **Flexibility:**

Partnerships are flexible entities, allowing partners to make changes without extensive legal procedures. They can alter the business's nature, size, or scope, introduce new partners, or allow existing partners to retire.
Example: James and Emily, partners in a software development firm, decide to expand their services to include mobile app development without bureaucratic hurdles.

5. **Prompt Decisions:**

Partnerships facilitate frequent meetings, enabling prompt decision-making. This agility allows partners to capitalize on opportunities swiftly.
Example: Mark and Lisa, running a catering partnership, quickly decide to offer a new menu item after identifying a popular trend in the market.

6. **Balanced Decisions:**

With partners possessing different qualities and experiences, decisions are likely to be more balanced compared to a sole proprietorship.
Example: A partnership between a finance expert and a marketing specialist ensures well-informed decisions that consider both financial and promotional aspects.

7. **Sharing of Risk and Liability:**

Unlike sole proprietorships, where one person bears all the risks, in a partnership, risks and liabilities are shared among partners, reducing individual burdens.
Example: If a partnership faces a financial setback, each partner, like in a restaurant business, shares the financial loss proportionately.

8. **Personal Care and Supervision of Business:**

Partners can personally oversee the business, ensuring effective management and timely intervention in case of any issues.
Example: Tom and Laura, partners in a retail store, personally monitor inventory levels and customer service to maintain the business's smooth operation.

9. **Secrecy:**

Partnerships can maintain confidentiality as they are not obligated to publish accounts publicly, allowing them to keep business information private.
Example: A legal consultancy partnership can keep client details and case strategies confidential without public disclosure.

10. **Direct Relation Between Work and Reward:**

In partnerships, the more effort partners contribute, the more profits they earn, establishing a direct connection between work input and financial rewards.
Example: John and Rachel, partners in a software development firm, receive higher profits when they dedicate more time and effort to client projects.

DISADVANTAGES/DEMERITS OF PARTNERSHIP

1. **Unlimited Liability:**

Partners in a partnership have unlimited liability, similar to a sole proprietor. This means they are personally responsible for the debts and obligations of the business.
Example: If a partnership incurs significant debts and one partner is unable to pay, creditors can sue that partner individually, and their personal assets may be used to settle the business debts.

2. **Limited Resources:**

While partnerships can raise more resources than sole proprietorships, they still have fewer resources compared to companies.
Example: If a partnership wants to expand its operations significantly, it may struggle to raise the large amounts of capital that a company could obtain through issuing stocks.

3. **Limited Managerial Skill:**
Partnerships often rely on the managerial skills of the partners themselves, limiting their ability to bring in professional managers.
Example: If partners lack expertise in a specific area like marketing, the firm may face challenges in effectively promoting its products or services.
4. **Fear of Dispute:**
Partnerships are susceptible to disputes, as personal conflicts or misunderstandings among partners can arise.
Example: If partners disagree on the direction of the business or the allocation of profits, it may lead to strained relationships and negatively impact the firm's operations.
5. **Instability:**
Partnership organizations can be unstable due to various contingencies such as the death, insolvency, or permanent incapacity of a partner.
Example: If one partner passes away unexpectedly, the partnership may face dissolution unless there are clear provisions in the partnership agreement to handle such situations.
6. **Non-Transferability of Interest:**
A partner's share in the firm cannot be freely transferred without the consent of all other partners.
Example: If a partner wishes to sell their share to an outsider, all partners must agree, making the process cumbersome and potentially limiting the partner's options.
7. **Lack of Public Confidence:**
Partnership firms may not enjoy the same level of public confidence as companies due to the lack of compulsory registration and the ease with which they can be formed or dissolved.
Example: Investors and customers might be more hesitant to engage with a partnership firm, as they may perceive it as less stable compared to a registered company.
8. **Risk of Mutual Agency Relations:**
In a partnership, all partners are considered mutual agents and principals, which means each partner's actions bind the entire firm.
Example: If one partner makes a reckless business decision without consulting others, the entire partnership may face legal and financial consequences, illustrating the risk associated with mutual agency relations.

Suitability of Partnership:

The partnership organisation is suitable in following cases:

1. Where the size of business small or medium.
2. Where the area of operation is not extensive.
3. Where the business requires moderate amount of capital.
4. Where the business does not require huge borrowed funds.
5. Where the business is small or moderate.
6. Where the business requires the rendering of personal services.
7. Where the business needs personal contacts with the customers.

Q.5 What is Partnership Deed? What is the process of getting a partnership firm registered?

When partners decide to have a written agreement for their partnership, it becomes a document known as the deed of partnership. This written contract includes all the crucial terms agreed upon by the partners. It needs to be detailed, clear, and straightforward about every aspect of the partnership business. The deed must spell out the rights and responsibilities of each partner but should not include anything against the rules of the Indian Partnership Act. Additionally, the terms outlined in the deed should be legal and not involve anything unlawful.

Contents of the deed A partnership deed usually contains the provisions relating to the following:

1. Name of the firm.
2. Name of the partners.
3. Nature and place of business.
4. Date of commencement of partnership.
5. Duration of the partnership/firm.
6. Capital employed or to be employed by each partner.
7. Profit and loss sharing ratio.
8. Interest on capital.
9. Limit of drawings and interest on it.
10. Interest on loans by and to partners.
11. Salary or commission, if payable, to the partners.
12. Management and conduct of business.
13. Method of accounting and settlement of accounts in case of admission, retirement, death, expulsion etc. of a partner.
14. Rules as to admission, expulsion, retirement etc. of a partner.
15. Settlement of accounts on dissolution of the firm.

REGISTRATION OF PARTNERSHIP FIRM

Registration of a firm means getting the partnership firm registered with the Registrar of Firms. A partnership may be registered with the Registrar of Firms of the area in which any place of business of the firm is situated or proposed to be situated. Such registrar is appointed by the State Government.

Registration not Compulsory:

The registration of a firm is not compulsory. Under the Partnership Act, it is optional for the partners.

Time of Registration:

The registration of a firm may be effected at any time. (Sec. 58) Thus, an existing firm may be registered at any time even after the partners have agreed to dissolve the firm. But a firm must be a registered firm on the date of institution of a suit. [Sec. 69 (1)]

It should also be noted that any change in the facts registered in the Register of Firms must also be registered. (See Secs. 60-63) If such changes are not registered, the firm will be treated as unregistered firm for the purpose of instituting a suit.

Procedure for Registration:

Procedure for registration of firm comprises the following steps [Secs. 58 and 59]:

1. Obtaining prescribed form: First of all, the partners intending to register a firm, must obtain a prescribed form for registration. It may be obtained from the office of the Registrar of Firms.

2. Preparing statement in the prescribed form: Thereafter, the partners must prepare a statement in the prescribed form. The statement contains the following information:

(i) The firm name. But the firm name shall not contain any of the following words, namely "Crown," "Emperor," "Empress", "Empire", "Imperial", "King", "Queen", "Royal", or words expressing or implying the sanction, approval or patronage of Government, except when the State Government signifies its consent to the use of such words as part of the firm name by order in writing.

(ii) The place or principal place of business of the firm.
(iii) The names of any other places where the firm carries on business.
(iv) The date when each partner joined the firm.
(v) The names in full and permanent addresses of the partners.
(vi) The duration of the firm.

3. Signing the statement: The statement shall be signed by all the partners or by their agents specially authorised in this behalf.

4. Verifying the statement: Each person signing the statement shall also verify it in the manner prescribed.

5. Submitting the statement with fee: When above required formalities have been complied with, the partners must submit statemen along with the prescribed fee for registration. The statement may be submitted by sending by post or delivering it to the Registrar. The stater it is to be submitted to the registrar of the area in which any place of business the firm is situated or proposed to be situated. [Sec. 58]

6. Registration: When the Registrar is satisfied that the provisions of Section 58 have been duly complied with, he shall record an entry of the statement in a register called the Register of Firms, and shall file the statement. [Sec. 59]

7. Issue of certificate of registration: Registrar after registration of the firm issues under his hand a 'Certificate of Registration'. The certificate must be signed by the Registrar himself and not by an Assistant Registrar. [Girdharilal v. New Bharat Finance Co., AIR (1981) JK 82]

Q.6 What are the Rights and Duties of Partners?

Rights of Partners :

1. **Right to Take Part in Business:**

Every partner can actively participate in the business unless there's a contract stating otherwise.
Example: In a clothing store partnership, both partners have the right to be involved in day-to-day operations and decision-making.

2. **Right to be Consulted:**

Partners have the right to express opinions on important business matters, and unanimous consent is needed for critical decisions.
Example: While routine decisions can be made by majority vote, significant choices like changing the nature of the business require agreement from all partners.

3. **Right of Access to Books:**

Partners can access and inspect the firm's books to ensure transparency and fair dealings.
Example: If there's a financial dispute, a partner can review the firm's books to understand the financial transactions.

4. **Right to Remuneration:**

Partners usually don't get paid for their efforts unless specified in a contract or if it aligns with industry practices.
Example: If the partnership agreement allows it, a partner may receive payment for specific services rendered to the business.

5. **Right to Share Profits:**

Each partner is entitled to an equal share of profits and shares equal responsibility for losses.
Example: In a restaurant partnership, profits from the successful business are shared equally among the partners, regardless of their initial capital contribution.

6. **Right to Interest on Capital:**

If the partnership agreement allows, partners can receive interest on the capital they've invested, but this is contingent on the availability of profits.
Example: If a partner invests a significant sum in the business, they may negotiate to receive interest on that investment.

7. **Right to Interest on Advances:**

If a partner provides additional funds beyond their capital, they are entitled to interest at a specified rate.
Example: If a partner lends extra money to cover unexpected expenses, they can request interest on that amount.

8. **Right in Emergency:**

In emergencies, a partner has the authority to take actions necessary to protect the firm from potential losses.
Example: If there's an urgent situation threatening the business, a partner can make quick decisions to prevent harm.

9. **Right to be Indemnified:**

Partners have the right to be reimbursed by the firm for expenses incurred in the regular business conduct or emergency actions.
Example: If a partner uses personal funds to settle a business-related liability, they have the right to be repaid by the partnership.

10. **Right as an Agent of the Firm:**

Partners act as agents for the firm, binding the business in their usual activities.
Example: When a partner makes a business decision, it's as if the firm itself made that decision, binding the entire partnership.
These rights ensure a fair and collaborative environment within the partnership, promoting effective business operations and decision-making.

Duties of Partners:

1. **To Maximize Common Advantage:**

Partners are legally obligated to operate the business in a manner that benefits all partners collectively. This involves using individual skills, knowledge, and competence to enhance the overall profitability of the firm.

Example: If Partner A, with specialized skills, secures a lucrative deal for the firm, the resulting profit is considered a common advantage that should be shared among all partners.

2. **To Be Just and Faithful:**

The essence of a partnership is built on the principle of good faith. Partners must, therefore, uphold justice, act faithfully, and avoid any behavior that may betray the trust placed in them by their colleagues.

Example: If Partner B is aware of a potential business risk, acting justly requires them to communicate this information transparently to the other partners, fostering a trusting relationship.

3. **To Render True Accounts:**

Partners are mandated to keep accurate records of the firm's financial transactions and funds. Additionally, they must provide access to these records for scrutiny by other partners.

Example: In managing the firm's finances, Partner C diligently maintains a ledger detailing all income and expenses, ensuring transparency and accountability.

4. **To Give Full Information:**

Open communication is vital in a partnership. Partners must share comprehensive information about the firm's affairs, ensuring informed decision-making among all partners.

Example: When considering a strategic shift in business direction, Partner D discloses all relevant information to their colleagues, fostering a collaborative decision-making process.

5. **To Indemnify for Fraud:**

Partners bear the duty to compensate the firm for any losses resulting from their fraudulent activities during the course of the business.

Example: If Partner E engages in fraudulent transactions that lead to financial losses for the firm, they are obligated to reimburse the partnership for those losses.

6. **To Attend Diligently:**

Partners are expected to actively and diligently fulfill their responsibilities in the business unless otherwise stipulated in the partnership agreement.

Example: In a scenario where Partner F's neglectful actions result in significant losses for the firm, they may be required to indemnify the partnership for those losses.

7. **Not to Claim Remuneration:**

Typically, partners do not receive monetary compensation for their efforts in the business unless expressly outlined in the partnership agreement.

Example: Partner G contributes long hours to the firm's operations without expecting direct financial remuneration, aligning with the common practice in many partnerships.

8. **Duty to Share Losses:**

In the absence of a specific agreement, each partner is obligated to contribute equally to any financial losses incurred by the firm.

Example: If the firm faces economic setbacks, partners are required to share the burden of losses equally, promoting a fair distribution of financial responsibilities.

9. **To Use Property for the Business:**

Partners are bound to use and hold firm property exclusively for the benefit and purposes of the business, ensuring responsible and aligned utilization.

Example: If the partnership owns a workspace, Partner H refrains from using it for personal purposes, adhering to the agreement that the property is solely for business use.

10. **To Account for Private Profits:**

Partners must disclose and share any personal profits derived from firm transactions, property use, or business connections unless a different agreement is in place.

Example: If Partner I gains personal benefits from utilizing the firm's resources, they are obliged to account for and share those profits with the partnership, fostering an equitable distribution of gains.

11. **To Account for Profits of a Competing Business:**

A partner cannot engage in any business that directly competes with the firm's operations during their partnership. If they violate this rule, they must disclose and pay the firm any profits earned in the competing business, unless a different agreement exists.

Example: Partner J, involved in a software development firm, starts a side business in direct competition. As per the duty, Partner J must account for and share any profits from the competing venture with the original firm, unless the partnership agreement states otherwise.

12. **To Act Within Authority:**

Partners must adhere to the boundaries set by their implied and express authority. If a partner exceeds their authority, they are obliged to compensate the firm for any losses resulting from such actions.

Example: Partner K, who is responsible for purchasing office supplies, goes beyond their authority by entering into a significant contract without consultation. In this case, Partner K may be held liable to compensate the firm for any losses incurred due to the unauthorized contract.

13. **To Be Liable for the Acts of the Firm:**

Every partner is collectively and individually responsible for all actions taken by the firm during their partnership. This joint and several liability means partners are accountable for the consequences of the firm's actions.

Example: If the firm, represented by Partner L, enters into a contract with a supplier, all partners, including Partner L, are jointly and severally liable for the terms and obligations outlined in that contract. If the firm fails to meet those obligations, all partners can be held accountable for the consequences.

Q.7 Write the meaning and Definition of Company. Also Explain its Characteristics.

"A Company is a means of cooperation in the conduct of an enterprise." Woodrow Wilson.

In everyday language, "company" typically refers to a group of individuals who come together voluntarily, formally or informally, for common social, economic, or socio-economic purposes. Such groups could include partnerships, Hindu joint family businesses, societies, cooperative societies, or trade unions. However, in the context of this book, the term "company" specifically refers to an entity incorporated under the Companies Act or similar legislation.

In the business world, some organizations may use the term "Company" in their names, such as "Ram & Co.," "Kamal & Co.," or "Ram Shyam & Co.," even if they have not registered under company law. However, these organizations cannot be considered technically or legally as "companies" unless they are registered under the Companies Act, 2013, or previous company laws. Legally speaking, an organization can only be classified as a company if it is registered under the Companies Act, 2013, or its predecessors.

DEFINITION AND MEANING OF COMPANY

According to the Companies Act, 2013, 'Company' means a company incorporated under this Act or under any previous company law. [Sec. 2 (20)]

Thus, the Act recognises any organisation as company if it is registered under the present Companies Act or under any of the earlier company laws.

However, this definition does not point out the concept and nature of the company. The following definitions may be more useful in understanding the concept and nature of company:

According to Prof. Haney, "A company is an artificial person created by law, having separate entity, with a perpetual succession and common seal."

Thus, it may be concluded that a company is an organisation formed and incorporated under the present Companies Act, or under any previous company law. In the eyes of law, a company is an artificial person. It is an invisible and intangible person having separate legal entity from its member or members with perpetual succession. The capital of the company is divided into transferable shares and the shareholder or shareholders are called its member or members.

CHARACTERISTICS OF COMPANY

1. **An incorporated institution or body** - A company is an entity formally established under the provisions outlined in the Companies Act, 2013, or any preceding company legislation. Without undergoing the process of incorporation, an entity cannot legally be recognized as a company.

Referred to as a body corporate, a company obtains its status through compliance with company law regulations. Its legal existence begins only upon successful incorporation in accordance with these regulations.

It's worth noting that while every company is an incorporated entity, not all are statutory bodies. A statutory body is formed under specific statutes enacted by Parliament or State Legislatures. For example, entities like the Life Insurance Corporation of India and the Reserve Bank of India are statutory bodies, created under the Life Insurance Corporation Act and the Reserve Bank of India Act, respectively.

2. **Incorporated by a person or persons -** A company is an entity formed by one or more individuals, traditionally understood as being incorporated by at least two persons. However, contemporary laws allow for the incorporation of a company by either a single individual (who must be an Indian citizen and resident) or by two or more individuals and/or artificial persons.

It's important to note that while a One Person Company (OPC) can be established by an individual, other types of companies require the involvement of at least two persons.

The term "person" encompasses both natural persons (individuals) and artificial persons. All incorporated companies, as well as other entities established under various laws or statutes by Parliament or State Legislatures, are considered artificial persons.

3. **Subscriber/subscribers-** very company is established through the process of incorporation, wherein the subscriber or subscribers sign the memorandum. In the case of a One Person Company (OPC), there is only one subscriber. However, for other private companies (including OPCs) there must be a minimum of two subscribers, and in the case of public companies, there must be at least seven subscribers.

The subscriber or subscribers express their intention to the Registrar to establish a company and request registration in accordance with the submitted memorandum.

It's important to note that in the case of an OPC, the sole subscriber must be an individual who is both a citizen and resident of India. For other types of companies, any combination of two or seven persons, depending on the company type, can come together to establish the company.

4. **Minimum and maximum number of members-** The person or persons signing to memorandum of a company is or are the first member/members of the company. Consequently, in case of a OPC, the only subscriber to the memorandum is the only member of it. No other person can become member of a OPC so long as the only member survives,

In case of any other private company, there needs to be at least 2 members. However, it can have maximum of 200 members.

A public company requires at least 7 members. There is no limit on maximum number of members of a public company.

5. **Artificial person-** One of the key characteristics of a company is its status as an artificial person, established under legal frameworks. Former Chief Justice Marshall of the United States fittingly described a company as "an artificial person invisible, intangible, and existing only in the eyes of the law." Similarly, Lord Chancellor Selborne described a company as a "mere abstraction of law."

Several reasons support the classification of a company as a juristic or artificial person. Unlike natural persons, a company's creation occurs through legal processes, devoid of any natural emergence. It lacks a physical body, soul, or conscience, yet it is not a fictitious entity. Instead, it holds genuine legal status and exists within the realm of law. Endowed with legal personality, a company enjoys rights and powers akin to those of natural persons. It can engage in contracts through agents, possess, retain, and dispose of property, as well as litigate in courts. However, it cannot take oaths, be imprisoned, marry, divorce, or die.

6. **Separate legal entity-** Separate Legal Entity: A company is legally separate from its owners and directors, as confirmed in the Saloman v. Saloman & Co. Ltd. case. It can enter contracts, sue, and be sued on its own, and manage its finances independently.
7. **Perpetual Succession**: A company's existence isn't tied to its members' lives; it continues regardless of changes in ownership. Even in One Person Companies (OPCs), a nominated individual ensures continuity if the owner is incapacitated or dies. Governments can't end a company's existence arbitrarily. Perpetual succession means a company persists through membership changes, similar to rivers enduring despite constant change. This ensures that a company's identity and debts remain intact despite new members joining or leaving.

8. **Common Seal**: Companies used to require a common seal with their name engraved on it, but it's now optional. If a company doesn't have one, contracts or deeds can still be valid if signed by two directors or one director and, if available, a company secretary. Alternatively, the company can authorize someone through a power of attorney to sign on its behalf.
9. **Limited Liability**: Companies are usually set up to enjoy limited liability. In a company with shares, each member's liability is limited to the value of their unpaid shares. They don't have to contribute more than that. In a guarantee company, members are liable up to the amount they've agreed to guarantee, as stated in the company's memorandum. Unlimited companies don't have a limit on members' liability.

   Illustration: (a) Ram holds 100 shares of 10 each in Ram & Co. Ltd. and he has paid 5 per share. He is liable to contribute to the company maximum to the extent of 5 per share.

(b) Ram is a member of Ram & Co. limited by guarantee. He has guaranteed to contribute 5.000. The company can, in the event of its winding up demand contribution from Ram maximum to the extent of 5,000 and nothing more.

10. **Share Capital**: Companies can be registered with or without share capital, and there's no longer a minimum requirement for paid-up capital. They can have any amount of paid-up share capital, except for One Person Companies (OPCs), which cannot exceed 50 lakhs.
11. **Transferable Shares**: In a company, shares are movable property. Public companies usually allow free transfer of shares, though their articles may have conditions, like requiring shares to be fully paid before transfer. Private companies, however, need to limit share transfers in their articles to maintain their private status and avoid exceeding the membership limit of 200. In OPCs, if the member dies or becomes incapable, their shares are transferred to the nominee mentioned in the memorandum.
12. **Separate Property**: A company can own property in its own name, distinct from its shareholders. Even if a shareholder owns most shares, they don't own company property. The Supreme Court ruled that shareholders aren't owners of company assets. They can't insure company property but can receive dividends and claim assets after winding up.
13. **Capacity to Contract**: A company can make contracts within its memorandum limits. Contracts beyond these limits are invalid. Human representatives must act on behalf of the company in all contracts.
14. **Capacity to Sue and Be Sued**: Although a company requires human representation to enter into contracts, it can still initiate legal actions against others or be sued itself, all in its corporate name.
15. **Managerial Team**: A company's management is overseen by a Board of Directors elected by its shareholders. The Board sets major policies, while key managerial personnel like the managing director, whole-time director, and company secretary execute these policies and manage day-to-day operations with the assistance of managers and employees. Shareholders are not directly involved in the company's management.
16. **Governance by Majority**: Decisions within a company are made based on the principle of majority rule. Whether through a simple or special majority, the support of the majority determines the outcome of any decision-making process.
17. **Statutory Obligations**: A company must fulfill various legal requirements outlined by the Companies Act and regulations from the Ministry of Corporate Affairs (MCA). These obligations include holding directors' and company meetings, maintaining proper records, filing copies of meeting resolutions, keeping books of accounts, preparing and submitting audited annual financial statements, and filing annual returns. Additionally, companies must comply with laws and regulations related to taxes, stock exchanges, foreign exchange, commercial matters, labor laws, and more.
18. **Business or Property in Different Names**: A notable feature of a company is its ability to own property and conduct business under names other than its own. For example, a company named "Kamal & Co. Ltd." could operate a business under the name "Kamal Enterprises." This flexibility allows companies to manage various operations under different brands or trade names.
19. **Business Activities**: Companies have the capacity to engage in a wide range of business activities, including the production or sale of goods and the provision of services, as permitted by their memorandum of association. For example, a company could operate in industries such as sugar, textiles, footwear, computers, or provide services as a share broker, trustee, or executor, as long as these activities are authorized by its memorandum.
20. **Independent Existence**: The identity and existence of a company are separate from its assets or undertakings. Therefore, if the government takes over or nationalizes a company's assets or operations, it does not equate to taking control of the company itself.
21. **Residence and Taxation**: A company's residence for communication purposes is typically its registered office address. However, for taxation under the Income Tax Act, a company's residence is determined by where its "real business" operations take place. This is typically where the central management and control of the company are located.

22. **Citizenship and Fundamental Rights**: A company, being a legal entity, is not considered a citizen under Indian law and therefore does not possess fundamental rights granted to citizens. However, it can claim other rights conferred upon persons. Shareholders can file legal proceedings on behalf of the company to enforce its fundamental rights.
23. **National**ity: While a company is not considered a citizen, it does have a nationality based on the country where it is incorporated. Unlike natural persons, a company cannot change its nationality.
24. **Social Responsibility**: The Companies Act, 2013 mandates companies meeting specified financial parameters to spend at least 2% of their average net profits from the preceding three years on activities outlined in their social responsibility policy.
25. **Enemy Character**: Although a company is typically neutral, it may be deemed an enemy company if its controlling persons are residents of an enemy country or are acting in accordance with enemy interests.

Q.8 What are the Advantages & Disadvantages of a Company.

ADVANTAGES OF COMPANY

The advantages of the company form of organization:

1. Limited Liability:
In a company, members are only liable for the amount they invest. Their personal assets are protected from the company's debts. For example, if you invest $100 in a company and it goes bankrupt owing $1000, you won't have to pay more than your initial $100.

2. Huge Financial Resources:
A company can gather a lot of money by selling shares and borrowing from banks or even from people who deposit money in the company. For instance, if a company needs money to build a new factory, it can sell shares to investors who want to own a piece of the company.

3. Perpetual Existence or Stability:
Companies can continue to exist even if their members change. It's like a river that keeps flowing regardless of the water molecules in it. A company doesn't disappear if one of its owners leaves or dies. For example, even if the founders of a company retire, it can still operate with new owners.

4. Transferability of Shares:
People who own shares in a company can easily sell them to others. It's simpler than trying to sell ownership in other types of businesses. For instance, if you own shares in a tech company and want to sell them to buy shares in a different company, you can do so easily through a stock exchange.

5. Sound Management:
Companies can afford to hire skilled managers and experts to run their operations smoothly. They can pay for the best talent to help the company grow. For example, a company might hire a skilled engineer to improve its products.

6. Diffusion of Risk:
Company owners don't have to invest all their money in one company. They can invest in multiple companies to reduce the risk of losing all their money. For instance, instead of putting all their savings into one restaurant, they might invest in several different businesses like a tech company, a clothing store, and a restaurant.

7. Economy in Operation:
With access to large amounts of money, companies can expand and become more efficient in their operations. This can lead to cost savings and better profits. For example, a company might buy new machinery to produce goods faster and cheaper.

8. Democratic Management:
In a company, decisions are made by elected representatives called the board of directors. This ensures that decisions are made fairly and based on the majority's opinion. For example, if a company wants to introduce a new product, the board of directors would vote on it, and the decision would be based on what most of the directors agree on.

9. <u>Scope of Expansion and Growth:</u>
Companies can easily grow and expand because they have access to funds and can hire experts. They can also partner with other companies to grow even more. For example, a small software company might partner with a larger company to reach more customers.

10. <u>Public Confidence:</u>
Because companies are regulated by laws and agencies, people tend to trust them more than other types of businesses. This is because they know there are rules in place to protect them. For example, people are more likely to invest in a company that follows government regulations and has a good reputation.

11. <u>Encourages Capitalization:</u>
Companies can encourage people to save money by offering them a chance to invest in their shares. Even people with small amounts of money can invest in companies. For example, someone might invest $50 in a company's shares every month to save for their future.

12. <u>Social Advantages:</u>
Companies can create jobs and contribute to society by providing goods and services. They can also support social causes by donating money or resources. For example, a company might donate a portion of its profits to help build schools or hospitals in underserved communities.

DISADVANTAGES OF COMPANY

1. Difficulty in Formation:
Forming a company involves a complex and formal process. Entrepreneurs need to go through various legal procedures, like getting approval for the company name and preparing many documents. This process requires experts and is time-consuming and costly. As a result, many entrepreneurs avoid this form of organization. For example, starting a company requires extensive paperwork and legal consultations, which can be daunting for small business owners.

2. Regulation and Control:
Companies are subject to numerous regulations and controls from government agencies. They must file various reports and returns regularly and maintain accounts in a specific format. Additionally, any changes to the company's documents require a formal procedure. This regulatory burden can be overwhelming and time-consuming for company owners. For instance, companies have to comply with tax regulations, submit financial reports, and follow legal procedures for any changes in their structure or operations.

3. Oligarchy of Directors:
Despite being democratic in theory, companies often become dominated by a few directors. Many shareholders are passive and don't actively participate in decision-making, allowing directors to favor their own interests. This can lead to decisions that benefit the directors rather than the shareholders. For example, directors might appoint their friends or relatives to key positions within the company, leading to conflicts of interest.

4. Neglect of Minority Interests:
Decisions in a company are made by the majority, which can sometimes overlook the interests of minority shareholders. Although laws exist to protect minority shareholders, they are often ineffective due to procedural delays. This can result in minority shareholders feeling marginalized and their interests being ignored. For instance, a small group of shareholders might disagree with a major decision taken by the majority shareholders, but their voices might not be heard.

5. Lack of Secrecy:
Maintaining secrecy in a company is challenging due to the requirement to disclose information to regulatory authorities and stock exchanges. Quarterly and annual results must be published, and sensitive information needs to be shared before implementation. This makes it difficult to keep company affairs confidential. For example, a company's competitors can access its financial information through publicly available reports, which may impact its competitive advantage.

6. Delay in Decisions:

Important decisions in a company require approval from shareholders or the board of directors, which can lead to delays. Notice periods are needed for holding general and board meetings, and bureaucratic management styles can further slow down decision-making. As a result, companies may miss out on business opportunities due to delayed decisions. For instance, a company might take weeks to approve a new marketing strategy, causing it to lose ground to competitors.

7. Lack of Motivation:

Daily operations in a company are often managed by paid employees who may lack motivation and initiative beyond their job requirements. This can lead to inefficiency and waste. For example, employees might only do the bare minimum required to complete their tasks, rather than actively seeking ways to improve processes or innovate.

8. Tax Burden:

Companies face high tax rates on their profits and are subject to additional taxes like dividend distribution tax. This tax burden can significantly reduce profits and hinder growth. For example, a company might pay a large portion of its earnings in taxes, leaving less money for investment in expansion or research and development.

9. Difficulty in Winding Up:

Winding up a company is a complex legal process involving many formalities. Since a company is a legal entity, it cannot simply cease to exist but must follow prescribed procedures for dissolution. This process can be lengthy and expensive, adding to the challenges faced by companies. For instance, closing down a company requires fulfilling legal obligations, settling debts, and distributing assets, which can take months or even years.

10. Insider Trading:

Directors or promoters of a company may engage in insider trading, which involves buying or selling shares based on confidential information about the company. This can manipulate share prices and harm other shareholders. Despite regulations by authorities like SEBI, insider trading remains a significant concern. For example, if a director sells shares before announcing negative financial results, it can lead to unfair advantages for the director and losses for other shareholders.

Looking to the advantages and disadvantages of company form of organisation, it may be concluded that this is suitable in the following cases:

1. Where required investment is very huge.
2. Where promoters want to limit their liability.
3. Where the business activity can be carried on only in an incorporated organisation. For instance, banking and insurance business can be carried by a company or cooperative society.
4. Where the size and area of business is very large.

Q.9 What are the documents required in registration of company.

REGISTRATION OF COMPANY

Every kind of company comes into existence only after its registration with the Registrar of Companies. For registration of a company, the promoter of company shall file an application for incorporation of his company in Form No. INC-2 in case of a OPC and Form No. INC-7 in case of a company other than a OPC along with the prescribed fee. The application shall be filed with the Registrar within whose jurisdiction the registered office of the company is proposed to be situated. [Sec. 7(1) and Rule INC-12]

The application shall be accompanied by the **following documents and information**:

1. **Notice of address for communication**- Every company applying for registration should file with the Registrar a document containing the notice of the address for correspondence till registered office is established. [Sec. 7(1) (d)]

2. **Memorandum of the company**- Every company is required to file its memorandum to the Registrar for its registration. It should be duly signed by all the subscribers to the memorandum in such manner, as prescribed by Rule INC- 13. [Sec. 7(1) (a) and Rule INC-13]

It should be noted that the memorandum of a company shall be in respective forms specified in Tables A, B, C, D and E in Schedule I as may be applicable to such company. [Sec. 4(6)]

3. **Approval of sectoral regulators**- Sometimes, a company pursues objects that require registration or approval from sectoral regulators such as RBI and SEBI. In such a case, registration or approval must be fled at the time of incorporation of the company. In addition, a declaration in this behalf shall also be submitted to the Registrar the stage of incorporation of the company. [Proviso to Rule INC-12 inserted on 29th May, 2015]

4. **Articles of the company**- Every company proposed to be registered, shall file its articles with the Registrar for its registration. The articles of the company shall be duly signed by all the subscribers to the memorandum in such manner as prescribed by Rule INC-13. [Sec. 7(1)(a) and Rule INC-13]

It may be noted that the articles of a company shall be in respective forms specified in Tables F, G, H, I and J in Schedule I as may be applicable to such company. (Sec. 5(6)]

It may be noted that a company may adopt all or any of the regulations contained in the model articles applicable to the company. [Sec. 5(7)] But a private company is required to prepare its articles and include the provisions in terms of Section 2(68).

5. **Declaration as to compliance with legal requirements**- Every company shall file a declaration in Form No. INC-8. It shall declare that all the requirements of this Act and the rules made thereunder in respect of registration and matters precedent or incidental thereto have been complied with. Such declaration shall be by the following persons?

(i) An advocate, chartered accountant, cost accountant or company secretary in practice, who is engaged in formation of the company.

(ii) A person who has been named in the articles as a director, manager or company secretary of the company. [Sec. 7(1) (b) and Rule INC-14]

6. **Affidavit from subscribers and persons named as first directors**- Every company shall also file with the Registrar an affidavit in Form No. INC.9 made by each of the subscribers to the memorandurn and from persons named as the first directors, if any, in the articles. In such affidavit each of them shall declare the following:

(i) That he is not convicted of any offence in connection with the promotion, formation or management of any company.

(ii) That he has not been found guilty of any fraud or misfeasance or of any breach of duty to any company under this Act or any previous company law during the preceding five years.

(iii) That all the documents filed with the Registrar for registration of the company contain information that is correct and complete and true to the best of his knowledge and belief. [Sec. 7(1)(c) and Rule INC-15]

7. **Particulars of every subscriber**- The proposed company shall also file with the Registrar the particulars of name, including surname or family name, residential address, nationality and such other

particulars of every subscriber to the memorandum along with proof of identity, as may be prescribed. In the case of a subscriber being body corporate, particulars as may be prescribed, shall be filed. [Sec. 7(1) (e) and Rule INC-16]

8. **Particulars of first directors**- The proposed company shall also submit the particulars of the persons mentioned in the articles as the first directors of the company in Form No. DIR-12.[1] The particulars shall include their names, surnames or family names, the Director Identification Number, residential address, nationality and such other particulars including proof of identity as may be prescribed. [Sec. 7(1) (f) and Rule INC-17]

9. **Particulars of interest of directors**- The proposed company shall also file the particulars of the interests of the persons mentioned in the articles as the first directors of the company in other firms or bodies corporate in Form No. DIR-12. [Sec. 7(1) (g) and Rule INC-17]

10. **Consent to act as directors**-The company shall also file the consent of the persons who have agreed to act as directors of the company in Form No. DIR-12. [Sec. 7(1) (g) and Rule INC-17]

11. **Copy of the letter confirming reservation of the name**- The company shall also file a copy of the letter from the Registrar confirming reservation of the name.

12. **Power of attorney by subscriber**- Sometimes, power of attorney is executed by the subscriber authorising any person to sign the memorandum and articles on their behalf. Such power of attorney is essential in case of a corporate subscriber. This is to be filed with the Registrar at the time of registration of the company.

13. **Power of attorney to make corrections**-Usually a power of attorney is executed by all subscribers authorising any individual to make corrections on the documents filed for registration. The same shall also be filed with the registrar along with other documents.

1. Form DIR refers to the form prescribed in the Companies (Appointment and Qualification of Directors) Rules, 2014 and the numeric number of the respective Form number.

14. **Payment of fees**- The company must also remit the prescribed registration fees to the Registrar. The fee payable may be remitted either electronically (by using credit/debit card or by electronic bank transfer) or by cash draft through challan generated electronically on submission of e-form.

All these documents should be filed with the Registrar within 60 days from the date of confirmation of reservation of name of the company the reservation of name is valid for 60 days only.

Scrutiny and Registration of Documents:

After receiving application and delivery of documents for incorporation. the Registrar shall scrutinize the documents. When all documents are found in order, the Registrar on the basis of documents and information filed to him shall register all these documents and information in the register of companies [Sec. 7(2)]

If there is any minor defect in any document, the Registrar may require for its rectification by the authorised person. But if there is a material defect, he may return all the documents for rectification. He may refuse to register a company on only lawful grounds. But if he refuses to register on a ground which is not legitimate, he may be compelled to register. [Exclusive Board of the Methodist Church v. Union of India (1985) 57 Comp Cases 43 Bom]

Issue Certificate of Incorporation and CIN:

On registration of all the documents and information, the Registrar shall issue a certificate of incorporation in the Form No. INC-11 to the effect that the proposed company is incorporated under this Act. [Sec. 7(2) and Rule INC-18]

On and from the date mentioned in the certificate of incorporation, the Registrar shall allot to the company a Corporate Identity Number or CIN. This CIN shall be a distinct identity for the company. The CIN shall also be included in the certificate of incorporation. [Sec. 7(2) and (3)]

Certificate of Incorporation: A Conclusive Proof of Date of Incorporation:

The certificate of incorporation brings the company into existence as a distinet legal entity. It is a proof of registration and existence of a company as a legal person. The date of incorporation mentioned in the certificate of incorporation is deemed to be the date of incorporation of the company. [Sec. 9) A company comes into existence from the earliest moment of the day of incorporation stated in the certificate.

Where no such date is stated, the date of the certificate is the conclusive evidence of **date of incorporation even if it is wrong**. [Jubilee Cotton Mills Ltd v. Lewis (1924) AC 958] The life of company commences from the date mentioned in the certificate of incorporation. The date appearing on it is conclusive evidence of the date of incorporation even if it is wrong. (John Thomas v. Dr. K. Jagadessan (2001) 106 Comp Cases 619 SC]

Q.10 Explain the kinds of Companies.

There are many kinds of companies that may be formed under the Companies Act. But in the context of this book, it will be in the fitness of things to discuss the companies on the basis of number of members of company. There are three kinds of companies on the basis of number of members of a company:

PUBLIC COMPANY

A public company means a company, which-

(a) is not a private company, and

(b) has a minimum paid-up capital as may be prescribed.

According to the Companies Act of 2015, if a company is a subsidiary of another company (which isn't private), it's considered a public company, regardless of its own classification in its articles. This means that even if a subsidiary is defined as a private company in its own documents, it's still treated as a public company if its parent company is public. It means a private company which is subsidiary of a public company need not change its articles and characteristics although it will be deemed to be a public company.

A public company may be formed by persons from among the public including the persons of Indian or foreign origin. It may be formed in private sector as well as in Government (public), cooperative and joint sector of the economy.

PRIVATE COMPANY

Private company is one of the most important and popular form of business organization. It has many peculiar features and enjoys certain privileges as compared to a public company. It therefore, becomes imperative to understand the nature, privileges and other provisions of the Act with respect to this company.

Definition of Private Company:

According to the Companies Act, a private company means a company which has a minimum paid-up share capital as may be prescribed and which by its articles ensures the following:

(i) Restricts the right to transfer its shares.

(ii) Except in case of One Person Company (OPC), limits the number of its members to 200.

(iii) Prohibits any invitation to the public to subscribe for any securities of the company.

It may be noted that while reckoning (counting) maximum number of 200 members, following members shall not be considered:

(a) Persons who are employees of the company and also members/ shareholders of the company

(b) Former employees of the company who were members (shareholders) of the company while in that employment and still continue to be members of the company. [Sec. 2(68)]

It may also be noted that if two or more persons hold shares jointly, such joint shareholders shall be treated as a single member. [Sec. 2(68) as amended by the Companies (Amendment) Act, 2015]

Characteristics/Essentials:

1. Restriction on Share Transfer:

In a private company, rules are set up to limit how shares can be sold or transferred among its members. This is important to keep the number of members under 200.

2. Limit on Membership:

Private companies must have at least 2 members but cannot have more than 200. These rules apply except for One Person Companies (OPCs), which can have just one member.

3. No Public Share Offers:

Private companies are not allowed to offer their shares to the general public. They cannot issue prospectuses to attract public investment.

4. No Public Deposits:

Private companies cannot collect money from the public as deposits. They can only accept deposits from their members.

5. Articles of Association:

Private companies must have a set of rules called Articles of Association, which must comply with legal requirements.

6. Minimum Subscribers:

For a private company (except OPCs), at least 2 people need to sign the company's founding document (memorandum). For OPCs, only one person is needed.

7. Directors Requirement:

Private companies (except OPCs) must have at least 2 directors. OPCs need at least one director. The maximum number of directors for any private company is usually 15, but they can appoint more with a special resolution.

8. Specific Name Ending:

The name of a private company should end with "Private Limited" or "Pvt. Ltd.". For OPCs, "OPC" must be included in brackets after the name.

9. No Need for Prospectus:

Private companies are exempted from the requirement to issue prospectuses when offering shares

Q.11 What is an OPC? Write its salient Features. Also State its Benefits and Limitations.

ONE PERSON COMPANY

The Companies Act, 2013 introduces a provision for registration of One Person Company or OPC. This provision of the Act is an attempt to do away certain limitations of sole proprietorship form of business organization and bestow it with the benefits of limited liability, separate legal existence and perpetual succession. In this Chapter, an attempt is being made to discuss all the aspects of this new kind or avtar of company i.e. OPC.

Definition of OPC

"One person company means a company which has only one person as a member." (Sec. 2(62)]

An One Person Company (OPC) is a type of company defined by the Companies Act, 2013, where there is only one member. This member is the sole owner and shareholder of the company. Despite having only one member, an OPC is considered a separate legal entity from its owner, which means it can enter contracts, own assets, and incur liabilities in its own name. This legal separation ensures that the company has perpetual existence, meaning it can continue to operate even if the owner passes away or decides to leave the company.

The concept of OPC is not new to the world, although it was introduced for the first time in India by the Companies Act, 2013. Many countries in Europe, several states in the USA, China, Singapore, and many countries in the Gulf region have already embraced the idea of OPC, recognizing its benefits for single entrepreneurs and small business owners.

Salient Features of OPC

The salient features of a OPC are as follows:

1. **Incorporated body**- Every OPC is an incorporated body. It is incorporated under the provisions of the Companies Act, 2013.

2. **Incorporation as a private company**-Any OPC may be incorporated only as a private company. However, it may be incorporated as a limited or unlimited company with or without share capital. It may also be incorporated as company limited by guarantee with or without share capital. But in no case, it may be incorporated as a public company.

3. **Formation with one person as member**-A OPC may be formed for any lawful purpose by only one person as its member

4. **Incorporation only by a natural person who is Indian citizen and resident in India**- A OPC can be formed and incorporated only by a natural person who fulfills the following conditions

(i) He must be an Indian citizen.
(ii) He must be a resident in India. [Rule INC-3(1)]

For the purposes of this rule, the term 'resident in India' means a person who has stayed in India for a period of not less than 182 days during the immediately preceding one financial year. (Explanation to Rule INC-3(2)]

5. **Maximum number of companies by a person-** A natural person shall be eligible to incorporate maximum of only one OPC. [Rule INC-3(2)] Therefore, where a natural person, being member in a OPC, becomes a member of another OPC by virtue of his being a nominee in that OPC, such person shall meet the eligibility criteria within a period of 180 days. [Rule INC-3(3)]

6. **Only one subscriber-** A OPC is formed by subscribing the name of that only one natural person to the memorandum. Such one person will become first member of the company after its incorporation.

7. **Nominee of the subscriber**- The memorandum of every OPC shall state the name of a nominee of the subscriber (member) to the memorandum of the OPC. The name of the nominee shall be indicated only after obtaining his prior written consent.

