Define management.

Management

- Management involves coordinating and supervision/control the activities of others so that their activities are accomplished efficiently and effectively.
- Efficiently refers activity or producing effectively with a minimum of waste, expense, or unnecessary effort.
- In short, utilization of available resources (Man – Power, Money and Material) efficiently.
- Effectively refers “doing things right”- doing those work activities that will help the organization to reach its goals.
- Effectively and Effectiveness is an important in management:
  - Efficiency = Low Wastages
  - Effectiveness = High Attainment
- Simply speaking management means what managers do.
- Management is a purposive activity.
- It is a something that directs group efforts towards the accomplishment (achievement) of certain pre-defined goals.
- It is the process of working with and through others to effectively and efficiently accomplish the goals of the organization, in the changing world. Of course, these goals may vary from one organization to another.

Definition given by different experts

- According to F.W Taylor, “Management is an art of knowing what to do, when to do and see that it is done in the best and cheapest way.”
- According to Mary Parker Follett, “Management is an art of getting things done through people.”
- According to George R. Terry, “He defines management as a process consisting of planning, organization, actuating and controlling, performed to determine and accomplish the objectives by the use of people and resources.”
- According to Harold Koontz, “Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals and can co-operate towards achievement of group goals”.
- According to Henri Fayol, "Management is to forecast (estimate), to plan, to organize, to command, to co-ordinate and control activities of others.”

Explain the scope of management.

Production management:

- Production means creation of utilities by converting raw material in to final product by various scientific methods and regulations. It is very important field of management. Various sub-areas of the production department are as follows.
Plant lay out and location: This area deals with designing of plant layout, decide about the plant location for various products and providing various plant utilities.

Production planning: Managers have to plan about various production policies and production methods.

Material management: This area deals with purchase, storage, issue and control of the material required for production department.

Research and Development: This area deals with research and developmental activities of manufacturing department. Refinement in existing product line or develop a new product is the major activities.

Quality Control: Quality control department works for production of quality product by doing various tests which ensure the customer satisfaction.

**Marketing management:**
- Marketing management involves distribution of the product to the buyers. It may need number of steps. Sub areas are as follows
- Advertising: This area deals with advertising of product, introducing new product in market by various means and encourage the customer to buy these products.
- Sales management: Sales management deals with fixation of prices, actual transfer of products to the customer after fulfilling certain formalities and after sales services.
- Market research: It involves in collection of data related to product demand and performance by research and analysis of market.

**Finance and accounting management:**
- Financial and accounting management deals with managerial activities related to procurement and utilization of fund for business purpose. Its sub areas are as follows
- Financial accounting: It relates to record keeping of various financial transactions their classification and preparation of financial statements to show the financial position of the organization.
- Management accounting: It deals with analysis and interpretation of financial record so that management can take certain decisions on investment plans, return to investors and dividend policy.
- Taxation: This area deals with various direct and indirect taxes which organization has to pay.
- Costing: Costing deals with recording of costs, their classification, analysis and cost control.

**Personnel Management:**
- Personnel management is the phase of management which deals with effective use and control of manpower. Following are the sub areas of Personnel management
- Personnel planning: This deals with preparation inventory of available manpower and actual requirement of workers in organization.
- Recruitment and selection: This deals with hiring and employing human being for various positions as required.
• Training and development: Training and development deals with process of making the employees more efficient and effective by arranging training programs. It helps in making team of competent employees which work for growth of organization.

• Wage administration: It deals in job evaluation, merit rating of jobs and making wage and incentive policy for employees.

• Industrial relation: It deals with maintenance of overall employee relation, providing good working conditions and welfare services to employees.

Explain management is a science as well as an art.

Properties of Science
• Science is a systematized (systematic) body of knowledge based on certain principles.

• Science knowledge is obtained through the process of observation, experimentation and testing.

Science thus has following fundamentals.

1. Universally acceptance principles
   ➢ Scientific principles represent fundamental or essential truth about a particular field of an inquiry. These principles may be of gravitation which can be applied in all countries irrespective of the time.
   ➢ Management also contains some fundaments principles which can be applied universally like the principle of Unity of Command. This principle it may relevant to all type of organizations (business or non-business).

2. Inquiry & Observation
   ➢ There are scientific principles which are derived through scientific inquiry and observation, which are based on certain logic. For example, the principle that earth goes round the sun has been scientifically proved by observation and inquiry.
   ➢ Management certain principles are also on scientific Inquiry & observation. For example-Principles of Henry Fayol of Fair Remuneration. He observed the fair remuneration to personal helps in creating a satisfied work force.

3. Cause & Effect Relationship
   ➢ Principles of science make cause and effect relationship between various variables. E.g. when water boiled at 100 Degree, liquid change into the vapor.
   ➢ The same is true for management; therefore it also establishes cause an effect relationship. For Example: if workers are given bonuses, fair wages they will work hard but when they are not treated with fair wages, it reduces productivity of organization.

4. Test of validity and predictability
   ➢ Validity of scientific principles can be tested at any time or any number of times. Each time these tests should give same result. For example: H2 and O will always give H2O.
   ➢ Principles of management can also be tested for its validity. For example: principle of unity of command can be tested by comparing two persons-one
having single boss and one have to report two bosses. The performance of first one will be better than second one.

5. **Experimentation**
   - The principles of science are derived after repeated experimentation. For example: To expand any metal, it has to be heated at certain degree of temperature.
   - Management certain principles are also based on experimentation. For example: Henry Fayol principles developed on certain experiments.

**Properties of an art**
- An art may be defined as an application of personalized and general knowledge, how to do things creatively and skillfully.
- It can be improved through constant practice only.

1. **Practical knowledge**
   - Every art required practical knowledge only learning of theory is not enough. It is very important to have practical knowledge of theoretical principles. E.g. to become good dress designer, the person has to know different way of stitches, different designs, dimensions, situations etc. to use them appropriately.
   - A manager can never been successful just by obtaining degree in management; he/she must also know how to apply various principles in situations by functioning in capacity of manager.

2. **Personalized skill**
   - Although theoretical base may be same with every artist, but each one has his own style and approach towards his job. That is why the level of success and quality of performance differs from person to person. E.g. there are several singers but shri. Lata Mangeshkar is recognized for her different way of singing and which is the best one.
   - Similarly management as an art is also personalized. Every manager has his own way of managing things based on his knowledge, experience and personality that is why some managers like shri. Narayan Murthy.

3. **Creative Art**
   - Every artist has an element of creativity in line. Every artist must have quality of intelligence & imagination.
   - Management is also creative in nature like any other art. It combines human and non-human resources in useful way so as to achieve desired results.

4. **Continuous practice**
   - Practice makes a man perfect. Every artist becomes more skillful through constant practice.
   - Similarly managers learn through an art of trial and error initially but application of management principles over the years make them perfect in the job of managing.
5. Goal-Oriented

- Every art is result oriented as it seeks to achieve concrete results. In the same manner, management is also directed towards accomplishment of pre-determined goals.
- Managers use various resources like men, money, material, machinery & methods to promote growth of an organization.

- Management is both an art as well as a science.
- The above mentioned points clearly tell that management combines features of both science as well as an art.
- It is considered as a science because it has an organized body of knowledge which contains certain universal truth.
- It is called an art because managing requires certain skills which are personal possessions of managers.
- Science provides the knowledge & art deals with the applications of knowledge and skills.

Give the difference between management and administration.

<table>
<thead>
<tr>
<th>Heading</th>
<th>Management</th>
<th>Administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meaning</td>
<td>Management is an art of getting things done through others by directing their efforts towards achievement of predetermined goals.</td>
<td>It is concerned with formulation of extensive objectives / goal, plans &amp; policies.</td>
</tr>
<tr>
<td>Characteristics</td>
<td>Management is an executing / implementing function.</td>
<td>Administration is a decision-making function.</td>
</tr>
<tr>
<td>Process</td>
<td>Management decides who will do it &amp; how will do it.</td>
<td>Administration decides what is to be done &amp; when it is to be done.</td>
</tr>
<tr>
<td>Purpose</td>
<td>Management main function is to get work done through others.</td>
<td>Administration main purpose is to frame plans &amp; policies.</td>
</tr>
<tr>
<td>Skill</td>
<td>Technical and Human skills required.</td>
<td>Conceptual and Human skills required.</td>
</tr>
<tr>
<td>Level</td>
<td>Middle &amp; lower level function.</td>
<td>Top level function.</td>
</tr>
</tbody>
</table>
List and explain different types of managers.

Types of managers/ level of managers/ types of management

**Top level management**
- It consists of board of directors, chief executive or managing director.
- The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating function.
- It controls & coordinates the activities of all the organization.
- It prepares strategic plans & policies for the enterprise. It also provides direction.
- They also maintain the contacts with outside world.

**Middle level management**
- The branch managers and departmental managers constitute middle level. They devote more time to implement policies and strategies.
- They make plans for the sub-units of the organization.
- They interpret and explain policies from top level management to lower level.
- They also send important reports and other important data to top level management.
- They are also responsible for inspiring lower level managers towards better performance.

**Lower level management**
- Lower level is also known as supervisory / operative level of management.
- It consists of supervisors, foreman, section officers, superintendent etc.
- They are responsible for the quality as well as quantity of production.
- They communicate workers problems, suggestions, and other recommendation etc. to the higher level and higher level goals and objectives to the workers.
- They help to solve the grievances of the workers.
- They are responsible for providing training to the workers.
- They arrange necessary materials, machines, tools etc. for getting the things done.
- They prepare periodical reports about the performance of the workers.
- They ensure discipline in the enterprise as well as motivate workers.
List and explain the roles of manager.

OR

Explain the role of manager as per Mintzberg.

OR

Explain Mintzberg managerial role.

- These roles can be grouped into three categories

  1. Interpersonal role
  2. Informational role
  3. Decisional role

![Diagram showing interpersonal, informational, and decisional roles]

**Interpersonal role**

1. **Figurehead**
   - In the figurehead role, the manager is a symbol and represents the organization in matters of formality.
   - He / She performs official duties such as the signing of legal documents on behalf of the company, participation as a social necessity to greet visitors and customers and being available for people / agencies that will only deal with him / her because of status and authority.

2. **Leader**
   - The leader role is to motivating and directing their subordinates.
   - The manager also looks after the interest of his subordinates and also tries to solve their work related problems.
   - He also sets goals / objectives for his followers, co-ordinates the individual goals with the organizational goals.

3. **Liaison**
   - The liaison role is to get connected between organization and outsiders.
   - They have to interact with peers and people outside of the organization.
   - The manager's networking skills to maintain internal and external contacts for information exchange are essential.
   - The top level manager uses the liaison role to gain favors and information, while the supervisor uses it to maintain the routine flow of work.
Informational role

1. Monitor
   - In the monitor role, the manager must establish and maintain information system; by building contacts both within and outside the organization and training staff to deliver information.

2. Disseminator
   - In the role of disseminator, the manager receives, interprets, and transmits external information through the liaison role into the organization and internal information through the leader role between subordinates.

3. Spokesman
   - In the role of spokesperson, the manager disseminates the organization's information into the general public, such as customers, suppliers, government and the press.

Decisional role

1. Entrepreneur
   - In the entrepreneur role, the manager initiates and plans the controlled change in the organization through exploiting opportunities or solving problems and taking action to improve existing operation.

2. Disturbance Handler
   - In the disturbance handler role, the manager reacts to spontaneous situations and unpredictable events which pose threats to the organization and must take action to correct the situation.

3. Resource Allocator
   - In the resource allocator role, the manager decides where the organization will expand its efforts and makes choices on the allocation of resources such as capital fund, time, materials and manpower.

4. Negotiator
   - In the negotiator role, the manager negotiates on behalf of the organization with other individuals or organizations for a new sales contract or cooperation agreement.
List and explain various managerial (management) skills.
Managerial skills/management skills

1. Conceptual Skills
   - A conceptual skill is related with top level management.
   - It includes analytical, creative and initiative skills.
   - It helps the manager to fix goals or objective for whole organization and plan for every situation.
   - According to Prof. Daniel Katz, Conceptual skills are mostly required by the top level management because they spend more time in planning, organizing and problem solving.

2. Human Skills:
   - Human relations skills are also called Interpersonal skills and it is related with middle level management.
   - It is an ability to work with people.
   - Manager also lead, motivate, direct, communicate and develop team spirit.
   - Human relations skills are required by all managers at all levels of management.

3. Technical Skills:
   - It is capacity to use the different tools / machinery and techniques in an area in which a person is specialized.
   - Technical skills required particularly with lower level management.
List and explain general responsibilities of CEO (Chief Executive Officer).

Responsibilities (role) of CEO are as under:

1. Board Administration and Support
   - Supports operations and administration of Board by advising and informing Board members, interfacing between Board and staff, and supporting Board's evaluation of chief executive.

2. Program, Product and Service Delivery
   - Oversees design, marketing, promotion, delivery and quality of programs, products and services.

3. Financial, Tax, Risk and Facilities Management
   - Recommends yearly budget for Board approval and carefully manages organization's resources within those budget guidelines according to current laws and regulations.

   - Effectively manages the human resources of the organization according to authorized personnel policies and procedures that fully conform to current laws and regulations.

5. Community and Public Relations
   - Assures the organization and its mission, programs, products and services are consistently presented in strong, positive image to relevant stakeholders.

6. Fundraising (nonprofit-specific)
   - Oversees fundraising planning and implementation, including identifying resource requirements, researching funding sources, establishing strategies to approach funders, submitting proposals and administrating fundraising records and documentation.

Explain Fredrick Taylor’s element of scientific management. OR Explain scientific approach of management given by F. W. Taylor.

- Frederick Winslow Taylor (1856-1915) is considered “father of scientific management”, in other words, it is a classical management approach that emphasizes the scientific study of work methods to improve the efficiency of the workers.

Elements of scientific approach given by F.W. Taylor:

1. Scientific Task Planning: Scientific task planning is all about the total amount of work an average worker can do during a day under normal conditions. Management should decide in advance what work is to be done, by whom, where and when.

2. Time Study: The time study indicates that minimum time required finishing a particular job. The time study would indicate the time taken by workers to finish particular job is being recorded first and this information is being used to develop standard time.

3. Motion study: Motion study is useful to find out best order of activity to do a particular job.
4. **Functional Foremanship**: In order to achieve better production control, Taylor has given the concept of foremanship. Where the factory has divided into various department. And each department has in-charge of specialist. These functional foremanship playing role of specialist and provide expert advice to workers.

5. **Standardization**: In scientific Management standards have to be set well in advance for the task, materials, work method, quality, time, and cost and working condition etc. this helps in simplifying the process of production and which reduce waste, improve quality of product and maximum utilization of available resources.

6. **Differential piece rate system**: In order to motivate workers, incentive based wage system has been developed. This concept of piece rate system is based on competence of workers. The competent workers are paid more wages than incompetent one. It also encourages incompetent workers to improve their performance and achieve their standards.

---

**List and explain the limitations of scientific approach of management given by F. W. Taylor.**

*Limitations of scientific approach of management given by F. W. Taylor*

1. **Unfair mechanism**: Scientific Management main objective is to increase workers’ productivity but management did not share the benefits of increased productivity with workers.

2. **Depersonalized Work**: Scientific management everything is standardized. In short, workers have to do work repeatedly. These generate monotony and boredom.

3. **Un-psychological**: In scientific Management there is no specific information given that how wages should be distributed as a result it becomes un-psychological.

4. **Unoriginal**: F.W. Taylor has copied this approach from someone else’s approach.

5. **Unrealistic**: F.W.Taylor has not believed in motivation, financial needs also. That is the reason why this concept is unrealistic.

---

**Explain business operation given by Henry Fayol.**

*Business Operation:*

According to Fayol, the business operations of an organization could be divided into six activities.

1. **Technical**: producing and manufacturing products.
2. **Commercial**: Buying, selling and exchange.
3. **Financial**: Search for an optimal use of capital.
4. **Security**: protecting an employees and property.
5. **Accounting**: recording and taking stick of costs, profits and liabilities, maintain balance sheets, and compiling statistics.
6. **Managerial**: planning, organizing, commanding, coordinating and controlling.

**Fayol identified five major functions**: Fayol has identified five major functions: planning, organizing, commanding, coordinating and controlling. Fayol’s five management
functions are clearly similar to the modern management function—planning, organizing, staffing, directing and controlling.

**Explain the principles of management as suggested by Henry Fayol. OR List and explain 14 principles of management given by Henry Fayol**

**Fayol’s fourteen principles of management**

1. **Division of work**: According to Henry Fayol, work should be divided and subdivided with various individual according to their expertise skills and knowledge in a particular area. With division of work it helps individual in acquiring speed, accuracy in his performance. Specialization leads to efficiency and effectiveness for organization.

2. **Authority and Responsibility**: The concept of authority and responsibility are closely related. Authority was defined by Fayol as the right to give orders and powers to match duty. Responsibility involves being accountable, and is therefore naturally associated with authority. Whoever assumes authority also assumes responsibility.

3. **Unity of command**: Subordinates should receive orders and be answerable to one and only one boss at a time. In other words, subordinates should not receive instructions from more than one person. Unity of command provides the enterprise of disciplined, stable and orderly existence. It creates harmonious relationship between superiors and subordinates.

4. **Unity of Direction**: The entire organization should be moving towards a common direction. According to this principle, efforts of all the members of the organization should be directed towards common goal.

5. **Subordination of Individual Interests to the General Interests**: The interests of one person should not take priority over the interests of the organization as a whole.

6. **Equity**: Equity means all employees should be treated in organization as equally as possible. Equity is combination of fairness, kindness and justice.

7. **Order**: This principle is concerned with proper and systematic arrangement of things and people. Arrangement of things is called material order and people are called social order. Material order—there should be safe, appropriate and specific place for every material or machinery. Social order—selection and appointment of most suitable person on the right place. In short, right person at right place.