8**. Artificial person**- Every OPC is an artificial person created by law.

9. **Separate legal existence-**A OPC has a separate legal existence from the member forming it.

10. **Perpetual succession**- A OPC is a legal entity with perpetual succession. To ensure perpetual succession to OPC, the Act makes a provision.

According to this provision, the subscriber to the memorandum of every OPC shall indicate a name of a nominee with his written consent in its memorandum. Such nominee shall automatically become member of the OPC in the event of subscriber's (member's) (i) death, or (ii) his incapacity to contract. The nominee on becoming member shall nominate other person as nominee with his written consent. Thus, such a nominated person shall automatically succeed after the only member's death. In this way, perpetual succession to OPC is ensured.

11**. Automatic succession**- On the death of member, nominee shall have title to all the shares and be entitled to the same dividends and other rights and liabilities to which sole member of company was entitled and liable.

12**. Common seal**- Every OPC may or may not have a common seal engraved with its name.

13. **Share capital**- There is no mandatory requirement of minimum paid- up share capital for a OPC. However, according the Rules notified by the MCA, a OPC may have a paid-up share capital to the extent of 50 lakh only [Sec. 2(68) as amended by The Companies (Amendment) Act, 2015 and Rule INC-3(7)].

14. **Transferability of shares**- Shares of a OPC are transferable to the nominee after the member's death or incapacity to contract. Shares held by a member of a OPC cannot be transferred to any other person so far as the member survives or the member is capable to contract. Such restriction is also included in the articles of such company.

15. **Limited liability**- Any OPC can be formed with limited or unlimited liability. The liability of the member of a limited OPC shall be limited to the amount unpaid on the shares held by him.

16. **Addition of certain words with the name** In addition to the words "Private Limited" or "Pvt. Ltd." with its name, a OPC is required to mention words 'One Person Company' in brackets below its name, wherever its name is printed, affixed or engraved. [Proviso to Sec. 12(3)]

17. **Capacity to contract**- Every OPC has capacity to contract with others within the scope and limits of its memorandum and articles. However, the contract by such company may be entered into through some human agency.

18. **Capacity to sue and be sued**- Every OPC can sue and be sued by others in its corporate name.

19. **Management team/Board of directors**- Every OPC is managed by a Board of directors. The minimum number of directors on the Board of a OPC shall be one but it may have maximum of 15 directors on its Board. However, after passing a special resolution, it may increase the maximum number of its directors.

20. **No OPC for charitable purpose**-A OPC cannot be incorporated or converted into a charitable company under Section 8 of the Act. [Rule INC-3(5)

21. **Not to carry out non-banking financial activities**-A OPC cannot carry out non-banking financial investment activities including investment in securities of any body corporate. [Rule INC-3(6)]

In addition to the above features, the following are also the features of a OPC which are similar to other companies:

1. Separate property.
2. Statutory obligations.
3. Existence of the company is independent of the estate or undertaking.
4. Residence.
5. Nationality
6. Not a citizen and no fundamental rights.

BENEFITS OF ONE PERSON COMPANY

The major benefits offered by OPCs are as follows:

1.**One person needed to form company**- A OPC may be formed by only one person. Thus, a person intending to form a company need not search for a co-promoter.

2. **Separate existence**-A OPC has separate existence from its member. Therefore, assets and liabilities of the company and its member remain separate from each other. They can even sue each other.

3. **Perpetual succession**- A OPC enjoys the benefit of perpetual succession. In case of member's death or incapacity to contract, the person nominated by him wili automatically succeed. The member's death or incapacity to contract will not affect the existence of the company. Thus, member may go and come but the OPC goes on forever.

4. **Limited liability**- The liability of member of a OPC is limited to the amount unpaid on the shares held by him. Therefore, the member shall not be personally liable to an unlimited extent for the losses sustained by the OPC.

5. **Secrecy**- A OPC is required to have at least one director. The member himself may become director of the company. Therefore, many secrets can be well guarded.

6. **Low operation cost**- A OPC allows its member to reap the benefits of corporate form of organization at the least possible cost. Legally, only one director is required. No AGM and EGM are

required to be called and held. Board meetings are not required to be called and held if the company has only one director. Therefore, operating cost of the company is very low as compared to multi-person company.

7. **Services of professional directors/personnel**- A OPC can avail services of as many as 15 directors because a OPC is also allowed to appoint 15 directors. In case of need, the number of directors of a OPC may be increased beyond 15 by a special resolution. In addition, many other professional personnel may also be appointed by a OPC. Thus, it can enjoy the services of professional directors and personnel.

8. **Easy financial and banking services**- A OPC can enjoy many financial and banking services on more favourable terms as compared to sole proprietorship and partnership firms. However, the credit history of the company and its member shall play a crucial role in these matters.

9. **Low regulatory costs**- A OPC is required to file with the Registrar much less number of documents than a MPC. Hence, the cost involved in the compliance with the regulatory formalities is very low as compared to other kinds of companies.

10. **Growth of entrepreneurs**- The liability of a OPC member is limited. Therefore, individual entrepreneurs with low risk appetite may also go for large ventures involving huge risk under the OPC entity. Tiny and small businesspersons/ entrepreneurs, handicrafts artisans, handloom workers etc. will be encouraged to take up many or full range of activities including the production, wholesaling. retailing, warehousing and transport activities. Thus, this form of organization will encourage the development and growth of entrepreneurs.

LIMITATIONS OF OPC

Although OPC form of organization offers many benefits, it suffers from the following limitations:

1. Many formalities- It is not easy to form a OPC. A large number of documents are required to be prepared and filed for its incorporation to the Registrar. In addition, many formalities are to be complied with in the course of its incorporation

2. High cost of formation- The formation of a OPC is a high cost proposition as compared to sole proprietorship and partnership firms. To comply with formalities of incorporation, promoter has to incur a huge expenditure. Fee for registration of company, fee payable for the professional services required for formation of the company and expenditure incurred on preparing and filing of the documents at the time of incorporation of the company involve a very handsome amount.

3. High managerial/operational cost- A OPC needs some managerial personnel in addition to a director such as managing director or CEO, company secretary etc. In such a case, a OPC is required to payout a handsome amount of mor.ey as their remuneration and for maintenance of their offices. Thus, a OPC has to bear a huge managerial operational cost as compared to proprietorship and partnership firms.

4. High rate of taxation- A OPC is taxed on its income at the rate applicable to companies, i.e. 30 per cent. In some cases, a OPC may attract provisions of 'minimum alternate tax' or MAT. In addition, a OPC is also liable to pay dividend distribution tax on the amount of dividend distributed by it. Thus, the tax payable by a OPC is usually much higher than a sole proprietor or partner.

5. Limited financial resources- A OPC can garner very limited financial resources. The member of a OPC cannot invest more than 50 lakh in the share capital of the company. [Rule INC-6]

6. Limited scope of activities- A OPC has been specifically prohibited from carrying out non-banking financial investment activities. It cannot invest in securities of any body corporate. [Rule INC- 3(6)] Moreover, its limited financial resources do not allow it to carry on any banking activities. Thus, its scope of activities is limited to small or medium size activities other than the banking and non-banking financial investment activities.

Q.12 What are the Advantages and Disadvantages of Co-operative Organisation? Also Explain their Classification.

ADVANTAGES OR MERITS OF CO-OPERATIVE ORGANISATION

Co-operative organisation has distinct advantages or merits to their credit. These may be classified under the following heads:

I. **Organisational advantages,**
II. **Economic advantages, and**
III. **Social advantages.**

1. Organisational Advantages:

1. Easy formation: A co-operative organisation can be easily formed. Any 10 major persons (Rajasthan State Act requires 15 persons) can get it registered with the Registrar of co-operative societies.

2. Small amount of investment-A person can become a member of a society by taking only one share in it. This may involve investment of Rs. 10 to Rs. 100 only.

3. Equal voting rights: All members of co-operative society enjoy equal voting rights irrespective of shares held by them. Each member has a right to cast one vote on a resolution.

4. Democratic management: All the powers vest in the general meeting of the share-holders. The general meeting makes all the decision by rule of majority. Some decisions are taken by simple majority and some other decisions are taken by two-third majority. The member of the general meeting elect member of the executive committee or governing body of the society by casting their votes. The executive committee executes all the decisions taken and all the policies formulated by the society. It also takes its decisions by rule of majority. The executive committee is accountable to the members of the society. Thus, it enjoys the benefits of democratic management.

5. Stability: A co-operative society is a stable organisation. The death, insolvency or incapability of any member does impact the existence of the society.

6. Easy to wind up: A co-operative society may be wound up by passing a resolution in the general meeting of its members.

II. Economic advantages/Merits:

1. Economical management : Co-operative society can make better and efficient production/distribution of goods. It can also eliminate middlemen and avoid over-lapping of

activities. It also restricts mal practices such as short weight, black-marketing and adulteration. Thus it can provide economical management.

2. Tax advantages: The co-operative society enjoy tax benefits on several counts. It is also enjoys benefits of exemption of stamp duty and registration fee in certain transactions.

3. Ploughing back the profits: A co-operative society cannot distribute all of its profits among its members. 25 per cent of profits are mandatorily transferred to general reserve. activities of the society. The reserves of profits can be invested in the

4. Government aid : The Central and all State Governments provide financial assistance to co-operative societies by way of grants and loans. They also get non-financial assistance.

5. Equitable distribution of profits: The profits of society are distributed on equitable basis. Unlike companies, the profits of society are distributed among its members in proportion to the business provided to the society by the members.

6. Limited liability: The liability of the members of co-operative society is limited. It is limited to the extent of the nominal value of shares held by them.

III. Social Advantages/Merits:

1. It helps develop spirit of mutual help and brotherhood
2. It help uplift standard of living of weaker sections of society.
3. It promotes equal distribution of income and wealth in the society.
4. It provides relief from expliotation.
5. It helps decentralisation of economic power.
6. It can bring changes in society by peaceful means.
7. It promotes maximum social welfare.

<u>DISADVANTAGES OF CO-OPERATIVE ORGANISATION</u>

1. **<u>Limited financial resources</u>**: As members are drawn from a particular locality and they usually have limited means. The capital which a co- operative society can false is very limited. Restrictions on dividend and the principle of "one-member one-vote' discourage large investment by members. Therefore, a society suffers from limited resources. Consequently, there is limited scope for expansion and growth.

2. **<u>Incompetent management</u>**: A co-operative society generally cannot afford to employ professional managers. It has to depend on honorary managerial service by members who often lack specialised training and experience in management.

3. **<u>Lack of motivation</u>** : Absence of profit motive and limitation of dividend stifle incentive and responsibility on the part of managing committee. Paid employees of a co-operative society do not feel adequately motivated to make their best efforts for the success of the organisation. In some cases, officials misappropriate funds and commit other frauds for their personal gains at the cost of the members.

4. **Mutual rivalries**: After an enthustastic start, a co-operative society often becomes lifeless and paralysed with the passage of time. The spirit of mutual help and selfless service gives way to rift, factionalism and politicizing the part of members. Lack of unity and cohesion paves the way for the doom of society. on

5**. Lack of public confidence**: A co-operative society enjoys little public confidence due to political conduct of office-bearers and domination by a select group of individuals.

6. **Lack of secrecy**: As a corporate body, a co-operative society is required to submit its reports and accounts with the Registrar of co-operative Societies. Full disclosure and publicity of affairs makes it very difficult to preserve the secrets of business.

7. **Inefficient operations**: The guaranteed market for co-operatives may cause slackness in the efforts of managers. The managers have no challenge in doing their job efficiently. This ultimately result into inefficient operations of the society.

8. **Misuse of funds**: The managers of co-operatives are generally ignorant of business principles. Some managers also use the funds of the society for their personal purposes. Some societies also give credit or loans to its member without or sufficient guarantee. Such loans may become bad debts. Thus, societies funds are sometimes misused which leads to the winding up of the society.

9. **Delayed decisions**: Due to legal provisions and bureaucratic attitude of the executive committee, a co-operative society cannot take decisions in time. Hence, good opportunities are lost. 10. Excessive State regulation: A co-operative society is under the regulation and control by the Government. Sometimes, political and other vested interests also dominate the working of co-operatives. Time consuming procedures and formalities result in delays in decision making.

CLASSIFICATION OF CO-OPERATIVE SOCIETIES

Co-operative Societies may broadly be classified under the following two categories:

1. Credit Societies :

Co-operative Credit Societies are those which pool the savings of the members and lend to those who need credit. Such societies aim at encouraging habit of thrift and savings among its members and to make available the credit whenever they need. There are different types of credit societies.

1. **Ordinary credit societies**- Such societies provide short term and medium-term credit to the members on personal security or security by two or more members.

2. Land mortgage credit societies- Such societies provide long term credit against the mortgage of land including the houses.

3. Rural credit societies. Such societies are situated in the rural areas. These are also known as agricultural co-operative societies or primary co-operative societies.

4. Urban credit societies- These societies are situated in urban areas i.e towns and cities. These are also known as non-agricultural societies,

II. Non- Credit Societies:

The societies other than credit societies are called the non-credit societies, Such societies are as follows:

1. Consumer co-operative stores: Consumer co-operative society is an organisation of consumers founded upon co-operative principles for providing cheap and pure goods and services to its members and to save them from the exploitation of middlemen. In other words, consumer co-operative society runs consumer stores. They may be small or large stores. The large stores may be like super markets, departmental stores or wholesale stores.

2. Marketing societies: These societies are formed by small producers such as farmers, weavers, handicrafts and handloom artisans, milk producers etc. These societies aim at selling the products of their members and providing other marketing services such as transportation, warehousing, grading, packaging, insurance etc. Such societies help eliminate middlemen and secure remunerative prices for their members' produce.

3. Manufacturing co-operative societies: Such societies are formed for production of goods. The members of it are engaged in the production of goods and they are paid wages for their labour.

4. Input supply societies: Such societies procure raw-materials, equipments and other inputs and supply them to their members. Such societies are formed by producers to get the basic inputs for production easily and cheap.

5. Multipurpose societies: Such societies are formed by individuals for supply of things and inputs needed by their members. In rural areas such societies supply seeds, fertilizers, credit and other things needed by their members. In urban areas, such societies provide raw-materials and finance and services of transport, insurance etc. to their members.

These societies are also known as service co-operative societies. Reason being that they provide different services to their members. In addition, there are so many other kinds of societies. Some of them are as follows:

(i) Co-operative farming societies.
(ii) Tenant farming societies.
(iii) Co-operative housing societies.
(iv) Transport co-operative societies.
(v) Labour co-operative societies.

Q.13 What is the role and importance of joint sector enterprises? **also explain the problems/demerits of it**.

Role and importance of joint sector enterprises is being explained under the sub-heads:

1. **Integration of public and private sector**: One expert on the subject has rightly stated that, "Joint sector is a marriage between the public sector and private sector." This integration between the two may prove to be fruitful to both because both are complementary to each other. In other words, joint sector allows the use of the skills, initiative and managerial expertise of the private sector entrepreneur and financial and State powers of the public sector.

2. **Broad-based entrepreneurship**: Dutt committee, has rightly pointed out that, "Many private entrepreneurs whose means are not sufficient, may come forward and take advantages of Government support and facilitating roles that are assured to them." In fact, joint sector encourages broad based entrepreneurship. Even small entrepreneurs of private sector with limited risk bearing capacity may join the public sector and take up big projects. Their joint risk bearing capacity, financial resources and competence may pave the way for development of many more broad-based enterprises.

3. **Social control over Industry**: Dutt Committee was very sure to establish social control over industry through the promotion of joint sector. It can check the monopolies and concentration of economic power and price manipulations.

4. **Promotion of socio-economic objectives**: Joint sector enterprises can play an important role in the promotion of socio-economic objectives of the Government. They may enable the Government to maintain prices to a reasonable level, increase employment opportunities, promote dispersal of industries, export of goods and services, research and development etc.

5. **Acceleration of industrial growth**: Joint sector plays crucial role in industrial development. With the support of Government many small entrepreneurs may dare to dream big and establish industries. Similarly, Government may convert the sick and unviable public enterprises into joint sector enterprises and develop them with the help of managerial skills of private entrepreneurs. Government may itself take initiative to start new joint sector enterprises in association with the well-known private sector entrepreneurs of proven track records.

6. **Helps develop entrepreneurship**: Dutt Committee report has rightly observed that, "By allowing private sector to play a part in the process, the State is able to develop entrepreneurship outside the Government." There are many young and talented engineers, IT professionals, MBAS, CAs, doctors who wants to establish their own enterprises. But many of them do not dare to do because of so many initial problems, formalities as well as the lack of finance. With the help of public sector partner, such talented and well qualified persons can turn their dreams into reality.

7. **Promotion of mixed economy**: Joint sector can prove to an effective measure for promotion of mixed economy in the country. It is the natural consequence when the two sectors jointly participate in a project.

PROBLEMS/DEMERITS OF JOINT SECTOR ENTERPRISES

Joint sector enterprises suffer from the following problems and demerits :

1. **Problem due to capital contribution ratio**: In joint sector enterprises, the capital contribution ratio is 26 per cent, 25 per cent and 49 per cent of Government, private entrepreneurs and public including financial institutions respectively. It has been seen that in many new enterprises general public does apply and the large chunk of shares goes to financial institutions. Consequently, Government and financial institutions jointly emerge as the major holders of equity capital of the company. Hence, Government gets the control over the enterprise.

2. **Problem of management and operation**: Another problem of joint sector enterprises relates to management and operation. The declared policy about joint sector is that Government will play a crucial role in the policy decisions of the enterprise but the operating decisions of the enterprise will be made by private entrepreneur. The Government will not interfere in the day- to-day operations. In spite of this, Government always ensures for itself an effective voice in the management and operation of joint sector enterprises. This creates a problem in the effective management and operation of the enterprise.

3. **Many formalities**: A joint sector enterprise is organised in company form. In this form, many formalities are to be complied with. Moreover, the participation of Government also requires compliance of many formalities, office procedures, rules etc. This causes delays in decision-making. It ultimately leads to loss of good opportunities and sometimes failure of the enterprise.

4. **Difference of opinion among the directors**: Directors nominated by the Government are often politicians or administrative officers. On the other hand, the directors nominated by private entrepreneur are purely business persons or professionals. Their basic philosophy is guided by different values and norms. Hence, there are always chances of difference in opinion among board members. This ultimately adversely affect the working of the enterprise.

5. **Selection of project**: Selection of project for joint sector enterprise is crucial matter. No Government agency can enter into joint sector project without the permission of the Government. But the Government has no well-set criteria for granting its permission. Hence, it becomes difficult or arbitrary for the Government to select or reject a proposal for joint sector enterprise.

6. **Difficulty in choosing private entrepreneur**: It often becomes very difficult for the Government to choose from a large number of private entrepreneurs for a particular enterprise. No criteria have so far been evolved to choose an entrepreneur.

7. **Change in the Board**: Frequent changes take place in the board of directors of the joint sector enterprises. It is mostly on account of change in the directors nominated by the Government. Administrations are transferred from time to time and political parties in power also change. Hence, directors are renominated and change in the board of directors take place. This ultimately hampers the efficiency of the enterprise.

8. **Conflict on objectives**: Government has primacy of social objectives whereas the private entrepreneur has primacy of economic objective. While establishing the enterprise both comprise on their objectives but eventually both try to concentrate on their primary objective.

This leads to conflict between the public and private partners and cause harm to the interest of the enterprise.

9. **Delay in completion of the project**: Many joint sector enterprise projects have not been completed in time. Consequently, cost of project has much exceeded the estimates.

10. **Underutilisation of capacity**: A large number of joint sector enterprises are operating below their capacity. This is mainly due to wrong choice and faulty planning of the project. Hence, their performance remains below the mark.

Q.14 Write the Role and Objectives of Public Enterprises.

OBJECTIVES OF PUBLIC ENTERPRISES

After independence, the Government initiated to expand public enterprises with the following objectives:

1. **Boosting Agricultural and Industrial Production**: Public enterprises aim to speed up the production of goods in agriculture and industries. For instance, companies like Food Corporation of India (FCI) focus on storing and distributing food grains to ensure food security.
2. **Expanding Employment Opportunities**: These enterprises strive to create more job opportunities for people. An example is National Thermal Power Corporation (NTPC), which employs thousands in power generation plants across the country.
3. **Ensuring Self-Reliant Economic Growth**: Public enterprises work towards making the country economically independent. One such example is Indian Space Research Organisation (ISRO), which develops indigenous technologies for space exploration.
4. **Diversifying the Economy**: They aim to broaden the range of economic activities. For instance, Hindustan Aeronautics Limited (HAL) contributes to the aerospace industry, diversifying India's economy beyond traditional sectors.
5. **Overcoming Economic and Social Backwardness**: Public enterprises focus on uplifting economically and socially disadvantaged regions. Mahanagar Telephone Nigam Limited (MTNL) provides telecommunication services even in remote areas, bridging the digital divide.
6. **Accelerating Growth in Core Sectors**: They target enhancing growth in crucial sectors like infrastructure. Bharat Heavy Electricals Limited (BHEL) manufactures equipment for power generation, aiding the growth of the energy sector.
7. **Serving Strategically Important Sectors**: Public enterprises play a vital role in sectors crucial for national security and development. Hindustan Aeronautics Limited (HAL) manufactures aircraft for defense purposes, ensuring national security.
8. **Generating Financial Resources for Development**: They contribute to the financial resources needed for national development projects. Oil and Natural Gas Corporation (ONGC) generates revenue through oil exploration, funding various government initiatives.
9. **Promoting Balanced Regional Development**: These enterprises work towards reducing regional disparities in development. Damodar Valley Corporation (DVC) focuses on developing the Eastern region of India through hydroelectric power generation.
10. **Countering Private Sector Monopolies**: They help prevent domination by private monopolies, ensuring fair competition. Life Insurance Corporation of India (LIC)

provides insurance services, competing with private insurers to protect consumer interests.

11. **Checking Concentration of Economic Power**: Public enterprises aim to prevent excessive control of the economy by a few entities. Steel Authority of India Limited (SAIL) produces steel, preventing monopolistic practices in the steel industry.
12. **Promoting Exports**: They contribute to increasing the country's exports. Indian Oil Corporation (IOC) exports petroleum products, earning foreign exchange for the nation.
13. **Producing Import Substitute Products**: Public enterprises manufacture goods that the country would otherwise import. Bharat Electronics Limited (BEL) produces defense electronics, reducing reliance on foreign suppliers.
14. **Ensuring Affordable Products for Mass Consumption**: They focus on making essential goods accessible to the public at reasonable prices. National Thermal Power Corporation (NTPC) supplies electricity, ensuring affordable power for households and industries.
15. **Protecting Employment in Troubled Organizations**: Public enterprises safeguard jobs in financially struggling companies. Air India, despite financial challenges, continues to employ thousands in the aviation industry.
16. **Undertaking Research and Development**: They invest in R&D to foster innovation and technological advancement. Defence Research and Development Organisation (DRDO) develops defense technologies, enhancing national security.
17. **Mobilizing Public Savings for Development**: These enterprises encourage public investment in national development projects. Power Finance Corporation (PFC) mobilizes funds for power sector projects through public investments.
18. **Setting Examples of Model Employment Practices**: Public enterprises prioritize employee welfare and social security. Indian Railways provides extensive employee benefits and pension schemes, setting benchmarks for labor welfare.
19. **Emphasizing Service Motive over Profit**: They prioritize serving the public interest over maximizing profits. Life Insurance Corporation of India (LIC) focuses on providing insurance coverage to the masses rather than solely chasing profits.
20. **Encouraging Small and Ancillary Industries**: Public enterprises support the growth of small-scale industries. Bharat Earth Movers Limited (BEML) procures components from small manufacturers, boosting their businesses.

ROLE AND IMPORTANCE OF PUBLIC ENTERPRISES

1. **Infrastructure Development**: Public enterprises have played a vital role in building essential infrastructure like power, transportation, and communication systems. These facilities are crucial for the growth of industries and businesses. For instance, companies like Power Grid Corporation of India have invested in power transmission infrastructure, ensuring electricity reaches every corner of the country, thus facilitating industrial growth.
2. **Strong Industrial Base**: Public enterprises have established industries in strategic sectors such as power, steel, and petroleum products. These industries form the backbone of the economy and support the growth of other industries. For example, Steel Authority of India Limited (SAIL) operates steel plants across the country, providing raw material for various manufacturing sectors.
3. **Planned Development**: Public enterprises align with government plans for economic development. They implement projects according to national priorities, thus ensuring a systematic approach to development. For instance, banks and insurance companies in the

public sector mobilize savings from the public and invest them in projects that contribute to the country's development goals.

4. **Balanced Regional Development**: Public enterprises are instrumental in promoting development in less developed regions. The government establishes these enterprises in backward areas, creating employment opportunities and boosting economic growth. An example is Bharat Heavy Electricals Limited (BHEL), which has manufacturing units in various states, contributing to regional development.
5. **Employment Generation**: Public enterprises provide employment to a significant portion of the workforce. They offer job opportunities in diverse sectors, contributing to livelihoods. For instance, Indian Railways is one of the largest employers in the country, providing jobs to millions across different regions.
6. **Promoting Capital Formation**: Public enterprises mobilize savings from the public and invest in key sectors like infrastructure and manufacturing. This capital formation drives economic growth and development. For example, public sector banks collect deposits from individuals and businesses and lend them to industries for expansion and modernization.
7. **Export Promotion**: Public enterprises play a crucial role in promoting exports by trading commodities internationally. State Trading Corporation (STC) and Minerals and Metals Trading Corporation (MMTC) facilitate export of goods like metal ores and handicrafts. This earns foreign exchange for the country and strengthens its economy.
8. **Import Substitution**: Public enterprises manufacture goods that were previously imported, reducing dependence on foreign products. For instance, Oil and Natural Gas Corporation (ONGC) produces petroleum products domestically, reducing the need for imports and conserving foreign exchange reserves.
9. **Contribution to GDP**: Public enterprises make significant contributions to the Gross Domestic Product (GDP) of the country. Their output and revenue generation add to the overall economic output. For example, companies like Indian Oil Corporation (IOC) contribute a substantial portion to the GDP through their operations in the petroleum sector.
10. **Contribution to Exchequer**: Public enterprises contribute to government revenue through dividends, taxes, and duties. This revenue supports public expenditure on welfare programs and infrastructure development. For instance, Bharat Heavy Electricals Limited (BHEL) pays taxes and dividends to the government, adding to the national treasury.
11. **Research and Development**: Public enterprises invest in research and development activities, leading to technological advancements. This innovation strengthens the country's industrial base and promotes self-reliance. For example, Indian Space Research Organisation (ISRO) conducts research in space technology, contributing to India's progress in space exploration.
12. **Reduction of Disparities of Income and Wealth**: Public enterprises help reduce income and wealth disparities by distributing profits equitably and providing welfare benefits to employees. They also supply goods at affordable prices, benefiting low-income consumers. For instance, public sector undertakings prioritize welfare programs and offer essential goods at subsidized rates, thereby narrowing the gap between rich and poor.
13. **Protection of Consumer Interests**: Public enterprises prioritize consumer welfare by offering goods and services at affordable prices. They adopt fair pricing policies, ensuring access to essential commodities for all sections of society. For example, public sector companies like Food Corporation of India (FCI) supply food grains at subsidized rates, ensuring food security for the population.

Q.15 Discuss the Important forms for organising public enterprises.

The important forms for organising public enterprises are as follows:

- Departmental organisations.
- Public corporations.
- Government company.

There are also other forms for organising public enterprises but they are very rarely used. These include public trusts, 'boards, operational contracts etc.

DEPARTMENTAL ORGANISATION

The departmental form of organization is one of the oldest methods used to manage public enterprises. Under this structure, an enterprise is placed under the jurisdiction of a specific government department. For instance, the railway department oversees the operations of public railways, and it is headed by the railway minister.

Characteristics:

1. **Government Department Management:**
Public enterprises are managed by government departments rather than independent entities or corporations. For example, the postal and telegraph services are managed by the Department of Posts and Telegraphs.
2. **Direct Ministerial Control:**
The minister responsible for the respective department has direct authority over the operations of the enterprise. For instance, the Railway Minister oversees decisions related to railway services and infrastructure.
3. **Financed by Government Appropriations:**
These enterprises are funded through annual allocations from the government treasury or exchequer. For example, the budget for the railway department is provided by the government to cover operational expenses and investments in infrastructure.
4. **Government Ownership and Financing:**
Public enterprises organized in this manner are wholly owned and financed by the government. For instance, the security and currency press is fully funded and controlled by the government.
5. **Accountability to Legislative Bodies:**
The department overseeing the enterprise is accountable to legislative bodies such as Lok Sabha, Rajya Sabha, or Vidhan Sabha. These bodies scrutinize the department's activities and allocations. For example, the Railway Department is accountable to the Indian Parliament for its performance and budgetary allocations.
6. **Budgetary, Accounting, and Audit Controls:**
Public enterprises under departmental organization are subject to the same budgetary, accounting, and audit controls as other government departments. For example, the railway department must adhere to government accounting standards and undergo regular audits.
7. **Civil Servants Employment:**
Employees of these enterprises are typically civil servants, and their terms of employment are similar to those of other government employees. For instance, employees working in the postal department are government employees and follow civil service rules and regulations.

8. **Sovereign Immunity:**
As government entities, public enterprises under departmental organization possess sovereign immunity. This means they can only be sued or sue others with prior permission from the government. For example, if a legal dispute arises involving the railway department, it requires government authorization to proceed with legal action.

Example: Let's take the example of the Department of Posts and Telegraphs in India.

This department oversees postal services, telecommunication services, and other related functions. Under the departmental form of organization, the Minister of Communications and Information Technology holds direct control over the department.

The department receives its funding from the government's annual budget allocations, which cover expenses such as salaries, infrastructure maintenance, and service expansion. Employees of the department are civil servants, and their employment conditions align with government regulations. The department is accountable to the Indian Parliament, which reviews its performance and budget allocations through regular sessions and audits. Additionally, as a government entity, the Department of Posts and Telegraphs enjoys sovereign immunity, requiring government permission for legal actions involving the department.

Suitability of Departmental Form of Organization:

The departmental form of organization is suitable for:

1. **Strategic Industries:**
Industries of strategic importance such as defense and atomic power, where government control and secrecy are critical. For example, the Department of Defense manages defense-related enterprises to safeguard national security interests.
2. **Secrecy Requirements:**
Activities where secrecy is essential, such as intelligence gathering or sensitive research projects. For instance, the Department of Homeland Security handles classified information related to national security.
3. **Strict Government Control:**
Sectors where the government seeks strict control over activities, ensuring alignment with national policies. For example, the Department of Justice oversees law enforcement agencies to uphold legal standards and protect citizen rights.
4. **Public Utilities Operation:**
Public utilities like water, electricity, and transportation, where the government aims to provide essential services to citizens. For example, the Department of Transportation manages public transportation systems to ensure accessibility and affordability for the public.

A **PUBLIC OR STATUTORY CORPORATION** is a legally established entity formed under a specific law enacted by the Parliament or State Legislature. Here's a breakdown of its characteristics in simpler terms:

1. **Incorporation under Special Statute**:
A public corporation is created under a special law passed by the Parliament or State Legislature, giving it a distinct legal status.
2. **Distinct Legal Existence**:

Similar to a Government company, a public corporation has separate legal standing from the government entities that established it. It can enter into contracts, own property, and engage in legal proceedings independently.

3. **Ownership Structure**:

The ownership of a public corporation may be entirely held by the Central and/or State Government, or it may involve ownership by public organizations. When private entrepreneurs also hold shares, it's termed as a mixed corporation, although the majority ownership typically remains with the government.

4. **Legal Rights and Powers**:

Despite being an artificial entity, a public corporation possesses the legal rights and powers of a person but not of an individual. This allows it to engage in various legal activities, including acquiring assets and liabilities, and initiating legal actions.

5. **Financial Independence**:

A key characteristic of a public corporation is its financial autonomy. It manages its finances independently, without direct intervention from the government entities that established it.

6. **Management Structure**:

The management and employees of a public corporation are not considered civil servants. The corporation itself determines their service conditions, providing autonomy in human resource management.

7. **Operational Autonomy**:

Public corporations enjoy operational autonomy, allowing them to make decisions regarding their day-to-day activities without excessive interference from government authorities.

8. **Accountability to Parliament/State Legislature**:

Similar to Government companies, public corporations are accountable to Parliament and/or State Legislature. They are required to submit annual reports and financial accounts to these legislative bodies for scrutiny.

Example:

1. **Indian Railways**:

Indian Railways is one of the largest railway networks in the world and operates as a statutory corporation under the Ministry of Railways, Government of India. It manages the country's rail transport system, including passenger and freight services, and owns a vast network of tracks, stations, and rolling stock.

2. **State Bank of India (SBI)**:

SBI is a leading public sector bank in India and operates as a statutory corporation under the Banking Regulation Act, 1949. It provides a wide range of banking and financial services to individuals, businesses, and institutions across the country and internationally.

3. **Oil and Natural Gas Corporation (ONGC)**:

ONGC is a statutory corporation under the Ministry of Petroleum and Natural Gas, Government of India. It is the largest oil and gas exploration and production company in India, involved in upstream activities such as exploration, drilling, and production of crude oil and natural gas.

4. **Food Corporation of India (FCI)**:

FCI is a statutory corporation under the Ministry of Consumer Affairs, Food, and Public Distribution, Government of India. It is responsible for procuring, storing, and distributing food grains across the country to ensure food security and support public distribution systems.

Suitability of Public Corporations:

Public corporations are suitable in the following scenarios:

1. **Need for Operational Freedom:** When a high degree of autonomy is required to manage the enterprise efficiently, public corporations are a suitable choice. For example, a public transportation system needs operational freedom to adjust schedules and routes based on passenger demand.
2. **Government Acquisition of Business:** When the government intends to take over the operations of an existing company to serve public interests better, establishing a public corporation is appropriate. For instance, if a privately-owned utility company fails to provide reliable services, the government may decide to nationalize it and transform it into a public corporation.
3. **Large-scale Operations:** Public corporations are well-suited for businesses that require substantial resources and infrastructure to operate on a large scale. For example, managing national healthcare systems or building and maintaining transportation networks often necessitates the formation of public corporations due to the scale and complexity of operations involved.

A **GOVERNMENT COMPANY**, as defined by the Companies Act, 2013, refers to a company where at least fifty-one percent of the paid-up share capital is owned by the Central Government, State Government(s), or a combination of both. Here's a breakdown of its characteristics in simpler terms:

1. **Registration Under Companies Act**:

A Government company is registered or incorporated under the Indian Companies Act, which outlines its legal framework and operational guidelines.

2. **Applicability of Companies Act**:

While registered under the Companies Act, certain provisions may not apply or may apply with modifications. This is determined by notifications issued by the Central Government in the Official Gazette.

3. **Ownership Structure**:

Majority of shares in a Government company are held by the Central Government, State Government(s), or a combination of both. Additionally, public corporations or authorities may also hold shares in these companies.

4. **Separate Legal Entity**:

Despite being owned by the government(s), a Government company operates as a separate legal entity. This means it has its own identity distinct from the government entities that own it.

5. **Corporate Status**:

A Government company is considered a body corporate, implying it can enter into contracts, own assets, and incur liabilities in its own name.

6. **Distinction from Government Departments**:

Unlike government departments, employees of Government companies are not considered government employees. Additionally, these companies can sue or be sued independently.

7. **Incorporation Process**:

Government companies are incorporated solely through executive decisions by the government. They do not require approval from the Parliament or State Legislature.

8. **Appointment of Auditor**:

The auditor of a Government company is appointed or reappointed by the Comptroller and Auditor General of India (CAG), ensuring independence and transparency in financial audits.

9. **Audit Reporting**:

Audit reports, along with any comments or supplements by the CAG, are presented at the annual general meeting of the company. This ensures accountability and oversight of financial practices.

10. **Accountability to Parliament/State Legislature**:

As government-owned entities, Government companies are accountable to Parliament and/or State Legislature. Their annual reports are submitted to these bodies for scrutiny and review.

11. **Management by Board of Directors**:

The affairs of a Government company are overseen by a Board of Directors, who are either elected by company members or nominated by the government(s). This ensures governance and strategic direction.

12. **Private or Public Limited**:

A Government company may operate as either a private limited or public limited company, depending on its ownership structure and operational requirements.

Example: Let's consider "ABC Infrastructure Ltd.," a Government company responsible for developing and maintaining infrastructure projects across the country. The majority of its shares are owned by the Central and State Governments. It operates independently, managing its affairs through a Board of Directors appointed by the government. Its annual reports and audit findings are presented to Parliament for review, ensuring transparency and accountability in its operations.

Suitability:

- Government companies are suitable in situations where the government aims to acquire existing enterprises urgently or wishes to collaborate with private entrepreneurs to run enterprises.
- They are also suitable for starting enterprises with the intention of eventually transferring them to the private sector or promoting commercial or industrial activities in the public sector.

Similarities between Government Company and Public Corporation:

1. **Legal Status**:

Both government companies and public corporations are established as legal entities under specific laws or statutes.

Example: A government-owned utility company and a public corporation responsible for infrastructure development are both established under separate legal frameworks, granting them distinct legal status.

2. **Separate Legal Existence**:

Both entities have separate legal existence from the government, allowing them to operate independently within the framework of their respective mandates.

Example: A government-owned transportation company and a public corporation responsible for urban development operate as separate legal entities, distinct from the government entities that created them.

3. **Government Oversight**:

Both government companies and public corporations are accountable to parliament or state legislatures for their operations and performance.

Example: A government-owned telecommunications company and a public corporation responsible for environmental conservation are subject to parliamentary scrutiny and oversight, ensuring transparency and accountability in their operations.

4. **Professional Management**:

Both entities can engage professional managers and competent personnel to oversee their operations and strategic initiatives.

Example: A government-owned healthcare company and a public corporation responsible for infrastructure projects hire experienced executives and subject matter experts to lead their respective organizations, enhancing their operational efficiency and effectiveness.

5. **Audit Oversight**:

Audit of accounts for both government companies and public corporations is subject to approval and comments from the Comptroller and Auditor General (CAG) or equivalent auditing authorities.

Example: A government-owned financial institution and a public corporation responsible for energy production undergo annual audits by the CAG to ensure financial transparency and accountability.

Q.16 Write the problems of public enterprises and the measures to overcome the problems.

Issues Faced by Public Enterprises:

1. Faulty Project Planning: Public enterprises often suffer from inadequate project planning, resulting in cost overruns and delays. Lack of thorough analysis and foresight contributes to these shortcomings.
2. Over-Capitalization: Public enterprises may invest beyond actual requirements, leading to financial strain. This over-capitalization can result from misjudgements in assessing needs or pressure to utilize allocated funds.
3. Under-Utilization of Capacity: Despite possessing substantial resources, public enterprises frequently operate below their full capacity due to various factors such as inefficient processes, lack of demand forecasting, or regulatory constraints.
4. Pricing Policy Issues: Balancing economic considerations with social objectives poses a challenge for public enterprises. This dilemma often leads to pricing policies that are either unsustainable or fail to optimize revenue generation while addressing societal needs.
5. Inefficient Management: Bureaucratic structures and processes within public enterprises can hinder effective decision-making and operational agility. Hierarchical barriers and slow approval processes contribute to inefficiencies.
6. Lack of Professional Management: Political appointments sometimes take precedence over qualifications and expertise when selecting managerial personnel. This lack of professionalism can undermine the enterprise's performance and long-term sustainability.
7. Political Interference: Political interests occasionally disrupt the autonomous functioning of public enterprises. Decision-making processes may be influenced by political considerations rather than sound business principles, leading to suboptimal outcomes.
8. Over-Staffing: Excessive workforce levels within public enterprises result in inflated overhead costs, reducing efficiency and competitiveness. This over-staffing may stem from political patronage or outdated workforce planning practices.

9. Poor Industrial Relations: Disputes and strikes stemming from unresolved grievances or inadequate communication channels can severely impact productivity and disrupt operations within public enterprises.
10. Low Productivity: Inadequate recruitment practices, insufficient training programs, and corruption can all contribute to low productivity levels within public enterprises, undermining their effectiveness and competitiveness.
11. Choice of Organizational Form: Ambiguity surrounding the appropriate organizational structure can lead to administrative challenges and operational inefficiencies within public enterprises.
12. Lack of Autonomy: Excessive government intervention and bureaucratic oversight can impede the autonomy of public enterprises, constraining their ability to respond swiftly to market dynamics and operational challenges.

Measures to Address Challenges:

1. Clarity of Objectives: Establishing clear objectives that align with social, political, and economic goals provides a guiding framework for decision-making and resource allocation.
2. Criteria for Organization Form: Developing guidelines for selecting the most suitable organizational structure ensures that administrative arrangements support operational efficiency and effectiveness.
3. Well-Defined Pricing Policy: Aligning pricing strategies with actual costs and market dynamics promotes financial sustainability and responsiveness to consumer demand.
4. Sound Human Resource Policy: Implementing policies to attract, retain, and develop talent fosters a skilled and motivated workforce capable of driving organizational success.
5. Building Sound Industrial Relations: Investing in mechanisms for resolving grievances and fostering constructive labour-management relationships enhances productivity and operational stability.
6. Better Capacity Utilization: Maximizing resource utilization and exploring revenue-generating opportunities optimize operational efficiency and financial performance.
7. Freedom from Political Interference: Safeguarding public enterprises from undue political influence ensures impartial decision-making and organizational effectiveness.
8. Professional and Competent Management: Appointing managers based on merit and providing ongoing training cultivates leadership excellence and operational competence within public enterprises.
9. Autonomy: Granting public enterprises sufficient autonomy enables them to adapt swiftly to market changes and optimize operational performance.
10. Proper Project Evaluation: Conducting thorough feasibility studies and risk assessments before undertaking new projects minimizes the likelihood of costly delays and failures.
11. Balanced Accountability: Establishing accountability mechanisms that encourage responsible decision-making without stifling innovation and initiative is crucial for organizational effectiveness.
12. Performance Review: Regularly assessing performance and identifying areas for improvement enables public enterprises to address inefficiencies and enhance overall effectiveness.

UNIT 2

Multiple Choice Questions:

1) ______ is a multipurpose organ that manages a business, manages manager and manages workers and work.

a) Recruitment
b) Selection
c) **Management**
d) None of these

2) Management is a_______.

a) **Continuous process**
b) Short-term process
c) Static process
d) All of the above

3) A manager should possess___________.

a) Motivational Skills
b) Social Skills
c) Communication Skills
d) **All of the above**

4) The term 'management' stands for

a) Planning
b) Directing
c) Organising
d) **All of the above**

5) Levels of management can be divided into classes.

a) **3**
b) 4
c) 2
d) 1

6) The concept of scientific management announced by was

a) Elton Mayo

b) Peter F. Ducker

c) **Frederick Winslow Taylor**

d) None of these

7) ___________ is known as the "Father of Human Relations Movement"

a) **Elton Mayo**

b) Peter F. Ducker

c) Frederick Winslow Taylor

d) None of these

8) Contingency approach can also be termed as:

a) Social approach

b) **Situational approach**

c) Behavioural approach

d) None of these

9) The author of the famous book "The functions of the Executive" is

a) **Chester Barnard**

b) Frederick Winslow Taylor

c) Elton Mayo

d) Peter F. Ducker

10) The concentration of decision-making authority in the hands of top management leads to

a) Decentralisation
b) Remuneration
c) **Centralisation**
d) None of these

11) Elton mayo is associated with

a) 3d model

b) Managerial grid

c) **Hawthorne studies**

d) None of the above

12) Which one of the following is not the main concern of 'Scientific Management"?

a) Production

b) Efficiency

c) **Mechanistic methods**

d) Rationality

13) Which of these is one of Fayol's fourteen principles of management?

a) **Unity of command**

b) Scientific determination

c) Cooperation of managers

d) None of the above

14) The theory of bureaucracy by was proposed

a) **Max Weber**

b) Peter F. Ducker

c) Henry Fayol

d) Paul Hersey

15) Esprit de Corps means

a) **Unity is strength**

b) Order

c) Gang plank

d) Scalar chain

16) According to Max Weber's theory of bureaucracy which of the following authority is considered as the most important type of authority?

a) **Rational-legal authority**

b) Traditional authority

c) Charismatic authority

d) None of the above

Short Answers Questions:

Q.1. Define Management and explain its concept.