8. **Scalar Chain**: Managers in hierarchies are part of a chain like authority scale. Each manager, from the first line supervisor to the president, possesses certain amounts of authority. The President possesses the most authority; the first line supervisor the least. Lower level managers should always keep upper level managers informed of their work activities. The existence of a scalar chain and adherence to it are necessary if the organization is to be successful.

9. **Discipline**: According to Fayol, “Discipline means sincerity, respect of authority and observance of rules and regulation of the enterprise”. This principle applies that subordinate should respect their superiors and obey their order.
10. **Initiative**: Workers should be encouraged to take initiative in the work assigned to them. Fayol advised them. Fayol advised that management should provide opportunity to its employees to suggest ideas, experiences and new method of work.

11. **Fair remuneration**: Fayol suggested that remuneration to be paid to the workers should be fair, reasonable, satisfactory and rewarding of the efforts. As far as possible remuneration should satisfy employer as well as employee. Fayol also recommended provision of other benefits such as free education, medical and residential facilities to workers.

12. **Stability**: Fayol emphasized that employees should not be moved frequently, from one job to another.

13. **Stability of Tenure of Personnel**: Retaining productive employees should always be a high priority of management. Recruitment and Selection Costs, as well as increased product-reject rates are usually associated with hiring new workers.

14. **Espirit de Corps**: Management should encourage harmony and general good feelings among employees.

**Explain Maslow’s Hierarchy of need theory.**

```
   morality, creativity, spontaneity, problem solving, lack of prejudice, acceptance of facts

   self-esteem, confidence, achievement, respect of others, respect by others

   friendship, family, sexual intimacy

   security of body, of employment, of resources, of morality, of the family, of health, of property

   breathing, food, water, sex, sleep, homeostasis, excretion
```
Physiological Needs:
- Physiological needs are those required to sustain life, such as:
  - air
  - water
  - nourishment
  - sleep
- According to Maslow's theory, if such needs are not satisfied then one's motivation will arise from the quest to satisfy them. Higher needs such as social needs and esteem are not felt until one has met the needs basic to one's bodily functioning.

Safety
- Once physiological needs are met, one's attention turns to safety and security in order to be free from the threat of physical and emotional harm. Such needs might be fulfilled by:
  - Living in a safe area
  - Medical insurance
  - Job security
  - Financial reserves
- According to Maslow's hierarchy, if a person feels that he or she is in harm's way, higher needs will not receive much attention.

Social Needs
- Once a person has met the lower level physiological and safety needs, higher level needs become important, the first of which are social needs. Social needs are those related to interaction with other people and may include:
  - Need for friends
  - Need for belonging
  - Need to give and receive love

Esteem
- Once a person feels a sense of "belonging", the need to feel important arises. Esteem needs may be classified as internal or external. Internal esteem needs are those related to self-esteem such as self-respect and achievement. External esteem needs are those such as social status and recognition. Some esteem needs are:
  - Self-respect
  - Achievement
  - Attention
  - Recognition
  - Reputation
- Maslow later refined his model to include a level between esteem needs and self-actualization: the need for knowledge and aesthetics.

Self-Actualization
- Self-actualization is the summit of Maslow's hierarchy of needs. It is the quest of reaching one's full potential as a person. Unlike lower level needs, this need is never
fully satisfied; as one grows psychologically there are always new opportunities to continue to grow.

- Self-actualized people tend to have needs such as:
  - Truth
  - Justice
  - Wisdom
  - Meaning

- Self-actualized persons have frequent occurrences of peak experiences, which are energized moments of profound happiness and harmony. According to Maslow, only a small percentage of the population reaches the level of self-actualization.

List and explain the qualities of a good leader.

**Qualities of a good leader**

1. **Proactive vs. Reactive**: The exceptional leader is always thinking three steps ahead. Working to his/her own environment with the goal of avoiding problems before they arise.

2. **Flexible/Adaptable**
   How do you handle yourself in unexpected or uncomfortable situations? An effective leader will adapt to new surroundings and situations, doing his/her best to adjust.

3. **A Good Communicator**: As a leader, one must listen...a lot! You must be willing to work to understand the needs and desires of others. A good leader asks many questions, considers all options, and leads in the right direction.

4. **Respectful**: Treating others with respect will ultimately earn respect.

5. **Quiet Confidence**: Be sure of yourself with humble intentions.

6. **Enthusiastic**: Excitement is contagious. When a leader is motivated and excited about the cause people will be more inclined to follow.

7. **Open-Minded**: Work to consider all options when making decisions. A strong leader will evaluate the input from all interested parties and work for the betterment of the whole.

8. **Resourceful**: Utilize the resources available to you. If you don’t know the answer to something find out by asking questions. A leader must create access to information.

9. **Rewarding**: An exceptional leader will recognize the efforts of others and reinforce those actions. We all enjoy being recognized for our actions!

10. **Well Educated**: Knowledge is power. Work to be well educated on community policies, procedures, organizational norms, etc. Further, your knowledge of issues and information will only increase your success in leading others.

11. **Open to Change**: A leader will take into account all points of view and will be willing to change a policy, program, cultural tradition that is outdated, or no longer beneficial to the group as a whole.

12. **Interested in Feedback**: How do people feel about your leadership skill set? How can you improve? These are important questions that a leader needs to constantly ask the chapter. View feedback as a gift to improve.
13. **Evaluative:** Evaluation of events and programs is essential for an organization/group to improve and progress. An exceptional leader will constantly evaluate and change programs and policies that are not working.

14. **Organized:** Are you prepared for meetings, presentations, and events and confident that people around you are prepared and organized as well?

15. **Consistent:** Confidence and respect cannot be attained without your leadership being consistent. People must have confidence that their opinions and thoughts will be heard and taken into consideration.

16. **Delegator:** An exceptional leader realizes that he/she cannot accomplish everything on his own. A leader will know the talents and interests of people around him/her, thus delegating tasks accordingly.

17. **Initiative:** A leader should work to be the motivator, an initiator. He/she must be a key element in the planning and implementing of new ideas, programs, policies, events, etc.
List and explain the functions of management.

Functions of Management

1. **Planning**
   - This is the core function of management because it is the foundation of the other four areas. Planning involves mapping out exactly how to achieve a specific goal. As a manager, he or she will need to map out detailed actions: what to do, when to do it and how it should be done. Think of it as bridging a gap for where we currently are and where we want to be. For example, if the company’s goal is to earn profit, the manager needs to determine the steps necessary to achieve that goal. This can include spending more on advertising, hiring more experienced employees, cutting costs, or improving the products being sold.
   - Planning is always a going process. There will be times when external factors will affect the company both positively and negatively. This in turn may alter the original planning process in reaching certain goals. This is known as strategic planning. Depending on the exact scope of an organization, the strategic planning process can look ahead as far as ten years or more. The findings are usually collected in a strategic planning document.

2. **Organizing**
   - Immediately after planning, the manager needs to organize the team according to plan. This involves organizing all of the company’s resources to implement a course of action and determining the organizational structure of the group. And in order to do this correctly, management will need to evaluate the different divisions of departments and the staff to figure out the best way to accomplish the tasks needed to reach their goals.
   - This function is also known to be the backbone of management. Without organization, a company will have no structure and their day-to-day operation of business will most likely collapse. If management is disorganized, it can trickle down to the employees because they will lose confidence in their leaders.

3. **Staffing**
   - The purpose of staffing is to control all recruitment and personnel needs of the organization. After management decides what they needs have, they may decide to hire more employees in a certain department. It is also responsible for training and development, promotions, transfers, and firing. A lot of times management and the human recourse department will work together because their roles are similar in this case.
   - The importance of this function has grown lately, mostly because of the increasing size of businesses and the advancement of technology. A good example of this is the IT department. The size of the IT department in a company ten years ago is nothing compared to what it is now because of the dependence we have on computers and servers. Without the staffing function, a business will certainly fail because there will not be an experienced, sufficient amount of employees within each department.
4. Directing
- Supervision, motivation, leadership, and communication are all involved in the directing function. Management needs to be able to oversee and influence the behavior of the staff and achieve the company's goals, whether that means assisting or motivating them. When morale is high within a company, it usually has a significant impact on job performance and efficiency. Incentive programs and rewards are a great way for a business to keep its employees happy and motivated.
- However, the most important aspect of directing is having good communication. This means building positive interpersonal relationships, effective problem solving and evaluating one another. Most directing takes place in meetings and other meeting sessions with the department leaders to ensure that everyone is on the same page. Poor communication will lead to poor execution in an organization.

5. Controlling
- The last function of management deals with monitoring the company's progress and ensuring that all of the other functions are operating efficiently. Since this is the last stage, there are bound to be some irregularities and complexity within the organization. This in turn can lead to certain situations and problems arising that are disrupting the company's goals. Given is the stage where all the final data is gathered, it is the management’s job to take corrective action, even where there is the slightest deviance between actual and predictable results.

Explain the characteristics (nature, principles) of Planning.

Characteristics (nature, principles) of Planning
1. Planning is goal-oriented.
- Planning is made to achieve desired objective of business.
- The goals established should general acceptance otherwise individual efforts & energies will go misguided and misdirected.
- Planning identifies the action that would lead to desired goals quickly & economically.
- It provides sense of direction to various activities. E.g. Maruti Udhyog is trying to capture once again Indian Car Market by launching diesel models.

2. Planning is looking ahead.
- Planning is done for future.
- It requires peeping in future, analyzing it and predicting it.
- Thus planning is based on forecasting.
- A plan is a synthesis of forecast.
- It is a mental predisposition for things to happen in future.

3. Planning is an intellectual process.
- Planning is a mental exercise involving creative thinking, sound judgment and imagination.
- It is not a mere guesswork but a rotational thinking.
- A manager can prepare sound plans only if he has sound judgement, foresight and imagination.
Planning is always based on goals, facts and considered estimates.

4. **Planning involves choice & decision making.**
   - Planning essentially involves choice among various alternatives.
   - Therefore, if there is only one possible course of action, there is no need planning because there is no choice.
   - Thus, decision making is an integral part of planning.
   - A manager is surrounded by no. of alternatives. He has to pick the best depending upon requirements & resources of the enterprises.

5. **Planning is the primary function of management / Primacy of Planning.**
   - Planning lays foundation for other functions of management.
   - It serves as a guide for organizing, staffing, directing and controlling.
   - All the functions of management are performed within the framework of plans laid out.
   - Therefore planning is the basic or fundamental function of management.

6. **Planning is a Continuous Process.**
   - Planning is a never ending function due to the dynamic business environment.
   - Plans are also prepared for specific period of time and at the end of that period, plans are subjected to revaluation and review in the light of new requirements and changing conditions.
   - Planning never comes into end till the enterprise exists issues, problems may keep cropping up and they have to be tackled by planning effectively.

7. **Planning is all Pervasive.**
   - It is required at all levels of management and in all departments of enterprise.
   - Of course, the scope of planning may differ from one level to another.
   - The top level may be more concerned about planning the organization as a whole whereas the middle level may be more specific in departmental plans and the lower level plans implementation of the same.

8. **Planning is designed for efficiency.**
   - Planning leads to accomplishment of objectives at the minimum possible cost.
   - It avoids wastage of resources and ensures adequate and optimum utilization of resources.
   - A plan is worthless or useless if it does not value the cost incurred on it.
   - Therefore planning must lead to saving of time, effort and money.
   - Planning leads to proper utilization of men, money, materials, methods and machines.

9. **Planning is Flexible.**
   - Planning is done for the future.
   - Since future is unpredictable, planning must provide enough room to cope with the changes in customer’s demand, competition, govt. policies etc.
   - Under changed circumstances, the original plan of action must be revised and updated to make it more practical.
Explain the importance (advantages) of Planning.

Importance (advantages) of Planning

1. **Planning facilitates management by objectives.**
   - Planning begins with determination of objectives.
   - It highlights the purposes for which various activities are to be undertaken.
   - In fact, it makes objectives more clear and specific.
   - Planning helps in focusing the attention of employees on the objectives or goals of enterprise.
   - Without planning an organization has no guide.
   - Planning compels manager to prepare a Blue-print of the courses of action to be followed for accomplishment of objectives.
   - Therefore, planning brings order and rationality into the organization.

2. **Planning minimizes uncertainties.**
   - Business is full of uncertainties.
   - There are risks of various types due to uncertainties.
   - Planning helps in reducing uncertainties of future as it involves anticipation of future events.
   - Although future cannot be predicted with cent percent accuracy but planning helps management to anticipate future and prepare for risks by necessary provisions to meet unexpected turn of events.
   - Therefore with the help of planning, uncertainties can be forecasted which helps in preparing standbys as a result, uncertainties are minimized to a great extent.

3. **Planning facilitates co-ordination.**
   - Planning revolves around organizational goals.
   - All activities are directed towards common goals.
   - There is an integrated effort throughout the enterprise in various departments and groups.
   - It avoids duplication of efforts. In other words, it leads to better co-ordination.
   - It helps in finding out problems of work performance and aims at rectifying the same.

4. **Planning improves employee’s moral.**
   - Planning creates an atmosphere of order and discipline in organization.
   - Employees know in advance what is expected of them and therefore conformity can be achieved easily.
   - This encourages employees to show their best and also earn reward for the same.
   - Planning creates a healthy attitude towards work environment which helps in boosting employees moral and efficiency.

5. **Planning helps in achieving economies.**
   - Effective planning secures economy since it leads to orderly allocation of resources to various operations.
   - It also facilitates optimum utilization of resources which brings economy in operations.
• It also avoids wastage of resources by selecting most appropriate use that will contribute to the objective of enterprise. For example, raw materials can be purchased in bulk and transportation cost can be minimized. At the same time it ensures regular supply for the production department, that is, overall efficiency.

6. **Planning facilitates controlling.**
   • Planning facilitates existence of certain planned goals and standard of performance.
   • It provides basis of controlling.
   • We cannot think of an effective system of controlling without existence of well thought out plans.
   • Planning provides pre-determined goals against which actual performance is compared.
   • In fact, planning and controlling are the two sides of a same coin. If planning is root, controlling is the fruit.

7. **Planning provides competitive edge.**
   • Planning provides competitive edge to the enterprise over the others which do not have effective planning. This is because of the fact that planning may involve changing in work methods, quality, quantity designs, extension of work, redefining of goals, etc.
   • With the help of forecasting not only the enterprise secures its future but at the same time it is able to estimate the future motives of its competitor which helps in facing future challenges.
   • Therefore, planning leads to best utilization of possible resources, improves quality of production and thus the competitive strength of the enterprise is improved.

8. **Planning encourages innovations.**
   • In the process of planning, managers have the opportunities of suggesting ways and means of improving performance.
   • Planning is basically a decision making function which involves creative thinking and imagination that ultimately leads to innovation of methods and operations for growth and prosperity of the enterprise.

**Explain the process (steps) of Planning.**

**Process (steps) of Planning**

1. **Establishment of objectives**
   • Planning requires a systematic approach.
   • Planning starts with the setting of goals and objectives to be achieved.
   • Objectives provide a rationale for undertaking various activities as well as indicate direction of efforts.
   • Moreover objectives focus the attention of managers on the end results to be achieved.
   • As a matter of fact, objectives provide nucleus to the planning process. Therefore, objectives should be stated in a clear, precise and unambiguous language. Otherwise the activities undertaken are bound to be ineffective.
   • As far as possible, objectives should be stated in quantitative terms. For example, Number of men is working, wages given, units produced, etc. But such an objective
cannot be stated in quantitative terms like performance of quality control manager, effectiveness of personnel manager.

- Such goals should be specified in qualitative terms.
- Hence objectives should be practical, acceptable, workable and achievable.

2. Establishment of Planning Premises
- Planning premises are the assumptions about the lively shape of events in future.
- They serve as a basis of planning.
- Establishment of planning premises is concerned with determining where one tends to deviate from the actual plans and causes of such deviations.
- It is to find out what obstacles are there in the way of business during the course of operations.
- Establishment of planning premises is concerned to take such steps that avoid these obstacles to a great extent.
- Planning premises may be internal or external. Internal includes capital investment policy, management labor relations, philosophy of management, etc. Whereas external includes socio-economic, political and economic changes.
- Internal premises are controllable whereas external are non-controllable.

3. Choice of alternative course of action
- When forecast are available and premises are established, a number of alternative course of actions have to be considered.
- For this purpose, each and every alternative will be evaluated by weighing its pros and cons in the light of resources available and requirements of the organization.
- The merits, demerits as well as the consequences of each alternative must be examined before the choice is being made.
- After objective and scientific evaluation, the best alternative is chosen.
- The planners should take help of various quantitative techniques to judge the stability of an alternative.

4. Formulation of derivative plans
- Derivative plans are the sub plans or secondary plans which help in the achievement of main plan.
- Secondary plans will flow from the basic plan. These are meant to support and expedite the achievement of basic plans.
- These detail plans include policies, procedures, rules, programmes, budgets, schedules, etc. For example, if profit maximization is the main aim of the enterprise, derivative plans will include sales maximization, production maximization, and cost minimization.
- Derivative plans indicate time schedule and sequence of accomplishing various tasks.

5. Securing Co-operation
- After the plans have been determined, it is necessary rather advisable to take subordinates or those who have to implement these plans into confidence.
- The purposes behind taking them into confidence are :
- Subordinates may feel motivated since they are involved in decision making process.
The organization may be able to get valuable suggestions and improvement in formulation as well as implementation of plans. Also the employees will be more interested in the execution of these plans.

6. **Follow up/Appraisal of plans**

- After choosing a particular course of action, it is put into action.
- After the selected plan is implemented, it is important to appraise its effectiveness.
- This is done on the basis of feedback or information received from departments or persons concerned.
- This enables the management to correct deviations or modify the plan.
- This step establishes a link between planning and controlling function.
- The follow up must go side by side the implementation of plans so that in the light of observations made, future plans can be made more realistic.

**Explain the characteristics (features, nature, principles) of Organizing.**

**Characteristics (nature, principles) of Organizing**

1. **Identifying and Enumerating the Activities**: After the objective is selected, the management has to identify total task involved and its break-up closely related component activities that are to be performed by and individual or division or a department.