Management can be defined as the process of achieving organizational goals through planning, organizing, leading, and controlling the human, physical, financial, and information resources of the organization in an effective and efficient manner.

Every business needs planning for the future for a successful business and the person who is in the authority, has to take decisions and he will be responsible for the consequences of his decisions whether favourable and unfavourable.

Definition of Management

Concept of management is defined as the process of getting things done from others to achieve goals effectively and efficiently.

Efficiently: - "To complete a task with minimum cost.”

Effectively: - "It is basically to complete the task on time.”

The process includes the functions performed by the management within the organization.

1.Planning: - Planning means thinking in advance. Planning relates to setting goals, objectives and targets and also describe a mechanism to achieve them at various levels throughout the organization.

2.Organizing: - It means the arrangement of resources to do different tasks in the organization.

3.Staffing: - It means the appointment of the right person at the right place or job.

4.Directing: - It includes the instructions, guidance and motivation given by the manager to their employees and manager adopt their leadership tasks.

5.Controlling: - Control is concerned with measuring and minimizing the difference between planned performance and actual performance, and monitoring performance as well as taking corrective actions wherever necessary. Thus, management is a complex, integrated and ongoing dynamic process.

Q.2 Explain the nature of management.

Nature of Management:

1. Goal-Oriented: Management is about achieving specific objectives and goals. Every organization sets goals, and management is the process that helps in defining these goals clearly and guides the organization towards achieving them. Goals provide a sense of direction and purpose for the organization.

2. Management is a Group Activity: Management involves coordinating and overseeing the efforts of a group of people to achieve organizational goals. It’s not an individual task but a collaborative effort where managers work with teams to accomplish objectives efficiently.

3. Management is an Intangible Force: Management is not something physical you can touch or see; it’s an abstract concept. It involves the use of skills, knowledge, and expertise to manage resources and people effectively. It's about making intangible resources like human potential and ideas work towards tangible outcomes.

4. Management is All-Pervasive: Management is needed in all types and sizes of organizations, whether it's a small business, a non-profit organization, or a large multinational corporation. It’s essential in various sectors like healthcare, education, government, and industry.

5. Management is Multi-Dimensional: Management has several dimensions, including:

   A. Management of Work: Involves organizing tasks, processes, and activities efficiently.

   B. Management of People: Involves leading, guiding, and motivating individuals or teams.

   C. Management of Operations: Focuses on optimizing production and service delivery processes.

6. Management is a Continuous Process: Management is not a one-time activity. It’s an ongoing process of planning, organizing, leading, and controlling resources to achieve organizational objectives. Managers constantly monitor progress, make adjustments, and adapt strategies to meet changing circumstances.

7. Management is a Dynamic Function: Management practices evolve with changes in technology, market demands, social and economic factors. Managers must adapt their strategies and techniques to stay effective in dynamic environments.

8. Management is Universal: The principles of management are applicable in all types of organizations, regardless of their size, nature, or location. The fundamental concepts of planning, organizing, leading, and controlling are universal and can be tailored to suit different contexts.

9. Management is Interdisciplinary: Management draws knowledge from various fields such as economics, psychology, sociology, and engineering. Managers need a diverse set of skills and knowledge to handle complex organizational challenges.

10. Management is Hierarchical: Organizations have a hierarchical structure where managers at different levels (top, middle, and lower) have different roles and responsibilities. Top managers set strategic goals, middle managers implement plans, and lower-level managers supervise day-to-day operations.

11. Management is Decision-Making: Managers make numerous decisions, ranging from routine operational issues to strategic choices. Decision-making is a crucial aspect of management, involving analyzing situations, evaluating options, and selecting the best course of action to achieve goals effectively and efficiently.

12. Management is Efficiency and Effectiveness: Management aims to balance efficiency (doing things right) and effectiveness (doing the right things). It ensures that resources are used optimally to achieve goals without wastage.

13. Management is People-Centric: Effective management involves understanding, motivating, and leading people. Managers need interpersonal skills to work with diverse individuals and teams, fostering a positive and productive work environment.

14. Management is Leadership: Leadership is a critical aspect of management. Good managers inspire, guide, and influence their teams to achieve common objectives. Leadership qualities like vision, communication, and empathy are essential for effective management.

15. Management is Communication and Coordination: Managers must communicate clearly and effectively to convey goals, expectations, and feedback. Coordination ensures that different parts of the organization work together harmoniously to achieve common goals.

Q.3 Write a short note on Functional Areas of Management.

Functional Areas of Management

1. Marketing Management:

i. Involves identifying customer needs and creating strategies to promote and sell products or services.
ii. Focuses on market research, product development, pricing, advertising, and distribution.

2. Financial Management:

i. Concerned with managing financial resources and making decisions to achieve financial objectives.
ii. Involves budgeting, financial planning, investment decisions, and risk management.

3. Human Resource Management (HRM):

i. Focuses on managing the workforce, including recruitment, training, performance evaluation, and employee relations.
ii. Ensures the organization has the right people with the right skills.

4.Operations Management:

i. Manages the processes and activities that produce goods and services.
ii. Involves optimizing production, quality control, supply chain management, and efficiency.

5. Strategic Management:
   a. Concerned with setting the long-term direction and goals of the organization.
   b. Involves strategic planning, formulation, and execution of strategies to achieve a competitive advantage.

6. Information Technology (IT) Management:
   i. Focuses on managing technology resources and systems to support organizational processes.
   ii. Includes network management, software development, and data security.

7. Supply Chain Management:
   i. Involves managing the flow of goods and services from suppliers to consumers.
   ii. Focuses on logistics, procurement, inventory management, and supplier relationships.

8. Risk Management:
   i. Focuses on identifying and mitigating potential risks that could impact the organization's operations.
   ii. Involves risk assessment, insurance, and contingency planning.

9. Quality Management:
   i. Aims to ensure products and services meet or exceed customer expectations.
   ii. Involves quality control, continuous improvement, and customer feedback.

10. Project Management:
   i. Focuses on planning, executing, and monitoring specific projects to achieve defined objectives.
   ii. Includes project planning, scheduling, budgeting, and team coordination.

11. Environmental Management:
   i. Concerned with addressing environmental sustainability and minimizing an organization's impact on the environment.
   ii. Involves compliance with environmental regulations, eco-friendly practices, and green initiatives.

12. Legal and Regulatory Compliance:
   i. Ensures the organization adheres to laws, regulations, and industry standards.
   ii. Involves compliance monitoring, legal counsel, and risk assessment.

Q.4. <u>Write a short note on Max Weber's Theory of Bureaucracy.</u>

1. Six Principles of Bureaucracy:

Specialization:

a. Breaks tasks into smaller, manageable units.
b. Each unit focuses on specific tasks.
c. Prevents confusion and errors.
d. Workers use their existing skills and knowledge.
e. Staying within one's role maintains transparency and efficiency.

Formalized Rules:

a. Sets clear behaviour guidelines.
b. Provides a framework for actions.
c. Rules prevent mistakes and misuse of resources.
d. Written down and made public for everyone's awareness.
e. Applied consistently and impartially for fairness.

Hierarchical Structure:

a. Follows a clear chain of authority from top to bottom.
b. Ensures accountability to higher authority.
c. Efficient decision-making by experts.
d. Leadership positions based on merit.
e. Staffed with professional workers with the right skills.

Well-Trained Employees:

a. Employees need the right skills and knowledge.
b. Training promotes teamwork.
c. Prevents inefficiency due to lack of common knowledge.
d. Ongoing training keeps employees updated and adaptable.

Managerial Dedication:

a. Managers must be fully dedicated to their roles and the organization.
b. They work long hours and make sacrifices.
c. Understand the organization's procedures and rules.
d. Given autonomy for quick and efficient decision-making.

Impartiality of Management:

a. Impersonal decision-making based on objective criteria.
b. Ensures fair treatment for everyone.
c. Management follows rules and separates personal interests.
d. Prevents corruption and nepotism.
e. Sets a good example for others to follow and maintains order.

The Ideal Bureaucracy theory:

These principles create an efficient and structured organization.

<u>Ideal Types of Political Leadership</u>

<u>1. Traditional Authority:</u>

Based on History: Rooted in historical customs and traditions.
Respect for Tradition: People follow leaders due to respect for tradition and authority figures.

Characteristics: Leaders chosen by age, inheritance, or power.

- Characteristics of an Organization:

a. Positions filled based on favouritism, not expertise.
b. Rules come from the past.
c. Hierarchy may not make sense.
d. Recruitment, selection, and promotion based on favouritism.
e. Lack of technical training.
f. Fixed salaries.

2. Charismatic Authority:

- Personal Qualities: Leadership based on a leader's exceptional qualities.
- Belief in Leader: Followers believe in a leader's unique capabilities.

- Characteristics of an Organization Dominated by Charismatic Authority:

a. Positions filled based on personal qualities, not necessarily expertise.
b. Rules created by the leader, avoiding routine.
c. Minimal hierarchy.
d. Recruitment based on leader's perception.
e. Little technical training.
f. Minimal compensation from donations.

- Charismatic authority is revolutionary and can replace traditional authority.

3. Rational-Legal Authority:

- Based on Rules: Authority comes from established rules and laws.
- Belief in Rules: People follow leaders who apply rules fairly.

- Characteristics of an Organization Dominated by Rational-Legal Authority:

a. Positions appointed based on contracts and expertise.
b. Clear, documented, and agreed-upon rules.
c. A well-defined hierarchy.
d. Recruitment based on qualifications.
e. Extensive technical training.
f. Fixed salaries.

Examples of Bureaucratic Organizations

1. Governments:

a. Hierarchical Structure: Government units are accountable to higher authorities.
b. Well-Trained Employees: Trained employees process various matters, from permits to court decisions and currency.

2. Corporate Culture:

a. Complex Structure: Large businesses have many departments and layers.

b. Hierarchical Structure: Employees have defined tasks and are overseen by managers.

3. The Military:

- Quick Response: The military needs fast decision-making.
- Hierarchical Structure: The hierarchy helps execute tasks with precision.

Q.5. Write the Components of Planning.

Planning is like creating a roadmap for success in management. It involves careful thought and strategic decision-making. Let's delve into the different components of planning using simplified explanations and real-world examples for a thorough understanding.

1. Purposes: Planning kicks off with setting clear goals, serving two primary purposes.
Protective Purpose: Think of this as putting on a seatbelt before driving. It's about minimizing risks in business by anticipating challenges. For example, consider a new product launch by a tech company. Planning would involve identifying potential market risks to ensure a smooth launch.
Affirmative Purpose: This aspect focuses on increasing organizational success. For instance, imagine a retail store planning to expand its presence. This planning revolves around affirmative goals, working towards sustained growth and success.

2. Objectives: Objectives are like small, achievable steps that collectively lead to larger goals. They represent specific outcomes of each organizational process.
For example, if the overarching goal is to enhance customer satisfaction, a specific objective could be implementing a customer feedback system. This objective is a small yet crucial step towards achieving the broader goal of stellar customer service.

3. Policies: Policies serve as guiding principles for decision-making. They act as rules directing managers on the best course of action. These guidelines interpret objectives and provide a structured framework for other planning components.
Consider a company's policy on remote work. This policy guides decision-making by establishing rules and expectations for remote work, ensuring consistency and fairness across the organization.

4. Budgets: Budgets act as strategic financial plans, outlining expected revenues and expenses. They serve as financial guides, ensuring prudent use of resources.
Think of a household budget. It involves planning monthly expenditures on groceries, bills, and entertainment. Similarly, a business budget maps out spending, aligning financial resources with organizational goals.

5. Programs: Programs are detailed plans outlining the sequence of tasks required to achieve goals. They amalgamate procedures, policies, methods, rules, and budgets, ensuring organized and efficient workflow.

Imagine a company launching a new product. The program encompasses budgets for marketing, policies for quality control, and procedures for distribution. Programs guarantee a coordinated effort towards goal attainment.

6. Strategy: Strategy involves crafting a comprehensive plan for long-term success. It encompasses defining organizational goals and outlining the steps to achieve them, akin to a game plan guiding every move.
Consider a manufacturing company aiming for industry leadership. Their strategy might involve investments in cutting-edge technology, expansion into new markets, and a focus on sustainable practices. A well-defined strategy steers the business towards resilience and success.

7. Method/Procedure: Methods and procedures are practical guides for executing tasks. Methods delineate the best way to perform activities, while procedures provide step-by-step directions.
Think of a procedural guide for employee onboarding. It starts with documentation, proceeds to orientation, and concludes with role-specific training. Procedures ensure tasks are executed systematically, minimizing errors and promoting efficiency.

8. Rules: Rules are explicit statements dictating what is permissible and what is not. They establish order and ensure adherence to the organizational plan.
Consider rules about time management in an office. These rules, such as punctuality and adherence to deadlines, maintain order and contribute to a smooth workflow. Rules provide clarity on expectations, facilitating a harmonious work environment.

9. Mission: The mission represents the core purpose and focus of the organization, remaining unchanged over time. It serves as a guiding beacon, separating the essential from the non-essential.
Think of a university's mission: "Fostering academic excellence and personal growth." This mission directs activities, communicates purpose, and guides every decision within the institution.

In conclusion, these components synergize to shape organizational success. The mission establishes the overarching purpose, objectives break down the journey into manageable steps, policies guide decisions, budgets align financial resources, programs sequence tasks, strategy directs long-term plans, and methods/procedures offer practical guidance for task execution. A holistic understanding of these components equips organizations for effective planning and, consequently, triumphant outcomes.

Q.6 Explain the principles of Effective planning.

PRINCIPLES/ ESSENTIALS OF EFFECTIVE PLANNING

1. Principle of Contribution to Objectives:
Plans should be designed in a way that every action and initiative contribute directly or indirectly to the achievement of organizational objectives. For example, if the organizational goal is to increase market share, marketing plans, and sales strategies should align with this objective.

2. Principle of Objective:
Objectives must be specific, measurable, attainable, relevant, and time-bound (SMART). For instance, a manufacturing company might set a specific objective of reducing production defects by 20% within the next six months, providing a clear target for improvement.

3. Principle of Primacy of Planning:
Planning precedes other management functions. Before organizing resources, directing activities, or controlling processes, effective planning is essential. For example, a company planning to expand its operations into a new market must first develop a comprehensive market entry strategy.

4. Principle of Efficiency of Plans:
Plans should be cost-effective, ensuring that the benefits outweigh the costs. If a marketing plan involves a costly advertising campaign, the expected increase in sales and brand awareness should justify the expenses incurred.

5. Principle of Planning Premises:
Plans are based on assumptions about the future, such as market trends, economic conditions, and technological advancements. For instance, a technology company developing a new product might assume a certain rate of adoption for that technology in the market.

6. Principle of Strategy and Policy Framework:
Plans should align with the overarching strategies and policies of the organization. If a company's strategy is to focus on innovation, individual departmental plans should incorporate initiatives that support and drive innovation within their respective areas.

7. Principle of Limiting Factor:
Planners must identify and address limiting factors. For example, if a manufacturing company wants to increase production, it must consider potential bottlenecks in the supply chain, ensuring that resources are available to meet increased demand.

8. Principle of Commitment:
Planning should cover a timeframe necessary to fulfill commitments. If a company commits to delivering a new software product within a certain timeframe, the planning must encompass the entire development lifecycle, including testing and quality assurance.

9. Principle of Flexibility:
Plans should be adaptable to changes. A retailer's marketing plan, for example, should have the flexibility to respond to shifts in consumer behavior or unexpected market trends without compromising the overall marketing strategy.

10. Principle of Navigational Change:
Managers must monitor and adjust plans based on changing conditions. If a technology company's product launch is impacted by unexpected regulatory changes, the plan may need to be revised to accommodate new compliance requirements.

11. Principle of Pervasiveness:

Planning involves all levels of the organization. For example, if an organization aims to improve customer service, frontline staff might develop plans for improved communication with customers, while higher-level managers focus on overarching strategies.

12. Planning Coordination:
Coordination ensures that all plans work together harmoniously. In a retail company, sales promotions should be coordinated with inventory management to ensure that the right products are available to meet increased demand generated by promotions.

13. Principle of Timing:
Major and derivative plans should be synchronized in terms of their timing. In the hospitality industry, a hotel's marketing plan for peak holiday season should align with the operational plan that ensures sufficient staff and resources are available to meet increased demand.

14. Principle of Participation/Acceptance:
Plans should be acceptable to all concerned. If a manufacturing company introduces a new production process, involving production line workers in the planning process can ensure that their expertise is considered, increasing the likelihood of successful implementation.

15. Principle of Competitive Strategies:
Planners should be aware of and consider the strategies of competitors. For example, if a retail company is planning a pricing strategy, it must take into account the pricing strategies of other competitors in the market to remain competitive and attract customers.

LONG ANSWERS QUESTIONS

Q.1 Write the concept and significance and process of management?

Concept of Management: - Management can be defined as the process of achieving organizational goals through planning, organizing, leading, and controlling the human, physical, financial, and information resources of the organization in an effective and efficient manner.

Every business needs planning for the future for a successful business and the person who is in the authority, has to take decisions and he will be responsible for the consequences of his decisions whether favourable and unfavourable.

Definition of Management

Concept of management is defined as the process of getting things done from others to achieve goals effectively and efficiently.

Efficiently: - "To complete a task with minimum cost."

Effectively: - "It is basically to complete the task on time."

<u>Significance/Importance of concept of management</u>

1. Goal Achievement: Management is essential for setting and achieving organizational goals, ensuring that the company stays on track and works towards its objectives.

2. Optimum Utilization of Resources: Management helps in efficiently using resources like time, money, and personnel, which is crucial for cost-effectiveness and profitability.

3. Effective Planning: Through management, organizations can create well-thought-out plans and strategies to navigate challenges and capitalize on opportunities.

4. Right Decision Making: Managers make informed decisions that affect the organization's direction, and effective management ensures that decisions are based on accurate information and analysis.

5. Effective Controlling: Management enables organizations to monitor progress and make necessary adjustments, ensuring that activities align with the established goals.

6. Helps to Maintain Sound Organization: Management establishes and maintains an organizational structure that helps in resource allocation and task assignment.

7. Builds Team Spirit: Effective management fosters a positive working environment and encourages teamwork, collaboration, and employee engagement.

8. Increased Productivity: Efficient management practices lead to improved productivity, which is vital for an organization's success and competitiveness.

9. Brings Coordination: Management coordinates the efforts of various departments and individuals to avoid duplication of efforts and conflicts.

10. Environmental Adaptability: Management helps organizations adapt to changes in their external environment, such as shifts in market conditions, technology, and regulations, to remain competitive.

Management Process

Planning:

1. Setting organizational goals and objectives.
2. Identifying the tasks and activities needed to achieve those goals.
3. Determining the resources (such as human, financial, and physical) required.
4. Developing strategies and action plans to reach the objectives.
5. Establishing timelines and deadlines for each task.
6. Anticipating potential challenges and risks and planning how to address them.

Organizing:

1. Structuring the organization to optimize resource utilization.
2. Defining roles and responsibilities for each employee or team.
3. Creating a clear organizational hierarchy and reporting structure.
4. Establishing departments, work units, or teams to facilitate tasks and responsibilities.

5. Allocating resources, such as budgets, facilities, and equipment, to support the work.

Staffing:

1. Attracting, recruiting, and selecting qualified employees.
2. Training and developing employees to acquire the necessary skills.
3. Placing employees in suitable positions based on their qualifications.
4. Providing compensation and benefits packages to motivate and retain talent.
5. Evaluating and managing employee performance and career development.

Directing:

1. Guiding and motivating employees to achieve the organization's goals.
2. Communicating clear expectations and goals to employees.
3. Providing leadership and support to employees as needed.
4. Addressing conflicts and challenges in the workplace.
5. Fostering a positive working environment and encouraging teamwork.

Controlling:

1. Monitoring and measuring progress towards achieving organizational objectives.
2. Comparing actual performance with the planned performance.
3. Identifying variances or deviations from the plan.
4. Taking corrective actions when necessary to bring performance back in line with the plan.
5. Continuously assessing and improving processes and operations.

Q.2 Explain the Scientific Management Theories in detail.

Three classifications differentiate management according to their focus and the era they came from:

"Classical management theory: emerged from the Industrial Revolution and revolves around maximizing efficiency and production.

"Behavioural management theory: started in the early 20th century and addresses the organization's human and social elements.?

"Modern management theory: followed on the heels of World War II and combines mathematical principles with sociology to develop holistic approaches to management.

1. **Scientific Management Theory**

F.W. Taylor or Fredrick Winslow Taylor, also known as the 'Father of scientific management' proved with his practical theories that a scientific method can be implemented to management.

He opposed the rule of thumb.

PRINCIPLES OF SCIENTIFIC MANAGEMENT:

(1) **Science not rule of thumb:**

a. This principle says that we should not get stuck in a set routine with the old techniques of doing work, rather we should be constantly experimenting to develop new techniques which make the work much simpler, easier and quicker.

b. Taylor believed that there was one best method to maximise efficiency and that even a small production activity like loading pigs of iron into boxcars can be scientifically planned and managed.

(2) **Harmony, not discord**:

a) There should be complete harmony between the managers and the workers.

b) Taylor has referred to such a situation as a 'Mental Revolution' and firmly believed that the occurrence of a mental revolution would end all conflicts between the two parties and would be beneficial to both of them.

Example:
In Japanese companies' paternalistic style of management is in practice. There is a complete openness between management and workers. If at all the workers go for a strike they wear a black badge but work more than normal working hours to gain the sympathy of management.

(3) **Cooperation, not individualism**:

a) According to this principle, all the activities done by different people must be carried on with a spirit of mutual cooperation.

b) Competition should be replaced by Cooperation.

c) Taylor has suggested that the manager and the workers should jointly determine standards.

This can be achieved by :

a) Rewarding the employees for their suggestions.
b) Workers not going on unnecessary strikes and making unreasonable demands.
c) Open communication between management and all staff .
d) Equal division of work and responsibility between workers and management .

(4) **Development of each and every person to his or her greatest efficiency and prosperity**:

a) A proper arrangement of everybody's training should be made.

b) It should also be taken care that each individual should be allotted work according to his ability and interest. Such a caring attitude would create a sense of enthusiasm among the employees and a feeling of belongingness too.

TECHNIQUES OF SCIENTIFIC MANAGEMENT:

1. **Functional foremanship**-

Functional Foremanship is an extension of the principal of Division of Work or specialisation to the shop floor.
Taylor advocated separation of planning and execution functions.
Under planning the following activities took place by the 4 personnel

1. The personnel would draft instructions for workers- Instruction card clerk
2. Specify the route of production- Route clerk.
3. Prepare time and cost sheet - Time and cost clerk.

4. Ensure discipline- Disciplinarian.

Production function would ensure:
1. Timely and accurate completion of job- Speed boss.
2. Keeping machines and tools ready for operation by worker- Gang boss.
3. Ensure proper working conditions of machines and tools- Repair boss.
4. Check quality of work -Inspectors.

Foremen should have intelligence, education, tact, grit, judgement, special knowledge, manual dexterity and energy, honesty, good health.

Since all these qualities cannot be found in a single person so Taylor proposed eight specialists.

2. **Standardisation and simplification of work**-

The objectives of Standardisation are:
1. To reduce the given line or product to fixed and predetermined type, form, design, size, weight, quality etc.
2. To ensure the manufacture of identical parts and components.
3. To ensure that the quality & standards of excellence have been maintained.
4. Standard of performance are established for all workers and machines at all levels.

Simplification is method of eliminating unnecessary diversity of products. It results in saving of cost of labour, machines, tools etc.

Simplification aims at eliminating extra varieties, sizes and dimensions, sizes while standardisation implies devising new varieties instead of existing one.

3. **Method study**-
This technique determines the best way of doing the job.

There are various methods of doing the job.
To determine the best way there are several parameters.
The objective of method study is to minimise the cost of production and maximise the quality and satisfaction of the customer.

4. **Motion study**-

It refers to the study of movement of an operator on machine involved in a particular task.
The purpose of motion study is to eliminate useless motions and determine the best way of doing the job.
By undertaking motion study an attempt is made to know whether some elements of a job can be eliminated combined or their sequence can be changed to achieve necessary rhythm.
Motion study increases the efficiency and productivity of workers by cutting down all wasteful motions.

EXAMPLE:
It is possible to find out:
Motions that are productive.

Motions which are incidental (going to stores).
Motions which are unproductive.

Taylor used stopwatches and various symbols and colours to identify different motions.

5. **Time study**-
It is a technique which enables the manager to ascertain standard time taken for performing a specified job.

Average worker is selected and assigned the job and then with the help of a stop watch, time is ascertained for performing that particular job.
Standard Time × Working Hours = Fair Day's Work

6. FATIGUE STUDY-

This technique is regarding requirement of rest or break during the work. If a worker works continuously physical and mental fatigue sets. This reduces his/her efficiency. Thus, the worker requires rest or break. Fatigue study identifies the intervals required while completing a task. It suggests that standard break timings should be decided for improving the working performance of workers.

7. DIFFERENTIAL PIECE WAGE SYSTEM -

a. Pay for Efficiency: This system pays workers based on how efficient they are. If you work faster and better, you'll earn more.

b. Penalty for Inefficiency: If you're slow or don't meet the standard amount of work, you'll get paid less than the usual rate. It's like a penalty for not working efficiently.

c. Incentive to Improve: This system encourages workers to do better because the more efficient you are, the more money you can earn. It's like a reward for hard work.

d. Encourages Everyone: Even if you're not efficient at first, this system motivates you to become better and reach the standard. It's like a push to improve your performance.

e. Benefits for the Company: This system can lead to making lots of products quickly and at a lower cost, which means more profits for the company.

Q.3. **Write a short note on Administrative Management Theory**

Just as scientific management theory is sometimes called Taylorism, administrative management theory is sometimes called Fayolism.

Henri Fayol was a mining engineer who sought to codify the responsibilities of management and the principles of effective administration. He outlined these in "General and Industrial Management" in 1916.

14 principles of management:

1. <u>Division of Work:</u>
This principle suggests that work can be done more efficiently if it is divided into smaller tasks. Think about a group project at school. Each member has a specific role, like researching, writing, or creating presentations. By dividing the work, the project gets completed faster and better.

Ex: In a pizza restaurant, chefs specialize in making different types of pizzas. One might handle vegetarian pizzas, while another focuses on meat lovers' choices. This division of work ensures that each pizza is prepared expertly, contributing to customer satisfaction.

2. **<u>Authority</u>**:
Managers need the authority to give orders and make decisions. This helps in maintaining order and direction within the organization. Just like a teacher in a classroom, they have the authority to guide the students and ensure that learning progresses smoothly.

Ex: In a retail store, the manager has the authority to instruct employees on tasks such as restocking shelves or assisting customers. Their authority keeps the store running efficiently.

3. **<u>Discipline</u>**:
Discipline ensures that everyone in the organization follows the rules and guidelines. It’s like following classroom rules to maintain a peaceful and conducive learning environment.

Ex: In a gym, members need to follow gym rules such as wiping equipment after use or not hogging machines. Discipline creates a positive atmosphere for everyone.

4. **<u>Unity of Command</u>**:
Employees should receive orders from only one superior. It's similar to how students follow instructions from one teacher in a class to avoid confusion.

Ex: In a software development team, programmers follow the instructions of their team leader. This clear line of command prevents misunderstandings and ensures coordinated efforts.

5. <u>Unity of Direction:</u>
Everyone in the organization should be working towards a common goal. It’s like all students in a school aiming to excel in their exams.

Ex: In a charity organization, volunteers work together to achieve a common objective, such as raising funds for a cause. Their unified efforts lead to the success of fundraising events.

6. <u>Subordination of Individual Interest to the General Interest:</u>
The interests of the organization should come before individual interests. This is akin to teamwork, where individual players sacrifice personal glory for the team’s victory.

Ex: In a theater production, actors and crew members work together selflessly to deliver a fantastic show. Each person contributes their skills for the overall success of the play.

7. <u>Remuneration:</u>
Employees should be fairly compensated for their work. It’s like students receiving grades for their efforts in academics, reflecting their performance.

Ex: In a corporate office, employees receive salaries based on their roles and responsibilities. Fair remuneration ensures employee satisfaction and motivation.

8. Centralization:

Decisions should be made at the appropriate level within the organization. It's akin to school decisions made by the principal, teachers, or administrative staff, depending on the issue's importance.

Ex: In a fast-food chain, the menu might be decided centrally by the corporate office, while store-level decisions, like daily operations, are managed by the branch manager.

9. Scalar Chain:

There should be a clear and direct line of communication within the organization. It's like passing a message from one student to another in a sequence, ensuring information reaches everyone accurately.

Ex: In a hospital, patient information is communicated from nurses to doctors to specialists in a clear sequence. This organized flow of information is vital for patient care.

10. **Order**:

There should be a place for everything, and everything should be in its place. This principle is similar to organizing your study materials neatly on your desk to find them easily when needed.

Ex: In a library, books are categorized and placed on shelves systematically, making it effortless for readers to find specific books.

11. **Equity**:

Managers should treat employees fairly and impartially. It's akin to teachers treating all students equally, providing equal opportunities for learning and participation.

Ex: In a workplace, all employees, regardless of their backgrounds, should have equal chances for promotions and career growth. Fair treatment fosters a positive work environment.

12. Stability of Tenure of Personnel:

Employees work better when they have job security. It's similar to students feeling more confident in their studies when they know they have a stable learning environment.

Ex: In a company, offering job stability and career growth opportunities encourages employees to stay committed. This stability boosts morale and productivity.

13. **Initiative**:

Employees should be encouraged to come up with new ideas and solutions. It's akin to students participating actively in class discussions, sharing their unique perspectives.

Ex: In a tech company, employees are encouraged to suggest innovative features for products. Their creative ideas contribute to the company's growth and competitiveness.

14. Esprit de Corps:

There should be a sense of unity and teamwork among employees. It's like the camaraderie and team spirit among students during sports events, cheering for their school together.

Ex: In a community organization, volunteers working together with a shared passion create a positive team spirit. Their enthusiasm leads to successful community projects.

In conclusion, understanding Fayol's principles of management is like mastering the art of effective teamwork and leadership. Whether in school, work, or community activities, these principles guide us in creating harmonious and efficient environments. By applying these principles, just like a skilled manager, we can navigate various challenges and achieve success in our endeavours.

Q.4 Elaborate the Neo-Classical Theories of Management.

Neo-Classical Theory of Management

The Neo-Classical approach was evolved over many years because it was found that classical approach did not achieve complete production efficiency and workplace harmony.

The Human Relations Theory Psychologist Elton Mayo tried a variety of techniques to test how the environment contributed to job satisfaction, such as lighting, temperature and break time. He discovered that all three variables had a significant impact on the mood and outlook of employees. However, the factor that made the most difference to worker satisfaction was the attention researchers gave to workers.

The human relations theory suggests that no matter the working conditions, professionals are more likely to feel satisfied and perform better if their supervisors value their effort. It states that people respond more to social factors, such as personal attention or being part of a group, than environmental factors, such as compensation.

Key aspects and concepts of the Human Relations Theory include:

i. People-Centered Approach: This theory places people at the center of organizational activities. It suggests that understanding and improving the well-being of employees can lead to increased job satisfaction, motivation, and productivity.

ii. Social Interactions: It recognizes the significance of social interactions within the workplace. Building positive relationships among employees and between employees and managers is seen as essential for a healthy work environment.

iii. Motivation: Human Relations Theory suggests that motivated and satisfied employees tend to be more productive. Motivation is not solely based on financial incentives but also on factors like recognition, belonging, and personal growth opportunities.

iv. Informal Groups: The theory acknowledges the existence and influence of informal groups within organizations. These groups often play a significant role in an individual's work behavior, attitudes, and job performance.

v. Participative Management: It advocates for involving employees in decision-making processes. By giving employees a voice in decisions that affect them, organizations can improve morale and job satisfaction.

vi. Effective Communication: Open and effective communication is vital for building and maintaining healthy relationships in the workplace. Good communication can reduce misunderstandings, conflicts, and resistance to change.

vii. Leadership and Supervision: Leadership styles are considered important in shaping the work environment. A more supportive and participative leadership approach is favored over a directive one.

viii. Organizational Culture: Creating a positive organizational culture, where trust and cooperation are encouraged, is believed to lead to more productive and satisfied employees.

ix. Teamwork: The theory promotes the idea that people working together effectively in groups or teams can achieve more than individuals working in isolation.

Hawthorne Experiment

These experiments were done to understand how different things affect how people work:

1. **Illumination or test room study**: The illumination study investigated how light intensity relates to worker productivity. Three experiments changed lighting conditions. Surprisingly, a specific group of workers became more productive even with dim lighting. Researchers found that lighting had a minor effect on productivity, but the exact cause was unclear.

2. **The relay assembly test room study**: It involved six people working in a room, with an observer recording everything. Researchers changed work conditions like rest, work hours, and allowed more talking among the workers. Productivity increased with each change, even when conditions went back to normal. Researchers believed the social dynamics of the work group, created by the observer, were the main reason for higher productivity.

3**. Mass interviewing study**: The mass interviewing program involved interviewing over 21,000 employees at the Hawthorne plant. Initially, direct questions about supervision, company policies, and work environment were asked, but employees gave guarded answers. Researchers switched to indirect questions, allowing employees to share what they felt was important. This approach revealed a lot of valuable information. Researchers concluded that an individual's performance at work is influenced not just by the person but also by their group members.

4. **Bank wiring observation room study**: This study was conducted in a room of the bank wiring department. In this room. 14 employees performing three interrelated jobs of the department were placed. An observer was also deputed in the room for watching and recording the activities and behaviour of the group, without interacting with the group. The observation and recording continued for six months.

On the basis of recorded information, the following conclusions were drawn:

(1) The group was restricting output by enforcing the 'norms' or standards set by the group. The standards were lower than the officially set norms. This was done due to the fear of increase in standards and to protect the slower workers.

These groups served two purposes for the workers:

(a) protecting from the interference of management, and

(b) protecting from workers working more than the standard fixed by them informally.

Conclusions/Contributions of Hawthorne Studies:

The main conclusions or contributions of Hawthorne studies are as follows:-

1. Work is a group activity: Mayo concluded that work is a group activity. Workers work better in groups.

2. Informal groups: Workers form internal informal social cliques/ groups. Such groups may not be based on their occupation.

3. Influence of social groups: The informal social groups within the workplace greatly affect the behaviour and productivity of individual worker.

4. Norms by social groups: The social group determines informal 'norms' or standards of work which are lower than the official norms. The members of the group usually follow the same. Thus informal groups exert strong control over the workers at work

5. Group cooperation is planned: Group cooperation or collaboration does not occur accidentally. It must be planned and developed.

6. Worker is not only rational economic being: A worker is not only a rational economic being. He is not motivated solely by monetary means. His social needs have a powerful influence on his behaviour and productivity,

Therefore, satisfaction of social needs plays a crucial role in motivating workers.

7. Role of supervisor's behaviour: The behaviour of supervisors does

affect the behaviour of workers. When supervisors provide a more relaxed work environment, by paying special attention to the workers social situation changes. That change increases productivity. This situation was labelled as "Hawthorne effect"

8. Communication: Free flow of communication affects the attitude of workers towards work. It ultimately results in greater cooperation and participation workers in decision-making.

9. Complaints may not be statements of facts: Complaints are not always objective statements of facts. They are often symptoms of deep-seated discontent and dissatisfaction.

10. Birth of human relations movement: The most important contribution of the Hawthorne studies is that it gave rise to the "Human Relations Movement".

Criticism of Hawthorne Studies:

Hawthorne studies are criticised on the following grounds:

1. Pro-management bias: These studies are criticised on the ground that these had a pro-management bias. It is alleged that researchers assumed that management is always logical whereas workers are mostly driven by emotions.

2. Not fully scientific: According to them, there was no scientific basis in the selection of the work, the employees and the environment. Even the investigations were not carried out in a scientific manner. These studies were undertaken on a small sample of workers.

3. Clinical bias: Some expert say that the research was directed to preconceived ideas and conclusions.

4. Discounted Importance of theory: It is also argued that studies discounted the importance of theory and overemphasised the importance of observation and collection of facts.

5. Based on limited factors: The studies have been based only on psychological and social factors. The studies house ignored the economic, religious, political factors of the work situation.

6. Ignores the conflict in groups: The studies emphasise the positive effects of social groups but almost ignores the effects of conflicts between group.

7. Doubtful conclusions: There are some who say that the conclusions have been drawn on the basis of observation of behaviour and activities of small sample of workers at work.

8. True but irrelevant: These are irrelevant for business firms. The business firms are for making profits and not for the solutions to the social problems of workers.

9. True but nothing new: Some experts argued that these conclusions were well known long ago.

Behavioural science approach

Behavioural approach to management is a refined form of human relations approach.

This approach has been developed by the experts from the field of behavioural or social sciences such as sociology psychology anthropology.

This approach focusses on examination of issues relating to individual behaviour, group behaviour, group dynamics, job design, motivation, leadership. communication, participative management.

The individuals who contributed to the development of this approach include Herzberg, Fred Fiedler, Mclelland, Rensis Likert, Cris Argyris, Theodore Leavitt, Blakke and Mouton, Victor Vroom, Stogdill and Tannenbaum.

Herzberg's Two-Factor Theory of Motivation

Herzberg theory of motivation is also called Two Factor Theory or Motivator-Hygiene Theory. Herzberg classified the various factors that can influence motivation at the workplace into two groups

1. Hygiene Factors - The presence of these factors does not necessarily motivate people to work hard, but the absence of these will demotivate people at the workplace.

2. Motivational Factors or Motivating Agents or Motivators - The presence of these factors will motivate people to work hard.

Hygiene Factors

The Herzberg Hygiene factors are mandatory factors without which you cannot motivate people. These are those factors that are essential for motivation to exist in the workplace.

The existence of Hygiene factors does not necessarily lead to any positive satisfaction, but the absence of these factors will definitely result in negative satisfaction or dissatisfaction.

It can be said that Hygiene factors are Physiological and Safety needs that individuals expect to be fulfilled. Examples of Herzberg Hygiene Factors:-

a) Personal Safety & Good Working conditions
b) Company Policies
c) Job security
d) Good relationships at work
e) Work-life balance

Motivating Factors

These factors motivate the employees for better performance as they are perceived as additional benefits. Motivational factors, if present would lead to positive satisfaction, however, the Absence of these factors does not necessarily lead to negative satisfaction or dissatisfaction.

Motivating Factors are also called Motivators or Motivating agents.

Examples of Herzberg Motivating factors:

a) Rewards and Recognition
b) Achievement
c) Nature of Work
d) Stewardship
e) Assigning more/higher responsibilities
f) Career Growth

MCCLELLAND'S NEEDS THEORY

It focuses on three basic needs:

i. Need for Power: This is about wanting to have control or influence over others. People with a high need for power like to be in charge and make decisions. They tend to be assertive, practical, and like to lead.
ii. Need for Affiliation: This is about wanting to be liked and accepted by others. People with a high need for affiliation enjoy social interactions and being part of a group. They like helping and supporting others.
iii. Need for Achievement: This is about having a strong desire to accomplish things. High achievers: Take calculated risks (not too risky, not too safe). Want feedback to track their progress. Put a lot of effort into their work and don't stop until they've done their best. Find satisfaction in completing tasks, even if they don't always seek material rewards like money.

MASLOW'S HIERARCHY OF NEEDS

Maslow's hierarchy of needs is a theory of psychology explaining human motivation based on the pursuit of different levels of needs. The theory states that humans are motivated to fulfill their needs in a hierarchical order. This order begins with the most basic needs before moving on to more advanced needs. These five needs are as follows-

1. Physiological Needs:

- These needs are the most fundamental for human survival and well-being. They include air, water, food, clothing, and shelter.

e.g. If an individual lacks access to clean air or water, they will be primarily focused on satisfying these basic needs. Homelessness or hunger can also be powerful motivators at this level.

2. Safety Needs:

- Safety needs encompass physical safety, emotional well-being, financial security, and protection from harm or danger.

e.g. Job security and a stable income are crucial for fulfilling safety needs. Individuals may seek a safe and secure living environment, free from threats or violence. Insurance, both health and financial, is another expression of the need for safety.

3. Social Needs:

- Social needs involve the desire for interpersonal relationships, love, affection, belongingness, and a sense of community.

e.g. Friendships, family connections, and romantic relationships fulfill social needs. Participation in social groups, clubs, or communities also addresses the need for belonging. A person might prioritize spending time with loved ones or engaging in social activities.

4. Esteem Needs:

- Esteem needs are categorized into internal and external components. Internal esteem needs include self-respect, confidence, competence, achievement, and freedom. External esteem needs involve recognition, power, status, attention, and admiration from others.

e.g. Internal esteem needs drive individuals to set and achieve personal goals, build self-confidence, and gain a sense of mastery. External esteem needs might manifest as a desire for recognition at work, seeking promotions, or striving for social status and influence.

5. Self-Actualization Needs:

- Self-actualization represents the realization of one's full potential and the pursuit of personal growth, creativity, knowledge, and aesthetic experiences.

e.g. Individuals seeking self-actualization might engage in activities that foster personal growth, such as pursuing education, developing creative talents, or contributing to meaningful causes. Continuous learning, travel, and exploration of one's passions are expressions of the need for self-actualization.

EXPECTANCY THEORY OF MOTIVATION

This theory is given by Victor Vroom. He believed that people's motivation is influenced by the type of reward they expect to receive for performing their tasks well. People in the organization determine how much effort they should put to get the required rewards. Humans are rational beings so, they always attempt to increase the perceived worth of such rewards. People get highly motivated if they believe that behaving in a particular way will lead them to their preferable rewards.

Motivation = Valence * Expectancy * Instrumentality

1. Valence: Valence refers to the 'value of the rewards' which results from performance. Every person has a different perception towards valence. As, what is valuable for one person might not be for others.

For example, employees interested in promotion and recognition will not have any valence for cash rewards. Valence is the attraction or repulsion of an outcome. Valence is not the actual value of the reward rather it is the perceived value of the reward which they expect to receive after attaining the goals.

2. Expectancy: the Expectation is that increasing the quantity of effort will improve performance (if I work harder, I will perform better).

It is affected by:

- Having the proper resources available (e.g., raw materials, time)
- Having the appropriate skills to try to the work
- Having the necessary support to urge the work done (e.g., supervisor support or correct information on the job).

3. Instrumentality The term "instrumentality" refers to a person's expectation and belief that his performance will result in a specific desired reward.

For example, if someone desires a promotion and believes that superior performance is crucial to getting the promotion. Then, superior performance will be considered the first-level outcome and promotion as the second-level outcome.