2. **Assigning the Duties**: When activities have been grouped according to similarities and common purposes, they should be organized by a particular department. Within the department, the functional duties should be allotted to particular individuals.

3. **Defining and Granting the Authority**: The authority and responsibility should be well defined and should correspond to each other. A close relationship between authority and responsibility should be established.

4. **Creating Authority Relationship**: After assigning the duties and delegations of authority, the establishment of relationship is done. It involves deciding who will act under whom, who will be his subordinates, what will be his span of control and what will be his status in the organization. Besides these formal relationships, some informal organizations should also be developed.

5. **Specialization and division of work**: The entire philosophy of organization is centered on the concepts of specialization and division of work. The division of work is assigning responsibility for each organizational component to a specific individual or group thereof. It becomes specialization when the responsibility for a specific task lies with a designated expert in that field. The efforts of the operatives are coordinated to allow the process at hand to function correctly. Certain operatives occupy positions of management at various points in the process to ensure coordination.

6. **Orientation towards goals**: Every organization has its own purposes and objectives. Organizing is the function employed to achieve the overall goals of the organization. Organization harmonizes the individual goals of the employees with overall objectives of the firm.
7. **Composition of individuals and groups:** Individuals form a group and the groups form an organization. Thus, organization is the composition of individual and groups. Individuals are grouped into departments and their work is coordinated and directed towards organizational goals.

8. **Continuity:** An organization is a group of people with a defined relationship in which they work together to achieve the goals of that organization. This relationship does not come to an end after completing each task. Organization is a never ending process.

**Explain the importance (advantages) of Organizing.**

**Importance (advantages) of Organizing**

1. **Facilitated Administration and management:** Organization is an important and the only tool to achieve enterprise goals set be administration and explained by management. Sound organization increases efficiency, avoids delay and duplication of work, increases managerial efficiency, increases promptness, and motivates employees to perform their responsibility.

2. **Stimulates Creativity:** A sound and well-conceived organization structure is the source of creative thinking and initiation of new ideas.

3. **Co-ordination in the Enterprises:** Different jobs and positions are welded together by structural relationship of the organization. The organizational process exerts its due and balanced emphasis on the co-ordination of various activities.

4. **Eliminates Overlapping and Duplication or work:** Over lapping and duplication of work exists when the work distribution is not clearly identified and the work is performed in a haphazard and disorganized way. Since a good organization demands that the duties be clearly assigned amongst workers, such overlapping and duplication is totally eliminated.

5. **Helps to achieve organizational goal:** Organization is employed to achieve the overall objectives of business firms. Organization focuses attention of individual's objectives towards overall objectives.

6. **Optimum use of resources:** To make optimum use of resources such as men, material, money, machine and method, it is necessary to design an organization properly. Work should be divided and right people should be given right jobs to reduce the wastage of resources in an organization.

7. **To perform managerial function:** Planning, Organizing, Staffing, Directing and Controlling cannot be implemented without proper organization.

8. **Facilitates growth and diversification:** A good organization structure is essential for expanding business activity. Organization structure determines the input resources needed for expansion of a business activity similarly organization is essential for product diversification such as establishing a new product line.

9. **Humane treatment of employees:** Organization has to operate for the betterment of employees and must not encourage monotony of work due to higher degree of specialization. Now, organization has adapted the modern concept of systems approach based on human relations and it discards the traditional productivity and specialization approach.
Explain the process (steps) of Organizing.

Process (steps) of Organizing

1. Identification and Division of Work:
   - The first step of organizing is the identification and division of work. At this step, the total work is divided into various activities.
   - For example, the various activities of a mobile phone manufacturing company can be like this (i) purchase of raw material, (ii) purchase of manufactured parts, (iii) Production, (iv) stocking of goods, (v) research, (vi) advertisement, (vii) sales, (viii) financial arrangement (ix) maintenance of accounts, (x) correspondence (xi) arrangement of employees, etc.

2. Departmentalization:
   - The departmentalization of activities starts once the various activities have been designed to achieve the objectives of the company. The activities of the same nature are grouped together and assigned to a particular department (It is known as grouping.) e.g., purchase of raw material, purchase of manufactured parts, etc. are given to the purchase department.
   - And productions, stocking the goods, research activities are given to the production department. Similarly, advertisement and sales can be given to the marketing department and the financial arrangements, maintenance of accounts and correspondence can be put in the charge of finance department.

3. Assignment of Duties:
   - At this stage, the responsibility of each individual or post is decided, e.g., the purchase manager will be given the task of purchasing goods, the sales manager will be given the work of sale of goods, the advertising manager will be given the work of advertisement and in the same way the finance manager will be given the responsibility of making financial arrangements.
   - While assigning these duties, it is important to match the nature of the work and the capabilities of the person to whom the work is given.

4. Establishing Reporting Relations:
   - When two or more than two persons work for the attainment of common goals their interrelationship must be defined very clearly. Everybody should know as to who is his superior and subordinate?
   - For example, the purchase manager will be the superior for all the employees of the purchase department; they will receive orders from him and will also be responsible to him.

Explain the characteristics (features, nature, principles) of Staffing.

Characteristics (nature, principles) of Staffing

1. Staffing is a function of management: Staffing is one of the important functions of management. Previously the staffing was considered as the part of the organizing function but now it is considered as a separate and distinct function of management and provides the due importance to the manning of the organizational roles.
2. **Managerial Responsibility**: Staffing is an integral part of the management process and also it is the responsibility of every manager. In the large or big organization staffing function is performed by the separate personnel department. It is the duty of every manager to perform the staffing activities such as selection, training, performance appraisal, and remuneration of the employees.

3. **Affected by internal and external environment**: The performance of the staffing function depends upon both the internal and external factors. Internal factors include the policies and rules of the company regarding the recruitment, selection, promotion, and transfer of employees. Further the external factors include the government policies and the education policies which affect the demand and supply of the suitable manpower in the economy.

4. **Concerned with the human element**: The function of staffing is concerned with the recruitment and selection of the human resources. Additionally the human relation skills are required for training, development, and performance appraisal of the employees in the organization. So if the function of staffing is performed properly it will certainly help in improving the human relations in the organization.

5. **Staffing is a continuous function**: Staffing function is continuously performed in the established as well as in the new organization. In the new organization the functions of recruitment and selection are given more importance and in the established organizations the functions of promotion, development, training, and the performance appraisal of the employees is given more importance. So staffing is the continuous and never ending process because of the changes in the work force of the organization.

6. **Purpose**: The purpose of staffing is to ensure that the right number and the right type of the people are working on the right jobs at the right time and right place. Its objective is to ensure optimum and efficient manpower in the enterprise.

**Explain the importance (advantages) of Staffing.**

**Importance (advantages) of Staffing**

1. **Facilitating the availability of competent staff**: The efficient performance of the company depends upon the quality of the people employed. Staffing discovers the efficient and talented staff for the various positions in the organization, which prove as an asset for the enterprise.

2. **Optimum use of human resources**: Recruitment, selection, training, and development of the human resources require a large amount of outlay and cost of the companies. So for getting the maximum output from the personnel staffing function is required to be performed in the efficient manner.

3. **Development of human resources**: Staffing adopts various measures to develop the managers to their maximum so that they can accept more challenging jobs and shoulder more responsibilities. Staffing trains and develops the personnel's for the future jobs.

4. **Motivating the human resources**: Staff is placed on the job, for which they are best suitable, which gives them sense of satisfaction and pleasure. Staffing also help in determining the capability of employees for the promotions and the other financial and
non-financial incentives. So suitable incentives are provided to the employees which motivates them to perform better at work.

5. **Supplying the necessary information**: Staffing provides the information regarding promotion, transfer, retirement, and demotion of employees in the organization. This information helps in taking various important decisions regarding the employees.

6. **Ensuring the maximum productivity**: Selection of the most suitable employee for every job provides the right men on the right job. This ensures the maximum productivity with the minimum wastage. Staffing also increases the productivity of the workers as they are placed on their best suited jobs.

**Explain the process (steps) of Staffing.**

*Process (steps) of Staffing*

1. **Determining manpower requirement**: The first step in the process of staffing is to determine the number and type of manpower required in the organization. In this complicated environment this determination is done by the top management. The period for which the personnel's are required is also determined. This determination of the manpower requirements is made after considering the acquisition, utilization, improvement, and preservation of the organization's human assets.

2. **Recruitment and selection**: In this step the acquisition of the most competent and qualified staff to meet the manpower requirements is made. After this the applicants are evaluated for the different positions. The best candidates are selected and the right jobs are assigned to them.

3. **Training and the development of the personnel**: In this step the training and development of the employees is arranged to secure the efficiency of the operations. Training increases the efficiency of the employees and makes them more competent and useful for the organization.

4. **Performance appraisal**: Periodic evaluation of the employees is made to know about their capabilities. This evaluation of the employees is made in the terms of verifiable objectives.

5. **Compensation**: In this step the compensation and remuneration of the employees or workers is determined. While determining the remuneration it is considered that the personnel's should get the remuneration according to the work done by them. Further, the incentives are also determined for motivating the employees for performing better at work.

6. **Job Changes**: According to the needs of the enterprise the suitable employees are promoted to the higher ranks. Also if there is requirement the employees can also be shifted from one job to another with the same level of responsibilities and rank.

**Explain the characteristics (features, nature, principles) of Directing.**

*Characteristics (features, nature, principles) of Directing*

1. **Pervasive Function**: Directing is required at all levels of organization. Every manager provides guidance and inspiration to his subordinates.
2. **Continuous Activity**: Direction is a continuous activity as it continuous throughout the life of organization.

3. **Human Factor**: Directing function is related to subordinates and therefore it is related to human factor. Since human factor is complex and behavior is unpredictable, direction function becomes important.

4. **Creative Activity**: Direction function helps in converting plans into performance. Without this function, people become inactive and physical resources are meaningless.

5. **Executive Function**: Direction function is carried out by all managers and executives at all levels throughout the working of an enterprise; a subordinate receives instructions from his superior only.

6. **Delegate Function**: Direction is supposed to be a function dealing with human beings. Human behavior is unpredictable by nature and conditioning the people’s behavior towards the goals of the enterprise is what the executive does in this function. Therefore, it is termed as having delicacy in it to tackle human behavior.

**Explain the importance (advantages) of Directing.**

*Importance (advantages) of Directing*

1. **It Initiates Actions**: Directions is the function which is the starting point of the work performance of subordinates. It is from this function the action takes place, subordinates understand their jobs and do according to the instructions laid. Whatever are plans laid, can be implemented only once the actual work starts. It is there that direction becomes beneficial.

2. **It Ingrates Efforts**: Through direction, the superiors are able to guide, inspire and instruct the subordinates to work. For this, efforts of every individual towards accomplishment of goals are required. It is through direction the efforts of every department can be related and integrated with others. This can be done through persuasive leadership and effective communication. Integration of efforts bring effectiveness and stability in a concern.

3. **Means of Motivation**: Direction function helps in achievement of goals. A manager makes use of the element of motivation here to improve the performances of subordinates. This can be done by providing incentives or compensation, whether monetary or non-monetary, which serves as a "Morale booster" to the subordinates. Motivation is also helpful for the subordinates to give the best of their abilities which ultimately helps in growth.

4. **It Provides Stability**: Stability and balance in concern becomes very important for long term sun survival in the market. This can be brought upon by the managers with the help of four tools or elements of direction function - judicious blend of persuasive leadership, effective communication, strict supervision and efficient motivation. Stability is very important since that is an index of growth of an enterprise. Therefore a manager can use of all the four traits in him so that performance standards can be maintained.

5. **Coping up with the changes**: It is a human behavior that human beings show resistance to change. Adaptability with changing environment helps in sustaining planned growth and becoming a market leader. It is directing function which is of use to meet with
changes in environment, both internal as external. Effective communication helps in coping up with the changes. It is the role of manager here to communicate the nature and contents of changes very clearly to the subordinates. This helps in clarifications, easy adaptations and smooth running of an enterprise. For example, if a concern shifts from handlooms to power looms, an important change in technique of production takes place. The resulting factors are less of manpower and more of machinery. This can be resisted by the subordinates. The manager here can explain that the change was in the benefit of the subordinates. Through more mechanization, production increases and thereby the profits. Indirectly, the subordinates are benefited out of that in form of higher remuneration.

6. **Efficient Utilization of Resources**: Direction finance helps in clarifying the role of every subordinate towards his work. The resources can be utilized properly only when less of wastages, duplication of efforts, overlapping of performances, etc. don’t take place. Through direction, the role of subordinates become clear as manager makes use of his supervisory, the guidance, the instructions and motivation skill to inspire the subordinates. This helps in maximum possible utilization of resources of men, machine, materials and money which helps in reducing costs and increasing profits.

**Explain the characteristics (features, nature, principles) of Controlling.**

*Characteristics (nature, principles) of Controlling*

1. **Control is a Managerial Process**: Management process comprises of five functions, viz., planning, organizing, staffing, directing and controlling. Thus, control is part of the process of management.

2. **Control is forward looking**: Whatever has happened has happened, and the manager can take corrective action only of the future operations. Past is relevant to suggest what has gone wrong and how to correct the future.

3. **Control exists at each level of Organization**: Anyone who is a manager, has to involve into control – may be Chairman, Managing Director, CEO, Departmental head, or first line manager. However, at every level the control will differ – top management would be involved in strategic control, middle management into tactical control and lower level into operational control.

4. **Control is a Continuous Process**: Controlling is not the last function of management but it is a continuous process. Control is not a one-time activity, but a continuous process. The process of setting the standards needs constant analysis and revision depending upon external forces, plans, and internal performance.

5. **Control is closely linked with Planning**: Planning and controlling are closely linked. The two are rightly called as ‘Siamese twins’ of management. “Every objective, every goal, every policy, every procedure and every budget become standard against which actual performance is compared. Planning sets the ship’s course and controlling keeps it on course. When the ship begins to veer off the course, the navigator notices it and recommends a new heading designed to return the ship to its proper course. Once control process is over its findings are integrated into planning to prescribe new standards for control.
6. **Purpose of Controlling is Goal Oriented and hence positive:** Control is there because without it the business may go off the track. The controlling has positive purpose both for the organization (to make things happen) and individuals (to give up a part of their independence for the attainment of organizational goals).

**Explain the importance (advantages) of Controlling.**

**Importance (advantages) of Controlling**

1. **Guides the Management in Achieving Pre-determined Goals:** The continuous flow of information about projects keeps the long range of planning on the right track. It helps in taking corrective actions in future if the performance is not up to the mark.

2. **Ensures Effective Use of Scarce and Valuable Resources:** The control system helps in improving organizational efficiency. Various control devices act as motivators to managers. The performance of every person is regularly monitored and any deficiency if present is corrected at the earliest. Controls put psychological pressure on persons in the organization. On the other hand control also enables management to decide whether employees are doing right things.

3. **Facilitates Coordination:** Control helps in coordination of activities through unity of action. Every manager will try to coordinate the activities of his subordinates in order to achieve departmental goals. Similarly the chief executive also coordinates the functioning of various departments. The control acts as a check on the performance and proper results are achieved only when activities are coordinated.

4. **Leads to Delegation and Decentralization of Authority:** A decision about follow-up action is also facilitated. Control makes delegation easier/better. Decentralization of authority is necessary in big enterprises. The management cannot delegate authority without ensuring proper control. The targets or goals of various departments are used as a control technique. Various control techniques like budgeting, cost control; pre action approvals etc. allow decentralization without losing control over activities.

5. **Spares Top Management to Concentrate on Policy Making:** For control processes management’s attention is not required every now and then. The management by exception enables top management to concentrate on policy formulation.

**Explain the process (steps) of Controlling.**

**Process (steps) of Controlling**

1. **Establish the Standards:** Within an organization’s overall strategic plan, managers define goals for organizational departments in specific, precise, operational terms that include standards of performance to compare with organizational activities. However, for some of the activities the standards cannot be specific and precise. Standards, against which actual performance will be compared, may be derived from past experience, statistical methods and benchmarking (based upon best industry practices). As far as possible, the standards are developed bilaterally rather than top management deciding unilaterally, keeping in view the organization’s goals. Standards may be tangible (clear, concrete, specific, and generally measurable) – numerical standards,
monetary, physical, and time standards; and intangible (relating to human characteristics) – desirable attitudes, high morale, ethics, and cooperation.

2. **Measure Actual Performance:** Most organizations prepare formal reports of performance measurements both quantitative and qualitative (where quantification is not possible) that the managers review regularly. These measurements should be related to the standards set in the first step of the control process. For example, if sales growth is a target, the organization should have a means of gathering and reporting sales data. Data can be collected through personal observation (through management by walking around the place where things are happening), statistical reports (made possible by computers), oral reporting (through conferencing, one-to-one meeting, or telephone calls), written reporting (comprehensive and concise, accounting information – normally a combination of all. To be of use, the information flow should be regular and timely.

3. **Compare Performance with the Standards:** This step compares actual activities to performance standards. When managers read computer reports or walk through their plants, they identify whether actual performance meets, exceeds, or falls short of standards. Typically, performance reports simplify such comparison by placing the performance standards for the reporting period alongside the actual performance for the same period and by computing the variance—that is, the difference between each actual amount and the associated standard. The manager must know of the standard permitted variation (both positive and negative). Management by exception is most appropriate and practical to keep insignificant deviations away. Timetable for the comparison depends upon many factors including importance and complexity attached with importance and complexity.

4. **Take Corrective Action and Reinforcement of Successes:** When performance deviates from standards, managers must determine what changes, if any, are necessary and how to apply them. In the productivity and quality-centered environment, workers and managers are often empowered to evaluate their own work. After the evaluator determines the cause or causes of deviation, he or she can take the fourth step—corrective action. The corrective action may be to maintain status quo (reinforcing successes), correcting the deviation, or changing standards. The most effective course may be prescribed by policies or may be best left up to employees' judgment and initiative. The corrective action may be immediate or basic (modifying the standards themselves).