Q.5. Elaborate the Modern Approach of Management.

Modern Approach to Management

This approach has three basic pillars:

I. Quantitative Approach,

II. System Approach, and

III. Contingency Approach

I. **The QUANTITATIVE APPROACH** to management makes some suggestions to solve different problems facing the managers. It tells the managers to solve their problems with the help of the mathematical and statistical formulas. Some special formulas have been prepared to solve managerial problems.

For Example: (i) Theory of Probability, (ii) Sampling Analysis, (iii) Correlation / Regression Analysis, (iv) Time Series Analysis, (v) Ratio Analysis, (vi) Variance Analysis, (vii) Statistical Quality Control, (viii) Linear Programming, (ix) Game Theory, (x) Network Analysis, (xi) Break-Even Analysis, (xii) Waiting Line or Queuing Theory, (xiii) Cash-Benefit Analysis, etc.

The main objective of the quantitative approach is to find out a solution for the complex problems facing the big companies. The help of a computer is usually taken in order to make use of the above-mentioned techniques.

II. **SYSTEM APPROACH**:

The system approach means a group of small inter-related units. A group of different units which means a complete unit is called a system, while the small units are themselves independent, but somehow or the other is connected with the sub-systems of the related system. All these sub-systems are inter-related with one another and if one of them fails the whole system stops working. Therefore, the success of the system depends on the cooperation and efficiency of the sub-systems.
According to the system approach, the whole organization is a system and its various departments are its sub-systems. All the sub-systems work in unison. Then and only then the objective of the organization can be achieved.

Key Concepts of System Approach:
The following are the chief characteristics of the System Approach:

(1) **Sub-Systems:**

All the sub-systems are inter-related. It means that whenever we take some decision regarding a particular sub-system, we should always keep in mind the possible effect of the decision might have on the other sub-systems. In the context of a company, all its departments (e.g., purchase, sale, finance, production, personnel, research and development) happen to be its sub-systems.

(2) **Holism:**
A major characteristic of the System Approach is that it is looked upon as a whole. It clearly means that a decision taken with regard to a particular sub-system does influence or affect the other sub-systems. Therefore, every decision is taken keeping in view the entire organisation, meaning thereby, that all the sub-systems are kept in mind while taking a decision. No decision is possible in respect of any particular sub-system alone. That is why the system approach is called holistic.

(3) **Synergy:**
It means that the whole is greater than the sum of its parts. If job is performed collectively rather than individual, it is certainly well-performed with better results. When all the parts of a system work keeping in mind the interests of others, the performance turns out to be decidedly better results.

(4) **Closed and Open System:**
(i) Closed System:
This is a system that remains unaffected by the environmental factors. e.g., a watch is not influenced by the outside factors and it works continuously without getting interrupted.
(ii) Open System:
An open system means a system which remains constantly in touch with its environment and is influenced by it. Modern management experts consider an organisation as an open system. Environment is a combination of many factors.
The chief factors of the environment of an organisation happen to be raw material, power, finance, machine, man-power, technique, market, new products, government policies, etc.

(5) **System Boundary**:

This means a certain dividing line which separates a system from its environment. The dividing line in a closed system is rigid while in respect of open system, it is flexible.

Contingency Theories
The core idea of contingency theory is that there is no single best way to lead an organization or make decisions.
It emphasizes that the most effective way to manage or structure an organization depends on various external and internal factors, or contingencies. These contingencies can include the organization's environment, its size, the nature of its tasks, and the people involved.

Fiedler's Contingency Theory:
This puts the theory at odds with more modern contingency theories such as situational leadership. There are two important factors in Fiedler's Contingency Theory: leadership style and situational favourableness.

1. Leadership Style

The first step in using the model is to determine your natural leadership style. To do this, Fiedler developed a scale called the Least Preferred Coworker (LPC). To score yourself on this scale you have to describe the coworker with whom you least prefer to work.
High LPC = Relationship-oriented leader.
Low LPC = Task-oriented leader.

2. Situational Favourableness Determining situational favourableness is done by examining the following three factors:
a. **Leader-Member Relations** This factor measures how much your team trusts you. Greater trust increases the favourableness of the situation and less trust reduces it.
b. **Task Structure** The degree of organization of a task or process and whether it's understood by the team.
c. **Position Power** This is determined by your authority, meaning the power you have to reward or punish your subordinates. As you might expect, having more power increases the situational favourableness.

Situational leadership model

Maturity often refers to aspects such as team members' experience, autonomy, willingness to take responsibility, confidence, and capability. This model outlines four leadership styles:
1. Delegating style - Ideal for experienced and capable team members; this style involves assigning tasks or leading projects
2. Participating style - Used when building confidence in team members; this style often involves one-on-one mentoring sessions where ideas are shared and collaboration occurs
3. Selling style - Designed for team members who lack motivation or initiative; this style aims at persuading team members to complete their tasks.
4. Telling style - Beneficial for inexperienced team members; this approach involves giving directions and closely supervising them until they mature.

Path-goal model

The Path-Goal model centres around employees and their individual goals.
The aim of the Path-Goal model is to enhance employee motivation and productivity by fostering job satisfaction.
This approach requires leaders to be highly adaptable since they need to tailor their leadership style according to each individual's needs.

There are four different leadership styles within the Path-Goal model:

a) Directive clarifying leader - This type of leader provides explicit instructions on specific tasks they want their team members to accomplish. Teams with ambiguous or unstructured roles may benefit most from this type of leadership.
   Imagine you have a project to build a treehouse, but nobody is sure what to do. This leader is like the one who steps in and says, "Okay, you, get the wood; you, find the nails," and so on. They give clear, step-by-step instructions to make sure everyone knows exactly what to do. This works well when tasks are a bit confusing or unclear.

b) Achievement-oriented leader - Leaders who manage confident high-achievers may set high expectations and goals while encouraging autonomy at work.
   This leader is for a team of superstars. They know everyone on the team is really good at their jobs. So, instead of telling them exactly what to do, this leader says, "I know you're

great at this. Let's aim really high and achieve something amazing. You have the freedom to do it your way." It's like setting the bar really high for a team of experts.

c) Participative leader - These leaders solicit feedback from employees before making decisions - typically effective in small teams or when employees have vested interest in outcomes.
Imagine you and your friends are deciding what game to play. Instead of just picking a game yourself, you ask your friends what they want to play, and then you all decide together. A participative leader is a bit like that. They ask their team for their opinions and ideas before making decisions. This is good for small teams or when team members care a lot about the outcome.

d) Supportive leader - Alongside productivity concerns, supportive leaders care about employees' well-being and mental health - taking into account individual employee preferences.

This leader cares not only about getting the work done but also about how everyone is feeling. They're like the friend who not only plays the game with you but also asks, "Are you having fun? Is everything okay?" They pay attention to their team members' well-being, personal preferences, and even their feelings to make sure everyone is doing well.

Decision-Making Model

The Decision-Making model is also known as the Vroom-Yetton contingency model or the Normative Decision Theory. It's centred around the idea that decision-making is a crucial component of effective leadership and determines the relationship between the leader and their employees.

Leaders who practise the Decision-Making model demonstrate one of these five leadership styles:

Autocratic (A1): Leaders believe they have all the information needed to make good decisions. They don't need any input from their team.

Autocratic (A2): Leaders consult with their team as a group and then make the final decision alone.

Consultative (C1): Leaders consult with their team members individually, consider everyone's view, and then make the final decision alone.

Consultative (C2): Leaders consult at a broader level with team-wide meetings and then make the final decision alone.

Collaborative (G2): Leaders care about reaching a consensus. They organise meetings to discuss the situation and ask every team member for their opinion. Then, everyone makes the final decision together by voting.

Q. 6 Explain the concept and nature of planning.

Planning has always been a part of management process ever since the systematic study of management began.

MEANING AND DEFINITIONS OF PLANNING

Planning is the process of determination of organisation's objectives and selecting the courses of action i.e., plans for attaining them.

In the words of Weihrich and Koontz, "Planning involves selecting missions and objectives and actions to achieve them. It requires decision- making, that is, choosing from among alterative future courses of action."

CHARACTERISTICS/NATURE OF PLANNING

1. Primary or Basic Function:
Planning is considered the primary or fundamental function of management. It lays the foundation for all other functions like organizing, leading, and controlling. Without proper planning, it's challenging to execute any managerial activity effectively.

2. Pervasive Function:
Planning is a pervasive function, meaning it is essential at all levels of an organization. Whether you are a top-level executive, middle manager, or a frontline supervisor, everyone engages in some form of planning to achieve their goals and objectives.

3. Purposeful:
Planning is purposeful; it serves a specific purpose or objective. Managers engage in planning to achieve specific goals and outcomes. It involves setting clear objectives and devising strategies to attain them.

4. Inter-Dependent Activity:
Planning is interdependent on other managerial functions. While planning, managers consider aspects like organizing resources, leading teams, and controlling processes. These functions are interlinked and influence each other, ensuring a cohesive approach towards organizational goals.

5. A Process:
Planning is not a one-time event; it is an ongoing process. It involves a systematic approach of defining objectives, evaluating various options, making decisions, and implementing them. Continuous planning ensures adaptability to changing circumstances.

6. Planning is a Path-Finding Process:
Planning is akin to navigating a route. Managers assess the current situation (where we are now), set a destination (where we want to go), and figure out the best way to reach there. Planning bridges the gap between the current state and the desired future state.

7. A Continuous Process:
Planning is not static; it is continuous. As situations change, plans need adjustments. Managers constantly review and revise plans to align them with the evolving needs of the organization, ensuring relevance and effectiveness.

8. Dynamic Process:
Planning is dynamic because it involves constant adjustments based on current and anticipated future situations. Managers need to be flexible and ready to modify plans as per the changing environment, ensuring the organization remains responsive and agile.

9. Intellectual Process:

Planning requires intellectual engagement. Managers analyze data, assess options, and make rational decisions based on facts and information. It demands thoughtful consideration and strategic thinking to create effective plans.

10. Futuristic:
Planning is future-oriented. It involves forecasting future events, opportunities, challenges, and threats. Managers anticipate what might happen and prepare plans to address potential scenarios, ensuring the organization is prepared for what lies ahead.

11. Commitment of Management:
Planning involves the commitment of management to specific courses of action and the allocation of necessary resources. Management must be dedicated to implementing the plans they have formulated, providing the support needed for successful execution.

12. Time-Bound:
Plans have specific timeframes. They can be short-term (less than a year), medium-term (2 to 3 years), or long-term (5 or more years). Time-bound planning helps in setting deadlines, tracking progress, and ensuring goals are achieved within the stipulated time.

13. Planning Hierarchy:
Planning follows a hierarchy, with different levels of management engaging in different types of planning. Top-level managers focus on long-term strategic planning, middle managers concentrate on tactical planning, and frontline managers engage in operational planning related to day-to-day activities.

14. Planning Involves Decision-Making:
Planning is not just about creating a roadmap; it involves decision-making. Managers evaluate various alternatives, assess risks, and choose the best course of action that aligns with the organization's objectives. Effective decision-making is at the core of successful planning.

15. Planning and Action are Twins:
Planning is meaningless without execution. Plans provide a framework for action. Managers need to ensure that plans are translated into actions. Action without planning can lead to chaos, and planning without action is mere theory.

16. Planning and Controlling are Inseparable:
Planning and controlling go hand in hand. Once plans are executed, managers need to compare the actual results with the planned objectives. If there are discrepancies, corrective actions are taken. Effective planning helps in setting benchmarks for effective control.

17. Forecasting is the Basis of Planning:
Forecasting involves predicting future trends based on historical data and current analysis. It forms the basis of planning as managers rely on accurate forecasts to make informed decisions about the future direction of the organization. Sound forecasting ensures the reliability of plans.

Q.7 Elaborate the process of planning. Also Explain the types of Planning.

PROCESS OR STEPS IN PLANNING

1. Environment Scanning:

Internal and External Assessment: Evaluate both internal strengths and weaknesses as well as external opportunities and threats.
Initiating Planning: Use the assessment to kick-start the planning process, identifying areas that need attention and improvement.

2. Setting Objectives:
Defining Goals: Establish clear and specific objectives for the entire organization and individual departments.
Clarity and Specificity: Make objectives specific, quantifiable, and action-oriented to provide a clear direction for the organization.
Short-term and Long-term Focus: Include both short-term goals for immediate progress and long-term objectives for future strategic planning

3. Establishing Planning Premises:
Defining Assumptions: Clearly state assumptions about the future internal and external environment.
Considering Factors: Include internal factors like existing plans, policies, and resources, along with external factors such as economic, political, and competitive conditions.
Agreement among Managers: Ensure unanimous agreement among managers regarding the planning premises.

4. Searching Alternatives:
Identifying Options: Explore various alternative courses of action available to achieve the defined objectives.
Thorough Exploration: Look beyond obvious choices and delve into less apparent alternatives.
Preliminary Examination: Conduct a preliminary examination of alternatives to identify the most promising options for further evaluation.

5. Evaluating the Alternatives:
Assessment Criteria: Evaluate alternatives based on factors like investment required, associated risks, resource availability, and pay-back period.
Alignment with Objectives: Consider how well each alternative aligns with the organizational objectives and planning premises.
Scientific Evaluation: Utilize scientific tools and techniques to ensure a thorough and unbiased evaluation process.

6. Selecting the Most Appropriate Alternative:
Decision-making: Choose the most suitable plan based on the evaluations conducted.
Multiple Plans: Select multiple plans if necessary, ensuring each one aligns with the defined objectives and planning premises.
Alignment with Goals: Verify that the chosen alternatives are in alignment with the overall objectives and strategic direction of the organization.

7. Formulating Derivative Plans:
Supporting Plans: Develop derivative plans that support the implementation of the main plan.
Detailing Procedures: Formulate detailed procedures, methods, rules, and programs that coordinate with the primary plan.
Initiating New Planning Cycles: Begin new planning cycles for each derivative plan to ensure comprehensive coverage and coordination.

8. Budgeting (Committing Resources):
Translating Plans: Translate the selected plans into budgets, often expressed in monetary terms.
Financial Statements: Prepare income and expense statements for all plans, outlining the financial requirements.
Resource Commitment: Commit necessary resources required for the implementation of the plans, establishing a framework for efficient resource allocation

9. Implementing the Plans:
Organizing Tasks: Arrange and organize tasks according to the plans, outlining specific responsibilities for each individual or department.
Communication: Clearly communicate the plans and objectives to those responsible for implementation, ensuring everyone understands their roles and tasks.
Leadership and Monitoring: Provide direction, motivation, and leadership to ensure effective plan execution. Regularly monitor performance and exercise control to ensure plans are on track.

10. Follow-Up Action:
Continuous Monitoring: Regularly monitor the progress of plans during implementation to track achievements and identify areas that need improvement.
Identifying Weaknesses: Identify weaknesses and limitations in the execution process, addressing them promptly to maintain plan effectiveness.
Plan Review and Revision: Consider the need for plan review and revision based on evolving situations, making necessary changes to adapt to new challenges and opportunities.

TYPES/DIMENSIONS OF PLANNING:

1. Corporate Planning/Plan:
Corporate planning involves long-term strategizing for the entire organization. For instance, a global technology company might engage in corporate planning to set objectives, formulate strategies, and allocate resources across various divisions and locations. This planning helps in shaping the company's overall direction, including decisions about expanding into new markets or developing new products.

2. Long-Range Planning/Plan:
Long-range planning focuses on objectives that extend beyond five years. Consider an environmental conservation organization aiming to protect endangered species. Long-range planning involves setting goals for wildlife conservation programs, habitat preservation, and community education initiatives. These plans provide a roadmap for the organization's future, guiding efforts for a sustainable impact over the long term.

3. Short-Range Planning/Plan:
Short-range planning aims to achieve objectives within a one-year timeframe. An example is a retail company planning its annual sales and marketing strategies. Short-range plans include specific campaigns, promotions, and inventory management for the upcoming year, ensuring the company meets its sales targets and maintains customer satisfaction.

4. Medium-Range Planning/Plan:

Medium-range planning covers objectives and plans spanning two to five years. Consider a healthcare facility implementing a medium-range plan to improve patient care. This plan might involve upgrading medical equipment, expanding specialized services, and training staff members. These initiatives are designed to enhance the quality of healthcare services over the next few years, ensuring better patient outcomes and satisfaction.

5. Strategic Planning/Plan:
Strategic planning focuses on the overall organizational environment. For example, an e-commerce giant like Amazon engages in strategic planning to analyze market trends, assess competitors, and leverage its technological capabilities. By formulating strategies to enhance customer experience, optimize supply chain operations, and innovate in digital services, Amazon maintains its competitive advantage in the online retail industry over the next 3 to 5 years.

6. Tactical Planning/Plan:
Tactical planning outlines specific steps to implement strategic plans. Imagine a fast-food chain developing tactical plans for expanding its market reach. Middle-level managers design plans for opening new branches, launching localized menu items, and optimizing delivery services. These tactical plans provide detailed actions for the next year, ensuring the strategic goal of market expansion is effectively executed.

7. Operational Planning/Plan:
Operational planning focuses on day-to-day operations. Consider a hotel chain implementing operational plans to enhance guest satisfaction. Front-line managers create plans for efficient check-in processes, staff training programs, and housekeeping routines. These plans emphasize short-term objectives, ensuring smooth daily operations and a positive experience for guests. Standing plans, such as standard operating procedures, ensure consistency in services, while single-use plans address specific events or situations, such as hosting a large conference.

Q. 8 Elaborate the advantages and disadvantages of planning in detail.

Advantages of planning

1. Defining Objectives:
Setting clear objectives is the foundational step in planning. For instance, Apple defines specific objectives for each product launch, ensuring everyone involved understands their roles and targets, leading to the successful release of innovative products like the iPhone 13.

2. Achieving Objectives:
Planning provides a structured approach to achieving objectives. Google, through strategic planning, aligns its product development teams to create cohesive and effective tools like Google Workspace, ensuring seamless collaboration and innovation to meet organizational goals.

3. Reducing Uncertainty:
Systematic forecasting in planning helps businesses anticipate market trends. Amazon utilizes data analytics to forecast customer demand accurately. This helps them stock products efficiently in their warehouses, reducing the uncertainty associated with inventory management.

4. Preparing for Change:
Companies like Microsoft plan for technological advancements. Their strategic planning includes research and development efforts for artificial intelligence, ensuring they stay ahead in the tech industry by adapting to new technologies effectively.

5. Capitalizing on Opportunities:
Organizations like Airbnb leverage planning to identify and capitalize on opportunities. By analysing travel trends and customer preferences, they enhance their platform, offering unique accommodation experiences, and thus staying ahead in the competitive hospitality market.

6. Optimal Resource Utilization:
Toyota plans its manufacturing processes meticulously, optimizing resources and reducing waste through lean production techniques. This efficient planning ensures optimal utilization of raw materials and human resources, enhancing productivity and profitability.

7. Economy in Operations:
Companies like Walmart employ strategic planning to optimize supply chain operations. By coordinating suppliers and distributors efficiently, Walmart reduces operational costs, ensuring cost-efficiency and competitive pricing for customers.

8. Competitive Strength:
Starbucks plans its menu offerings and store layouts based on customer preferences. This customer-centric approach strengthens their competitive position in the coffee industry, ensuring they remain responsive to market dynamics and customer needs.

9. Cooperation and Coordination:
NASA plans its space missions meticulously, fostering cooperation and coordination among astronauts, engineers, and scientists. Clear objectives and roles ensure everyone works cohesively, leading to successful missions like the Mars rover exploration.

10. Decentralization and Delegation:
Google allows teams to plan and execute projects autonomously within the framework of the company's objectives. This decentralized planning approach empowers employees, leading to innovative products like Google Maps and Google Assistant, enhancing user experiences.

11. Criteria for Decision-Making:
In the healthcare sector, Mayo Clinic plans patient care services collaboratively. Planning elements such as treatment protocols and patient care guidelines serve as criteria for making consistent and informed medical decisions, ensuring high-quality healthcare services.

12. Preventing Hasty Decisions:
During the COVID-19 pandemic, pharmaceutical companies like Pfizer engaged in crisis planning. By considering potential contingencies in advance, they avoided hasty decisions, allowing them to develop and distribute vaccines like the Pfizer-BioNTech COVID-19 vaccine efficiently.

13. Basis for Control:

Facebook plans its content moderation strategies to maintain a safe online environment. Planning establishes standards and performance benchmarks for moderating user-generated content, serving as the foundation for effective control and ensuring a positive user experience.

14. Motivating Employees:
Retailers like Target set sales targets and reward employees based on performance. By aligning individual goals with organizational objectives, planning motivates employees to achieve sales goals, enhancing overall business performance.

15. Encouraging Innovation:
Tech companies such as Apple plan research and development efforts for new products. Sound planning allows them to foster innovation and creativity, leading to groundbreaking products like the Apple Watch Series 7, which incorporates advanced health monitoring features.

16. Integral to Managerial Success:
Planning is integral to managerial functions in organizations like Tesla. By planning production schedules, product launches, and market expansions, Tesla's managers provide the structure and direction necessary for the company's growth and success in the electric vehicle industry.

In summary, planning plays a pivotal role in organizational success, offering a systematic approach to goal achievement, resource optimization, and adaptive decision-making. By implementing effective planning strategies, businesses can navigate challenges, capitalize on opportunities, and foster innovation, ensuring sustained growth and competitiveness in the ever-changing business landscape.

Disadvantages of planning

1. Ambiguous Objectives and Plans: When objectives lack clarity, implementation becomes challenging. For instance, a vague goal like "improve customer service" without specific measures can lead to confusion among employees, hindering effective service enhancements.

2. Lack of Reliable Information: Reliable data is essential for planning. Inaccurate sales forecasts, for example, can lead to overstocking or stockouts in retail businesses, impacting customer satisfaction and revenue.

3. Inaccurate Premises: Assumptions underpin plans. If a restaurant plans for dine-in services based on assumptions about pandemic-related restrictions that later change unexpectedly, it can disrupt the business operations and financial forecasts.

4. Stifles Initiative: Excessive planning can stifle employee creativity and initiative. In rigid work environments, employees might feel discouraged from proposing innovative ideas, hindering the organization's adaptability and growth.

5. Rigidity and Lack of Pragmatism: Managers resisting change can lead to impractical plans. For instance, a traditional brick-and-mortar retailer might resist transitioning to e-commerce, despite changing consumer preferences, leading to missed opportunities and declining sales.

6. **Resistance to Change:** Employees and managers resisting planned changes can hinder implementation. In the context of remote work, resistance from managers reluctant to embrace virtual collaboration tools can impede a smooth transition to remote work environments.

7. **Inflexible Objectives and Plans:** When objectives and plans lack flexibility, adapting to market shifts becomes problematic. A media company rigidly adhering to a set programming schedule might struggle to accommodate sudden breaking news events, affecting its audience's trust and viewership.

8. **Lack of Planning Skills:** Inadequate planning skills among managers can result in poorly constructed plans. For instance, a startup lacking experienced managers might struggle to develop a comprehensive marketing plan, limiting its ability to reach potential customers effectively.

9. **Biased Decision-Making:** Personal biases can influence planning decisions. In industries such as advertising, biased planning decisions, driven by personal preferences rather than market analysis, can lead to ineffective ad campaigns that fail to resonate with the target audience.

10. **Failure to Integrate:** When planning isn't integrated with other functions, such as organizing and controlling, it can lead to disjointed efforts. In manufacturing, a failure to align production planning with inventory management can result in surplus stock or stockouts, affecting operational efficiency.

11. **Attitudes and Conflicts:** Managerial conflicts can hinder planning efforts. Disagreements between marketing and sales managers about target customer segments can lead to inconsistent marketing strategies, confusing customers and impacting brand identity.

12. **Psychological Barriers:** Psychological factors, like resistance to long-term planning, can impede progress. In the technology sector, companies reluctant to invest in research and development due to short-term profit focus may miss out on future innovations, hampering their competitiveness.

13. **Expense:** Resource-intensive planning can strain budgets. For nonprofit organizations, extensive planning processes consuming funds might limit the budget available for their actual social initiatives, affecting their ability to create social impact.

14. **Inadequate Resources:** Insufficient resources can hinder planning execution. A small-scale agriculture cooperative lacking funds for modern farming equipment might struggle to implement a detailed agricultural production plan, affecting crop yields and revenue.

15. **Investment Patterns:** Existing investments can limit planning scope. In the renewable energy sector, a company heavily invested in solar power might face challenges in diversifying into other renewable sources, hindering strategic planning for broader market reach.

16. **Delay in Actions:** Elaborate planning processes can lead to delays in taking actions. In disaster relief organizations, excessive bureaucracy in planning emergency responses can delay critical aid delivery to affected areas, impacting lives during urgent situations.

17. <u>Difficulties in Implementation:</u> Poorly formulated action plans can lead to implementation challenges. In healthcare, unclear communication of new medical procedures among staff can lead to errors in patient care, impacting patient safety and trust in the institution.

18. <u>Rapid and Random Changes:</u> In fast-fashion retail, unpredictable shifts in consumer preferences can make long-term planning for inventory challenging. A sudden trend change might render planned inventory obsolete, leading to losses.

19. <u>Emergencies:</u> During natural disasters, immediate responses take precedence over detailed planning. Emergency services need to act swiftly and decisively, focusing on rescue and relief efforts rather than following predefined plans to effectively address the situation.

20. <u>External Forces</u>: Legal changes, like new regulations in the pharmaceutical industry, can significantly impact planning. Stricter regulations might require pharmaceutical companies to revise their production and marketing plans, affecting revenue and market presence.

21. <u>False Sense of Security:</u> Overconfidence due to extensive planning can lead to complacency. An established software company, feeling secure in its market dominance, might overlook emerging competitors, risking losing market share due to neglecting ongoing strategic planning efforts.

<u>Unit-3</u>

<u>MULTIPLE CHOICE QUESTIONS</u>

1) Which one of the following is not true for Authority?

a) It is the legitimate right of a superior to command and compel his subordinates to perform a certain act.

b) It is mostly well-defined, conspicuous and finite.

c) It can be delegated.

d) **It serves as a basis of both formal and informal organisations.**

2) Co-ordination between the activities of various departments and individuals working within the organization is known as

a) Vertical coordination

b) External coordination

c) **Internal coordination**

d) Horizontal coordination

3) Coordination is

a) **The essence of management**

b) An objective of management

c) A social objective

d) A management functions

4) Which of the following is NOT one of the steps involved in decision making process?

a) Make decision or choose an alternative

b) **Change the desired outcome**

c) Research and identify options

d) Evaluate results

5) Which of the following is NOT a factor contributing to MBO program failure?

i) **Altering goals to meet changes in circumstances**

ii) Easy goals

iii) Lack of management support

iv) Setting of unrealistically difficult goals

6) What is centralization in organizational structure?

a) Delegating decision-making authority to lower levels

b) **Concentrating decision-making authority at the top level**

c) Distributing authority equally among all employees

d) None of the above

7) Decentralization is often associated with:

a) Narrow spans of control

b) **Wide spans of control**

c) Hierarchical decision-making

d) Centralized authority

8) Which of the following is a key principle of Management by Objectives?

a) Top-down goal setting

b) **Employee participation in goal setting**

c) Lack of performance measurement

d) One-size-fits-all approach

9) In Management by Objectives, what is an "objective"?

a) A subjective opinion of an employee's performance

b) A general statement of organizational vision

c) A random target set by management

d) **A specific, measurable, achievable, relevant, and time-bound goal**

10) Which of the following is an advantage of Management by Objectives?

a) Limited employee involvement in goal setting

b) Lack of clarity in performance expectations

c) **Improved communication and alignment of goals**

d) Decreased accountability’

SHORT ANSWER QUESTIONS

Q.1 What is Decision Making? Write its Characteristics.

Everyone, including managers, has to make decisions every day. For managers, making decisions is a big part of their job. It's something they do when they plan, organize, lead, and control things in their work. Making choices is a key aspect of being a manager.

Herbert A. Simon goes to say to the extent that "decision-making is synonymous with managing."

DECISION-MAKING: MEANING AND DEFINITION

According to Weihrich and Koontz, "Decision-making is defined as the selection of a course of action from among alternatives."

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

Decision-making means choosing what to do from different options to reach a specific goal. It's about looking at different choices and figuring out the best one to solve a problem or make the most of an opportunity. This process involves finding and comparing different options to pick the best one that helps achieve the desired outcome.

CHARACTERISTICS/NATURE OF DECISION-MAKING

1. Process: Decision-making is a step-by-step process. It involves looking at different options and choosing the best one.

2. Intellectual and logical: It requires thinking, imagination, and understanding people's behaviour logically.

3. In the human mind: People or groups think and decide. It can happen in one person's mind or in a group.

4. Human and social: It's influenced by people's feelings and values. People can't always make purely rational decisions.

5. Intuitive: Often, decisions come from intuition, but they can also be carefully planned.

6. Alternatives: There must be different options to choose from. Without choices, there's no decision to make.

7. Choice: It's about making a decision, not necessarily knowing what will happen after the decision is made.

8. Purposeful: Decisions are made to achieve specific goals in a given situation.

9. Solving problems or seizing opportunities: Decisions are made to solve problems or make the most of opportunities. However, decisions can create new problems too.

10. Deciding to act or not: Even choosing to delay a decision is a decision in itself.

11. Commitment: Decisions mean committing to specific actions and resources.

12. Influenced by the environment: The decision-making process is affected by the situation and surroundings.

13. Everywhere: Everyone in a management position makes decisions, regardless of their level in the organization.

14. Decision is a step: Making a decision is just one part of the entire decision-making process.

15. Essence of management: Decision-making is not just a task in management; it's at the core of what management is all about.

Q. 2 What is MBO? State its objectives.

Objectives Of MBO

The main objectives of MBO approach are as follows:

1. To set organisational unit and individual goals by active participation of the all concerned.
2. To set verifiable and measurable goals.
3. To measure and judge performance.
4. To relate individual performance to organizational goals.
5. To clarify both the job to be done and the expectations of accomplishment.
6. To foster the increasing competence and growth of the subordinates.
7. To enhance communications between superior and subordinates.
8. To serve as a basis for judgements about salary and promotion.
9. To stimulate the subordinate’s motivation.
10. To serve as a device for organizational control and integration.

Q.3 Write the Characteristics of MBO.

Characteristics of MBO:

Following are the main characteristics of MBO:

1. **Philosophy of Management:** MBO is seen as a philosophy of management, focusing on understanding the needs and challenges faced by management. It centers around human actions, behaviour, and motivation. It applies to managers at all levels in various types of businesses.
2. **Goal-Oriented Approach:** MBO emphasizes setting goals throughout the organization. Goals are set starting from top management and cascading down through different levels.
3. **Common Objectives and Individual Goals:** MBO involves defining both organizational objectives and individual goals. It encourages collaboration between superiors and subordinates to identify common goals and individual responsibilities.
4. **Participation and Involvement:** MBO requires active participation from everyone involved. It promotes a collaborative approach, where both managers and subordinates actively engage in setting goals.
5. **Interactive Approach:** MBO involves active communication and collaboration between managers and subordinates during goal setting. It emphasizes a dynamic exchange of ideas and feedback.
6. **Comprehensive Approach:** MBO considers both economic and human aspects within an organization. It integrates individual and organizational factors, viewing the organization as a complete system.
7. **Systems Approach:** MBO takes into account internal and external environmental factors, integrating individual and organizational elements. It is a holistic approach to management.
8. **Applicable to Total Management System:** MBO is applicable to entire organizations, departments, or smaller units. It can be implemented at various levels and scales.
9. **Aims at Optimum Results:** MBO aims for optimal results by maximizing the use of organizational resources. It includes interim reviews and performance evaluations to achieve this goal.
10. **Simple Universal Approach:** MBO is a straightforward and universal method that can be applied by managers at all levels in different types of organizations. It is logical, intuitive, and widely accepted.

11. **Multiple Uses:** MBO is not limited to planning; it is also used for performance appraisal, motivation, and control. It serves as a versatile managerial tool.

Q.4 <u>What is organization? Explain the term in different senses.</u>

<u>Organisation</u>

We are connected to various organizations from the moment we are born. Hospitals bring us into the world, schools and colleges educate us, we work in organizations for our livelihood, and we are part of religious and social organizations. Organizations, in various forms, play a significant role in shaping our daily experiences and interactions, consuming a considerable portion of our time and activities.

In the words of Amitai Etzioni, "We are born in organisations, educated in organisations and most of us spend much of lives working for organisations. We spend much of our leisure time paying, playing. and praying in organisations. Most of us will die in an organisation and when the time comes for burial, the largest organisation of all the state must grant permission." Thus, organisations are an integral part of our lives.

<u>Organisation Meaning and Definitions</u>

The term organisation is used at least in three senses:

1. As a group of persons i.e., institution.
2. As a structure of relationships.
3. As a function or process i.e., organising.

I. ***<u>As a Group of Persons</u>***: The term organisation is used to refer a group of persons. In this sense, an organisation is a systematic group of two or more persons to accomplish some specific purpose.

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

Thus, organisation is a group of persons i.e., institution refers to a group of person contributing their efforts under the direction of a leader in order to accomplish specific goals.

II. ***<u>As a Structure of Relationships</u>***: The term organisation is also used to refer a structure or skeleton of relationships among a group of persons. It is a network of horizontal and vertical formal relationships among the individuals forming the group.

According to Weihrich and Koontz, "Organisation is a structure of relationship by which an enterprise is bound together and the framework in which individual effort is coordinated." In the words of Hodge and Johnson, "An organisation is a complex of relationships among human and physical resources and work cemented together into a network of system."

Thus, organisation is a structure of formal authority relationships among individual members of a group formed for accomplishment of some specific purpose. This structure shows the authority and accountability relationships among the individuals. It is a complete network of horizontal and vertical relationships among the members of a group.

III. ***Organisation as a Function or Process I.e., Organising***: The term 'organisation' is also used to refer one of the important functions of management i.e., organising. In this sense it refers to the process of identifying and grouping of activities, assigning duties, delegating authority, establishing relationships among the members and allocating resources for the purpose of accomplishing specific objectives.

According to Glueck, "Organising is the management process by which the work is divided up among units and employed (division of labour) and then these units and jobs are linked together to form a unified system (coordination)."

According to Weihrich and Koontz, "Organising is (1) the identification and classification of required activities, (2) the grouping of activities necessary to attain objectives, (3) the assigning of each grouping to a manager with the authority (delegation) necessary to supervise it, and (4) the provision for coordination horizontally and vertically in the organisation structure."

From the above classification it becomes clear that the term organisation is used to refer

(i) a formal group of persons or an institution,
(ii) a formal internal structure or network of authority and relationships among its members. and
(iii) a function or process of creating and maintaining organisation structure.

Q. 5 What is authority? Write its characteristics.

Authority refers to the proper right of a person in charge to give instructions and expect them to be followed. It means having the power to direct others to achieve specific goals. For example, a manager has the authority to ask employees to do tasks that contribute to the overall objectives of the organization.

Max Weber saw 'authority' as the legitimate right of a person to exercise influence.

Henry Fayol defines authority as "the right to give orders and the power to exact obedience.

Characteristics: -

1. ***A Special Right:*** Authority is like having a special right. It's a power that allows someone to give orders and make decisions.

2. ***Connected to a Job:*** Authority is linked to a specific job, not a person. When someone has a job, they can use their authority. When they leave the job, the authority goes to the new person.

3. ***Official and Proper***: In organizations, authority is official and proper. It's the correct way for bosses to tell employees what to do. Just like a teacher in a classroom has the authority to guide students.

4. ***How Authority Moves:*** Authority moves down from top managers to lower levels in a company, like instructions passing from a company CEO to regional managers and then to local managers.

5. ***Relationships:*** Formal authority creates a relationship between bosses and workers. The boss can use their authority to manage their team, similar to how a manager in an Indian call center guides their team to handle customer calls.

6. ***Different Ways to Use Authority***: Using authority means making choices, giving orders, doing tasks, and managing resources. For instance, a store manager in an Indian market uses their authority to decide what products to sell and how to display them.

7. ***Making Sure Orders Are Followed***: Authority lets people make sure others do what they're told.

8. ***Guiding and Influencing Behaviour***: People with authority can guide and influence how others behave. Like a team leader in an Indian software company influences their team to work together on a project.

9. ***Holding Things Together***: Authority is like the glue that keeps an organization working together. It's important for making sure everyone in the organization acts in a coordinated way.

10. ***Achieving Goals:*** Authority is given and used to reach the goals of an organization.

11. ***Not Unlimited***: Authority isn't all-powerful. It always follows certain rules, laws, and responsibilities. Just like a traffic police officer in India has the authority to manage traffic but must follow traffic rules themselves.

12. ***With Limits***: Authority always has limits set by tasks, rules, laws, and budgets. It's similar to how a financial manager in an Indian company has the authority to spend money but within the budget limits.

13. ***Essential for Managers***: Authority is fundamental for every manager. Without authority, managers can't get work done through others, much like how a project manager in an Indian IT firm uses their authority to assign tasks and meet project deadlines.

14. ***Balancing Authority and Responsibility***: Authority should always match the level of responsibility. Giving authority without giving the right tasks can cause issues. Also, people shouldn't be blamed for things they don't have the power to control, similar to how a team leader in an Indian tech startup must have the authority to make tech decisions that align with their responsibilities.

15. ***Potential for Misuse***: Authority can be used wrongly, not enough, or in a harmful way. It's like how a manager in an Indian company should use their authority to empower their team, not to exploit or harm them.

Q. 6 What is responsibility? Explain its features.

According to Halmann, "**<u>Responsibility is the obligation of a subordinate to perform the duty as required by his superior.</u>**"
In the words of Mondy et al, "**<u>Responsibility is an obligation to perform tale and to account for their satisfactory compliance.</u>**"

Thus, responsibility is an obligation of a person to perform tasks, functions and activities assigned to him.

Features of Responsibility

1. ***<u>Assigned Tasks</u>***: Responsibility means having a job to do.

2. ***<u>Boss-Worker Relationships</u>***: Responsibility comes from the relationship between bosses and employees. When a boss gives a job to someone, that person is responsible for getting it done.

3. ***<u>Personal Duty</u>***: Responsibility is something personal; it belongs to a specific person and can't be taken away. It's like when an employee in an Indian company is responsible for ensuring timely deliveries to clients.

4. ***<u>Connected to Authority</u>***: Responsibility always goes hand-in-hand with authority. If you have the power to make decisions (authority), you also have the responsibility to handle the outcomes. For instance, a store manager in an Indian supermarket not only has the authority to manage inventory but also the responsibility to ensure products are stocked correctly.

5. ***<u>Linked to People, Not Things</u>***: Responsibility applies to people, not objects. Machines or buildings can't be responsible, only individuals can. This means if a team fails to meet a project deadline, the responsibility lies with the team members, not the computers or tools they used.

6. ***<u>Different Types of Duties</u>***: Responsibility can be an ongoing duty or a specific task. For instance, a salesperson in an Indian clothing store has an ongoing responsibility to assist customers, but they might also have a specific obligation to organize a sales event.

Q. 7 <u>What is centralisation and Decentralisation? Explain its characteristics.</u>

<u>Centralisation Of Authority</u>

Centralization of authority means that the big decisions in a company are made by the top bosses. These top managers have the power to decide important things that affect the whole company.
According to Allen, "**Centralisation is the systematic and consistent reservation of authority at central point in an organisation**."

In the words of Henry Fayol, "**Everything which goes to reduce the role of a subordinate is centralisation.**"

Thus, Centralization means that the top managers in a company keep the power to make decisions. In this situation, lower-level employees have less say in what happens. Centralization reduces the involvement of subordinates, meaning they have less influence on important decisions.

Characteristics:

1. Centralisation is the extent to which authority retained by higher- level managers.
2. It reserves the right to make decisions in the hands of top managers.
3. In centralised organisations, the actions and operations are regulated by the top managers.
4. In such organisations, operating authority vests with the middle managers.
5. It reduces the role of subordinates.
6. Centralisation belongs to the natural order. It is always present to greater or lesser extent. In practice, no organisation is either purely centralised or purely decentralised.
7. It undertakes close supervision and control over every aspect of the organisational working.
8. Centralisation of management authority should be distinguished from centralisation of performance and departmental centralisation. Centralisation of performance means geographic concentration in which a firm operates in a single location.

Departmental centralisation refers concentration of specialised activities, generally in one department (Weihrich and Koontz).

Decentralization is the opposite of centralization. It means that the power to make decisions is given to the people who are directly involved in the day-to-day work or operations. In decentralized organizations, decision-making authority is distributed to various levels, allowing employees at different levels to make choices related to their tasks and responsibilities.

According to Henri Fayol, "*Everything that goes to increase the importance of the subordinate's role is decentralisation*."
In the words of Allen, "*Decentralisation implies consistent and systematic effort to delegate to the lowest levels of all authority except that which can only be exercised at central points.*"

Thus, decentralisation of authority refers to the extent to which decision-making authority is widely dispersed within the organisation. In a decentralised organisation, top mangement retains authority to make certain important decisions such as setting overall objectives, strategic planning, policy formulation etc. and delegates the authority to make operating decisions at the point as near as possible where actions take place.

Q.8 What is coordination? State its characteristics.

If tasks need to be divided among people, it's crucial to coordinate their efforts. This idea still holds true today and will likely remain important forever. Managers divide tasks among individuals and departments in organizations. It's essential to coordinate these efforts to achieve the organization's goals. Managers not only need to coordinate within the organization but also integrate activities with the outside world. This means ensuring cooperation between different parts of the organization and aligning their work with external factors. In simple terms, managers must make sure everyone works together efficiently both inside and outside the organization to reach their goals.

Meaning And Definitions Of Coordination

In the words of Henri Fayol, "To coordinate is to harmonize all the activities of a concern in order to facilitate its working and its success."

Weihrich and Koontz have opined that "Coordination is the essence of managership, for achieving harmony among individual efforts toward the accomplishment of group goals."

Thus, Coordination is like the conductor of an orchestra, ensuring that all the musicians play together harmoniously. In an organization, it's the process of making sure everyone works together smoothly to achieve the organization's goals efficiently and effectively.

Think of it as creating a beautiful melody where every instrument plays its part at the right time and in the right way. In the context of an organization, coordination is the art of achieving this harmony and order among the efforts of individuals and departments. It involves a manager reconciling differences in how people work, when they work, the effort they put in, and what they're interested in. The goal is to align everyone's individual objectives with the organization's objectives, just like harmonizing different musical notes to create a wonderful symphony.

NATURE/FEATURES/CHARACTERISTICS OF COORDINATION

The main features/characteristics of coordination are as follows:

1. **Integral Aspect of Management:** Coordination is no longer viewed as a separate function but an essential element of management. It's intertwined with planning, organizing, directing, and controlling, making it the essence of managerial roles.
2. **Managerial Responsibility:** Every manager holds the responsibility for coordination, especially those involved in organizing. Evading this responsibility hampers coordinated efforts, emphasizing its crucial role in management.
3. **Result of Conscious Efforts:** Coordination doesn't happen automatically; it requires deliberate and conscious efforts from managers. It's achieved through persistent and organized managerial actions, not left to chance.
4. **Continuous Process:** Coordination is not a fixed state; it's a dynamic, ongoing process. Managers must consistently work towards achieving and maintaining coordination within the organization.
5. **Applies to Group Effort:** Coordination pertains to group efforts. When individuals work together, aligning their efforts in an orderly manner becomes vital for organizational success.
6. **Unity of Effort:** Coordination seeks unity of effort among individuals. It ensures that individual contributions are synchronized to form a cohesive and productive workflow. All members must understand and contribute to this unified effort.
7. **Common Purpose:** The ultimate goal of coordination is to achieve a shared objective or the organization's goal effectively.
8. **Systems Concept Basis:** Coordination is rooted in the systems concept of organization. It views the organization as a cooperative social system, acknowledging the diversity and interdependence of its internal subsystems and external environment. Integration of these elements is key to coordination.

9. **Universal Application:** Coordination is universally essential across all types of organizations - business, non-business, social, political, and philanthropic. Managers at all levels, in various countries and organizational settings, must coordinate activities for organizational success.
10. **Different from Cooperation:** While it involves cooperation, coordination goes beyond it. While cooperation is essential, coordination encompasses a more complex process of aligning activities to achieve a common goal.
11. **Self-Coordination:** While managers are responsible for coordination, individuals within the organization must also promote coordination. Self-coordination occurs when individuals observe and adjust their activities to align with others'. However, self-coordination can't replace the need for managerial coordination efforts.

Q.9 State the principles of Coordination.
Or
What are the essentials of effective coordination?

<u>Essentials Of Effective Coordination</u>

Mary Parker Follett's Principles:

1. **Principle of Direct Contact:** Managers must engage in direct, face-to-face communication with relevant individuals. This foster understanding, clears doubts, and resolves misunderstandings, promoting problem-solving and cooperation. Managers need to maintain direct contact both horizontally and vertically within the organization.
2. **Principle of Early-Stage Coordination:** Coordination efforts should commence during the planning and policy-making stages. Involving all stakeholders early enhances integration and adjustment, making it easier to secure cooperation. Delayed coordination during execution can lead to difficulties in alignment.
3. **Principle of Reciprocal Relations:** All factors within a situation are interrelated. To ensure coordination, these factors must be pulled together and pushed together. Interactions, such as A influencing B and vice versa, illustrate reciprocal relations within an organization.
4. **Principle of Continuity:** Coordination should be a continuous, ongoing process. It forms the foundation of all organizational activities and must persist throughout the management process.

Additional Principles/Essentials:

5. **Principle of Democracy:** Coordination should not be imposed through autocratic directives. Leaders promoting participative management facilitate organic coordination, fostering a collaborative environment.
6. **Principle of Timing:** Timely coordination is crucial. Activities and procedures should be completed within specified timeframes. Untimely actions disrupt the coordination flow, leading to challenges.
7. **Principle of Balance:** Coordination should extend uniformly across all parts of the organization, horizontally and vertically. A balanced approach ensures comprehensive coordination.
8. **Principle of Dynamism:** Coordination processes must be dynamic and adaptable to changing circumstances in the environment. Flexibility is key to effective coordination.

9. **Well-Defined Objectives:** Clear organizational and departmental objectives, aligned with individual goals, foster effective coordination. Transparent objectives promote a shared understanding, facilitating coordination efforts.
10. **Sound Organizational Structure:** A well-designed, simple organizational structure based on specialization and coordination principles enhances coordination. Proper delegation of authority at each level streamlines the process.
11. **Clear Lines of Authority:** Clearly defined superior-subordinate relationships establish direct communication lines. Clarity in authority ensures smooth job performance, promoting better coordination.
12. **Cooperative Behavior:** Trust, confidence, and cooperation among team members enhance coordination efforts. A positive atmosphere encourages effective communication and mutual support.
13. **Effective Communication System:** Implementing a robust communication system, both vertical and horizontal, is essential for coordination. Utilizing diverse communication mediums, including modern techniques, facilitates effective information exchange.
14. **Communication Skills:** Developing communication skills among managers and employees enables the resolution of differences, conflicts, and problems. Enhanced communication leads to improved coordination.
15. **Effective Leadership:** Competent leadership plays a pivotal role in ensuring proper coordination. Effective leaders inspire and guide team members, promoting a collaborative environment.
16. **Real Community of Interest:** Coordination flourishes when organizational activities align with the collective interests of all stakeholders. When everyone understands the purpose and its significance to their welfare, coordination becomes seamless.

Q.10 Why is coordination known as the essence of management?

Coordination As The Essence Of Management

In the realm of classical management theories, pioneers like Fayol, Luther Gulick, and James Mooney considered coordination a distinct managerial function. However, contemporary perspectives have evolved. Coordination is no longer seen as a standalone function but is deeply ingrained in the essence of managership and management, as emphasized by Welhrich and Koontz.

It's now recognized as an integral part of every managerial function, including planning, organizing, directing, and controlling. Each of these functions contributes significantly to the coordination process, making it pervasive throughout the entire management process.

In essence, coordination acts as the backbone, permeating the entire management framework. It's not just a function; it's the intricate thread that weaves through every managerial activity, ensuring harmony and synchronization among various functions. In today's dynamic organizational landscape, effective coordination remains central to achieving organizational goals and maintaining operational efficiency.

The Crucial Role of Coordination Across Managerial Functions

In the intricate tapestry of managerial functions, coordination stands as the linchpin that binds them together, ensuring seamless operations and organizational harmony. Let's delve into how coordination threads through each managerial function:

1. **Coordination through Planning:** Coordination finds its roots in the planning phase. Setting objectives becomes the cornerstone for coordination efforts. Managers formulate plans, policies, and procedures, laying the groundwork for harmonizing activities. Coordination extends to aligning long-term and short-term plans, as well as bridging the gap between present conditions and future organizational goals.
2. **Coordinating through Organizing:** Organizing, the bedrock of an organization's structure, is inherently intertwined with coordination. Divisions, departments, and hierarchies established during organizing serve as the scaffolding for coordination. The organizational structure facilitates horizontal and vertical coordination, ensuring synergy among various activities.
3. **Coordination through Staffing:** Staffing involves ensuring the right human resources for the organization. Coordination is integral to functions like recruitment, training, and motivation. Managers align staffing efforts with the diverse needs of different departments, ensuring a synchronized workforce tailored to organizational requirements.
4. **Coordination through Directing:** Directing encompasses motivation, leadership, communication, and supervision. Managers coordinate between employees' needs, balancing intrinsic and extrinsic motivations. Leadership styles are harmonized with employees' behaviours. Face-to-face supervision fosters coordination, while effective communication channels enhance the process.
5. **Coordination through Controlling:** Controlling, a vital phase in management, plays a significant role in coordination. Managers identify deviations between actual performance and standards, taking corrective actions. In this process, they ensure alignment with organizational objectives, plans, and external environmental factors.

In essence, coordination is not just a function; it is the lifeblood that courses through every managerial activity. It integrates the diverse facets of planning, organizing, staffing, directing, and controlling, ensuring that the organizational orchestra plays in harmony. Recognizing coordination as the essence of management resonates with the intricate dance of managerial functions, choreographing organizational success.

Q.11 **<u>What is Controlling? State its Objectives.</u>**

Control is the fourth and final principal element of the managerial process. This function intends to ensure that everything occurs in conformity with the plans and predetermined goals are successfully achieved. Thus, this function. aims to make things happen in order to achieve goals.

<u>Control/Controlling Meaning And Definitions</u>

Simply stated, control means checking and correcting activities in order to ensure that things occur in accordance with the plans. Controlling is the function of management. Therefore, it is the process of monitoring activities to ensure that they are taking place in accordance with the plans.

In the words of Philip Kotler, "Control is the process of taking steps to bring actual results and desired results closer together."

In the opinion of Henri Fayol, "Control consists of verifying whether everything occurs in conformity with the plan adopted, the instructions issued. and principles established."

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

Objectives Of Control

Controls are intended to serve several purposes. However, the basic purpose is to ensure actions and behaviour in line with the desired results. Briefly, the principal objectives of control are as follows:

1. To direct the activities according to plans.
2. To establish coordination between objects, means and efforts of the organisation.
3. To know the progress of the activities on the basis of standards fixed.
4. To find out deviations and try to remove these deviations.
5. To get the knowledge regarding quality cost and time of work performed.
6. To regularise actions and behaviour.
7. To prevent dishonesty and establish order and discipline.
8. To maintain flow in activities of the business.
9. To stop wastage and to minimise the cost.
10. To make decentralisation and delegation of authority successful.
11. To motivate employees.
12. To ensure efficient and effective use of organisational resources.

Q. 12 Explain the Process of Control.

Control is a continuous or ongoing dynamic process. It may involve many steps. Usually, a control process consists of the following steps:

1. Establishment of standards.
2. Measurement of performance.
3. Comparison of performance with standards.
4. Taking corrective action.

1. ***Establishment of standards***: The first step in the process of control is the establishment of standards of performance. It may be noted that standards are the objectives or plans against which actual performance can be measured. Standards may be in several forms. But they should be tangible, verifiable, and measurable. More specifically, standards should be in quantitative as well as in qualitative terms. The performance standards are generally classified into five categories:
(i) Productivity standards: These standards state the amount/number of product or service to be produced during a given time period.
(ii) Time standards: These standards state the length of time to be allowed to make a certain product or perform a certain service.

(iii) Cost standards: These standards state the cost associated with producing a product or service.
(iv) Quality standards: These standards set the level of perfection desired.
(v) Behavioural standards: These standards prescribe the desired type of behaviour of employees in an organisation.

Standards to be effective should satisfy the following conditions:

1. Standards should be fixed in all the key areas of business.
2. They should be consistent with the goals and policies of the organisation.
3. They should be, as far as possible, expressed in quantitative terms. Such standards can reduce subjectivity.
4. They should be precise and tangible so that everyone can understand them easily.
5. They should focus on achievement of results and not on procedures.
6. They should be capable of achieving with reasonable effort, cost and time.
7. They should be flexible and capable of being adapted to changing circumstances.
8. They should be set in consultation with the employees.
9. They should be objective and based on facts.
10. They should include the tolerance limits i.e. permitted limits of deviation.
11. They should be revised from to time.

2. ***Measurement of performance***: The next step in the control process is the measurement of actual performance. Actual performance may be measured through personal observation, samples, reports, accounting statements etc. But managers should carefully select the methods and time of measurement. Measurement methods may be quantitative as well as qualitative or a combination both.

Again, the time of measurement should also be fixed with utmost care. Managers should also decide a reasonable time interval for measurement of performance. It should not be so short nor so long. Too short time interval may involve too much expenses whereas too long interval may not detect deviations in performance in time.

To make measurement of performance worthwhile, it should be clear complete, precise and objective.

3. ***Comparison of performance against standards***: The third step in the control process is the comparison of actual performance with the standards. At this step, manager finds out the degree of variation or deviation between actual performance and the standard. Where manager finds no deviation, no further action is required. Then the control process is deemed to have completed. When deviation is found in the performance, manager has to find out the extent of deviation. If the deviation is within the tolerance limits, manager need not bother. However, if the deviation exceeds the tolerance limits, the manager's attention is needed. In such a case, manager has to take some corrective action.

4. ***Taking corrective action***: The fourth and final step in the control process is to take correction. At this point, manager should find out the cause of deviation. If the cause is beyond the control, manager can do nothing. If the cause is controllable, manager may either
(a) correct actual performance, or
(b) revise the standards.

Manager may correct actual performance by

1. providing training,
2. revising compensation plan,
3. redesigning job,
4. changing the strategy,
5. changing the organisation structure and so on. When he decides to take corrective action, he should take it immediately.

Immediate action corrects problems at once and gets performance on track. Where the deviation has been the result of faulty and unrealistic standard, manager should revise the standard.

LONG ANSWER QUESTIONS

Q.1 Explain the meaning of decision making. Explain its importance.

Everyone, including managers, has to make decisions every day. For managers, making decisions is a big part of their job. It's something they do when they plan, organize, lead, and control things in their work. Making choices is a key aspect of being a manager.

Herbert A. Simon goes to say to the extent that "decision-making is synonymous with managing."

DECISION-MAKING: MEANING AND DEFINITION

According to Weihrich and Koontz, "Decision-making is defined as the selection of a course of action from among alternatives."

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

Decision-making means choosing what to do from different options to reach a specific goal. It's about looking at different choices and figuring out the best one to solve a problem or make the most of an opportunity. This process involves finding and comparing different options to pick the best one that helps achieve the desired outcome.

IMPORTANCE/SIGNIFICANCE OF DECISION-MAKING

1. Decision-making and Management Functions:

Decision-making is inherent in all aspects of management, including planning, organizing, directing, and controlling. In planning, decisions shape objectives, policies, procedures, and rules. Organizing involves decisions about resource allocation, task assignment, and establishing relationships. In directing, decisions guide communication, motivation, supervision, and leadership styles. Even in controlling, decisions are vital to comparing performance against standards and taking corrective measures.

2. Ensuring Management Success:

Decisions made in one area influence the success of other functions. For instance, planning decisions impact organizing, directing, and controlling. Sound decisions across functions ensure the overall success of management processes.

3. Impact on the Enterprise:

Decisions play a crucial role in the survival and success of an organization. Quality decisions contribute to growth, prosperity, and property of the enterprise. The speed of growth depends on the timing and quality of decisions made.

4. Managerial Distinction:

Decision-making is the hallmark of managers. It distinguishes managers from non-managers. Managers are responsible for making decisions, while non-managers execute them.

5. Evaluation and Reward:

Managers are evaluated and rewarded based on the significance and outcomes of their decisions. The quality of decisions serves as a measure of a manager's effectiveness and value to the organization.

6. Problem Solving:

Decision-making is crucial for solving complex problems. It involves choosing the best possible solution among alternatives, addressing challenges faced by the organization.

7. Risk Management:

A systematic decision-making process leads to logical and informed choices, reducing the risks associated with various actions taken by the organization.

8. Optimal Resource Utilization:

Effective decisions ensure the best use of human, physical, financial, and informational resources. They aid in proper resource allocation, minimizing wastage and leakage.

9. Achieving Objectives:

The ultimate purpose of decisions is to help the organization achieve its objectives efficiently and effectively. Sound decisions allow managers to capitalize on available opportunities.

10. Facing Challenges:

Decision-making is essential to navigate challenges arising from technological advancements, competition, and changing consumer behavior. Managers need to make effective decisions to overcome these challenges and ensure the organization's success in the face of environmental forces.

Q.2 What is the process of Decision-making?

Decision-making is a process. To make sound, judicious, logical or rational decision, a manager has to follow a process i.e., a sequential set of steps. Usually, a rational decision-making process consists of the following steps or stages:

1. **Identification of problem**: The need for decision-making arises because some problem or opportunity exists. A problem or opportunity is said to exist when a manager perceives either an unsatisfactory situation or a promising opportunity. In other words, a manager is required to make a decision when he perceives a gap between existing and desired state of affairs.

Thus, decision-making process begins with identification of some problem or opportunity. A manager should, therefore, always try to identify problems or opportunities available in the internal and external environment of the organisation. He should constantly monitor internal performance and compare it against the goals, plans or standards to find out problems. At the same time, he should also constantly watch the changes and challenges emerging in the external environment. He should use his skills, knowledge and experience in discovering and identifying problems and opportunities for making decisions

2. **Diagnosing the problem:** After identifying a problem, the next task of the manager is to diagnose the problem. Diagnosis of problem is essential to know the exact nature and cause of the problem. The success of decision-maker depends upon his diagnostic skills.

In the course of diagnosing a problem, a manager should distinguish the problem from its symptoms. Symptoms serve as clues to problems. A manager should try to reach the root cause of the problem with the help of symptoms.

Just as a physician, a manager should correctly diagnose the real problem and then treat it. For instance, a manager identifies a problem of high absenteeism among the work force. Before deciding a remedy or solution to this problem, the manager should try to find out the cause of higher absenteeism. Diagnosis may indicate that real cause of the problem is that jobs are boring and supervision is autocratic. Thus, the manager should concentrate on these causes to remedy the situation.
In order to find out courses of a problem, the manager should collect and analyse information relating to it from within and outside the organisation.

3. **Establishing specific objectives**: In this step, manager should establish the specific objectives to be accomplished by the solution to the problem i.e decision. He should clearly state the objectives of making a particular decision. Objectives may be set in qualitative or quantitative terms or both. But they should be clear-cut, unambiguous, flexible and realistic. They should be such that they may serve as yardsticks for evaluating the results of the decisions made.

4. **Identifying limitations or constraints**: The next step of the manager should be to identify limitations or constraints of a possible solution or decision. Usually limitations relate to inadequate funds, insufficient work-force with requisite skills or experience, extremely competitive situation, company policy, legal provisions, time factor etc. Any decision should be made after giving due consideration to these limiting factors.

5. **Finding alternatives**: The next step is to develop a set of alternative solutions to the problem. If no alternative is available, there is no need to make a decision. The manager should, therefore, develop or identify all possible alternatives. The sources of alternatives include suggestions from workers. managers and outsiders, practices of other organisations, research reports etc.

Finding alternative solutions is a costly and time consuming task. Managers rarely have enough time to identify every possible alternative. Moreover, very large number of alternatives tends to cause confusion. Managers, therefore, usually limit the number of alternative solutions that will be considered seriously. However, managers should consider a reasonably wide range of alternatives in order to find a reasonable solution to the problem. But they should not spend more money and time in identifying alternatives than the worth of the problem.

6. **Evaluating alternatives**: The next step is evaluation of each identified alternative. To evaluate, the manager should compare the advantages and disadvantages of each alternative and weigh the possible consequences of each.

In order to evaluate alternatives, it is necessary to establish some common standards. The standards should be both quantitative and qualitative. The specific objectives set for decision-making (stated in point number 3 above) can be taken as standards against which all alternatives can be compared. All the more. the following four criteria offered by Peter Drucker should be considered in evaluating the alternatives:

(1) Risk: There is no riskless alternative. The manager should, therefore, weigh the risk of each alternative against the expected gains.

(ii) Economy of effort: The manager should see which alternative can give the greatest results with the least effort.

(iii) Timing: The choice of an alternative also depends upon the prevailing situation at a particular point of time. If the situation has great emergency, the preferable alternative is one that signals organisation that something important is happening. But a slow and steady start is preferable when long and consistent effort is needed.
(iv) Limitations of resources: In evaluating alternatives, attention should be given to the limiting or strategic factors. Managers should see whether all means (human, physical and financial means necessary to carry out the decision are available.

7. **Selecting appropriate alternative**: The next step in the decision-making process is to select one appropriate or best alterative I.e. to make a decision. In some cases, choice for decision is obvious from the comparison of alternatives. However, when the problem is complex, no alternative may stand out clearly as the best choice. In such cases, good judgement and experience play most important role in selecting an appropriate alternative. Sometimes, managers also test the different alternatives by putting them into practice for a limited period. Sometimes, managers also conduct research on alternatives in order to predict the results of each alternative. Thus, the managers select an appropriate alternative solution with the help of judgement, experience, tests and researches.

It should be noted that in practice, it is not always possible to select one optimum or the best alternative. It is so because of the time limitations and the limited ability of the managers. Herbert Simon has, therefore, suggested that managers should engage in selecting a satisfying instead of maximising alternative.

8. **Implementing the decision**: The next step in the decision-making process is to implement the decision. It is the responsibility of a manager to implement it. He, therefore, should make the necessary arrangements for its implementation. He should also persuade and motivate employees to implement it successfully. Furthermore, he should delegate authority and allocate resources necessary to implement the decision.

9. **Feedback**: The final step in the decision-making process relates to feedback. This step is essential to ensure that the results are in accordance with those expected at the time of making the decision. Feedback involves continuous monitoring of the decision. The manager measures and evaluates the results of the decision. If the manager finds it appropriate to modify the decision, he does so in the light of the changed circumstances.

Q.3 **What are the techniques of decision-making?**

TECHNIQUES OF DECISION-MAKING

1. Experience or Judgment:

- Managers use their past knowledge and expertise to make decisions based on their experience in similar situations.
- **Example** A manager might rely on their years of handling customer complaints to address a new customer service issue.

2. Intuition

- Managers use their inner feelings or instincts to make decisions, especially when factual information is lacking.
- **Example** A manager might have a gut feeling that a certain marketing strategy will work even without concrete data.

3. Habits

- Managers solve routine problems using established habits, reacting without a formal decision-making process.
- **Example** A manager habitually handles minor office conflicts by talking to the parties involved without a structured approach.

4. Standing Plans and Procedures

- Established organizational policies, rules, and methods act as guides for quick decision-making.
- **Example** When faced with a common issue, a manager follows the company's predefined protocol to resolve it.

5. Organizational Structure

- The structure of the organization defines roles, responsibilities, and communication paths, aiding managers in decision-making.
- **Example** A manager refers to the organizational chart to identify the appropriate person to make a particular decision.

6. Principles of Management

- Basic principles of management provide guidance for decision-making, although not specific techniques.

- **Example** A manager adheres to the principle of fairness when resolving conflicts among team members.

7. Economic and Financial Techniques

- Managers use various economic and financial tools to analyze alternatives, such as cost-benefit analysis or ratio analysis.
- **Example** Before investing in a new project, a manager analyzes potential returns using financial ratios to make an informed decision.

8. Linear Programming

- A mathematical technique used to optimize resource allocation among different demands, ensuring efficient decision-making.
- **Example** A manager uses linear programming to determine the best allocation of resources for maximum output, considering constraints like budget and manpower.

9. Game Theory

- Decision-making technique for competitive situations where one party's decision affects others; it involves strategic thinking.
- **Example** In a negotiation, a manager strategizes to counter the competitor's moves, ensuring a favorable outcome for their own team.

10. Waiting-line or Queueing Theory

- Used to address waiting-line issues; managers decide on optimal service rates to balance customer waiting time and service costs.
- **Example** A manager at a call center adjusts the number of operators based on queueing theory to minimize customer wait times.

11. Simulation

- Creating models of real-world events to study various conditions and their impacts, helping managers make decisions based on simulations.
- **Example** Simulating customer traffic patterns in a store to optimize staff schedules and enhance customer service.

12. Network Techniques (PERT and CPM)

- Project management tools for planning and controlling complex projects by defining tasks, dependencies, and critical paths.
- **Example** A manager uses PERT/CPM to sequence project tasks, ensuring timely completion by identifying crucial project stages.

13. Heuristic Technique

- A trial-and-error approach breaking down complex problems into smaller parts, using rules of thumb to find solutions.

- **Example** When faced with a multifaceted problem, a manager divides it into smaller components, addressing each part incrementally until the whole issue is resolved.

14. Participative Technique

- Involves employees in decision-making processes, fostering collaboration and boosting the quality and acceptance of decisions.
- **Example** A manager conducts brainstorming sessions with the team, encouraging everyone to contribute ideas and collectively decide on a new project approach.

Q. 4 What is MBO? Explain its process.

MEANING AND DEFINITIONS OF MBO

Management by Objectives (MBO) is a method where a manager and an employee work together to set clear goals for the employee's performance. They create a plan to achieve these goals. The purpose of MBO is to make sure everyone in the organization shares common objectives. By involving employees in the goal-setting process, it encourages their active involvement and dedication to achieving these goals. MBO aims to improve communication, collaboration, and overall effectiveness within an organization.

The term MBO has been defined by numerous authorities. Some well accepted definitions are as follows:
According to Peter Drucker, "**Management by objective is regarded system for improving performance, both the individual managers and the enterprise as a whole by the setting of objectives at the corporate, departmental and individual manager's level.**"

It's a collaborative process that fosters clear goal-setting and strategic planning between managers and employees. By aligning individual objectives with organizational goals, MBO ensures that everyone comprehends their role in contributing to the company's overall success. This shared understanding enhances teamwork, motivation, and productivity within the organization.

Process Of MBO

The process of MBO consists of the following major stages or steps:

1. **Setting Corporate Objectives:** MBO starts with top managers setting long-term strategic goals for the entire organization. These objectives focus on the organization's survival, growth, and profitability. They cover all crucial areas of business and provide a clear direction for everyone.
2. **Setting Departmental Objectives:** Objectives are set for each department or unit, aligning with the overall corporate goals. Departmental managers work with top management to establish specific, measurable, and supportive objectives related to productivity and profitability.
3. **Setting Individual Goals:** Individual employees' performance objectives are set in consultation with their supervisors. These goals are specific, verifiable, quantitative (if possible), time-bound, and linked to rewards. Managers engage in open discussions with employees to set challenging and achievable goals.

4. **Matching Objectives and Resources:** Adequate resources and authority are essential to achieve objectives. Managers ensure that necessary resources are provided and empower employees appropriately. There must be a balance between objectives and available resources.
5. **Recycling Objectives:** Objectives are refined through an interactive process involving managers at different levels. Initial objectives are set, reviewed, and adjusted in consultation with higher management until they are finalized.
6. **Developing Action Plans:** Action plans detailing required activities, relationships between tasks, timeframes, priorities, responsible individuals, and necessary resources are developed to achieve the set goals.
7. **Implementation:** Individuals responsible for specific goals implement the action plans. Managers provide guidance, motivation, training, and support to ensure successful implementation.
8. **Periodic Reviews:** Regular meetings between superiors and subordinates are held to review progress and identify potential challenges. Subordinates prepare progress reports, which are discussed and modified if necessary.
9. **Performance Appraisal:** At the end of the specified period or upon task completion, performance is evaluated. Factors such as task difficulty, creativity, resource utilization, ethical behaviour, and cooperation are considered in addition to goal achievement.
10. **Feedback:** Superiors provide feedback and suggestions based on the performance evaluation. Decisions are made to adjust the MBO program or set future objectives based on the feedback received.

Q. 5 What are the advantages and disadvantages of MBO?

ADVANTAGES OF MBO

The main advantages of MBO are outlined as follows:

1. **Result-Oriented Focus:** MBO shifts the focus from mere activities to achieving results. Managers direct activities that align with specific goals, ensuring efforts are purposeful and goal-driven.
2. **Clear Goals:** MBO sets clear, measurable objectives for individuals and departments. This clarity helps everyone understand their responsibilities and contributions to the organization.
3. **Effective Planning:** Clear goals facilitate precise and realistic planning. Managers can anticipate challenges, allocate resources efficiently, and discuss potential issues in advance. This proactive approach prevents crises and improves overall planning.
4. **Role Clarification:** MBO necessitates defining objectives, positions, and delegation of authority. This clarifies roles for everyone in the organization, enhancing accountability and understanding of responsibilities.
5. **Coordination:** MBO aligns overall organizational, departmental, and individual goals. This harmony ensures better coordination, with efforts and resources focused on specific objectives, leading to improved teamwork.
6. **Encourages Commitment:** Involving employees in goal-setting creates a sense of ownership. They actively participate, share ideas, and receive support, fostering commitment to achieving their goals.

7. **Self-Direction and Control:** MBO empowers employees to self-direct their activities. They measure their performance against set goals, promoting self-control and accountability. Managers can assess their own performance, fostering self-management.
8. **Motivation:** MBO motivates employees through active participation, improved commitment, self-direction, and fulfillment of personal development goals. Meeting these needs boosts motivation and enthusiasm.
9. **Facilitates Control:** Regular performance evaluations against set goals enable timely corrections. Comparing performance with objectives provides a basis for effective control and intervention, ensuring alignment with organizational goals.
10. **Improved Performance Appraisal:** MBO offers an objective basis for performance appraisal. Measuring performance against verifiable goals reduces subjectivity, enhancing the fairness and accuracy of evaluations.
11. **Cordial Relations:** Joint consultation and decision-making in MBO enhance interactions and common work philosophies, fostering positive relationships between superiors and subordinates.
12. **Development of Managerial Skills:** MBO provides opportunities for skill development by setting and achieving challenging goals. Participation in higher-level planning and decision-making activities enhances managerial skills.
13. **Facilitates Organizational Change:** MBO's dynamic nature allows adjustments in goals and action plans, making it easier to introduce changes and foster organizational development.

14. Other advantages: Other specific advantages of MBO might include the following:

(i) It improves communication.
(ii) It helps to identify promotable managers and employees.
(iii) It helps reward fairly to competent members of the organisation.
(iv) It provides opportunities for career development.
(v) It boosts employee morale.
(vi) It reduces duplication of efforts.

LIMITATIONS/WEAKNESSES OF MBO

1. **Failure to Teach MBO Philosophy:** While MBO appears straightforward, its successful implementation requires a profound understanding of its philosophy. Managers need to not only comprehend it themselves but also effectively convey the concepts to their subordinates. If this transfer of knowledge is inadequate, the MBO program can easily falter.
2. **Lack of Guidelines:** MBO heavily relies on clear, specific, and achievable goals. However, if top management fails to provide precise guidelines, the process becomes challenging. Vague or inconsistent objectives from higher-ups hinder middle and lower-level managers from setting meaningful and aligned goals for their teams.
3. **Difficulty in Goal Setting:** Setting goals that are both quantitative and qualitative is a complex task. Quantitative goals must be measurable, which can be challenging in certain areas of work. Moreover, achieving consensus on these goals among team members and ensuring their active participation is a delicate process. Hierarchical organizational structures and power dynamics can hinder open communication and goal-setting collaboration.

4. **Emphasis on Short-term Goals:** MBO tends to focus on immediate, short-term objectives. While short-term goals are essential, an overemphasis on them can lead to neglect of long-term and strategic objectives. This myopic focus might not align with the organization's overall vision and adversely affect its long-term performance.
5. **Emphasis on Quantitative Goals:** MBO places a strong emphasis on measurable outcomes, often overlooking the qualitative aspects of performance. Quality, creativity, and innovation, which are challenging to quantify, might be undervalued, leading to a lack of holistic evaluation.
6. **Forcing Objectives:** In some cases, top managers impose objectives without engaging in meaningful discussions with middle and lower-level managers. When objectives are thrust upon managers without their input or understanding, it can lead to resistance and lack of commitment, undermining the effectiveness of MBO.
7. **Unethical Means:** In the pursuit of meeting ambitious goals, individuals might resort to unethical practices. For instance, salespersons might employ dishonest tactics to meet their sales targets. This ethical dilemma tarnishes the organization's reputation and integrity.
8. **Inflexibility:** MBO programs might lack the flexibility needed to adapt to changing circumstances. If objectives cannot be modified in response to shifting corporate strategies or market demands, the organization risks being rigid and unresponsive, hindering its ability to thrive in a dynamic environment.
9. **Time-Consuming:** Implementing MBO involves extensive consultations and paperwork. Managers at different levels need to engage in discussions and documentation, making it a time-consuming process. This can lead to frustration among employees and managers alike.
10. **Excessive Paperwork:** MBO necessitates the creation of numerous forms, memos, and reports to document goals, progress, and evaluations. This excessive paperwork can overwhelm managers, distracting them from their core responsibilities and dampening their enthusiasm for the process.
11. **Organizational System:** MBO might not seamlessly integrate with traditional or hierarchical organizational structures. Conservative organizations with deeply ingrained practices might find it challenging to transition to the collaborative and goal-oriented approach of MBO.
12. **Managerial Needs:** MBO is most successful in organizations where managers share common needs for power, autonomy, and accomplishment. If there is a significant disparity in the needs and motivations of managers, the uniform application of MBO might not resonate with everyone, leading to resistance and ineffectiveness.
13. **Managerial Competence:** The success of MBO depends on the competence and skills of the managers implementing it. If managers lack the necessary skills for effective planning, communication, and goal-setting, the MBO program might not be executed properly.
14. **Neglect of Personal Development Goals:** While professional goals are emphasized in MBO, personal development objectives, which are crucial for employees' motivation and job satisfaction, might be overlooked. Ignoring these personal growth goals can lead to a lack of fulfillment among employees.
15. **Uncertain Environment:** In rapidly changing and unpredictable environments, setting and achieving concrete objectives becomes challenging. MBO requires stability and predictability to function optimally. In uncertain settings, goals might need constant revision, making it difficult to maintain the integrity of the MBO process.

Q. 6 Give suggestions for the successful implementation of MBO programme.

Suggestions for the successful implementation of MBO programme:

1. ***Clear Communication of Purpose:*** Transparency is key. Every member of the organization should understand the purpose of the MBO program. Clear communication ensures that everyone is on the same page regarding the objectives and expectations.
2. ***Top Management Support:*** The active involvement and commitment of top management are vital. When leaders fully support the MBO program, it sends a strong message to the entire organization about its importance.
3. ***Defining Organizational Purpose*:** Top management should articulate the overall organizational purpose, objectives, and policies. These foundational elements serve as the basis for creating a structured hierarchy of objectives. While quantitative goals are essential, it's crucial not to overlook qualitative aspects, ensuring a balanced approach.
4. ***Job Descriptions and Responsibilities:*** Clearly defined job descriptions are fundamental. When every position's role and responsibility are explicit, managers can better understand their areas of influence and accountability.
5. ***Integration into Daily Activities:*** MBO should seamlessly blend into the day-to-day activities of managers. It should not be seen as an isolated initiative but rather as an integral part of the overall management system. Managers need to incorporate MBO principles into their routine decision-making processes.
6. ***Conducive Organizational Environment:*** The organization's culture and environment play a significant role. A supportive atmosphere, where innovation and collaboration are encouraged, fosters the successful implementation of MBO.
7. ***Training and Familiarization*:** Managers should receive comprehensive training in the philosophy and procedures of MBO. Understanding the nuances of the approach equips them to implement it effectively.
8. ***Allocation of Resources*:** Adequate resources, both human and financial, should be allocated for the formulation and execution of the MBO program. Insufficient resources can hinder the program's effectiveness.
9. ***Incorporating Personal Development Goals:*** MBO should encompass personal development objectives alongside professional goals. Recognizing and nurturing employees' personal growth leads to increased motivation and job satisfaction.
10. ***Subordinate Participation:*** Actively involving subordinates in goal setting and performance evaluation is crucial. Their insights and perspectives provide valuable input, fostering a sense of ownership and commitment.
11. ***Realistic Timeframe:*** Patience is vital. Overnight results should not be expected. MBO takes time to yield meaningful outcomes. Large organizations might require three to five years, whereas smaller ones may need at least six months to see tangible results.
12. ***Continuous Monitoring and Feedback:*** Regular monitoring and evaluation are essential. Feedback loops ensure that the program stays on track. Adjustments can be made promptly based on performance evaluations and feedback from various stakeholders.
13. ***Integration with Rewards System:*** MBO should align with the organization's reward and remuneration structure. Recognizing and rewarding achievements linked to MBO goals reinforces the importance of goal attainment.
14. ***Organizational Restructuring:*** Sometimes, restructuring the organization's framework is necessary. MBO implementation might require adjustments in roles, hierarchies, or reporting structures to enhance efficiency.
15. ***Simplicity in Approach:*** While comprehensive, the MBO program should be as simple as possible. Excessive paperwork and complex procedures can discourage managers. A streamlined approach ensures practicality and ease of implementation.

16. ***Flexibility and Adaptability:*** MBO programs should be flexible. The dynamic nature of businesses demands adaptability. The program should allow modifications, additions, and deletions to align with the evolving needs of the organization and its environment.
17. ***Addressing Resistance and Politics:*** Managers must be astute in handling resistance. Some individuals might resist MBO due to various reasons, including vested interests or misconceptions. Sensitivity to organizational politics and proactive management of resistance are essential for successful implementation.

Q.9 What are the principles of Organisation?

The principles discussed above are fundamental to effective organizational management. Let's delve into each principle:

1. **Principle of Objective:**

Every enterprise should establish clear aims for the entire organization. These common goals ensure that all departments work in harmony towards a unified objective. This prevents conflicting goals among different departments and fosters organizational cohesion.

2. **Principle of Specialization:**

Individuals within the organization should be assigned tasks based on their skills and qualifications. Continuity in performing the same tasks helps individuals specialize in their respective roles, leading to increased production efficiency.

3. **Principles of Coordination:**

Coordination is crucial for ensuring the alignment of different activities. An agency or mechanism should be in place to coordinate the efforts of various departments, preventing conflicting goals and ensuring that the ultimate aim of the organization is achieved through collaborative efforts.

4. **Principle of Delegation of Authority and Absoluteness of Responsibility:**

Authority flows downward in the organizational hierarchy, and while authority can be delegated, responsibility remains with the person assigned the task. Delegation does not absolve a superior of their responsibility, emphasizing the importance of accountability.

5. **Principle of Defined Authority and Responsibility:**

Clear definition of authority, responsibility, and duties is essential. Without clear assignments, fixing responsibility becomes challenging, leading to a situation where everyone assumes the task is someone else's responsibility. Defining relationships between departments is also crucial for efficient workflow.

6. **Span of Control:**

The number of subordinates supervised by a supervisor, known as the span of control, should be manageable. Effective communication and control are compromised if the span of control is disproportionate, affecting the overall efficiency of workers.

7. **Principle of Balance:**

Work assignments should be balanced to ensure that each individual can perform optimally. Overworked or underworked individuals both negatively impact the organization's productivity. Balancing work assignments promotes maximum contribution from each member.

8. **Principle of Continuity:**

The organization should be adaptable to changing situations. Dynamic adjustments to methods of production and marketing systems are essential for the organization to remain relevant and effective in a dynamic business environment.

9. **Principle of Uniformity:**

Work distribution should maintain uniformity to prevent dual subordination and conflicts. Assigning specific areas of responsibility to each officer helps in avoiding confusion and ensures smooth operations.

10. **Principle of Unity of Command:**

Individuals should be answerable to a single superior to avoid confusion and conflicts arising from contradictory orders. This principle ensures consistency in directing, coordinating, and controlling, fostering a sense of responsibility.

11. **Principle of Exception:**

Top management intervention is necessary only in exceptional situations. Routine matters are left to lower cadres, allowing top management to focus on planning and policy formulation. This principle enhances efficiency by prioritizing top management involvement.

12. **Principle of Simplicity:**

Organizational structures should be simple and easily understood by all. Clear delineation of authority, responsibility, and positions prevents confusion, doubts, and conflicts within the organization, facilitating smooth operations.

13. **Principle of Efficiency:**

The organization should achieve its objectives at a minimum cost. Pre-determined standards for costs and revenue guide performance, aiming for both organizational success and employee job satisfaction.

14. **Scalar Principle:**

The scalar chain, representing the vertical placement of supervisors from top to bottom, is essential for effective organization. This chain ensures a clear and structured hierarchy for efficient communication and decision-making.

15. Unity of Direction:

Unity of Direction is about ensuring that everyone in the organization is working together towards a common purpose. It promotes coordination, consistency, and efficient use of resources, contributing to the overall success and effectiveness of the organization.

Q. 8 <u>What are the essentials of sound organisation?</u>

<u>Essentials Of Sound Organisation</u>

1. **Unity of Objective:** Everyone in an organization, and every part of it, should work towards achieving the objectives for which the organization exists. For an organization to be effective, all its components must contribute to these objectives.
2. **Specialization:** Work in the organization should be divided in a way that promotes specialization. Each member of the organization should have a specific job based on their qualifications and preferences.
3. **Span of Control or Management:** There should be a limit to the number of people directly supervised by a manager. The ideal number depends on the job and the manager's abilities. But generally, it's recommended that no one should oversee more than five or six subordinates.
4. **Clear Lines of Authority (Scalar Principle):** There should be clear lines of authority from top management to the lowest levels. This clear chain of command allows quick decision-making and effective communication.
5. **Delegation of Authority:** Managers should delegate enough authority to their subordinates to accomplish the expected results.
6. **Absoluteness of Responsibility:** Subordinates are responsible for their performance to their superiors. However, a superior is ultimately responsible for the actions of their subordinates.
7. **Parity of Authority and Responsibility:** The authority given should match the responsibility of a position. It shouldn't be too much or too little.
8. **Unity of Command:** Each person should receive orders from only one superior. No one should answer to more than one boss at the same time, as it helps prevent conflicting instructions and fosters personal responsibility.
9. **Unity of Direction:** Similar activities should be overseen by a single manager with one plan. This ensures actions are unified and helps build an effective organizational structure.
10. **Exception:** Routine matters should be handled at the appropriate management level without referring them upward. Only complex and exceptional issues should be sent up the chain of command.
11. **Functional Definition:** Duties, activities, authority, and relationships for each position or department should be clearly defined in writing and shared with everyone. This prevents overlapping and duplication of work.
12. **Balance:** All parts of the organization should be in balance to maintain structural stability.
13. **Continuity:** Organizing and reorganizing are ongoing processes. There should be provisions in place to ensure this continuity.

14. **Coordination:** The main purpose of organizing is to promote coordination. The organization's structure should make it easy for people at different levels to work together effectively.
15. **Simplicity:** An organization's structure should be straightforward with as few hierarchy levels as possible. Multiple levels can lead to communication and coordination issues.
16. **Flexibility:** An organization's structure should be adaptable to changing conditions.
17. **Efficiency:** The organization's structure should contribute to the efficient attainment of objectives with minimal cost and effort.
18. **Leadership Facilitation:** The organization's structure should support leadership activities and help managers create an environment that encourages high performance.

Q. 9 Elaborate Formal and Informal organisation and also state the difference between the two.

FORMAL ORGANISATION

According to Barnard, "An organisation is formal when the activities of two or more persons are consciously coordinated towards a common objective." In the words of Weihrich and Koontz, "Formal organisation means the intentional structure of roles in a formally organised enterprise."

Thus, a formal organisation is one which is intentionally created by management to achieve specific objectives. In such an organisation, there are well-defined positions, authority responsibility relationships. It is run in accordance with the predetermined policies, rules, procedures etc.

Characteristics:

1. It is deliberately created by the management.
2. It is created to achieve organisational objectives.
3. It is based on certain principles (already discussed) such as division of labour, scalar-chain, span of control, unity of command and direction and so on.
4. It concentrates on jobs rather than on the people who are to perform the jobs.
5. It does not consider the sentiments and feelings of the members. Thus, it is deliberately impersonal.

6. It lays down clear lines of authority, responsibility, relationships.
7. It defines authority and position of every individual.
8. It is governed by well-established policies, procedures, rules etc.
9. It always maintains a chain of command.
10. It provides a definite network of interaction and communication.

INFORMAL ORGANISATION

Informal organisation means the informal relationships among the persons of an organisation. Such relationships are not based on their formal status in the organisation but based on their social and personal relations among them in the work place.

In the words of Mondy et al., "An informal organisation is a spontaneously formed group of people who interact regularly for some identifiable purpose."

According to Keith Davis, "Informal organisation is a network of personal and social relations which is not established or required by the formal organisation but arising spontaneously as people associate with one another."

Thus, informal organisation is an organisation (group) of persons at work which is not deliberately and formally structured but arises spontaneously as a result of personal and social relations among the people in the work-place.

Characteristics of Informal Organisation:

1. It is a group of persons not deliberately or formally created. It arises spontaneously.
2. It is a spontaneous social network of relations in the work-place.
3. The relationships and interactions among members of group are not formally sanctioned.
4. It is an organisation within formal organisation without any formal sanction.
5. It results from the personal and social relations among the members in a work-place.
6. It is regarded a 'shadow organisation.' It may arise in any formal organisation but cannot exist without any formal organisation.
7. It is a part of a total organisation.
8. It is superimposed on formal organisation.
9. Informal organisation is a response to unfulfilled and active needs.
10. It develops on the basis of personal attitudes, values emotions, customs, likes, dislikes, interests, habits etc.
11. It is based on informal authority.
12. It is usually smaller and less permanent or instable.
13. Like formal organisation an information organisation also has a hierarchy, leaders, and objectives though informal.
14. It greatly Influences productivity of the enterprise.