**Define Organization (Organizational structure) also list and explain characteristics (features) of Organization.**

**Organization**
- An organized group of people with a particular purpose, such as a business or government department.
- A social unit of people that is structured and managed to meet a need or to pursue collective goals.
All organizations have a management structure that determines relationships between the different activities and the members, and subdivides and assigns roles, responsibilities, and authority to carry out different tasks. Organizations are open systems they affect and are affected by their environment.

**Characteristics (features) of Organization**

1. **Outlining the Objectives**: Born with the enterprise is their long-life objective of profitable manufacturing and selling its products. Other objectives must be established by the administration from time to time to aid and support this main objective.

2. **Identifying and Computing the Activities**: After the objective is selected, the management has to identify total task involved and its break-up closely related component activities that are to be performed by and individual or division or a department.

3. **Assigning the Duties**: When activities have been grouped according to similarities and common purposes, they should be organized by a particular department. Within the department, the functional duties should be allotted to particular individuals.

4. **Defining and Granting the Authority**: The authority and responsibility should be well defined and should correspond to each other. A close relationship between authority and responsibility should be established.

5. **Creating Authority Relationship**: After assigning the duties and delegations of authority, the establishment of relationship is done. It involves deciding who will act under whom, who will be his subordinates, what will be his span of control and what will be his status in the organization. Besides these formal relationships, some informal organizations should also be developed.

6. **Division of Work**: Division of work is the basis of an organization. In other words, there can be no organization without division of work. Under division of work, the entire work of business is divided into many departments. The work of every department is further subdivided into sub works.

7. **Coordination**: Under organization different persons are assigned different works but the aim of all these persons happens to be the same the attainment of the objectives of the enterprise. Organization ensures that the work of all the persons depends on each other's work even though it happens to be different. Hence, it helps in establishing coordination.

**List and explain the advantages (importance/Need/Significance) of Organization.**

**Advantages (importance/Need/Significance) of Organization**

1. **It Facilitated Administration and management**: Organization is an important and the only tool to achieve enterprise goals set by administration and explained by management. Sound organization increases efficiency, avoids delay and duplication of work, increases managerial efficiency, increases promptness, and motivates employees to perform their responsibility.
2. **It Help in the Growth of Enterprise**: Good organization is helpful to the growth, expansion and diversifications of the enterprise.

3. **It Ensures Optimum Use of Human Resources**: Good organization establishes persons with different interests, skills, knowledge and viewpoints.

4. **It Stimulates Creativity**: A sound and well-conceived organization structure is the source of creative thinking and initiation of new ideas.

5. **A Tool of Achieving Objectives**: Organization is a vital tool in the hands of the management for achieving set objectives of the business enterprise.

6. **Prevents Corruption**: Usually corruption exists in those enterprises which lack sound organization. Sound organization prevents corruption by raising the morale of employees. They are motivated to work with greater efficiency, honesty and devotion.

7. **Co-ordination in the Enterprises**: Different jobs and positions are welded together by structural relationship of the organization. The organizational process exerts its due and balanced emphasis on the co-ordination of various activities.

8. **Eliminates Overlapping and Duplication of work**: Overlapping and duplication of work exists when the work distribution is not clearly identified and the work is performed in a haphazard and disorganized way. Since a good organization demands that the duties be clearly assigned amongst workers, such overlapping and duplication is totally eliminated.

**List and explain the principles of Organization.**

**Principles of Organization**

1. **Principle of unity of objectives**: Organizational goals, departmental goals, and individual goals must be clearly defined. All goals and objectives must have uniformity. When there is contradiction among different level of goals desired goals can't be achieved. Therefore, unity of objectives is necessary.

2. **Principle of specialization**: Sound and effective organization believes on organization. The term specialization is related to work and employees. When an employee takes special type of knowledge and skill in any area, it is known as specialization. Modern business organization needs the specialization, skill and knowledge by this desired sector of economy and thus, efficiency would be established.

3. **Principle of coordination**: In an organization many equipment, tools are used. Coordination can be obtained by group effort that emphasize on unity of action.

4. **Principle of authority**: Authority is the kind of right and power through which it guides and directs the actions of others so that the organizational goals can be achieved. It is also related with decision making. It is vested in particular position, not to the person because authority is given by an institution and therefore it is legal. It generally flows from higher level to lowest level of management.

5. **Principle of responsibility**: Authentic body of an organization is top level management, top level management direct the subordinates. Departmental managers and other personnel take the direction from top level management to perform the task. Authority is necessary to perform the work. only authority is not provided to the people but
obligation is also provided. So the obligation to perform the duties and task is known as responsibility. Responsibility can't be delegated. It can't be avoided.

6. **Principle of delegation**: Process of transferring authority and creation of responsibility between superior and subordinates to accomplish a certain task is called delegation of authority. Authority is only delegated, not responsibilities in all levels of management. The authority delegated should be equal to responsibility.

7. **Principle of efficiency**: In enterprise different resources are used. These resources must be used in effective manner. When the organization fulfill the objectives with minimum cost, it is effective. Organization must always concentrate on efficiency.

8. **Principle of unity of command**: Subordinates should receive orders from single superior at a time and all subordinates should be accountable to that superior. More superior leads to confusion, delay and so on.

9. **Principle of span of control**: Unlimited subordinates can't be supervised by manager, this principle thus helps to determine numerical limit if subordinates to be supervised by a manager. This improves efficiency.

10. **Principle of balance**: The functional activities their establishment and other performances should be balanced properly. Authority, centralization, decentralization must be balance equally. This is very challenging job but efficient management must keep it.

11. **Principle of communication**: Communication is the process of transformation of information from one person to another of different levels. It involves the systematic and continuous process of telling, listening and understanding opinions ideas, feelings, information, views etc, in flow of information.

12. **Principle of personal ability**: For sound organization, human resources are important. Employees must be capable. Able employees can perform higher. Mainly training and development programs must be encouraged to develop the skill in the employees.

13. **Principle of flexibility**: Organizational structure must be flexible considering the environmental dynamism. Sometimes, dramatically change may occur in the organization and in that condition, organization should be ready to accept the change.

14. **Principle of simplicity**: This principle emphasizes the simplicity of organizational structure, the structure if organization should be simple with minimum number of levels do that its member an understand duties and authorities.

**List and explain the functions of Organization.**

**Functions of Organization**

1. **To define the role of the individual**: An individual employed in an enterprise must know his role, position and relationship with other personnel in his department and with others. Organization becomes necessary so that the persons involved in the enterprise can identify themselves in the enterprise. It is through the organization that one can know his position and role in the unit. He can relate his position with other members of the enterprise.

2. **Determination of authority**: The assignment of a certain role proposes the granting of certain authority so that performance can be possible. Organization is necessary to
define the authority i.e., the rights and powers of men in different positions which would help them to discharge their assigned roles.

3. **Fixation of responsibility**: Each individual is assigned a certain duty organizational structure defines what performance is expected of a member of the unit of the department of the enterprise. Absence or faulty determination of responsibility will lead to irresponsible functions, behavior and attitudes.

4. **Specialization**: Modern production and management techniques are based on the idea of specialization which means the performance of different parts of a job by persons specifically suited for them. Organization is basically required to promote specialization. Efficient and smooth functioning is possible when different elements of a job are performed by experts and their efforts are pooled to attain the desired and product.

5. **Coordination**: Since the pattern of managerial operations is to be based on the division of labor, there arises the need of coordinating the activities of various individuals or that of different departments. They perform diverse, activities and these have to be woven into the main fabric.

6. **Proper utilization of human resources**: The most important thing for enterprises is to make the best possible use of its human resources. There must not be wastage or misapplication of human efforts. This is of great importance for economy as well as for the achievement of objectives.

7. **Efficient functioning**: Efficiency is to be the watchword of an enterprise, all the factors mentioned above will have a great impact on the efficient functioning of the enterprise, and Organization avoids all duplication in jobs, overlapping and wastage. It promotes speedy, smooth and efficient functioning of the enterprise.

**Explain formal Organization and informal Organization.**

**Formal Organisation:**
- When the managers are carrying on organising process then as a result of organising process an organisational structure is created to achieve systematic working and efficient utilization of resources. This type of structure is known as formal organisational structure.
- Formal organisational structure clearly spells out the job to be performed by each individual, the authority, responsibility assigned to every individual, the superior-subordinate relationship and the designation of every individual in the organisation. This structure is created intentionally by the managers for achievement of organisational goal.

**Features of Formal organisation:**
1. The formal organisational structure is created intentionally by the process of organising.
2. The purpose of formal organisation structure is achievement of organisational goal.
3. In formal organisational structure each individual is assigned a specific job.
4. In formal organisation every individual is assigned a fixed authority or decision-making power.
5. Formal organisational structure results in creation of superior-subordinate relations.
6. Formal organisational structure creates a scalar chain of communication in the organisation.