Advantages of Informal Organisations:

The advantages of informal organisations may be classified under the following two heads:

1). Advantages to Members/Employees:

1. **Fulfilment of Affiliation Need:** Informal organizations meet people's need for social connection. Regular interactions with like-minded individuals who share common interests and values provide a sense of belonging and fulfillment.
2. **Enhanced Security:** Individuals tend to feel insecure when isolated, but they find security within groups. Joining informal organizations provides a sense of safety and support.
3. **Satisfaction of Egoistic Needs:** Informal groups can fulfill egoistic needs, such as the desire for esteem and status. Associating with someone of higher status within the organization satisfies the egoistic needs of those with lower status.
4. **Increased Power:** Informal organizations can empower individuals. Even without formal authority, members of these groups may influence others, demonstrating power within the organization.

5. **Emotional Support:** In the workplace, employees often face stress and frustration. Informal groups serve as a support system, offering a sympathetic ear when employees encounter challenges, providing an outlet for emotional expression.
6. **Aid during Challenges:** In times of accidents or illness, members of informal groups may assist one another. They can protect each other from unfair treatment by managers and enhance the group's efficiency by specializing in tasks beyond their official job descriptions.
7. **Social Control:** Informal organizations establish norms for appropriate behaviour. These norms distinguish between good and bad conduct, moral and immoral acts, and legitimate and illegitimate activities. Members are expected to adhere to these norms, and deviations may result in condemnation or censure.
8. **Effective Communication:** Information spreads rapidly within informal organizations, ensuring quick dissemination of news and updates among members.
9. ***Check on Authority:*** Informal groups act as a check on formal authority. They can influence decisions and actions within the organization, ensuring a balance of power.

2). Advantages to management.

1. **Better Communication:** Informal groups encourage open communication between employees and managers, making it easier to share information and ideas.
2. **Quick Information Sharing:** Important news and updates spread rapidly within informal groups, ensuring everyone stays informed promptly.
3. **Enhanced Morale:** Informal groups boost employee morale as they create a sense of belonging and camaraderie, leading to happier and motivated staff.
4. **Improved Understanding:** Managers gain a better understanding of employees' feelings and concerns through informal interactions, enabling them to address issues effectively.
5. **Identifying Leaders:** Informal groups reveal natural leaders among employees, helping management identify potential leaders for future roles.
6. **Problem Solving:** Informal groups often solve minor issues internally, preventing them from escalating into larger problems that require managerial intervention.
7. **Increased Collaboration:** Employees within informal groups tend to collaborate and support each other, enhancing teamwork and productivity.
8. **Idea Generation:** Informal settings encourage creative thinking, allowing employees to brainstorm and generate innovative ideas for the organization.
9. **Change Management:** Informal leaders can influence their peers positively, making it easier for management to introduce and implement changes within the organization.
10. **Flexibility:** Informal groups can adapt to new challenges and changes swiftly, making the organization more agile and responsive.
11. **Conflict Resolution:** Informal groups often mediate and resolve conflicts among members, fostering a harmonious work environment.
12. **Inclusivity:** Informal groups promote inclusivity by bringing diverse employees together, creating a sense of unity and acceptance.
13. **Company Culture:** These groups reinforce and promote the organization's culture, values, and traditions among employees.
14. **Employee Loyalty:** Employees who feel connected through informal groups tend to be more loyal to the organization, reducing turnover rates.
15. **Knowledge Sharing:** Informal groups facilitate the sharing of knowledge and expertise among employees, promoting continuous learning and growth.

16. **Leadership Development:** Identifying potential leaders within informal groups allows management to nurture and develop these talents for future leadership roles.
17. **Boosting Morale:** Positive interactions within informal groups contribute to a happier workplace atmosphere, increasing overall employee satisfaction.

FORMAL ORGANISATIONS	INFORMAL ORGANISATIONS
1. **Definition:** A formal organization is intentionally created with a defined hierarchy, clear roles, and specific rules and procedures. It is officially recognized and essential for achieving company objectives.	1. **Definition:** An informal organization is the spontaneous network of personal and social relationships that develop among people within the formal organization. It is not officially structured and emerges naturally among employees.
2. **Structure:** Formal organizations have predetermined roles, responsibilities, and reporting relationships. They follow a chain of command and adhere to established procedures and policies.	2. **Structure:** Informal organizations have a fluid and flexible structure. Relationships are not predetermined and can change based on personal interactions and dynamics between employees.
3. **Formation:** Formal organizations are deliberately designed and established by the management to achieve specific goals. They are planned and implemented based on the company's objectives and requirements.	3. **Formation:** Informal organizations develop spontaneously among employees due to shared interests, common hobbies, or social interactions. These relationships form naturally and are not planned by the management.
4. **Communication:** Communication in formal organizations follows a structured and official channel, usually vertical, flowing from top management to lower levels, following the chain of command.	4. **Communication:** Communication in informal organizations is spontaneous and can be both vertical and horizontal. It often occurs through informal gatherings, chats, or social media platforms. It is casual and may not follow any specific hierarchy.
5. **Rules and Regulations:** Formal organizations have strict rules, regulations, and policies. Deviating from these rules may result in disciplinary actions.	5. **Rules and Regulations:** Informal organizations do not have strict rules and regulations. Interactions within informal groups are based on mutual understanding and trust rather than rigid guidelines.
6. **Authority:** Authority in formal organizations is clearly defined, and decision-making power is delegated based on job roles and positions within the hierarchy.	6. **Authority:** Authority in informal groups is not formalized. Influence and leadership emerge naturally based on personal qualities, expertise, or social skills.

7. **Purpose:** Formal organizations exist to achieve the company's goals and objectives. They are essential for the company's productivity, efficiency, and overall success.	7. **Purpose:** Informal organizations serve as a social support system within the workplace, providing emotional support, social interaction, and a sense of belonging among employees.
8. **Flexibility:** Formal organizations are relatively inflexible. Changes to the formal structure require thorough planning and approval from the management.	8. **Flexibility:** Informal organizations are highly flexible and adaptive. They can easily adjust to changing circumstances and dynamics among employees.
9. **Influence:** Influence in formal organizations is based on job titles, positions, and hierarchical levels. Managers and supervisors have formal authority over their subordinates.	9. **Influence:** Influence in informal groups is based on personal relationships, trust, expertise, and social connections. Informal leaders gain influence through their interactions and the respect they earn from their peers.

Q. 11 What is delegation of authority? Explain its characteristics and importance.

Delegation Of Authority

Managers need help to get work done because they can't do everything themselves. They share their power with their team through delegation. Delegation means giving tasks and the authority to do them to others. This way, managers divide the work among their team members to achieve goals.

Delegation of authority is when a manager passes some of their power to their team. It allows team members to act on behalf of the manager. In this process, the manager gives a part of their work and authority to one or more team members. The manager still has the power, but they let others use it as long as the work is done well.

According to Mescon and others, "**Delegation is the assignment of tasks and authority to a recipient who assumes responsibility for them**."

To George Terry, "**Delegation means conferring authority from one manager or organisational unit to another in order to accomplish particular assignments**."

Thus, in simple words, delegation is a process of assigning work to others and giving them due authority to act.

Characteristics of Delegation

1. To delegate means to grant or to confer, it does not mean to surrender.

2. It is sharing of authority.

3. A manager does not just delegate authority. He delegates to get certain work accomplished.

4. Delegation is authorisation to a manager to act in a certain manner.

5. As a result of delegation, the subordinate receives authority from the superior, but at the same time the superior still retains all original authority. It is something like imparting knowledge. You share with others who then possess the knowledge, but you still retain the knowledge, too. (Terry)

6. A manager delegates authority out of the authority vesting in him. He cannot delegate which he himself does not possess.

7. Delegation is always to the position. Hence, the authority is recovered fully from the person occupying a position when he moves from that particular position.

8. Delegation can be downward, upward, or sidewise.

9. It may be specific or general.

10. Authority once delegated can be enhanced, reduced, or withdrawn depending on the particular situation.

11. Delegations give rise to a boss-subordinate relationship.

12. It involves the shifting or pushing down of decision making authority from one organisational level to another lower level.

13. It creates link between two organisational levels.

14. It creates responsibility of subordinates to perform the assigned tasks correctly.

15. Managers can delegate authority but cannot delegate responsibility because it is a personal obligation.

16. Delegation does not imply reduction in the authority of superior. Both superior and subordinate can exercise the same authority because delegating superior always retains all original authority.

17. Delegation of authority does not imply discharge of superior's responsibility. The superior is ultimately responsible for the success or failure of delegation.

18. Delegation may be expressed or implied.

Importance of delegation

1. ***Management Initiation:***

Delegation is the core of management, enabling work to be accomplished through others. Without delegation, there would be no managers, as observed by Follett and Keith Davis.

2. ***Expanding Managerial Reach:***

Delegation allows managers to extend their influence beyond personal limitations of time and energy, as stated by Keith Davis.

3. ***Reducing Workload:***
By delegating tasks, managers can focus on crucial aspects such as planning and control, alleviating them from overwhelming operational pressures.

4. ***Promoting Specialization:***
Delegation enables specialized individuals to make decisions, recognizing the need for expertise in today's complex organizations.

5. ***Basis of Organizational Structure:***
Delegation is fundamental in establishing an organized structure within an organization, defining roles and responsibilities.

6. ***Quick Decision-Making:***
Delegation ensures swift decision-making, saving valuable time and enabling prompt actions.

7. ***Managerial Growth:***
The art of delegation, according to Ray A. Killian, is essential for both individual executives and the overall growth of a company.

8. ***Expanding Responsibilities:***
Delegation empowers managers to take on more responsibilities, expanding their roles and responsibilities within the organization.

9. ***Fostering Cooperation:***
Delegation creates a positive environment of cooperation, encouraging teamwork and collaboration among team members.

10. ***Developing Subordinates:***
Delegation aids in the development of subordinates' skills and abilities, allowing them to grow professionally.

11. ***Formal Organizational Structure:***
Delegation of authority is the cornerstone of formal organization, defining relationships and strengthening the bonds among organization members, as emphasized by Koontz, O'Donnell, Newman, and Warren.

12. ***Enhancing Motivation:***
Delegation meets employees' needs for recognition and responsibility, enhancing motivation and encouraging better performance, as highlighted by Douglas Basil.

13. ***Job Enrichment:***
Delegation serves as a form of job enrichment, leading to increased productivity and job satisfaction among subordinates.

Q.12 What are the principles of delegation?

1. **Principle of Delegation by Results Expected:**

Delegation should be based on the outcomes or results expected from a position. It involves clearly defining the goals and expectations of a task or role. For example, a manager may delegate the responsibility of increasing sales in a specific region to a sales representative, setting clear targets for revenue growth.

2. **Principle of Functional Definition:**

Every job and position should have a clear definition and description. Delegation becomes more effective when roles, activities, and departments have well-defined job descriptions. For instance, a project manager delegating tasks to team members provides clear job descriptions outlining their responsibilities and expectations.

3. **Scalar Principle:**

Clear lines of authority should run from the top to the lowest levels of the organization. Subordinates should understand the hierarchy and reporting relationships. In a company, employees should know who their immediate supervisor is and to whom they should escalate matters beyond their authority.

4. **Authority Level Principle:**

Decisions within the authority competence of subordinates should be made by them. Matters exceeding their authority limits should be referred to their superiors. For example, a team leader may delegate the authority to make routine project decisions to team members, but major decisions may need approval from higher management.

5. **Principle of Unity of Command:**

Individuals should report to a single superior to avoid confusion and conflicting instructions. For instance, an employee in a department should have one supervisor to whom they report, ensuring a clear chain of command.

6. **Principle of Absoluteness of Responsibility:**

The ultimate responsibility cannot be delegated by a superior. Even though tasks and authority may be delegated, the overall responsibility for the success or failure of a project or objective remains with the delegator. For example, a CEO may delegate operational tasks to department heads, but the CEO remains ultimately responsible for the company's performance.

7. **Principle of Parity of Authority and Responsibility:**

Responsibility and authority should be balanced to avoid frustration or misuse of power. A superior should delegate operating responsibilities equal to the delegated authority. For instance, a manager assigning a team a project should provide the necessary authority for decision-making to ensure effective execution.

8. **Effective Control:**

Broad controls should be in place to monitor and assess the effectiveness of delegation. For example, a manager may implement regular progress meetings, reports, or key performance indicators (KPIs) to ensure that delegated tasks are on track and aligned with organizational goals.

9. **Clarity of Delegation:**

The limits of authority delegated must be clearly defined to avoid confusion and empower subordinates to make decisions within their scope. This ensures that subordinates understand their area of work and have the freedom to exercise initiative within defined parameters.

10. **Residual Authority and Responsibility:**

Personal responsibilities cannot be fully delegated, only general responsibilities. For example, while a project manager can delegate specific tasks related to a project, the accountability for the overall success of the project remains with the project manager.

11. **Principle of Completeness of Delegation:**

Delegation should involve entrusting the entire task to a person or group. It ensures that responsibilities are clear, and subordinates have the necessary autonomy to accomplish the assigned task. For instance, a manager delegating a project should provide all the necessary resources and authority for the team to complete the project.

12. **Principle of Communication:**

Open communication between superiors and subordinates is crucial for successful delegation. Regular exchange of ideas, opinions, and doubts ensures clarity and alignment. For example, a manager should encourage team members to express concerns or seek clarification on delegated tasks, fostering a collaborative work environment.

Q. 13 What are the barriers to effective delegation? Give suggestions for effective delegation.

I. ***Obstacles Due to Superiors:***

1) Reluctance to Let Go:
   Some managers prefer doing tasks themselves, believing they can do it better, leading to reluctance in delegation.

2) Love for Power:
   Managers with a strong desire for power tend to hoard authority, making it hard to delegate tasks to others.

3) Lack of Confidence in Subordinates:
   Managers hesitant about their subordinates' abilities might avoid delegating, fearing poor judgment from their team.

4) Fear of Competition:
   Fear that capable subordinates might outshine them or be promoted can hinder delegation efforts.

5) Insecurity and Fear:
   Managerial insecurities, fear of making mistakes, and lack of confidence can prevent effective delegation.

6) Absence of Controls:
   Managers need proper monitoring methods. Lack of effective control mechanisms can hinder delegation decisions.

7) Stereotyping and Tradition:
   Traditional views on specialists and their capabilities might limit delegation opportunities.

II. *Obstacles Due to Subordinates:*

1. Lack of Self-Confidence: Subordinates lacking confidence in their abilities may hesitate to assume additional responsibilities.

2. Insufficient Information and Resources: Limited resources and information can overwhelm subordinates, making them reluctant to accept new tasks.

3. Absence of Incentives: Without positive incentives like promotions or praise, subordinates may resist taking on more responsibilities.

4. Fear of Criticism: Fear of criticism or negative evaluations can discourage subordinates from accepting delegated tasks.

5. Dependence on Boss: Subordinates relying heavily on bosses for decisions might avoid taking risks, hindering the delegation process.

6. Overburdened Subordinates: Subordinates already burdened with tasks may be unwilling to take on additional work.

III. ***Obstacles Due to Organisation:***

2) Inadequate Control Systems: Absence of effective control mechanisms can impede delegation efforts.

3) Poor Communication Systems: Inefficient communication channels can lead to misunderstandings, making it difficult to delegate tasks effectively.

4) Lack of Planning: Insufficient planning can create uncertainty, making it challenging to delegate tasks clearly.

5) Weak Policies and Regulations: Absence of strong policies and rules can lead to confusion, hindering the delegation process.

6) Flawed Organisational Structure: Poor organisational structures can create ambiguity in roles and responsibilities, complicating delegation.

7) Insufficient Resources: Lack of necessary resources, both human and physical, can limit delegation possibilities.

8) Ineffective Incentive Systems: Absence of motivating incentives can demotivate subordinates from taking on additional responsibilities.

9) Lack of Competent Managers: Shortage of capable managers can disrupt the delegation process, affecting its effectiveness.

Guidelines for effective delegation:

1. Clear Assignment Definition:

Clearly define tasks, goals, and authority limits before delegation. This involves outlining the expected outcomes, deadlines, and any specific requirements. For instance, a manager delegating a marketing campaign should provide a detailed brief, specifying target audience, key messages, and campaign objectives.

2. Trust in Delegation:

View delegation as a way to empower and develop subordinates. Trust is the foundation of effective delegation. A leader who trusts their team fosters a positive and collaborative environment, encouraging innovation and initiative.

3. ***Select Competent Subordinates:***

Delegate tasks to individuals with the right skills and capabilities. Understand the strengths and weaknesses of each team member. For example, a project manager might delegate complex technical tasks to team members with specialized skills.

4. ***Promote Positive Work Culture:***

Establish a work culture that encourages trust, risk-taking, and delegation. Leadership should endorse and model these behaviors. When top management supports delegation, it sets a precedent for the entire organization.

5. ***Grant Freedom to Work:***

Allow subordinates the freedom to choose methods and learn from their experiences. Permitting autonomy encourages creativity and innovation. For example, a manager delegating a research project should allow team members to explore different methodologies.

6. ***Open Communication:***

Foster transparent communication. Clearly articulate expectations, provide guidance, and offer constructive feedback. This ensures that subordinates have a clear understanding of their responsibilities. Regular check-ins and team meetings facilitate ongoing communication.

7. ***Offer Suitable Incentives:***

Recognize and reward responsibility acceptance. This can include promotions, challenging assignments, competitive pay, praise, and appealing working conditions. Incentives motivate employees to take ownership of their delegated tasks.

8. ***Ensure Adequate Control:***

Strike a balance between oversight and empowerment. Implement control mechanisms to monitor progress without stifling creativity. Regular updates, progress reports, and key performance indicators help maintain control without micromanaging.

9. ***Adhere to Delegation Principles:***

Apply delegation principles diligently. Understanding and following established principles, such as matching tasks with competencies and defining clear responsibilities, is crucial for successful delegation.

10. ***Non-interference:***

Refrain from interfering once tasks and authority are delegated. Trust the competence of subordinates and allow them space to execute responsibilities. Micromanaging can undermine confidence and hinder creativity.

11. ***Sufficiency:***

Balance delegated authority with performance expectations. Ensure that tasks can be completed effectively with the authority granted. If the authority is insufficient, subordinates may face obstacles in achieving their delegated responsibilities.

12. Encourage Teamwork:

Cultivate a collaborative atmosphere between managers and subordinates. Encourage teamwork to enhance delegation effectiveness. Collaborative decision-making and shared responsibilities contribute to a more engaged and motivated team.

13. Tolerance of Mistakes:

Acknowledge the human aspect of subordinates. Allow room for mistakes and view them as opportunities for learning and improvement. This approach fosters a culture of continuous improvement and innovation.

14. Receptiveness:

Embrace diverse ideas and viewpoints. Foster an inclusive environment where team members feel comfortable expressing their opinions. This diversity of thought can lead to more creative and effective solutions.

15. Willingness to Let Go:

Delegate authority willingly, without fearing a loss of power. Leaders who are willing to let go empower their teams to take charge of assigned tasks, fostering a sense of ownership and accountability.

16. Expect Completion:

Hold individuals or teams accountable for completing tasks. Provide guidance and support when needed, ensuring that delegated responsibilities align with organizational goals and timelines.

17. Provide Training:

Continuously assess delegated responsibilities. Offer training to enhance strengths and address shortcomings. This commitment to skill development ensures that subordinates are equipped to handle their delegated tasks effectively.

18. Show Appreciation:

Express gratitude and recognition for a job well done. Regularly acknowledging and appreciating the efforts of subordinates reinforces positive behavior within the team, motivating them to continue performing at a high level.’

Q.14 Explain the advantages and disadvantages of centralisation.

Advantages of Centralisation:

1. ***Uniformity of decisions and actions***: Centralisation permit uniformity in decisions and actions because all decisions are taken at one point

2. ***Uniformity in organisational working***: Centralisation facilitat uniformity in organisational workingIt is so because (1) all policies, procedures rules are framed at one point and (ii) all decisions and actions originate from one point.

3. ***Personal leadership***: Centralisation facilitates personal leadership This, in tum facilitates quick decisions and actions which are essential for the success of every organisation.

4. ***Facilitates integration and coordination***: In a centralised organisation (1) lines of authority are clear, and (ii) policies, decisions and directions are uniform. There is little chance of confusion among organisation members. Such situations facilitate integration and coordination of activities in the organisation.

5. ***Effective leadership***: Centralisation tends to make top managers more powerful and strong. Such powerful managers can provide effective leadership to the organisation in a dynamic and complex business environment.

6. ***Reduced mistakes by subordinates***: Subordinates tend to make less mistakes because all the important decisions and actions are taken by top managers.

7. ***Expert services***: Centralised organisations can easily and economically avail expert services of the specialised personnel.

8. ***Closer control of operations***: Centralised organisation facilitate close control of operations performed by the lower-level subordinates.

9. ***Increased efficiency/economy***: Centralisation of authority helps to avoid overlapping and duplication of activities and efforts. Top managers can utilise the resources in a most efficient way. They can hire managers with simple skills at lower levels, at lower rates of remuneration. All this leads to considerable efficiency and economy in the operation of the enterprise.

10. ***Facilitates crisis/emergency management***: Quick decisions, actions and the mobilisation of resources are the prerequisite for handling crisis and emergency situations effectively. Centralisation facilitates all these things. This, in turn, facilitates crisis and emergency management in an effective way.

Disadvantages of Centralisation:

Following disadvantages are associated with centralisation of authority:

1. ***Increased burden on top managers:*** Centralisation of authority means all decisions and actions by top managers. This increases burden of top managers.

2. ***Delay in decisions and actions***: Centralisation may cause delay in decisions and actions.

3. ***Weak organisation structure***: Centralisation of authority may weaken the organisation structure because of disparities in distribution of authority.

4. ***Abuse of power***: It has been rightly said that 'power corrupts simply and absolute power corrupts absolutely.' Centralisation of authority may lead to abuse of power and corrupt the managers enjoying absolute power.

5. ***Bureaucratic and autocratic organisation***: Over centralisation of authority fosters bureaucratic and autocratic atmosphere in the organisation. It tends to discourage initiative, enthusiasm and dynamism among the organisation members.

6. ***Weak communication system***: In a centralised organisation, system of communication tends to be weak. Free flow of communication among organisation members is generally absent. Top managers usually remain ignorant of the views, and problems of the organisation members.

7. ***Frustration in subordinates***: Centralisation may cause frustration in subordinates. It is because of the fact that they are unable to use their discretion but are forced to operate in accordance with the decisions of top managers.

8. ***Hampers growth***: Centralisation may hamper organisational growth and development. It hampers growth of middle and lower-level managers. Moreover, top managers remain ignorant of real opportunities for growth.

In view of these facts, absolute centralisation should be avoided.

Q.15 What is decentralisation of authority? Explain its advantages and disadvantages.

Decentralization is the opposite of centralization. It means that the power to make decisions is given to the people who are directly involved in the day-to-day work or operations. In decentralized organizations, decision-making authority is distributed to various levels, allowing employees at different levels to make choices related to their tasks and responsibilities.

According to Henri Fayol, "*Everything that goes to increase the importance of the subordinate's role is decentralisation*."
In the words of Allen, "*Decentralisation implies consistent and systematic effort to delegate to the lowest levels of all authority except that which can only be exercised at central points.*"

Thus, decentralisation of authority refers to the extent to which decision-making authority is widely dispersed within the organisation. In a decentralised organisation, top mangement retains authority to make certain important decisions such as setting overall objectives, strategic planning, policy formulation etc. and delegates the authority to make operating decisions at the point as near as possible where actions take place.

Advantages of Decentralisation:

The main advantages of decentralisation of authority are as follows:
1. ***Reduces burden of top managers***: Decentralisation of authority reduces the workload of top managers as they are free from the routine operational decision-making work. They can devote their time on more important work of strategic planning, policy formulation and so on.
2. ***Quick decisions***: It facilitates quick decisions as the decisions can be made on the spot without consulting higher level managers.
3. ***Better decisions***: Decisions are likely to be better because they are made by the persons closest to situation. Moreover, decisions are likely to be adapted to local conditions.
4. ***Better communication***: Decentralisation improves organisation's communication system. It is due to the fewer levels of authority and lesser distance between the points of information generation and the points of action.
5. ***Training and development***: It facilitates training and development of managers at middle and lower levels in the organisation. It is because managers at these levels are allowed to make decisions and take actions independently. In this process they develop many skills and talent.

6. ***Democratic atmosphere***: Decentralisation promotes democratic atmosphere in the organisation because of dispersal of authority throughout the organisation.
7. ***Improves motivation and morale***: Decentralisation enables subordinates to exercise their own judgement and initiative which promote job satisfaction. This ultimately improves motivation and morale of subordinates.
8. ***Effective supervision and control:*** The greater the degree of decentralisation, the more effective is the supervision and control. Under decentralisation, lower-level managers have full authority as regards operation of activities. They can change work assignment or production schedules, or can recommend promotion of the subordinates and can take disciplinary action wherever necessary. It facilitates effective supervision. Control can also be made effective by evaluating the performance of each unit in the light of predetermined standards.
9. ***Provides flexibility***: Decentralisation provides flexibility to meet changing needs at local levels.
10. ***Survival and growth of organisation***: Decentralisation contributes to survival and growth of organisation. It is so because it creates multiple managerial centres to cope with diverse and unique situations of the organisational environment.

Disadvantages of Decentralisation:

Following are some of the disadvantages associated with decentralisation of authority:

1. ***Loss of control***: Decentralisation creates semi-autonomous departments in the organisation. In such an organisation structure, there is a damage that top management may lose its control over the functioning of different departments.

2. ***Difficulty in coordination***: Decentralisation may create problems in bringing coordination among the different departments of the organisation.

3. ***Lack of uniformity***: Uniformity of decisions and actions may be lacking in decentralised organisation. It is because of lack of uniform policies and procedures of different departments.

4. ***High Cost***: Decentralisation of authority is likely to increase cost of administration and operation. It is mostly due to the duplication of activities, highly paid middle and lower level managers etc.

5. ***External limitations***: Sometimes, decentralisation may not be advantageous for external limitations. Growing competition, increasing complexities and uncertainties, rising cost of materials and services and so on are some of the external limitations that hampers the tendency of decentralisation.

6. ***Imbalance***: It is very difficult to strike a balance between the degrees of centralisation and decentralisation. Operating functional departments demands more autonomy whereas top managers want to retain control more and more. This situation may lead conflicts between the two levels of managers.

7. ***Competition among departments***: Decentralisation may lead to unnecessary unfair competition among the decentralised departments. They may compete with each other in the market. They may even compete for a higher share of resources and facilities in the organisation.

8. ***Inconsistent Decision-Making:***
In a decentralized structure, different departments may make decisions based on their own priorities and perspectives, leading to inconsistencies across the organization. This lack of consistency can impact the overall strategic direction and cohesiveness of the company.

9. ***Difficulty in Standardization:***
Standardizing processes and procedures becomes challenging in a decentralized organization. Each department may develop its own set of practices, making it difficult to implement standardized and efficient methods across the entire organization.

10. ***Communication Challenges:***
Communication can become a significant challenge in a decentralized structure. The flow of information between departments may be hindered, leading to misunderstandings, delays, and a lack of awareness about the overall organizational goals and initiatives.

11. ***Potential for Power Struggles:***
Decentralization can sometimes lead to power struggles among different departments or units. Conflicts may arise as each unit vies for resources, influence, and control, creating a competitive rather than collaborative environment.

12. ***Risk of Duplication:***
Decentralization may result in the duplication of resources and efforts across various departments. Each department may independently invest in similar functions, technologies, or personnel, leading to inefficiencies and increased costs.

13. ***Difficulty in Resource Allocation:***
Allocating resources effectively becomes a complex task in a decentralized structure. Determining the appropriate distribution of funds, manpower, and other resources among diverse departments requires careful consideration and may lead to suboptimal outcomes.

Q.16 Explain the factors determining degree of decentralisation.

Following are the important factors that determine the degree of decentralisation of authority in an organisation.
1. ***Size and complexity of organisation:*** The size and complexity of an organisation is the strongest single factor determining the degree of decentralisation. Usually, the larger the organisation, more authority needs to be decentralised. Similarly, multi-product organisation having varying kinds of customers and varied marketing channels is likely to be highly decentralised.

2. ***History and age of organisation:*** An organisation which has grown gradually under the leadership of a particular person, is likely to be more centralised. On the other hand, organisation which has grown by acquisitions and mergers, is likely to be more decentralised. Thus, the history of organisation growth also decides the degree of decentralisation.

3. ***Philosophy of top management:*** Where the top management believes in democratic values and participative management, there will be higher degree of decentralisation. Conversely the opposite i.e., centralisation.

4. ***Competence of managers***: Where the competent managers are available at middle and lower levels in the organisation, there tends to be decentralisation of authority. But the shortage of competent managers would limit decentralisation.

5. ***Willingness of subordinates:*** Not only the abilities but willingness of subordinates also has a bearing on the degree of decentralisation. Where subordinates are willing to assume responsibility, the organisation is likely to be more decentralised.

6. ***Geographical dispersion of the organisation***: In a geographically dispersed organisation operations are carried out at different locations. More the geographical dispersion, more the degree of decentralisation is beneficial. But every function should not be decentralised. Control of operational functions may be pushed down to lower levels in the organisation but control of financing function should be centralised.

7. ***Significance of the decisions:*** As a general rule, the more the significant decision is to be made, it is likely to be made at the upper levels of the organisation. Therefore, the decisions which are vital to the survival and success of the organisation are centralised. For instance, the decisions involving huge investments and high risk, affecting long-term standing and goodwill of the organisation are made by the upper level managers. But routine decisions involving very low cost and risk are decentralised.

8. ***Impact of decisions:*** The decisions that have inter-departmental or inter-divisional implications must be centralised. Authority to make decisions must be retained by upper level managers whose authority extends over more than one department.

9. ***Desire for uniformity of policy:*** Managers who want uniformity of policy, decisions and actions favour centralisation. Where uniformity of policy is not needed, managers tend to decentralise the authority.

10. ***Desire for independence:*** Where the individual or groups desire high degree of independence from the bosses, authority needs to be decentralised.

11. ***Adequacy of communication system:*** Adequate and effective communication system is favourable for centralisation of authority. It is because of the reason that top managers can get the information in time and can easily exercise centralised control where it is inadequate and ineffective, decentralisation of authority becomes essential.

12. ***Control system:*** The control system in an organisation may also decide the degree of decentralisation. Where the available system of control is far from satisfaction, managers are unwilling to decentralise their authority. Conversely, where it is effective, degree of decentralisation tends to be greater.

13. ***Environmental factors:*** Where environmental factors are comparatively static and controllable, centralisation is suitable. But if these factors are ever changing, unstable and beyond the control of managers, the organisation needs to be decentralised.

Q.18 What is coordination? Explain its Importance and Techniques in detail.

If tasks need to be divided among people, it's crucial to coordinate their efforts. This idea still holds true today and will likely remain important forever. Managers divide tasks among individuals and departments in organizations. It's essential to coordinate these efforts to achieve the organization's goals. Managers not only need to coordinate within the organization but also integrate activities with the outside world. This means ensuring cooperation between different parts of the organization and aligning their work with external factors. In simple terms, managers must make sure everyone works together efficiently both inside and outside the organization to reach their goals.

MEANING AND DEFINITIONS OF COORDINATION

In the words of Henri Fayol, "To coordinate is to harmonize all the activities of a concern in order to facilitate its working and its success."

Weihrich and Koontz have opined that "Coordination is the essence of managership, for achieving harmony among individual efforts toward the accomplishment of group goals."

Thus, Coordination is like the conductor of an orchestra, ensuring that all the musicians play together harmoniously. In an organization, it's the process of making sure everyone works together smoothly to achieve the organization's goals efficiently and effectively.

Think of it as creating a beautiful melody where every instrument plays its part at the right time and in the right way. In the context of an organization, coordination is the art of achieving this harmony and order among the efforts of individuals and departments. It involves a manager reconciling differences in how people work, when they work, the effort they put in, and what they're interested in. The goal is to align everyone's individual objectives with the organization's objectives, just like harmonizing different musical notes to create a wonderful symphony.

NEED/IMPORTANCE OF COORDINATION

Coordination stands as the cornerstone of organizational survival, growth, and prosperity. Chester I. Barnard's insight, "the quality of coordination is the crucial factor in the survival of the organization," underscores its paramount importance. Here's a detailed exploration of why coordination is indispensable:

1. **Benefits of Specialization:** In today's specialized world, divisions of labour are essential. Managers allocate tasks to specialists, necessitating seamless coordination to harness the advantages of specialization. Luther Gulick rightly emphasized that as work specialization deepens, coordination becomes imperative.
2. **Integration of Interdependent Units:** Organizations often comprise units reliant on each other's performance. For instance, in textile mills, weaving depends on spinning. Effective coordination ensures these interdependent units work harmoniously, enhancing overall performance.
3. **Reconciling Different Approaches:** Diverse individuals may employ varying approaches to achieve organizational goals. Managers must harmonize these differences, aligning individual methods with the overarching organizational approach for unified action.
4. **Harmonizing Diverse Interests:** Employees possess personal goals, sometimes conflicting with organizational objectives. Managers mediate these differences,

demonstrating how individual and organizational goals can align. This fosters mutual understanding and cooperation.

5. **Total Accomplishment:** Coordination amplifies achievements. Through synergy, coordinated efforts yield outcomes greater than the sum of individual contributions. It's akin to making 2+2 equal more than 4, a result of the synergistic effect of coordination.
6. **Enhancing Managerial Process:** Coordination elevates every managerial step—planning, organizing, directing, and controlling. It infuses purpose into planning, coherence into organization, and regulation into control, amplifying the effectiveness of the entire management process.
7. **Unity Amidst Diversity:** Organizations are diverse, embracing varied perspectives, emotions, and skills. Managers unify this diversity, finding strength in differences and fostering an inclusive environment.
8. **Employee Retention:** Well-coordinated organizations cultivate satisfied employees, ensuring their loyalty and longevity. Job satisfaction encourages executives to stay, fostering stability within the organization.
9. **Maintaining Human Relations:** Coordinated environments nurture positive human relations. Satisfied employees and high morale create a harmonious atmosphere, fostering strong interpersonal bonds.
10. **Boosting Productivity:** Coordination enhances resource efficiency and organizational effectiveness, leading to increased productivity. Well-coordinated efforts optimize resources, driving the organization toward its goals.
11. **Facilitating Change:** Coordinated organizations are adaptive and open to change. Their streamlined operations allow for easy introduction and acceptance of new ideas and strategies.

Additionally, coordination bestows various other benefits:

1. **Reduces Waste:** Minimizes resource and effort wastage.
2. **Prevents Duplication:** Eliminates redundant tasks and efforts.
3. **Ensures Unity:** Maintains a unified direction and command.
4. **Minimizes Costs:** Reduces unnecessary expenditures.
5. **Enhances Goodwill:** Boosts the organization's reputation.
6. **Fosters Precision:** Clarifies each department's roles and tasks.

In essence, coordination not only weaves together the multifaceted aspects of an organization but also serves as the catalyst propelling it toward unparalleled success and sustainability.

Techniques of Coordination

1. ***Hierarchy of authority***: According to classical thinkers, hierarchy of authority is one of the main techniques of coordination. Hierarchy of authority shows lines of authority and relations between the persons at various levels in an organisation. Superiors at each level exercise authority over their subordinates and ensure coordination. They do it by ensuring compliance to their orders by the subordinates.

2. ***Planning:*** A sound planning process ensures coordinated efforts. A sound planning process presupposes the sound and clear-cut objectives and targets for each member and department in the organisation. This makes it possible for every member of the organisation to understand his

job and area of responsibility. This ultimately leads to better coordination among all the members and departments of the organisation.

3. ***Standing plans:*** Standing plans also serve as techniques of coordination. Standing plans include objectives, policies, procedures, methods, rules etc. These are impersonal techniques of coordination. The organisation provide guidance, directions or criteria for making decisions. They ensure consistency and uniformity in actions, decisions and behaviour in an organization. Thus, these facilitate coordination of efforts or activities of various individuals and departments in an organisation.

4. ***Communication system:*** Effective communication system in an organisation is key to proper coordination. Both written and oral communication methods ensure proper transmission of the plans, policies, procedures, methods. order, rules, reports, suggestions throughout the organisation. Personal and face-to-face contacts serve to be most effective means of achieving coordination. Moreover, vertical, horizontal, diagonal communication channels in an organisation ensure balanced coordination in the entire organisation.

5. ***Committees, task forces or teams:*** Many big organisations use committees, task forces and teams for achieving coordination. These are group of members representing from different departments. The members of committees meet periodically and exchange their views, feelings and information and reach to a common decision. This common decision helps in coordinating the activities in different departments.

6. ***Conferences:*** Conferences are held at regular intervals to achieve coordination. Conferences provide a platform for free and frank discussion on the problems faced by different members and departments of an organisation. The participants can reach to common solutions to the problems and help in coordination.

7. ***Staff group:*** Sometimes, a specific staff group or a manager is assigned the responsibility of coordination within a department or between two or more departments. Such a staff group/manager can help in coordinating the efforts of the members of the department or departments. But the quality of coordination will depend on the experience, understanding, and the skills of the coordinating group or manager.

8. ***Informal coordination:*** All the organisation uses the techniques of informal coordination. Managers encourage social and unofficial relationships and interactions among the members of the organisation. This results in better understanding and better cooperation among the members. This also helps in self-adjustment and self-coordination.

9. ***Effective leadership and supervision:*** Effective leadership and supervision can continuously ensure coordination in the organisation. Leaders and supervisors can better guide and motivate their subordinates to their common goals and interests. Therefore, they help in developing a common outlook. This ultimately helps in achieving better coordination.

10. ***Incentives:*** Incentives to the individual members can be used to achieve coordination. Incentives that can serve mutual interests of the members are more effective in the process of coordination. For instance, profit-sharing plan can enhance the team spirit and cooperation. This may ultimately lead to better coordination.

11. ***Liaison departments:*** In big organisations, there is a frequent interaction between different departments of the organisation. In such organisations, a liaison department (officer) is created. This department ensures the coordination between the related and interdependent departments.

12. ***Induction:*** Induction can be used as a method of coordination. When new employees join the organisation, managers introduce them with the rules, regulations, procedures, social settings, behavioural norms, organisational values, beliefs and history. This introduction programme is known as the induction. This helps much to ensure coordination at early stage.

13. ***Indoctrination and training:*** Indoctrination and training can also be used as the methods of coordination. Through indoctrination, a manager can develop will to work for a common purpose in his subordinates. On the other hand, training makes the subordinates competent enough to do their job in the best possible manner. Thus, indoctrination and training help in coordinating the efforts of all in the organisation.

14. ***Sound decision-making process:*** A well-established decision- making process would enable managers to coordinate effectively.

UNIT-4

MULTIPLE CHOICE QUESTIONS:

1) Who has given the hierarchy of needs hierarchy theory of motivation?

a) **Abraham Maslow**

b) David McClelland

c) Victor Vroom

d) Frederick Herzberg

2) How many levels are there in Needs Hierarchy theory of motivation?

a) 6

b) **5**

c) 4

d) 3

3) Name the motivation theory that is based on Satisfaction-progression?

a) Alderfer-ERG theory

b) **Maslow-hierarchy of needs theory**

c) Herzberg - Two factor theory

d) Skinner's reinforcement theory

e) Vroom's expectancy theory

4) The motivational process and not the motivators as such is associated with

a) **Need hierarchy theory**

b) Two factor theory

c) Berg theory

d) Expectancy theory

5) Who has suggested that achievement motivation among individuals and nations can be developed through training courses?

a) **MeClelland**

b) Alderfer

c) Maslow

d) Herzberg

6)_______________ is increasing Leadership rapidly:

a) Strategy

b) Command

c) Control

d) **Getting others to follow**

7) _______________are the approaches to the study of leadership which emphasise the personality of the leader:

a) Contingency theories

b) Group theories

c) **Trait theories**

d) Inspirational theories

8) The Ohio State Leadership Studies revealed __________ and initiating structure as two major dimensions of leadership behaviour:

a) Control

b) Communication

c) Collaboration

d**) Consideration**

9) ____________used the terms "employee-centred" and "production-centred" to describe leader behaviour:

a) Blake and McCanse

b) Fiedler

c) McGregor

d) **Likert**

10) Contingency theories of leadership based upon:

a) **That there is no single style of leadership appropriate to all situations**

b) That there is a single style of leadership appropriate to all managers

c) That there is a single style of leadership appropriate to all situations

d) None of the above

MULTIPLE CHOICE QUESTIONS

1) Controlling function finds out how far deviates from standards.

a) **Actual performance**

b) Improvement

c) Corrective actions

d) Cost

2) Which of the following is not a limitation of controlling?

a) Little control on external factors

b) Costly affair

c) **Ensuring order & discipline**

d) Difficulty in setting quantitative standards

3) Which of the following is not a process of controlling?

a) Analyzing deviations

b) **Integrates employees efforts**

c) Taking corrective measures

d) Setting performance standards

4) Which of the following is a traditional technique of managerial control?

a) Personal observation

b) Breakeven analysis

c) Budgetary control

d) **All of the above**

5) Controlling function of an organisation is

a) Forward looking

b) Backward looking

c) **Forward as well as backward looking**

d) None of the above

6) Controlling is needed at which level of management?

a) Top level

b) Middle level

c) Lower level

d) **All level**

7) First step in controlling process is:

a) Taking corrective action

b) Analysing the deviations

c) **Determining standards**

d) Measurement of actual performance.

8) What is one of the common reasons for resistance to change?

a) **Fear of the unknown**

b) Lack of leadership

c) Over-communication

d) Complacency

9) Which strategy for dealing with resistance to change involves involving employees in the decision-making process?

a) Education and Communication

b) **Participation and Involvement**

c) Facilitation and Support

d) Coercion and Threats

10) Which of the following is NOT a potential consequence of poorly managed resistance to change?

a) Decreased morale

b) **Increased productivity**

c) Loss of trust in leadership

d) Employee turnover

SHORT ANSWER QUESTIONS

Q.1 What is Directing? Write its characteristics.

DIRECTING

- The directing function is the third step in the management process.
- Planning and organizing functions precede directing and set the groundwork for its implementation.
- Plans are formulated during the planning phase.
- The organizational structure is designed during the organizing phase.
- Competent personnel are assigned tasks and authority.
- Directing begins once plans are in place, the organizational structure is established, and personnel are assigned roles.

- The directing function places a significant emphasis on working with people.
- It involves guiding, motivating, leading, communicating, and supervising subordinates.
- The primary goal of directing is to achieve organizational objectives efficiently and effectively.
- **Key Aspects of Directing:**
    - **Guiding:** Providing clear instructions and setting the path for subordinates.
    - **Motivating:** Inspiring and encouraging individuals to give their best efforts.
    - **Leading:** Taking the initiative and guiding the team toward common goals.
    - **Communicating:** Ensuring effective and open communication channels within the organization.
    - **Supervising:** Overseeing tasks and activities to ensure they align with organizational goals.

Meaning And Definition

Directing is the process of initiating action according to a predetermined plan.
It involves a series of activities aimed at guiding, supervising, motivating, leading, and influencing people within an organization.

According to Ernest Dale, "Direction is telling people what to do and seeing that they do it to the best of their ability."
Thus, directing is the process of guiding, instructing, motivating. Influencing and leading subordinates with a view to achieve organisational objectives efficiently and effectively. It includes issuing of orders, explaining procedures to the subordinates and seeing that they do their tasks to the best of their ability.

Characteristics/Features of Directing:

The nature or function of directing has been discussed in the following features/characteristics:

1. ***A function of management:*** Directing is one of the most important functions of management. Marshall Dimock calls it the "heart of administration (management). In fact, it is an indispensable function of management because it is concerned with initiating, mobilising, influencing and integrating human resource of the organisation.

2. ***Pervasive function:*** Directing is all pervasive function. It is performed by all the managers at every level of the organisation. However, the amount of time and effort spent on directing varies by the level of managers.

3. ***Continuous process:*** Directing is a continuous or ongoing process. It is not a one-time activity or one-shot action. A manager never ceases to direct. guide, teach, coach and supervise his subordinates. Every manager has to guide, supervise, motivate or lead his subordinates continuously.

4. ***Integrating and connecting function***: Directing is an Integrating and connecting function between the other functions of managerial process.

5. ***Dynamic function*** Directing is a dynamic function. The style of directing depends on the level of subordinates and prevailing circumstances.

6. ***Two-fold objectives:*** Directing function has two-fold objectives: (i) To accomplish organisation objectives, and (ii) To develop managers. Thus, directing aims at not only to accomplish objectives but also to develop future managers.

7. ***Performance-oriented:*** Directing is the process around which all performance revolves. It is the essence of operations. Without proper direction, no task can be effectively performed. It is essential for effective performance of tasks.

8. ***Wide scope:*** Directing consists of many activities and processes. It consists of issuing orders and instructions, explaining procedures to the subordinates. It involves motivating and leading subordinates and seeing that they do their tasks to the best of their abilities.

9. ***Core of human relations:*** Directing is the core of human relations at work. It deals with interpersonal human relationships at work. Therefore, sometimes, it is also referred as the 'people' function of management. It involves the study and influencing the human behaviour and relations.

10. ***Communication based function*** Directing is founded upon communication system. In the absence of effective communication system, directing function can never be performed.

Q.2 What is Motivation? Write its Characteristics.

Motivation is the driving force behind human behaviour, influencing individuals to exert effort and perform tasks either efficiently or with varying degrees of effectiveness.

Motivation: Meaning And Definitions

Motivation, derived from the Latin word 'movere' (to move), signifies the forces driving individuals to specific behaviours. These forces encompass needs, wants, desires, aspirations, inner urges, and drives. Motivation is often defined as the willingness to expend effort in pursuit of a goal.

According to McFarland. "The concept of motivation is mainly psychological. It relates to those forces operating within the individual employee or subordinate which impel him to act or not to act in certain ways."

Thus, Motivation is what makes employees willingly put in a lot of effort to achieve the company's goals. It comes from both inside (like personal goals and desires) and outside (like the work environment). Internal forces push individuals, while external forces pull them. For managers, motivation is about energizing, guiding, and sustaining their employees' behaviour so that they enthusiastically work hard to reach organizational goals.

Characteristics/Nature:

1. **Internal Feeling:** Motivation is an internal force that originates within an individual. It represents the internal feelings, desires, and drives that influence a person's behaviour. These internal factors act as the impetus for action, guiding individuals towards specific goals.

2. **Continuous Process:** Motivation is a perpetual and unceasing process. Human needs, wants, and aspirations are boundless, creating a continuous cycle of motivation. The satisfaction of one need paves the way for the emergence of another, ensuring that the motivation process is ongoing.
3. **Dynamic Process:** The dynamic nature of motivation is intricately linked to the dynamic nature of human behaviour. Motivation is not static but evolves continuously as individuals respond to changing circumstances, needs, and desires.
4. **Psychological Concept:** Motivation is deeply rooted in psychology, focusing on the internal psychological forces that drive behaviour. It involves understanding the intricate workings of an individual's mind, exploring needs, aspirations, and the interplay of various psychological factors.
5. **Directing and Explaining Behaviour:** At its core, motivation is about directing and explaining behaviour. It delves into the ways in which internal forces, such as desires and needs, shape and guide human actions. It provides a psychological framework for understanding why individuals act in specific ways.
6. **Willingness to Exert Effort:** Motivation manifests as the willingness of an individual to exert effort. This willingness is a crucial component, driving individuals to invest their energy, time, and skills to achieve both personal and organizational goals.
7. **System-Oriented:** Motivation is intricately linked to a broader system that encompasses various factors. This includes internal factors within an individual (such as needs and values), factors within the organization (like structure and work environment), and external factors in the surrounding environment (including societal norms and culture). The interplay of these factors defines the systemic nature of motivation.
8. **Need-Satisfying Process:** Motivation is often viewed as a need-satisfying process. Unsatisfied needs create a state of tension, prompting individuals to embark on a search for specific goals that, when attained, alleviate this tension. This process of need satisfaction is fundamental to the motivational cycle.
9. **Energizing Force:** Motivation acts as an energizing force. It encourages and stimulates individuals to channel their efforts toward the achievement of organizational goals. This dynamic force propels individuals to put in the necessary effort to attain rewards or fulfill personal needs.
10. **Positive or Negative:** Motivation can take both positive and negative forms. Positive motivation involves the use of incentives such as rewards, recognition, or promotions to encourage better work. Conversely, negative motivation employs punishments or penalties, such as reprimands or threats of demotion, to influence behavior.
11. **Motivation of the Whole Individual:** Recognizing individuals as integrated wholes is a fundamental aspect of motivation. It involves understanding that motivation is a psychological concept that applies to the entirety of an individual. Partial motivation is not feasible; instead, the entire person is the focus of motivational efforts.
12. **Frustration Impact:** Frustration, stemming from the inability to satisfy basic needs, has a significant impact on motivation. A frustrated individual, unable to address fundamental needs, faces challenges in being motivated effectively. Satisfaction of these needs is a prerequisite for successful motivation.
13. **Differentiation from Morale:** Motivation and morale, although related to individual and group psychology, are distinct concepts. While motivation is concerned with the driving forces behind behaviour, morale pertains to the attitudes and feelings individuals or groups hold about their work and work environment. Motivation is individualistic, whereas morale is a broader group-oriented concept.

14. **Motivation vs. Job Satisfaction:** Motivation and job satisfaction are separate yet interconnected concepts. Job satisfaction revolves around positive emotional attitudes an individual holds towards their job, stemming from their performance and work situation. Motivation, on the other hand, results from both job satisfaction and the fulfilment of individual needs. While job satisfaction contributes to motivation, the two concepts encompass different facets of the individual's experience in the workplace.

Q.3 **Write the Classification of Motivation.**

TYPES/CLASSIFICATION OF MOTIVATION

1. **Positive and Negative Motivation:**
   Positive Motivation: Encouraging others to work or behave as desired through rewards. These can be either monetary (like pay and benefits) or non-monetary (such as praise or participation in decision-making). Creates a positive and friendly work environment, fostering a sense of belonging among employees.
   Negative Motivation: Controlling behavior through fear or punishment, like threats of wage cuts, demotion, or transfer. Experts suggest avoiding negative motivation as it can lead to frustration and lower productivity in the long run.
2. **Extrinsic and Intrinsic Motivation:**
   Extrinsic Motivation: Comes from external factors like higher wages, promotions, and fringe benefits. It's related to the job environment and serves as a reward after completing tasks.
   Intrinsic Motivation: Arises from the satisfaction derived while doing a job. It's an internal reward linked to job content, such as responsibility and opportunities for achievement. Herzberg recommended job enrichment for intrinsic motivation.

Intrinsic motivators, like personal growth and recognition, can be more motivating for some individuals, but both extrinsic and intrinsic motivators are essential. Wages, job security, and benefits are crucial for recruitment and retention, while intrinsic motivators contribute to job satisfaction.

3. **Financial and Non-Financial Motivations:**
   Financial Motivation: Involves direct or indirect monetary benefits, including wages, bonuses, profit-sharing, pension plans, and health insurance.
   Non-Financial Motivation: Not tied to monetary rewards; it's psychological and satisfies higher-level needs like social, esteem, and self-actualization. Includes work environment, praise, recognition, promotions, and increased authority and responsibility.

A well-rounded motivation system incorporates both financial and non-financial incentives to ensure employee satisfaction, productivity, and organizational success

Q.4 Describe in brief the Maslow's theory of human motivation.

Abraham Maslow, a prominent psychologist, introduced the concept of the Hierarchy of Needs, which has become a fundamental theory in psychology, sociology, and various other fields. This theory suggests that human needs can be organized into a hierarchical structure, with basic needs at the bottom and higher-order needs at the top. By understanding Maslow's Hierarchy of Needs, we gain valuable insights into human motivation and behaviour. In this essay, we will delve deeper into each level of the hierarchy, exploring real-life examples to illustrate how these needs manifest in everyday situations.

1. Physiological Needs: At the base of Maslow's pyramid are physiological needs, the most fundamental requirements for human survival. These include air, water, food, shelter, clothing, and sleep. Without satisfying these needs, individuals cannot function properly or focus on higher-order needs. Consider the plight of a homeless person living on the streets. Their primary concern is to secure food and shelter, highlighting the critical importance of physiological needs in real-life situations.

2. Safety Needs: Once physiological needs are met, individuals seek safety and security. Safety needs encompass physical safety, financial stability, health, and protection from accidents and harm. An example of safety needs in action can be observed in the behaviour of a family striving to live in a safe neighbourhood. They invest in a secure home, ensuring their children can play outdoors without fear, and pursue stable employment to provide financial security, thereby fulfilling their safety requirements.

3. Social Belongingness and Love Needs: Moving up the hierarchy, social belongingness and love needs come into play. These needs emphasize the importance of interpersonal relationships, friendships, and intimacy. Human beings inherently crave love and affection, seeking acceptance and validation from others. A real-life example of this need is evident in the bonds between friends, family members, and romantic partners, where emotional connections and mutual support fulfill the need for love and belongingness.

4. Esteem Needs: Esteem needs focus on self-respect, confidence, achievement, and recognition from others. These needs motivate individuals to pursue accomplishments, gain recognition, and feel valued in their communities. For instance, consider an employee working diligently to receive a promotion at work. The desire for recognition and a sense of achievement fulfills their esteem needs, driving them to excel in their profession.

5. Self-Actualization Needs: At the top of Maslow's hierarchy are self-actualization needs, representing the realization of one's full potential, pursuing personal growth, and achieving self-fulfillment. Individuals striving for self-actualization engage in creative endeavors, pursue meaningful goals, and seek personal development. An example can be found in the life of a passionate artist who dedicates their time to creating meaningful artworks, expressing their unique perspective and fulfilling their creative potential.

In simple words, Maslow's Hierarchy of Needs teaches us that when people have their basic needs met, they can be their best selves. By understanding and taking care of these needs, we can make the world a nicer place for everyone. It's like building a strong foundation for a house. When the base is sturdy, the whole house stands tall and strong. Similarly, when people's basic needs are met, they can achieve great things and be happy, making the world a better and kinder place for everyone.

Q.5 **Write the meaning and characteristics of Leadership.**

Leadership is one of the essential functions that must be performed by all the managers. The success of all the managers largely depends on the capacity to lead their subordinates. However, it is not easier to master the art of leadership.

Meaning And Definitions Of Leadership

Leadership has different meanings to different persons. But in terms of managing, leadership is the art of leading others towards a goal. More specifically, leadership is the process of influencing others to work enthusiastically to achieve predetermined goals.

In the opinion of Weihrich and Koontz, "Leadership is the art or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals."

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

Nature/Characteristics:

1. **Foundation in Personal Qualities:** Leadership finds its roots in the personal qualities of individuals. It's not just a title; it's about how a person behaves and influences others. As Chester I. Barnard aptly put it, leadership is the quality of behavior through which individuals guide people or their activities.
2. **Performance and Effective Leadership:** While personal qualities are the foundation, the effectiveness of leadership hinges on performance. Peter Drucker rightly observed that leadership isn't about charisma but a continuous and often mundane commitment to work. It's the practical application that defines leadership.
3. **The Importance of Followership:** True leadership requires followership. Without willing followers, there is no leadership. Koontz and O'Donnell's assertion that the essence of leadership is followership highlights the interdependence between leaders and their followers. A leader's ability to inspire commitment is pivotal.
4. **Influence and Inspiration:** Leadership is a dynamic process of influencing and inspiring others. This involves shaping behavior, attitudes, and emotions. Leaders may employ various methods, such as rewards, coercion, or persuasion, to foster a collective commitment to shared goals.
5. **Continuous and Interpersonal Dynamics:** Leadership is an ongoing effort. It's not a one-time act but a continuous process of influencing group behavior. Communication is key in

maintaining this process. Moreover, leadership involves intricate interpersonal relations between leaders and their followers, emphasizing mutual influence and collaboration.

6. **Alignment of Goals and Shared Responsibility:** Effective leadership aligns individual and group goals. Leaders create a sense of shared purpose and commitment toward common objectives. This requires sharing ideas, experiences, and responsibilities, fostering a collective ownership of the group's endeavors.
7. **Pervasiveness in Management:** Leadership is not confined to a specific role or level in an organization. It permeates all levels and functions of management. It serves as the connective tissue that binds planning, organizing, motivating, and controlling into a cohesive whole.
8. **Dynamic Adaptability:** Leadership is a dynamic art that necessitates adaptability. No single style fits all situations. A leader's effectiveness hinges on their ability to assess and respond to the unique variables of each situation, showcasing the dynamic nature of leadership.
9. **Power Dynamics:** Power is foundational to leadership. Leaders derive power from various sources, including knowledge, authority, charisma, and distinctive personality traits. This power provides the means to influence the behavior and decisions of their followers.
10. **Formal and Informal Leadership:** Leadership can manifest in both formal and informal settings. Formal leadership is bestowed through organizational structures, while informal leadership emerges organically from peer influence. Recognizing and utilizing both forms is integral to effective leadership.
11. **Leadership vs. Management:** Leadership and management, while distinct, often overlap. Management involves planning, organizing, and controlling, while leadership is about inspiring and influencing. In practice, these roles may blur, emphasizing the complementary nature of effective leadership and management.
12. **Positive and Negative Dimensions:** Leadership can take both positive and negative forms. Positive leadership inspires and motivates, fostering a healthy work environment. Negative leadership may involve coercion or manipulation. Leaders must navigate ethical dimensions to ensure a positive impact on their followers.

Q.6 Write a Short note on Likert's Management Systems.

In the 1960s, Rensis Likert, an eminent management researcher, introduced the concept of Likert's Management Systems, which categorizes leadership styles into four distinct categories: Exploitative Authoritative, Benevolent Authoritative, Consultative, and Participative.

These systems delineate the relationships, communication, and decision-making processes between managers and subordinates within organizations. Likert's extensive research, conducted over three decades, has provided valuable insights into managerial practices, influencing organizations worldwide.

Likert's Four Management Systems:

1. Exploitative Authoritative System:

In the Exploitative Authoritative system, the responsibility lies predominantly with top-level management, leaving subordinates with minimal influence in decision-making processes. Subordinates are expected to follow instructions without questioning, leading to a lack of communication and teamwork. Managers in this system often resort to threats and fear to achieve desired outcomes. While this approach may yield short-term results, it hampers employee morale and engagement, resulting in high turnover rates and decreased productivity.

Advantages:

- Quick decision-making process.
- Clear hierarchy and structure.

Disadvantages:

- Low employee morale and job satisfaction.
- Limited creativity and innovation.
- High turnover rates.

2. Benevolent Authoritative System:

In the Benevolent Authoritative system, managers extend some trust to subordinates, employing a reward-based approach for motivation. However, decision-making remains concentrated at higher levels of the hierarchy. While employees receive rewards for their performance, limited communication and lack of involvement in decision-making lead to stifled creativity and employee disengagement.

Advantages:

- Rewards for good performance boost motivation.
- Some level of trust fosters a slightly better work environment.

Disadvantages:

- Limited employee involvement in decision-making.
- Lack of open communication stifles innovation.
- Potential for unhealthy competition among team members.

3. Consultative System:

In the Consultative system, managers demonstrate substantial trust in subordinates by seeking their input in decision-making processes. There is open communication throughout the organization, with employees actively participating in discussions. Managers value employee opinions and ideas, incorporating them into the decision-making process. This approach fosters a collaborative environment, enhancing teamwork and job satisfaction.

Advantages:

- Increased employee engagement and job satisfaction.
- Enhanced communication and collaboration among team members.
- Better utilization of diverse perspectives leads to innovative solutions.

Disadvantages:

- Decision-making process might be slower due to extensive consultations.
- Possibility of information overload.
- Challenges in balancing diverse opinions and reaching a consensus.

4. Participative System:

In the Participative system, managers have complete confidence in their subordinates, encouraging active participation in decision-making processes. This approach empowers employees to contribute ideas and opinions freely. Open communication channels, both horizontally and vertically, create a transparent work environment where employees feel valued, leading to high job satisfaction, creativity, and productivity.

Advantages:

- High employee morale and motivation.
- Enhanced creativity and innovation.
- Strong teamwork and collaborative problem-solving.

Disadvantages:

- Decision-making process may be time-consuming.
- Possibility of conflicts arising from diverse opinions.
- Requires a high level of trust and effective communication.

LONG ANSWER QUESTIONS

Q.1 Explain the concept, Importance and Essentials of Directing.

DIRECTING

- The directing function is the third step in the management process.
- Planning and organizing functions precede directing and set the groundwork for its implementation.
- Plans are formulated during the planning phase.
- The organizational structure is designed during the organizing phase.
- Competent personnel are assigned tasks and authority.
- Directing begins once plans are in place, the organizational structure is established, and personnel are assigned roles.
- The directing function places a significant emphasis on working with people.
- It involves guiding, motivating, leading, communicating, and supervising subordinates.
- The primary goal of directing is to achieve organizational objectives efficiently and effectively.
- **Key Aspects of Directing:**
    - **Guiding:** Providing clear instructions and setting the path for subordinates.
    - **Motivating:** Inspiring and encouraging individuals to give their best efforts.
    - **Leading:** Taking the initiative and guiding the team toward common goals.
    - **Communicating:** Ensuring effective and open communication channels within the organization.

- **Supervising:** Overseeing tasks and activities to ensure they align with organizational goals.

MEANING AND DEFINITION

Directing is the process of initiating action according to a predetermined plan.
It involves a series of activities aimed at guiding, supervising, motivating, leading, and influencing people within an organization.

According to Ernest Dale, "Direction is telling people what to do and seeing that they do it to the best of their ability."
Thus, directing is the process of guiding, instructing, motivating. Influencing and leading subordinates with a view to achieve organisational objectives efficiently and effectively. It includes issuing of orders, explaining procedures to the subordinates and seeing that they do their tasks to the best of their ability.

IMPORTANCE OF DIRECTING

1. **Achieving Goals through Others:** Directing is indispensable for getting things done through others. Managers provide guidance, instructions, supervision, and motivation, crucial for translating plans into action.

2. **Initiating Action:** Directing serves as the catalyst for action. Managers use direction to motivate and influence subordinates, ensuring the initiation of actions necessary for achieving objectives.

3. **Execution of Plans and Decisions:** Effective directing is essential for the execution of plans and decisions. Without proper guidance, even the best plans and decisions may not yield the desired results.

4. **Coordination:** Coordination is a natural outcome of good managerial directing. Directing contributes to the coordination of activities within the organization, ensuring a harmonious alignment of efforts.
5. **Managerial Development:** Directing plays a crucial role in developing future managers. Managers, through the directing function, constantly coach, counsel, guide, and advise subordinates, contributing to the growth of efficient future leaders.

6. **Objective Achievement:** Directing facilitates the integration of individual objectives with organizational objectives, contributing to the effective accomplishment of overall organizational goals.

7. **Management of Change:** Directing helps in managing resistance to change. By skilfully using the directing function, managers can encourage employees to accept and adapt to changes in the organization.

8. **Work Environment Creation:** Proper directing is instrumental in creating a positive work environment. Managers, through effective directing, mobilize and motivate employees, influencing their behaviour to foster a conducive work atmosphere.

9. **Employee Motivation:** Through directing, managers address both physical and psychological aspects of employees, motivating them to contribute positively to the organizational goals.

10. **Stability and Growth:** Effective directing, encompassing supervision, communication, motivation, and leadership, contributes to the stability and growth of the enterprise.

11. **Irreplaceable Function:** Directing is considered irreplaceable. Even with advancements in technology, computer-aided work procedures cannot substitute the human touch and leadership involved in the directing function.

ESSENTIALS FOR EFFECTIVE DIRECTING

1. **Principle of Directing Objective:**
- *Clear Understanding:* Subordinates should have a clear understanding of the objectives of directing.
- *Role Clarity:* Subordinates should be aware of their roles in achieving these objectives.
2. **Principle of Harmony of Objectives:**
- *Individual and Organizational Harmony:* Effective directing requires harmony between individual and organizational objectives.
- *Contributing to Organizational Goals:* The directing system should encourage individuals to fulfill their objectives while contributing to the achievement of organizational goals.
3. **Principle of Unity of Command:**
- *Single Reporting Relationship:* Subordinates should receive orders and instructions from only one superior.
- *Accountability:* Subordinates should be accountable to only one superior to avoid conflicting instructions.
4. **Principle of Direct Supervision:**
- *Objective Methods:* Managers should ensure direct supervision, supplementing objective methods with personal interaction.
- *Communication and Problem-Solving:* Direct supervision facilitates better communication, immediate problem-solving, and the collection of valuable suggestions.
5. **Principle of Leadership Style:**
- *Adaptability:* Effective directing requires an appropriate leadership style that can vary based on the environment.
- *Desired Response:* Managers should adopt styles that elicit the desired response from subordinates.
6. **Principle of Communication:**
- *Two-way Communication:* Maintain a sound two-way direct communication system.
- *Free Flow:* Ensure the free flow of ideas, information, suggestions, complaints, and grievances between superiors and subordinates.
7. **Principle of Motivation:**
- *Motivational Techniques:* A manager must motivate subordinates for effective directing.
- *Satisfying Needs:* Satisfy physiological and psychological needs to make subordinates more receptive to orders and instructions.
8. **Principle of Individual Contribution:**

- *Maximizing Contributions:* Directing should aim at maximizing individual contributions to the attainment of objectives.

9. **Principle of Participation:**

- *Inclusive Decision-Making:* Directing is more effective when subordinates actively participate in the process.
- *Consideration of Ideas:* Solicit and consider ideas, opinions, views, and suggestions from subordinates before issuing directions.

10. **Principle of Informal Relations:**

- *Development of Informal Relations:* Managers should develop informal relations with subordinates.
- *Recognition of Informal Groups:* Recognize and promote informal groups and their leaders to enhance the effectiveness of directing.

11. **Principle of Appropriate Techniques:**

- *Task and Situation-Based:* Select and use appropriate directing techniques based on the nature of the task and the prevailing situation.
- *Adaptability:* Techniques of supervision should be suitable for the person supervised and the task performed.

12. **Principle of Follow-up:**

- *Continuous Process:* Directing is a continuous process that requires follow-up.
- *Coaching and Feedback:* Involves constant coaching, counseling, advice, supervision, and providing help to subordinates, with continuous follow-up and feedback.

***Q.2* Elaborate the Importance Of Motivation.**

Motivation is the driving force behind human behaviour, influencing individuals to exert effort and perform tasks either efficiently or with varying degrees of effectiveness.

Motivation: Meaning And Definitions

Motivation, derived from the Latin word 'movere' (to move), signifies the forces driving individuals to specific behaviours. These forces encompass needs, wants, desires, aspirations, inner urges, and drives. Motivation is often defined as the willingness to expend effort in pursuit of a goal.

According to McFarland. "The concept of motivation is mainly psychological. It relates to those forces operating within the individual employee or subordinate which impel him to act or not to act in certain ways."

Thus, Motivation is what makes employees willingly put in a lot of effort to achieve the company's goals. It comes from both inside (like personal goals and desires) and outside (like the work environment). Internal forces push individuals, while external forces pull them. For managers, motivation is about energizing, guiding, and sustaining their employees' behaviour so that they enthusiastically work hard to reach organizational goals.

NEED AND IMPORTANCE OF MOTIVATION

1. **Inspires Employees to Work:** Motivation, as described by Clarence Francis, goes beyond buying a person's time; it's about earning enthusiasm, initiative, and loyalty. Through

effective motivation, employees are inspired to work with devotion, enthusiasm, zeal, and loyalty.

2. **Higher Performance:** Highly motivated employees outperform those with low motivation levels. Motivation is the driving force behind performance, rendering other factors less impactful, as noted by Gray and Smeltzer.

3. **Higher Productivity:** Motivated employees utilize their skills and organizational resources more efficiently, leading to increased overall productivity. David Holt emphasizes that productivity results from organizational excellence, achievable through a workforce of highly motivated individuals.

4. **Effectiveness of Managerial Functions:** The effectiveness of managerial functions relies heavily on a proper motivation system. Planning and organizing efforts are likely to be unsuccessful without motivated employees fulfilling their responsibilities.

5. **Achievement of Organizational Objectives:** Motivation is integral to management, encouraging employees to channel their energies toward achieving organizational goals. According to Brech, the tone of an organization reflects the motivation originating from its leadership.

6. **Human Resource Development:** Motivation plays a crucial role in developing human resources within an organization. It guides employees to enhance their job skills, ensuring a continual pool of well-trained and motivated individuals.

7. **Satisfied Human Resource:** A sound motivation system ensures a proper supply of motivated human resources, meeting individual needs and aspirations. This, in turn, attracts and retains a content workforce.

8. **Boosts Morale:** Motivation positively influences employee attitudes toward work, thereby boosting overall morale within the organization.

9. **Sense of Belongingness:** A proper motivation system fosters a close bond between the enterprise and its employees. Employees start feeling a sense of ownership, becoming more concerned about the well-being of the enterprise.

10. **Reduced Employee Turnover and Absenteeism:** Satisfied employees tend to stay longer and maintain regular attendance, reducing turnover and absenteeism.

11. **Facilitates Change:** Properly motivated employees are more receptive to new ideas and changes. This attitude facilitates the introduction of change and keeps the organization on a path of progress.

12. **Effective Utilization of Resources:** Motivated employees actively seek innovative and efficient ways of doing their jobs, ensuring effective resource utilization. Poorly motivated employees may avoid work and misuse resources.

13. **Better Industrial Relations:** A good motivation system creates a positive work environment and job satisfaction, fostering cooperative and disciplined work. Better wages and incentives reduce conflicts, leading to improved industrial relations.

14. **Enhances Corporate Image:** Organizations with motivated staff gain a positive reputation. This reputation helps attract talented individuals whenever there is a need.

15. **Innovation and Development of Technology:** Motivated employees drive innovation and the development of new technology and products. Talented individuals within motivated organizations regularly engage in research and innovation, contributing to the well-being of the organization and society.

Q.3 **Write the Techniques of Motivation.**

TECHNIQUES OF MOTIVATION

Motivating employees is a multifaceted challenge for managers, who employ a spectrum of techniques to inspire and engage their teams. These strategies can be broadly categorized into two types: financial or monetary techniques and non-financial or non-monetary techniques.

Financial Techniques/Incentives:
Financial techniques involve the allocation of financial resources to enhance employees' income. This encompasses various components:

1. **Pay and Allowances:** The regular salary or wages supplemented by dearness and other allowances.
2. **Bonus and Profit-Sharing:** Additional financial rewards tied to individual or collective performance.
3. **Fringe Benefits:** Beyond-pay perks, such as housing, transport, medical services, and more.

Money, recognized as a symbol of social status, plays a pivotal role in meeting physiological and safety needs, as well as addressing social and esteem needs. It's a powerful motivator, as noted by William F. Whyte, who highlighted the learned appreciation for money's significance.

Non-Financial Techniques/Incentives:
Non-financial techniques, though devoid of direct financial rewards, focus on the psychological aspects of work and the work environment. These techniques cater to higher-level needs, including social, esteem, and self-actualization. Several notable non-financial techniques include:

- **Job Enlargement:** Broadening job responsibilities horizontally to reduce monotony and enhance employee satisfaction.
- **Job Enrichment:** Introducing vertical job loading by enhancing the depth of a job, providing more authority and responsibility.
- **Job Rotation:** Offering employees opportunities to perform different roles, fostering skill development and alleviating monotony.
- **Praise and Recognition:** Acknowledging and appreciating employee performance as a direct and effective motivator.
- **Employee Participation:** Involving employees in organizational decision-making fosters commitment and motivation.

- **Competition or Contests:** Organizing challenges to tap into the natural human desire for achievement, fostering motivation.
- **Promotion/Status:** Elevating social status through job promotions or improvements in job-related facilities.
- **Delegation of Authority:** Empowering employees by granting control over tasks, promoting motivation through increased responsibility.
- **Feeling of Accomplishment:** Recognizing and celebrating achievements to instill a sense of pride and motivation.
- **Security of Job:** Providing job stability to alleviate concerns about technological advancements and job loss.
- **Congenial Social Environment:** Creating a positive workplace culture through induction programs and fostering informal relationships among employees.
- **Opportunity for Advancement:** Offering career growth opportunities to satisfy social ego and self-actualization needs.
- **Quality Circles:** Establishing employee groups to identify and solve work-related problems, providing a platform for interaction and self-expression.
- **Sound Work Climate:** Ensuring a positive physical work environment, including well-planned facilities and layouts.

Q.4 **What Are The Essentials Of A Sound Motivation System?**

Motivation, according to management scholars Koontz and O'Donnell, is the backbone of a thriving organization. They assert that a sound motivation system must embody key characteristics to effectively inspire and engage employees. Here are the essentials that constitute a robust motivation system:

1. Purposive: A motivation system should be purposive, explicitly stating its objectives. It must align with the organization's goals and philosophy, ensuring a clear connection between individual and organizational aspirations.

2. Productive: The primary aim of a motivation system is to enhance productivity. It should contribute to increased efficiency and effectiveness across all organizational resources. By fostering a culture of continuous improvement, a productive motivation system becomes a catalyst for success.

3. Positive: A positive approach towards employees is crucial in a motivation system. By emphasizing rewards and meeting the needs of employees, it aims to influence behavior constructively. This positive reinforcement creates an environment conducive to higher levels of employee satisfaction and engagement.

4. Simple: Simplicity is key in a motivation system. It should be easy for employees to understand and straightforward for managers to implement. Complexity can hinder effectiveness, making simplicity an essential attribute for desired outcomes.

5. Challenging: A motivation system should set challenging yet attainable goals. By presenting employees with meaningful challenges, it stimulates growth and development, contributing to a sense of accomplishment and motivation.

6. Competitive: Competitiveness is a crucial aspect of a motivation system. It should create a competitive spirit among employees and position the organization as an attractive employer. Being more compelling than rival organizations, the system should draw talent and retain existing employees.

7. Comprehensive: Acknowledging the diverse needs of all employees is vital. A motivation system should consider individual differences in nature, perceptions, values, needs, and abilities. Its effectiveness lies in its capacity to motivate both efficient and inefficient employees.

8. Flexible and Dynamic: Adaptability is critical for a motivation system. It should be flexible and dynamic, capable of evolving to meet changing needs and environmental circumstances. This dynamism ensures continued relevance and effectiveness.

9. Stable and Permanent: While adaptable, a motivation system should also provide stability. It must be a permanent feature of the organization, offering consistent motivation. Ad hoc approaches fall short in sustaining employee engagement over the long term.

10. Equitable: Equity is a cornerstone of an effective motivation system. It should be free from biases, ensuring fair treatment for all employees. An equitable system fosters trust and commitment.

11. Linkages between Performance and Reward: Establishing direct and positive linkages between performance and rewards is essential. Clear communication of these linkages to employees reinforces the connection between their efforts and the recognition they receive.

12. Integration of Organizational and Individual Goals: A sound motivation system integrates organizational goals with individual aspirations. By aligning these objectives, it becomes a driving force for both personal and collective achievement.

13. Blending Financial and Non-Financial Incentives: The system should find a harmonious blend between financial and non-financial incentives. This ensures the satisfaction of both lower-level and higher-level needs, catering to the holistic well-being of employees.

14. Provision for Punishment: While emphasizing positivity, a sound motivation system should include provisions for addressing persistent unacceptable performance. This may involve penalties to maintain discipline and uphold organizational standards.

15. Feedback: An effective mechanism for feedback is crucial. Regularly informing employees about their performance and rewards creates transparency, fosters accountability, and provides a basis for continuous improvement.

Q.5 Explain the following theories:

1. Herzberg's Two-Factor Theory of Motivation

2. Theory X and Theory Y.

3. Theory Z

1.**Herzberg's Two-Factor Theory of Motivation**, also known as the Motivator-Hygiene Theory, suggests that there are certain factors in the workplace that influence job satisfaction and dissatisfaction. These factors are divided into two categories: Hygiene Factors and Motivational Factors.

1. Hygiene Factors (Dissatisfiers): Hygiene factors are essential aspects of a job that, when adequate, prevent dissatisfaction but do not necessarily lead to satisfaction. They are basic factors that employees expect to be in place to feel comfortable and secure in their work environment. Examples of hygiene factors include:

- **Pay:** Employees expect to be paid fairly for their work. If the pay is below expectations, it can lead to dissatisfaction.
- **Working Conditions:** A clean, safe, and well-maintained work environment is crucial. Unpleasant or unsafe working conditions can cause dissatisfaction.
- **Company Policies:** Fair and clear policies regarding work hours, dress code, and other rules are necessary. Unclear or rigid policies can lead to dissatisfaction.
- **Job Security:** Employees need to feel secure in their jobs. Fear of losing a job can cause significant dissatisfaction.
- **Interpersonal Relationships:** Positive relationships with colleagues and supervisors are important. Conflict or humiliation among employees can lead to dissatisfaction.

2. Motivational Factors (Satisfiers): Motivational factors are aspects of the job that lead to job satisfaction and motivate employees to perform better. These factors are related to the content of the job itself and provide a sense of achievement and fulfillment. Examples of motivational factors include:

- **Recognition:** Being acknowledged and praised for achievements by managers or colleagues.
- **Sense of Achievement:** Feeling a sense of accomplishment from the work itself, such as completing a challenging project.
- **Growth and Advancement:** Opportunities for career growth, promotions, and skill development motivate employees to perform well.
- **Responsibility:** Allowing employees to take ownership of their work, giving them autonomy and control over their tasks.
- **Meaningfulness of the Work:** Engaging, interesting, and meaningful tasks can inspire employees to perform at their best.

Examples:

1. **Hygiene Factor Example:** If an employee works in a poorly ventilated office with uncomfortable seating arrangements, it can lead to dissatisfaction, regardless of how good the pay or other benefits are.
2. **Motivational Factor Example:** An employee who is given a challenging project and is recognized for completing it successfully will find satisfaction in the sense of achievement and recognition received.
3. **Combination of Factors:** Suppose an employee receives a competitive salary (hygiene factor) and is also given opportunities to lead projects and receive recognition for accomplishments (motivational factors). This combination can lead to high job satisfaction and motivation.

In summary, Herzberg's Two-Factor Theory emphasizes that while certain factors prevent dissatisfaction (hygiene factors), true job satisfaction and motivation come from the content of the job itself (motivational factors). Managers should focus on providing both hygiene factors and motivational factors to create a positive and motivating work environment, ultimately leading to higher employee satisfaction and productivity.

The Two-Factor Theory, while helpful, has its limitations:

1. **Doesn't Consider Different Situations:** The theory doesn't account for different situations that might affect how people feel about their jobs. Everyone's work environment is unique, and this theory doesn't address those individual differences. *Example:* Imagine two employees working in different departments of the same company. One might have flexible working hours and a supportive team, leading to high job satisfaction. In contrast, another employee might face strict regulations and a less friendly environment, resulting in low job satisfaction. The theory doesn't account for these diverse situations.

2. **Focuses More on Satisfaction, Less on Productivity:** Herzberg emphasized satisfaction but didn't thoroughly explore how job satisfaction relates to productivity. Job satisfaction doesn't always directly translate into how well someone does their job. *Example:* A person might love their job because of a friendly work environment, but this doesn't necessarily mean they are the most productive employee. Job satisfaction, in this case, doesn't directly indicate how well they perform their tasks.

3. **Reliability Issues:** The theory's reliability is uncertain because different people might interpret responses differently. This can lead to inconsistent results when trying to analyse job satisfaction. *Example:* If different managers interpret employee responses differently, the analysis of job satisfaction within the organization might vary widely. One manager might perceive certain responses as positive, while another might see them as negative, leading to inconsistent results.

4. **Limited Measure of Satisfaction:** The theory doesn't cover all aspects of job satisfaction. For example, someone might dislike part of their job but still find it acceptable overall. This complexity isn't fully captured. *Example:* An employee might dislike attending long meetings but find the overall job acceptable. The theory doesn't capture this nuanced dissatisfaction; instead, it might label the employee as entirely dissatisfied due to a single aspect.

5. **Bias in Responses:** When employees are asked about what makes them happy or unhappy at work, their responses can be biased. They might blame external factors like salary or company policies for dissatisfaction and credit themselves excessively for satisfaction. *Example:* When asked about job satisfaction, employees might hesitate to criticize their own abilities or attitudes. They might blame external factors like company policies or colleagues for their dissatisfaction, downplaying their own role in the situation.

6. **Ignores Blue-Collar Workers:** The theory doesn't consider the specific needs and challenges faced by blue-collar workers, those who do manual or industrial work. Their job satisfaction factors might differ significantly from those in white-collar jobs. *Example:* Blue-collar workers, such as factory workers or construction laborers, face unique challenges like physical strain and safety concerns. Job satisfaction for them might be

influenced by factors such as adequate breaks, safety measures, and fair treatment, which the Two-Factor Theory doesn't specifically address.

2. Douglas McGregor Theory X and Theory Y.

Douglas McGregor, a renowned management theorist, introduced Theory X and Theory Y in the 1960s as contrasting styles of managing employees. These theories reflect different beliefs about human nature and motivation in the workplace, shaping how managers perceive and interact with their teams.

Theory X:

Theory X represents a traditional and authoritarian approach to management. Managers who adhere to Theory X assumptions believe that employees inherently dislike work, lack ambition, avoid responsibility, and need to be closely supervised and controlled. In this view, individuals are primarily motivated by external factors such as rewards, punishments, and directives from authority figures.

Key Assumptions of Theory X:

1. Employees inherently dislike work and will avoid it if possible.
2. Employees prefer to be directed and wish to avoid responsibility.
3. Employees seek security and avoid taking risks.
4. Employees need to be closely controlled and coerced to achieve organizational goals.

Implications of Theory X:

- Strict supervision and micromanagement.
- Use of carrot-and-stick approach (rewards and punishments) to motivate employees.
- Limited employee involvement in decision-making processes.
- Hierarchical and centralized organizational structures.

Theory Y:

Theory Y, on the other hand, represents a more participative and collaborative approach to management. Managers who embrace Theory Y assumptions believe that employees can find fulfilment in work, are self-motivated, enjoy taking responsibility, and possess creative problem-solving abilities. According to this perspective, work can be inherently satisfying, and individuals can exhibit high levels of commitment and innovation when given the right environment.

Key Assumptions of Theory Y:

1. Work is as natural as play or rest, and people can find enjoyment in it.
2. Employees are capable of self-direction and self-control.
3. Employees possess creativity and problem-solving abilities.
4. Employees can show a high degree of commitment and responsibility.

Implications of Theory Y:

- Encouragement of employee participation in decision-making processes.
- Emphasis on intrinsic motivation, job satisfaction, and personal growth.
- Delegation of authority and empowerment of employees.
- Supportive and nurturing organizational culture.

Examples

1. **Teamwork and Collaboration**

- **Theory X:** A manager following Theory X might dictate every step of a project, limiting employees' autonomy. This approach stifles creativity and innovation.
- **Theory Y:** In a Theory Y environment, the manager encourages team members to collaborate, share ideas, and contribute to the project creatively. This collaborative approach fosters a sense of ownership and enthusiasm among employees.

2. **Employee Development**

- **Theory X:** A Theory X manager may provide minimal training and development opportunities, assuming employees have limited potential for growth.
- **Theory Y:** A Theory Y manager invests in continuous training, skill development, and mentorship programs, believing in employees' ability to learn and improve their skills over time.

3. **Motivation:**

- **Theory X:** A manager following Theory X might offer monetary rewards or threaten employees with disciplinary actions to boost performance. For instance, an assembly line worker might receive a bonus for meeting daily production quotas.
- **Theory Y:** In a Theory Y approach, managers might foster a sense of purpose and belonging. For example, a social media company could empower its employees by involving them in decision-making processes related to user engagement strategies, enhancing their motivation through active participation.

4. **Decision-Making:**

- **Theory X:** A manager adhering to Theory X might make decisions unilaterally without considering employees' input. For instance, a retail store manager might dictate the store layout without consulting the sales team.
- **Theory Y:** In a Theory Y environment, managers could involve employees in decision-making. An advertising agency might encourage brainstorming sessions where employees freely share their ideas and contribute to campaign strategies, promoting a sense of ownership and engagement.

5. **Leadership Style:**

- **Theory X:** A Theory X manager may use a directive leadership style, providing strict instructions and closely supervising employees. For instance, a restaurant manager might micromanage the kitchen staff to ensure adherence to recipes and standards.
- **Theory Y:** A Theory Y manager might adopt a participative leadership style, encouraging open communication and collaboration. In a software development company, the manager

might facilitate regular team meetings where developers discuss challenges and collectively find solutions, fostering a sense of teamwork and mutual respect.

6. **Employee Development:**

- **Theory X:** Managers following Theory X may view training as a necessary obligation. For instance, in a customer service center, employees might receive training solely to meet basic job requirements.
- **Theory Y:** In a Theory Y approach, managers might invest in continuous learning and skill development. In a research organization, scientists could be encouraged to attend conferences, present their findings, and engage with peers, fostering innovation and expertise.

7. **Conflict Resolution:**

- **Theory X:** A Theory X manager might resolve conflicts by imposing solutions without considering employees' perspectives. For example, a project manager could unilaterally decide how to resolve disputes between team members, leading to potential resentment.
- **Theory Y:** In a Theory Y environment, managers might mediate conflicts by encouraging open dialogue and mutual understanding. A marketing team leader might facilitate group discussions where team members express their concerns and work together to find resolutions, promoting a cooperative and respectful atmosphere.

3. Expectancy Theory Of Motivation

This theory is given by Victor Vroom. He believed that people's motivation is influenced by the type of reward they expect to receive for performing their tasks well. People in the organization determine how much effort they should put to get the required rewards. Humans are rational beings so, they always attempt to increase the perceived worth of such rewards. People get highly motivated if they believe that behaving in a particular way will lead them to their preferable rewards.
Motivation = Valence * Expectancy * Instrumentality

1. Valence

Valence refers to the 'value of the rewards' which results from performance.
Every person has a different perception towards valence. As, what is valuable for one person might not be for others.
For example, employees interested in promotion and recognition will not have any valence for cash rewards.
Valence is the attraction or repulsion of an outcome.
Valence is not the actual value of the reward rather it is the perceived value of the reward which they expect to receive after attaining the goals.

2. Expectancy

The Expectation is that increasing the quantity of effort will improve performance (if I work harder, I will perform better).
It is affected by:
Having the proper resources available (e.g., raw materials, time)

Having the appropriate skills to try to the work
Having the necessary support to urge the work done (e.g., supervisor support or correct information on the job).

3. Instrumentality

The term "instrumentality" refers to a person's expectation and belief that his performance will result in a specific desired reward.
For example, if someone desires a promotion and believes that superior performance is crucial to getting the promotion. Then, superior performance will be considered the first-level outcome and promotion as the second-level outcome.

Q.6 **Write the meaning, functions of Leadership.**

Leadership is one of the essential functions that must be performed by all the managers. The success of all the managers largely depends on the capacity to lead their subordinates. However, it is not easier to master the art of leadership.

Meaning And Definitions Of Leadership

Leadership has different meanings to different persons. But in terms of managing, leadership is the art of leading others towards a goal. More specifically, leadership is the process of influencing others to work enthusiastically to achieve predetermined goals.

In the opinion of Weihrich and Koontz, "Leadership is the art or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals."

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

Importance And Functions Of Leadership

Leadership is a dynamic and constructive force in any organisation. It plays a crucial role in the success and survival of an organisation. It is the crucial factor that helps individuals to identify their goals.
Briefly the importance and functions of leadership are as follows:

1. **Determination of goal**: A leader plays a crucial role in laying down goals and policies of his group or the institution. He acts as a guide in setting organisational goals and policies.

2. **Guides and inspires or motivates:** According to Terry and Franklin, leaders trigger a person's will to do', show the way and guide group members towards group accomplishment." Thus, an effective leader guides and inspires or motivates his group members to work willingly for achieving the goals. He makes every effort to direct and channelise all energies of his followers to the goal-oriented behaviour. He creates enthusiasm for higher performance among his followers.

3. **Boosts morale:** Morale refers to the attitude of employees towards organisation and management and will to offer voluntary cooperation to the organisation. Morale is an internal

feeling of a person. A good leader can arouse will to cooperate among the employees. According to Terry, "Leadership triggers a person's will to do' and transforms lukewarm desires for achievements into burning passions for successful accomplishments."

4. **Creates confidence and enthusiasm:** A good leader creates confidence among his group members. He does so by providing guidance, help and support in their day-to-day work. He even provides psychological support and infuse the spirit of enthusiasm among them.

5. **Develops team-spirit:** A good leader constantly tries to develop team spirit among his group members/followers. He inculcates a sense of community of interests. He provides a satisfying work climate by harmonising individual and group goals. Thus, a leader reconciles conflicting goals and creates team spirit among his followers.

6. **Creates vision and initiative:** It has been rightly said, where there is no vision, people perish. Leaders give vision to their followers which, in turn, create initiative and enthusiasm among them. The followers use this vision and initiative to take up challenging tasks.

7. **Transforms potential into reality:** According to Newstorm and Keith Davis, "Leadership is the catalyst that transforms potential into reality." In fact, effective leadership can transform potential or dream into reality. Leaders can identify, develop, channelise and enrich the potentials existing in an organisation and its people.

8. **Representation:** A leader represents his group members. He is the connecting link between his group members and the top-management. He carries the views and problems of his group members to the concerned authorities and tries to convince them. Thus, he is in real sense an ambassador and guardian of his group feelings and interests. He also protects the interests of his group members against any outside challenge and threat.

9. **Development and use of human resource:** An effective leader can develop and utilise human resource in a most effective way. A leader can influence the activities and behaviour of his followers to contribute their best.
In fact, leadership can lift man's vision to higher sights, raise man's standard to higher performance and build man's personality beyond his normal limitations. (Peter F. Drucker).

10. **Facilitates change:** According to Gordon. In a world of change and uncertainty, business leader becomes a vital element in the process of change itself." Thus, leaders can induce and introduce change. They are the instrumental in conceiving and managing change. They introduce change by convincing their followers about the positive effects of the change. very

11. **Ensures survival and success of the enterprise**: According to long McFarland.
"Administrative leadership is vital to the survival and effectiveness of organisation." No doubt that leadership plays a vital role in the survival and success of an enterprise. The quality of leadership goes away in the success and survival of an enterprise. Without effective leadership, many well established enterprises have miserably failed. Glover has also stated that "most failure of business concerns is attributable to poor leadership than to any other cause."

12. **Contributes to effective management:** Leadership is an essential and integral part of management. Effectiveness and efficiency of management largely depends on its leadership qualities. A strong leader can transform a lacklustre organisation into a successful one. Without

leadership an organisation is a middle of men or machines. Management activities such as planning. organising etc. are dormant cocoons until leader triggers the power of motivation in people and guides them towards goals. [Keith Davis).

13. **Creates work environment:** Effective leadership can create work environment in which group members can work with pleasure. For this, the leader creates and maintains interpersonal relations of trust and confidence among the group members. Albanese has stated that "leadership is necessary in organisations in order to create work environments that are productive and satisfying for human beings."

14. **Maintains order and discipline:** An effective leader has qualities to maintain order and discipline in the organisation. He lays down standards of behaviour and sees that his followers follow the same in their behaviour. He shows exemplary behaviour and maintains self-discipline in order to maintain discipline among his followers.

15. **Resolves conflicts**: Leaders play crucial role in resolving the conflicts arising in the group. He does it by harmonising the diverse intense interests of group members and the organisation.
Q. 7 Explain the qualities of successful leader .

Leadership Qualities/Traits

Qualities of successful leader :

1. ***Personality and stamina***: It is rightly said that sound mind resides in sound body. Hence, a leader should have sound health and good stamina to work hard. He should be handsome with charming personality. Such a leader has a lasting impact on the minds of his followers.

2. ***Intelligence***: A leader should be intelligent. He should have above average level of intelligence. He should be capable of thinking scientifically.

3. ***Self-confidence:*** A leader should have self-confidence. He should be fully confident of his actions and decisions.

4. ***Vision and foresight***: A leader is required to have sharp vision and foresight. He should be able to foresee the future trend of events. This quality prepares him for future challenges.

5. ***Ability to inspire:*** An effective leader is one who has ability to inspire. Hence, he should be capable of influencing people by his ideas, actions and behaviour.

6. ***Ability to communicate:*** A leader should have ability to communicate effectively. He should be efficient in verbal, written, gestural communication skills.

7. ***Sincerity and honesty:*** A leader should be sincere and honest. His integrity should be above doubts. Sincerity and integrity make a man truthful, high minded and gives him aspirations and high ideals.

8. ***Courage and will power:*** It has been rightly said "without courage there are no virtues." No faith, hope, aspiration etc. can be transformed into realities without courage and will power. Hence, a leader should be courageous.

9. ***Flexible and dynamic:*** A leader should be with flexible and dynamic mind-set. He should be capable of adapting ideas and views in accordance with the needs of the changing situations.

10. ***Emotional stability I.e. maturity:*** A leader should be capable of keeping his emotions under control. Emotional stability and cool temperament are necessary for a matured leader. Hence, he should remain cool, patient and undisturbed by the happening of unusual and unanticipated events.

11. ***Sound judgement:*** A leader should have sound judgement power. He should be a shrewd judge of behaviour, actions and events. He should be able to judge the things judiciously.

12. ***Tact and humour:*** A leader should be tactful in dealing with people and situations. He should have a sense of humour. These qualities help a leader to get the things done pleasantly without stress and strain.

13. ***Education and knowledge:*** A leader should have proper education and knowledge. Particularly, the business leaders should have education at least in the field of accountancy, management, economics. It would be better if he has specialised knowledge in the field of management. Moreover, he should have up-to-date knowledge of economic laws, policies and events.

14. ***Conceptual skills:*** A leader should have and acquire conceptual skills. Conceptual skill is the ability to see the organisation as a whole and the relationships among its sub-units. It also includes the ability to visualise how the organisation fits into its external environment. Such ability helps a leader to understand problems and identify opportunities of the organisation and plan accordingly.

15. ***Administrative skills:*** A manager-leader essentially needs to have administrative skills. He should be able to implement the plans and policies, to organise and to mobilise resources of the organisation in a pragmatic manner.

16. ***Analytical skills:*** A leader should possess and develop analytical skills. These include the abilities to understand the things, situations, and problems in a systematic manner. Such skills are needed in evaluating performance. making decisions and handling complex situations.

17. ***Human relations skills:*** A leader should have human relations skills. Human relations skills refer to the ability to work well with others. It includes the ability to understand people and their problems and feelings.

18. ***Technical skills:*** A leader should also possess technical skills. Technical skills relate to job knowledge and expertise. These include the ability to apply methods and techniques in performing the job and the ability to provide guidance and instructions to the followers.

Q. 8 **Write a detailed note on Different Leadership Styles and factors affecting while selecting one.**

Leadership style is the general way or pattern of behaviour of a leader towards his followers in order to influence their behaviour to attain a goal. Every leader usually develops his own style of leadership. Hence, style of every leader differs from the other. However, a particular leadership style is affected by the degree of delegation of authority, types of power employed, degree of concern for human relations etc. Thus, there exists different leadership sstyles. The main styles of leadership are as follows:

1. Autocratic or authoritarian style.
2. Participative or democratic style.
3. Free-rein or laissez-faire style.
4. Paternalistic style.

1. **Autocratic or authoritarian leadership**: An autocratic leader is one who centralises power and makes all the decisions himself. He tells his followers what to do and expects to be obeyed without question. Thus, such a leader imposes his will on his followers.
This style is typically of a person who accepts McGregor's Theory X assumptions.

The characteristics of such a leader are as follows:
(i) He centralises power.
(ii) He makes all the decisions himself.
(iii) He structures the work of his group members, as far as possible.
(iv) He exercises close supervision and control over his group members.
(v) He expects to be obeyed by his subordinates without question.
(vi) He gets the things done through fear or threats of punishment, penalties and so on.
(vii) He motivates his subordinates by satisfying their basic needs, through threats of punishment and penalties.
(vii) He believes in maintaining one-way communication i.e. from him to the subordinates.

Autocratic leaders may be of two types:

(1) Pure autocrat or negative leader: He is a dictator and makes all decisions himself. He superimposes his decisions on his subordinates. He carries out his decision by coercive or negative power. He uses fear of punishment or penalty to carry out his decisions. Thus, it is a negative leadership.

(ii) Benevolent autocrat or positive leader: When an autocrat leader avoids negative coercive power and uses reward power to influence his subordinates, he is called a benevolent autocrat leader. Such a leader shows active concern for the feelings and welfare of his subordinates. He may even encourage their participation in planning but he retains his power to make and execute decisions.

Autocratic leadership has the following advantages:
(i) It provides strong motivation and reward for the leader.
(ii) It permits quick decisions.
(iii) It provides structured work for employees.
(iv) It allows managers to hire less competent subordinates because their principal job is to carry out orders.
(v) It ensures compliance and execution of orders with certainty.
(vi) It permits close supervision and control of subordinates.
(vii) It helps managers to get things done with certainty.

But this style of leadership suffers from the following drawbacks/ disadvantages:

(i) It overburdens managers because of centralisation of authority.
(ii) It creates fear and frustration among subordinates.
(iii) It hampers creativity of subordinates.
(iv) It blocks the free flow of two-way communication.
(v) In the absence of consultation and feedback from subordinates. decisions may cost heavily.
(vi) It is disliked by the subordinates specially when it is negative.

In spite of these limitations, autocratic leadership is suitable in the following situations:

(i) Where subordinates are not educated or untrained or incompetent
(ii) Where subordinates are submissive and do not want to take responsibility.
(iii) Where leaders do not want to delegate authority.
(iv) When the organisation endorses fear and punishment as accepted disciplinary techniques.
(v) When achievement of target of performance is urgently required in time.

2. **Participative/democratic leadership**: It is just opposite to autocratic leadership. Participative leaders decentralise authority. Such leaders involve subordinates in decision-making process. Thus, decisions are not unilateral. The leaders and their group members work as a social unit. They freely exchange their views and express opinions and suggestions. Such leaders exercise control through forces within the group. The main features of democratic leadership are as follows:

(i) Leader decentralises authority,
(ii) He involves subordinates in decision-making process. Hence, decisions are not unilateral.
(iii) He believes in free-flow of two-way communication.
(iv) He leads by mutual consent.
(v) He explains the reasons for his actions.
(vi) He and his group members work as a social unit.
(vii) He motivates his subordinates through positive means i.e. rewards.

Participative leadership offers the following advantages:

(i) It helps avoid hasty decisions. Hence, it improves quality of decisions.
(ii) It encourages cooperation between the leader and his subordinates.
(iii) It motivates subordinates to perform better.
(iv) It contributes to higher productivity of resources.
(v) It tends to reduce employee grievances, dissatisfaction and turnover.
(vi) It facilitates introduction of change.
(vii) It helps create congenial work environment.
(viii) It helps develop future leaders and, thus, promotes organisational stability.

Participative leadership also suffers from the following disadvantages /limitations:

(i) It tends to slow the decision-making process.
(ii) It tends to dilute responsibility for decisions. It may develop a tendency of buck-passing.
(iii) It tends to reduce the role of the leader at the top.

In spite of these limitations/disadvantages, this leadership style is suitable in the following cases:
(i) Where the organisational goals are well set and understood by the subordinates.
(ii) Where leaders really intend to consider the views and opinions of the subordinates.
(iii) Where the workers are reasonably well educated and trained.
(iv) Where the leaders really desire active involvement of subordinates in decision-making process.
(v) Where sufficient time is available for attaining the objectives.

3. **Free-rein or laissez-faire leadership style**: Free-rein leadership style is one under which leader uses his power very little. The leader gives high degree of freedom to his subordinates in their operations. He depends largely on his subordinates to set their own goals and make their decision regarding their jobs. Thus, such a leader completely delegates his authority to his subordinates and allows them to make their own plans, procedures and decisions. He simply aids his subordinates in performing their job. He exists as a contact person with the subordinates' external environment.

Free-rein leadership style is permissive and leader least intervenes his subordinates. The leader remains passive observer but intervenes only during the crisis.

Free-rein leadership is suitable where subordinates are highly competent and duty-conscious. It is successful where subordinates are able to train and motivate themselves. However, chaotic conditions may prevail all over the organisation under such leadership.

Free-rein leadership helps subordinates train and develop themselves independently.

4. **Paternalistic leadership**: A paternalistic leadership is authoritarian by nature. It is heavily work-centred but has consideration for subordinates. Such a leader tends to look after his subordinates the way father looks after his children. Such a leader helps, guides and encourages his subordinates to work together as members of a family.

This is a personalised leadership. The leader exercises his authority personally. He maintains direct personal contacts with his subordinates. He treats affectionately them like elderly member of a family. The subordinates, in tum, tend to remain submissive and faithful.

Under paternalistic leadership style, subordinates feel force to meet their leader. They also feel job security. Their problems and grievances are sympathetically considered and solved. The issues affecting subordinates' interests are sympathetically addressed. But this leadership style is usually resented and resisted in modern times.

Choosing a Leadership Style:
These are the four basic leadership styles identified by the experts. But, in practice, no particular leader's style strictly falls under any of these categories. Moreover, no expert can suggest one best leadership style because leadership style is influenced by several forces/factors.

A leader should, therefore, consider the following factors/forces while choosing a leadership style:

(i) Forces in the leader: The forces operating in leader include the leader's personality, characteristics, qualities and job skills, value system, interaction skills, self-confidence, confidence in subordinates, feeling of security and so on.

(ii) Forces in the group: There are the forces that operate in the group which affect leadership. These include perceptions and attitude of group members towards the leader, towards their tasks and towards organisational goals, characteristics, skills, knowledge, needs and expectations of group members, size and nature of the group and so on.

(iii) Situational forces: These are the other impersonal forces in the work environment of leader and his group members. Nature of the job and its technology, organisation structure and authority-relationships, organisational goals. policies, control system, trade unions and their influence, political, economic, cultural and ethical conditions of society.

Q.9 **What is Controlling? Write its Characteristics and importance.**

Control is the fourth and final principal element of the managerial process. This function intends to ensure that everything occurs in conformity with the plans and predetermined goals are successfully achieved. Thus, this function. aims to make things happen in order to achieve goals.

Control/Controlling Meaning And Definitions

Simply stated, control means checking and correcting activities in order to ensure that things occur in accordance with the plans. Controlling is the function of management. Therefore, it is the process of monitoring activities to ensure that they are taking place in accordance with the plans.

In the words of Philip Kotler, "Control is the process of taking steps to bring actual results and desired results closer together."

In the opinion of Henri Fayol, "Control consists of verifying whether everything occurs in conformity with the plan adopted, the instructions issued. and principles established."

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

Characteristics/Nature:

Following characteristics of control clearly explain its nature:

1. ***Managerial function***: Control is a managerial function. It is the task of every line manager. A non-manager is not required to perform control function.

2. ***Pervasive function***: Controlling is all pervasive function. Controlling exists at every management level. Every manager has to exercise control over the activities and behaviour of the subordinates. However, the scope of control varies by level of managers.

3. ***Universal process***: The elements and nature of control process are universal. The control process remains the same regardless of the activity involved or its location in the organisation. Every control process involves four steps or elements:
(i) Fixing standards,
(ii) Measuring actual performance,
(iii) Comparing performance with standards and detecting deviation, and
(iv) Taking corrective action if required. All these steps are involved in every control process.

4. ***Continuous process***: Controlling is a continuous and never-ending process. As long as organisation exists, managerial control continues to exist. It is a continuous process of setting standards, evaluating the actual performance and correcting the performance if it deviates from the standards.

5. ***Dynamic process***: Controlling is a dynamic process. It is not static. It involves continuous review of standards in the light of changing situations and ensuring performance in conformity with the standards. Thus, this process is subject to change with the change in the situations.

6. ***Positive and constructive process***: Controlling is a positive and constructive process. The purpose of controlling is positive because it aims at making things happen as desired. Terry and Franklin have rightly alarmed that "Controlling should never be viewed as negative in character a managerial necessity and not an impediment or a hindrance."

7. ***Goal-oriented function***: Control is a goal-oriented function. Control is a means of achieving a goal and not the goal/end in itself. Objective of controlling is to assure that actions contribute to the goal accomplishment.

8. ***Action-oriented*** Control is an action-oriented function. It implies taking some corrective action to achieve desired performance. Mere evaluating actual performance is no control. Taking suitable action for correcting the deviation from desired performance is the essence of control. Thus, its essence is in determining whether the activity is achieving the desired results.

9. ***Last function of management process***: The rationale behind placing controlling as the last function is that it serves as a feedback mechanism. By the time controlling takes place, plans have been implemented, the organization is operational, and leaders have provided direction. Controlling evaluates the effectiveness of these activities, providing insights that can be used to refine plans, strategies, and operations for the future.

10. ***Forward looking***: Control is a forward looking. It aims at future. It not only aims at correcting the current performance but also provides standards for future performance.

11. ***Control not of men but of actions and behaviour:*** Control relates to checking and regulating actions and behaviour of human beings towards organisational goals. It does not aim at controlling human beings and, their freedom.

12. ***Control is not interference:*** Control is not meant for interfering with others. It does not aim at reducing authority of subordinates. It is simply a means of ensuring actions of subordinates are in line with the desired results.

13. ***Wide scope***: The scope of control is very wide. It covers all the aspects of performance leading to desired results. More specifically control includes the control of quantity, quality, time and cost. Any activity to control these four aspects of performance can be included in its scope.

14. ***Controlling and planning are twins:*** Control is one function of management and its twin is planning. In other words, controlling and planning are closely related. These functions cannot be separated. Planning and controlling may be viewed as the blades of a pair of scissors. The scissors cannot work unless there are two blades. Without objectives and plans, control is not possible.

Need For/Importance Of Control

Control is an important element of the management process. Without control, manager cannot complete the process of management. He cannot get the things done and achieve desired goals or results without proper controlling.

Robbins and Coulter state, "Control is important because it is the final link in the functional chain of management activities. It is the only way managers know whether or not organisational goals are being met and why or why not."

The importance of control is described in the following sub-heads:

1. ***Smooth functioning of the enterprise***: According to Peter Drucker, "Control maintains the equilibrium between ends and means, output and effort." When there is such an equilibrium, enterprise functions smoothly. In other words, a sound control system ensures smooth functioning of the enterprise. It ensures achievement of long-term and short-term goals by maintaining equilibrium between ends and means and output and effort.

2. ***Managing large organisations***: Modern large organisations have got a lot of complexities. They produce large variety of goods and services. They use automatic and computerised techniques of production. They cover vast geographical market area and use complex distribution network. Thus, their working is influenced by many factors simultaneously. In such a situation, uniformity of actions and behaviour in entire organisation can be ensured only through effective control system.

3. ***Maintaining competitiveness***: To become competitive is one thing. But to remain competitive over a long period of time is a big challenge. Maintaining competitiveness requires effective control. Through effective control, managers may use their available resources judiciously and remain competitive.

4. ***Attainment of goals***: Control is essential in order to attain organisation goals. An effective control system ensures that activities are completed in ways that lead to the attainment of organisation goals. [Robbins and Coulter).

5. ***Ensures success of planning***: Control is the function intended to ensure that everything occurs in conformity with the plans. Thus, control is the essential to the success of planning. Without control managers have no means of knowing whether their plans are on target. No plan can be successful without controlling. Terry and Franklin have rightly pointed out that

"failure of controlling means sooner or later failure of planning and success of planning means success of controlling."

6. ***Facilitates decision-making***: It has been rightly said that executive decisions are primarily control decisions. Control system finds deviations in actual performance from the standard. Managers have to decide how to correct the deviations. Thus, control system facilitates managers to decide about follow up actions.

7. ***Delegation and decentralisation***: Control system is essential for the success of delegation and decentralisation of authority. No delegation or decentralisation of authority can produce desired results without proper control system. Without effective control system, managers are reluctant to delegate and decentralize their authority. It is because the managers fear that employees might do something wrong for which they shall be held responsible. But an effective control system can provide necessary information on employees activities. Thus it will reduce the potential problems of delegation and decentralisation.

8. ***Effective direction***: According to Peter Drucker, "The synonymous to control is direction." It means, effective control means effective direction. Through control process management can ensure that actions are efficiently and effectively directed towards objectives of the organisation.

9. ***Promotes coordination***: Effective control system ensures unity of direction. This, in turn, ensures unity and uniformity of actions and behaviour. These develop spirit of cooperation among the employees. This ultimately promotes coordination of efforts among all employees and departments.

10. ***Enhances motivation and morale***: An effective control system is vital to the employee motivation and morale. Controlling helps employees to do their work better, to win respect. It serves as challenge and opportunity to improve performance.

Effective control system ensures judicious evaluation of the employee efforts and adequate rewards. It safeguards them against raw-deal. Thus, employees do not become victims of caprice of managers. Consequently, it enhances employee the motivation and morale.

11. ***Ensures discipline and honesty***: Effective control system causes every organisation member to comply the norms, rules and other standards of behaviour and action. Members are not under the temptation of greed of monetary and other gain for doing things violating the norms, rules etc. Thus, the disciple and honesty can be ensured to a reasonable extent. However, It should be noted that control cannot cure habitual dishonesty in all the cases. But management shall be regarded irresponsible if it does not make a reasonable effort to maintain discipline and honesty among its employees through effective control system. [McFarland].

12. ***Timely performance***: Control system also contributes to timely performance of activities. Pre-Decided work schedules, programmes, time-tables etc. are the controlling techniques that ensure timely performance of the activities.

13. ***Detection and correction of mistakes***: Through control system every action and activity are evaluated against the set standards or rules or plans. Hence, mistakes or irregularities can be detected and corrected at early stages.

14. ***Promotes economy***: A sound control system can ensure economy in operation. It can help in reducing and controlling overall and per unit cost of production. It is possible because control system ensures efficient and effective use and elimination of wastage of resources.

15. ***Organisational stability***: Sound control system plays pivotal role in ensuring organisational stability. The techniques of control such as plans, policies, rules, budgets, standards or norms of behaviour can greatly contribute to the organisational stability. These can give sound foundation to the organisation and create its own work culture and build image and goodwill in the society.

16. ***Adapting to changing environment***: Modern business organisations work in an ever-changing environment. Products, competition, technology, consumer likings, government policies, corporate and industrial laws, employee behaviour, social and religious beliefs etc. are changing. Such a changing situation can be managed through adaptive controls. Adaptive controls enable organisations to make adjustments in their objectives, structure, functioning and means in accordance with the needs of the situation.

17. ***Protecting organisation and in assets***: In today's environment, organisations and its assets are exposed to many threats/risks. It may be from natural disasters, financial scandals, work place violence, security breaches, terrorist attacks etc. Managers need to have effective system for controlling the effects of such risks.

Q. 2 Explain the Principles of Control.

Principles Of Control

Some of the basic principles of control are summarised as follows:

1. **Principle of Objectives:** Control is most effective when it directly contributes to the achievement of organizational objectives. This means that the monitoring and correction processes should be aligned with the overarching goals of the organization. Control mechanisms should facilitate rather than hinder the accomplishment of these objectives.

2. **Principle of Standards:** For effective control, clear and objective standards must be established. These standards serve as benchmarks against which actual performance is measured. Standards should be specific, measurable, and widely accepted by the individuals being assessed. Well-defined standards provide a basis for fair and reasonable evaluation.

3. **Principle of Strategic Point Control:** Effective control requires a focus on strategic or key points of performance. Managers should concentrate on critical activities or operations where deviations from standards would have the most significant impact. This strategic approach ensures that control efforts are directed where they are most needed.

4. **Principle of Efficiency of Control:** Control systems should be efficient in detecting deviations quickly and taking corrective action immediately. The benefits derived from the control process should outweigh the costs, both in terms of resources and human efforts.

The control mechanism should be a valuable investment in maintaining organizational effectiveness.

5. **Principle of Control of Responsibility:** Control should be exercised by the manager responsible for executing a particular plan. This principle emphasizes the connection between responsibility and control, ensuring that the person overseeing a specific task or project is accountable for its outcomes.

6. **Principle of Future-Directed Control:** Effective control should not only address present deviations but also aim to prevent future deviations from standards. This forward-looking approach anticipates potential issues and takes proactive measures to maintain performance alignment with organizational goals.

7. **Principle of Direct Control:** This principle advocates for a control system that maintains direct contact between the controller and the controlled. Direct communication facilitates a high quality of managerial actions and behaviours, ensuring that the feedback loop is efficient and accurate.

8. **Principle of Reflection of Plans:** Control systems should be designed to reflect the character and structure of organizational plans. This alignment ensures that the control process is in harmony with the strategic direction and intent of the plans, facilitating effective plan implementation.

9. **Principle of Organisational Suitability:** Controls should be tailored to fit the organizational structure. Clear lines of responsibility and accountability for plan execution and deviation correction should be embedded in the organizational structure. This ensures a more targeted and efficient response to deviations.

10. **Principle of Individuality of Controls:** Controls should be designed to meet the needs of individual managers. This principle acknowledges that different managers may require different types of control mechanisms based on their personality, qualities, and authority levels.

11. **Principle of Control by Exception:** Managers should focus on and concentrate efforts on exceptional deviations—significant variations from standards. This principle encourages managers to prioritize their attention on issues that have a substantial impact on organizational goals, disregarding minor variations.

12. **Principle of Flexibility of Controls:** Control mechanisms should be flexible to adapt to changing conditions. Organizations and environments evolve, and control systems should be able to accommodate these changes without losing effectiveness.

13. **Principle of Review:** Control systems should undergo periodic reviews. Regular assessments ensure that the control mechanisms remain relevant and effective in the dynamic organizational environment. Reviews help identify areas for improvement and adjustments.

14. **Principle of Action:** Control should be followed by appropriate action. Any control measure is justified when it leads to corrective actions to address potential or actual

deviations from standards or plans. The ultimate purpose of control is to guide the organization toward desired outcomes.

Q.3 What are the Essentials of a Sound Control system.

Essentials Of Effective Control System

An effective control system should meet the following requirements:

1. **Goal-oriented:** Before formulating a control system, the goals should be clearly defined and understood by all stakeholders. Each individual should be aware of their role and contribution to the system's goals. This ensures that the control system is aligned with the overarching objectives of the organization.

2. **Accurate:** A control system should generate accurate and reliable information. Inaccurate information can lead to inappropriate managerial actions or, worse, inaction. Precision in the data collected ensures that decisions made based on the control system are well-informed and effective.

3. **Timeliness:** Timeliness is crucial in a control system. The ability to provide quick and timely information allows for prompt corrective action. Delayed information may render even the best data ineffective, emphasizing the importance of a system that operates in real-time.

4. **Objective:** An effective control system should strive to be as objective as possible, avoiding bias. It must be fair and reasonable in its assessments of individuals or processes. Objectivity ensures that the evaluation process is transparent and fosters trust among stakeholders.

5. **Understandable:** The control system must be easily understandable by employees and managers alike. A complex system can lead to mistakes, confusion, or frustration, potentially resulting in non-compliance or disregard for the system. Clarity ensures that the purpose and functioning of the control system are well-understood.

6. **Flexible and Forward-looking:** Operating in a dynamic environment requires a control system to be flexible and forward-looking. It should adapt to changing circumstances, take advantage of new opportunities, and successfully navigate challenges. A forward-looking approach anticipates future needs and ensures the system remains relevant.

7. **Economical:** An economical control system balances cost and benefits. While minimizing costs, it should not compromise effectiveness. Control measures should be implemented judiciously, ensuring that the investment in control is justified by the value it adds to the organization.

8. **Reasonable Standards:** Control standards should be reasonable and attainable. Unrealistically high standards can demotivate employees or lead to unethical practices. The control system should set standards that challenge individuals and motivate them to achieve higher performance levels without encouraging deceptive practices.

9. **Strategic Point Control:** Focusing on strategic or key points of performance is essential for effective control. Managers should concentrate on critical activities where deviations from standards would have the most significant impact, ensuring resources are directed where they are most needed.

10. **Consistent with Organizational Structure:** The control system should align with the organization's structure, reflecting activity relationships and authority relationships. The flow of information within the control system should correspond with organizational relationships, determining who controls what and who provides information to whom.

11. **Emphasis on Exception:** Following the principle of exception, managers should concentrate efforts on significant deviations from standards. Recognizing that managers cannot control every activity, focusing on exceptional deviations ensures attention is given to deviations with the greatest impact on organizational goals.

12. **Multiple Criteria:** An effective control system should include both quantitative and qualitative criteria. Logical and objective criteria that are difficult to manipulate promote more accurate evaluations of performance, capturing a comprehensive view of organizational effectiveness.

13. **Corrective Action:** Beyond detecting deviations, an effective control system suggests corrective actions. It not only points out the deviation but also specifies the actions required to rectify the situation. This ensures that the control system contributes to continuous improvement.

14. **Participation:** Ensuring the participation of all concerned stakeholders in formulating the control system is crucial. Joint efforts between managers and subordinates enhance the success of the control system by incorporating diverse perspectives and fostering a sense of ownership.

15. **Suitability:** Control systems should be designed and tailored to suit the unique needs of a particular organization. Recognizing that every organization is different in size, operations, and needs, the system and techniques of control should be customized accordingly.

16. **Self-control by Sub-systems:** Incorporating self-control systems for each sub-system or department allows for detailed controls to be handled internally. Departments with self-control can then be integrated into an overall control system, promoting a balance between autonomy and centralized oversight.
17. **Direct Control:** Maintaining direct contact between the controller and the controlled is emphasized. Even with multiple control systems provided by staff specialists, the supervisor at the first level remains important due to their direct knowledge of performance.

18. **Human Factor:** Acknowledging that every control system involves human beings, the physiological and psychological factors of individuals should be considered. Human factors can significantly impact the success of a technically well-designed control system.

19. **Consideration of Uncontrollable Factors:** Recognizing and allowing for factors that cannot be controlled is essential. External influences or uncontrollable variables should be factored into the control system to provide a more realistic and adaptable framework.

20. **Means to Ends:** The control system should monitor not only the ends (goals) but also the means used to achieve those ends. This holistic approach ensures that the methods employed align with ethical and strategic considerations.

21. **Effective Feedback Mechanism:** An effective control system should include a robust feedback mechanism. Regular feedback provides valuable insights, enabling continuous improvement and adjustment of the control system to changing circumstances.

Q.4 Elaborate the Techniques of Control.

Techniques Of Control

A plethora of techniques are used in controlling operations of an organisation. A few important techniques are as follows:

A. Traditional Techniques:	B. Modern Techniques:
1. Personal observation. 2. Setting examples. 3. Plans and policies. 4. Organisation: charts and manuals. 5. Disciplinary system. 6. Written instructions. 7. Statistical data. 8. Special reports and records. 9. Financial statements. 10. Operational audit. 11. Break-even analysis. 12. Standard costing, and 13. Budgets/Budgetary Control.	1. Return on investment. 2. Management audit. 3. Management information system. 4. Zero-base budgeting, and 5. PERT/CPM.

1**. TRADITIONAL TECHNIQUES**

1***. Personal observation***: Personal observation technique is the oldest and most important technique of control. Under this technique, managers occasionally visit personally the subordinates at work place and observes their performance. If they find any deviation, give instructions on the spot. Personal observation is important because it provides first-hand knowledge of performance and permits its first-hand evaluation. But control through personal observation is time consuming and busy managers cannot find enough time to inspect personally. It is also subject to personal biases. However, there is no substitute for direct personal observation and contact.

2***. Setting examples***: It is the old saying that "example is better than precepts." Some managers follow this saying and put good examples of performance before subordinates and expect the same from them. Examples set by managers become the norm of behaviour for the subordinates. For instance, if a manager sets the example of punctuality, his subordinates tend to follow the same easily. Thus, behaviour and actions of subordinates can be controlled through exemplary behaviour of the manager.

3. ***Plans and policies***: Organisational plans include strategies, policies, procedures, methods, rules, programmes etc. These all are important tools that guide and control the actions of all the organisation members. These prevent deviations in actions and behaviour and ensure uniformity of actions and decisions. Thus, they play crucial role in controlling activities.

4. ***Organisation-charts and manuals***: Organisation-charts and manuals are the documents that provide a clear picture of relationships, duties and responsibilities of organisation members. These can be used to compare performance of the members. Thus, these can serve as important control techniques.

5. ***Disciplinary system***: Disciplinary system provides for reprimand, censures, criticism, disciplinary action, punishment etc. Thus, it is a negative technique of control. For minor but regular lapses on the part of an employee, reprimand is issued. Where employee repeatedly makes mistakes or where mistakes are grave, strict disciplinary action is taken.

Disciplinary system can ensure control but through negative means. It is through fear and pain. It is demoralising. Hence, it does not create congenial work climate. Managers should, therefore, be judicious in making use of this technique of control.

6. ***Written instructions***: Written instructions are issued from time to time to the organisation members. These provide latest information and instructions in the light of changing rules and conditions. These may provide additional knowledge and even remove misconceptions of the members. Instructions may be issued through personal/individual letters, circular letters, bulletin, notes etc. These are the supplementary control techniques.

7. ***Statistical data***: Statistical data are important source of control. Statistical data are collected and presented in the form of tables, charts and graphs. They are analysed in numerous ways such as mean, mode, standard deviations, regression, correlation. These data serve important role in the areas of production control, quality control, inventory control and so on.

8. ***Special reports and records***: Special operational reports and records are also prepared in addition to normal reports and records. These are non- routine reports prepared by experts. They contain much deeper information. They are actually investigative reports. They, therefore, indicate the depth of the problem and suggest the means of correcting/solving the problem.

9. ***Financial statements***: Financial statements include the 'profit and loss account' and 'balance sheet'. These show the working and financial position of a business. These are used as techniques of control. For this purpose, financial statements of different time-periods are compared and analysed. Moreover, comparison and analysis of financial statements of different firms are also made. The conclusions drawn from such comparison and analysis are used for controlling financial performance of the firm.

10. ***Operational audit***: The audit is an effective tool of control. Operational audit relates to the internal operations of the firm. Statutory audit is more of a nature of financial operations. Some firms use internal audit with the help of special internal staff or external audit team. It provides an overall review of working of the entire organisation. It can reveal to what extent established policies, procedures, rules, work standards and methods have been followed in the day-to-day working of the organisation. This information can be used to control the operations of the organisation.

11. ***Break-even analysis***: Break-even analysis is a graphical technique of control. It is a technique of identifying the number of units of a product that must be sold in order to generate enough revenue to cover costs. Thus, it is a technique of finding out a point of break-even where total cost equals to the total revenue. Thus, this technique is useful in controlling production and sales volume in order to avoid loss. [For details and graphical presentation, refer Chapter entitled, Planning'.]

12. ***Standard costing***: Standard costing is a technique of cost control. Under this technique, standard costs of material, labour, overheads etc. are determined. Then, actual costs are recorded and compared with the standard costs and variances are found out. Then causes of variance are found out. Finally, measures are taken to prevent variances in future.

13. ***Budgets/budgetary control***: Budgets are used as a control device by almost all the managers. A budget is a numerical statement showing the allotment of resources to specific activities. Managers prepare various types of budgets for various activities. They include revenue budget, capital budget, expenditure budget, production budget, sales budget, master budget and so on. Budgets are used as a technique to control the concerned activity.

When budgets are used as a technique of control, it is called the budgetary control. It is a process of finding out what is being done and comparing the actual results with the related budget data and finding out the deviations and correcting the deviation. Thus, budgetary control helps managers to control the cost or use of resources as planned.

II. MODERN TECHNIQUES OF CONTROL

The modern techniques of control are as follows:

1. ***Return on investment or ROI***: Return of investment (ROI) is a technique of control of overall performance. It measures the rate of return on investment i.e. capital employed. This technique is based on the assumption that goal of business is not to maximise profits but to optimise return on capital employed. Therefore, in this technique profit of the organisation is not taken in absolute terms but is considered in terms of capital employed. The ROI is calculated as under:

ROI = Sales /Total Investment × Net Profit/Sales

Managers compare rate of return between two or more periods of the organisation or of the two or more other organisations and try to reach certain conclusion. On the basis of such conclusion, managers control the activities and operations of their own organisation.

2. ***Management audit***: Management audit is yet another new technique of control. Management audit is a systematic technique of evaluation of the working, and effectiveness of management of an organisation. It is designed to make an assessment for the effectiveness of entire management process. This audit is conducted by an independent team of expert from relevant areas. This audit is a periodic event.

The audit team collects many facts and information from office records, personal interviews with the members of organisation. It also gathers information through questionnaires circulated among the members and clients or customers of the organisation. The audit team then makes certain recommendations for future guidance of management. Management uses these recommendations for controlling the working and performance of the organisation.

3. ***Management information system or MIS***: Management information system (MIS) is a system of collecting, processing and transmitting information needed by managers. More specifically, this system is a centre of facilities and personnel for collecting, processing, storing, transmitting information needed for managing an organisation. Managers use these information for planning, decision- making as well as for controlling the activities of the organisation. In this way MIS is a technique of control.

4. ***Zero-base budgeting or ZBB***: Zero-base budgeting is a new approach to budgeting and used as control technique. It is a budgeting technique which does not consider figures of previous period or year while preparing a budget. It prepares budget afresh without considering the figures of earlier year or period. It takes into account the needs of the activity. Therefore, manager has to justify his entire budget on the basis of facts of the prevailing situations. Such a budget can control the activities in the light of current situations or conditions.

5. ***PERT/CPM***: PERT and CPM are network techniques that are also used in controlling the actions and performance. PERT stands for "Programme Evaluation and Review Technique" and CPM stands for "Critical Path Method". Though these techniques differ slightly, they are based on the same principle.

PERT/CPM is technique of scheduling complex projects involving many activities. In this technique, a network diagram is prepared that displays the sequence of activities needed to complete a project and time and cost associated with each activity. Thus, PERT not helps in planning the schedule of a project but also helps managers to monitor and control progress of the project, identify possible obstacles, and shift resources as necessary to keep the project on schedule. Thus, with a PERT/CPM a manager can ensure control of complex projects.

Q.5 **Explain the Limitations of Control.**

Though control is essential for better performance and maintenance of good standards, there are certain limitations also. Some of the limitations are discussed below:

1. ***Difficulty in setting standards***: There are many areas in the context of a business where measurable standards of performance just cannot be set Importance among such areas are employee morale, customer reaction, and research and development. In the absence of these, control function becomes less effective.

2. ***Difficulty in qualification***: Sometimes standards cannot be fixed in terms of quantity. Hence, control becomes even more difficult. 3. ***Influence of external factors***: There may be an effective control system but external factors which are not in the ambit of management may have adverse effect on the working. These factors may be government policy technological changes, change in fashion, etc. The influence of these factors cannot be checked by the control system in the organisation.

4. ***Expensive***: The control system involves huge expenditure on its exercise. The performance of each and every person in the organisation will have to be measured and reported to higher authorities. This requires a number of persons to be employed for this purpose. If the performance cannot be quantitatively measured then it will be observed by the superiors. The exercise of control requires both time and effort.

5. ***Opposition from subordinates***: The effectiveness of control process will depend upon its acceptability by subordinates. Since control interferes with the individual actions and thinking of subordinates, they will oppose it. It may also increase the pressure of work on subordinates because their performance is regularly monitored and evaluated. The factors are responsible for the opposition of controls by subordinates.

6. ***Difficulty in pinpointing responsibility***: Control process is concerned with identifying the factors responsible for deviations. But, in modern times, it is difficult to do so, because a number of persons are concerned with the performance of a single job. To the extent it is so, control is weakened.

7. ***Time consuming*** There are cases when control becomes time consuming exercise. It is due to the nature of techniques used and the work itself.

8. ***Limits of corrective action***: Sometimes deviations are found but no corrective action is possible. Sometimes, corrective action cannot be taken quickly and damages cannot be controlled.

9. ***Lack of flexibility***: Control systems may lack flexibility in adapting to rapidly changing environments. If the standards and procedures are too rigid, they may become obsolete in the face of dynamic business conditions, hindering the organization's ability to respond effectively.
10. ***Overemphasis on quantitative measures***: Control systems often rely on quantitative measures, such as financial metrics or production numbers. This overemphasis on numbers may overlook qualitative aspects of performance, innovation, and employee satisfaction, leading to an incomplete evaluation.
11. ***Inability to measure intangible assets***: Some critical aspects of organizational performance, like intellectual capital, employee morale, and organizational culture, are challenging to quantify. Traditional control systems may struggle to capture the value and impact of these intangible assets.
12. ***Resistance to change***: Employees and managers may resist control measures, especially if they perceive them as invasive or hindering their autonomy. This resistance can undermine the effectiveness of control processes and lead to a lack of cooperation.
13. ***Focus on short-term goals***: Control systems may prioritize short-term goals and immediate results, potentially neglecting long-term strategic objectives. This can result in decisions that benefit short-term performance but harm the organization's sustainability in the long run.
14. ***Dependence on past performance***: Some control systems heavily rely on historical data for setting standards and evaluating performance. This approach may not account for changing market conditions, emerging trends, or disruptive innovations, limiting the system's relevance.
15. ***Complexity of organizational structure:*** In large and complex organizations, control becomes more challenging due to the intricate network of departments, teams, and functions. The complexity can lead to difficulties in establishing clear lines of responsibility and accountability.
16. ***Cultural differences***: In organizations with diverse cultures, control measures may face challenges in being uniformly accepted and implemented. Different cultural perspectives on authority, communication, and accountability can create resistance to standardized control procedures.
17. ***Inadequate training and awareness***: Employees and managers may not fully understand the purpose and benefits of the control system, leading to its ineffective implementation. Insufficient training and awareness programs can hinder the successful integration of control processes.
18. ***Ethical concerns***: Strict control measures may lead to unethical behaviors as individuals attempt to meet performance targets at any cost. This can result in fraudulent activities, manipulation of data, or compromise of ethical standards for the sake of meeting control criteria.
19. ***Inability to account for externalities***: Control systems may struggle to factor in external influences, such as economic downturns, natural disasters, or global events, which can significantly impact organizational performance. This limitation may render the control system less adaptive to external challenges.
20. ***Lack of employee involvement***: If employees are not actively involved in the control process and do not have a sense of ownership, they may feel disengaged and less motivated to contribute positively to the organization's goals, diminishing the overall effectiveness of control mechanisms.