**Advantages of Formal Organisation:**

1. **Systematic Working:** Formal organisation structure results in systematic and smooth functioning of an organisation.
2. **Achievement of Organisational Objectives:** Formal organisational structure is established to achieve organisational objectives.
3. **No Overlapping of Work:** In formal organisation structure work is systematically divided among various departments and employees. So there is no chance of duplication or overlapping of work.
4. **Co-ordination:** Formal organisational structure results in coordinating the activities of various departments.
5. **Creation of Chain of Command:** Formal organisational structure clearly defines superior subordinate relationship, i.e., who reports to whom.
6. **More Emphasis on Work:** Formal organisational structure lays more emphasis on work than interpersonal relations.

**Disadvantages of Formal Organisation:**

1. **Delay in Action:** While following scalar chain and chain of command actions get delayed in formal structure.
2. **Ignores Social Needs of Employees:** Formal organisational structure does not give importance to psychological and social need of employees which may lead to demotivation of employees.
3. **Emphasis on Work Only:** Formal organisational structure gives importance to work only; it ignores human relations, creativity, talents, etc.

**Informal Organisation**

- In the formal organisational structure individuals are assigned various job positions. While working at those job positions, the individuals interact with each other and develop some social and friendly groups in the organisation. This network of social and friendly groups forms another structure in the organisation which is called informal organisational structure.
- The informal organisational structure gets created automatically and the main purpose of such structure is getting psychological satisfaction. The existence of informal structure depends upon the formal structure because people working at different job positions interact with each other to form informal structure and the job positions are created in formal structure. So, if there is no formal structure, there will be no job position, there will be no people working at job positions and there will be no informal structure.

**Features of informal organisation:**

1. Informal organisational structure gets created automatically without any intended efforts of managers.
2. Informal organisational structure is formed by the employees to get psychological satisfaction.
3. Informal organisational structure does not follow any fixed path of flow of authority or communication.
4. Source of information cannot be known under informal structure as any person can communicate with anyone in the organisation.
5. The existence of informal organisational structure depends on the formal organisation structure.

**Advantages of Informal Organisation:**
1. **Fast Communication:** Informal structure does not follow scalar chain so there can be faster spread of communication.
2. **Fulfills Social Needs:** Informal communication gives due importance to psychological and social need of employees which motivate the employees.
3. **Correct Feedback:** Through informal structure the top level managers can know the real feedback of employees on various policies and plans.
4. **Strategic Use of Informal Organisation.** Informal organisation can be used to get benefits in the formal organisation in the following way:
   - The knowledge of informal group can be used to gather support of employees and improve their performance.
   - Through grapevine important information can be transmitted quickly.
   - By cooperating with the informal groups the managers can skillfully take the advantage of both formal and informal organisations.

**Disadvantages of Informal organisation:**
1. **Spread Rumors:** According to a survey 70% of information spreads through informal organisational structure are rumors which may mislead the employees.
2. **No Systematic Working:** Informal structure does not form a structure for smooth working of an organisation.
3. **May Bring Negative Results:** If informal organisation opposes the policies and changes of management, then it becomes very difficult to implement them in organisation.
4. **More Emphasis to Individual Interest:** Informal structure gives more importance to satisfaction of individual interest as compared to organisational interest.

**List and explain different types of Organization.**

**Types of Organization**

**Line Organisation**
- A line organisation has only direct, vertical relationships between different levels in the firm. There is only line departments-departments directly involved in accomplishing the primary goal of the organisation. For example, in a typical firm, line departments include production and marketing. In a line organisation authority follows the chain of command.
Features
- Line organization has an only direct vertical relationship between different levels in the firm.

Advantages:
1. A line structure tends to simplify and clarify responsibility, authority and accountability relationships. The levels of responsibility and authority are likely to be precise and understandable.
2. Tends to simplify and clarify authority, responsibility and accountability relationships.
3. Because line organisations are usually small, managements and employees have greater closeness.
4. A line structure promotes fast decision making and flexibility.
5. Simple to understand.

Disadvantages:
1. As the firm grows larger, line organisation becomes more ineffective.
2. Improved speed and flexibility may not offset the lack of specialized knowledge.
3. Managers may have to become experts in too many fields.
4. There is a tendency to become overly dependent on the few key people who an perform numerous jobs.
5. Neglects specialists in planning
6. Overloads key persons.

Staff or Functional Authority Organisation
- The jobs or positions in an organisation can be categorized as:
  1. Line position: A position in the direct chain of command that is responsible for the achievement of an organization’s goals and
  2. Staff position: A position intended to provide expertise, advice and support for the line positions.
- The line officers or managers have the direct authority (known as line authority) to be exercised by them to achieve the organisational goals. The staff officers or managers have staff authority (i.e., authority to advice the line) over the line. This is also known as functional authority.
- An organisation where staffs departments have authority over line personnel in narrow areas of specialization is known as functional authority organisation.
- In the line organisation, the line managers cannot be experts in all the functions they are required to perform. But in the functional authority organisation, staff personnel who are specialists in some fields are given functional authority (The right of staff specialists to issue orders in their own names in designated areas).
- The principle of unity of command is violated when functional authority exists i.e., a worker or a group of workers may have to receive instructions or orders from the line supervisor as well as the staff specialist which may result in confusion and the conflicting orders from multiple sources may lead to increased ineffectiveness. Some staff specialists may exert direct authority over the line personnel, rather than exert
advice authority (for example, quality control inspector may direct the worker as well as advise in matters related to quality).

- While this type of organisational structure overcomes the disadvantages of a pure line organisational structure, it has some major disadvantages:
  1. The potential conflicts resulting from violation of principle of unity of command and
  2. The tendency to keep authority centralized at higher levels in the organisation.

**Line and Staff Organisation**

- Most large organisations belong to this type of organisational structure. These organisations have direct, vertical relationships between different levels and also specialists responsible for advising and assisting line managers. Such organisations have both line and staff departments. Staff departments provide line people with advice and assistance in specialized areas (for example, quality control advising production department).
- The line functions are production and marketing whereas the staff functions include personnel, quality control, research and development, finance, accounting etc. The staff authority of functional authority organisational structure is replaced by staff responsibility so that the principle of unity of command is not violated.
- Three types of specialized staff can be identified:
  1. Advising,
  2. Service and
  3. Control.

**Features:**

1. Line and staff have direct vertical relationship between different levels.
2. Staff specialists are responsible for advising and assisting line managers/officers in specialized areas.
3. These types of specialized staff are (1) Advisory, (2) Service, (3) Control
   - Advisory: Management information system, Operation Research and Quantitative Techniques, Industrial Engineering, Planning etc
   - Service: Maintenance, Purchase, Stores, Finance, Marketing.
   - Control: Quality control, Cost control, Auditing etc.

**Advantages:**

1. Use of expertise of staff specialists.
2. Span of control can be increased
3. Relieves line authorities of routine and specialized decisions.
4. No need for all round executives.

**Disadvantages:**

1. Conflict between line and staff may still arise.
2. Staff officers may resent their lack of authority.
3. Co-ordination between line and staff may become difficult.
Committee Organisation

- Committee can be defined as a group of organisational members who discuss and develop solutions to problems. It can be either line or staff and can be established on a standing (permanent) or an adhoc basis.
- In business enterprises, the board of directors constitutes the committee at the highest level. The purpose of such committees is to discuss various problems and recommend solutions to the management.

Features
1. Formed for managing certain problems/situations
2. Are temporary decisions.

Advantages:
1. Committee decisions are better than individual decisions
2. Better interaction between committee members leads to better co-ordination of activities
3. Committee members can be motivated to participate in group decision making.
4. Group discussion may lead to creative thinking.

Disadvantages:
1. Committees may delay decisions, consume more time and hence more expensive.
2. Group action may lead to compromise and indecision.
3. 'Buck passing' may result.

Matrix Organisational Structure:
- It is a permanent organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation.
- This type of organisation is often used when the firm has to be highly responsive to a rapidly changing external environment.
- In matrix structures, there are functional managers and product (or project or business group) managers. Functional managers are in charge of specialized resources such as production, quality control, inventories, scheduling and marketing. Product or business group managers are in charge of one or more products and are authorized to prepare product strategies or business group strategies and call on the various functional managers for the necessary resources.
- The problem with this structure is the negative effects of dual authority. The functional managers may lose some of their authority because product managers are given the budgets to purchase internal resources. In a matrix organisation, the product or business group managers and functional managers have somewhat equal power. There is possibility of conflict and frustration but the opportunity for prompt and efficient accomplishment is quite high.

Feature:
- Superimposes a horizontal set of divisions and reporting relationships onto a hierarchical functional structure
Advantages:
1. Decentralized decision making.
2. Strong product/project co-ordination.
3. Improved environmental monitoring.
4. Fast response to change.
5. Flexible use of resources.
6. Efficient use of support systems.

Disadvantages:
1. High administration cost.
2. Potential confusion over authority and responsibility.
3. High prospects of conflict.
4. Overemphasis on group decision making.
5. Excessive focus on internal relations.

Hybrid Organisational Structure:
- A hybrid organizational structure is an approach to designing the internal operating structure of a company or other entity in a manner that makes use of several different organizational patterns, rather than relying on one particular model.
- Depending on the nature and type of the organization, this approach may combine various elements of lateral and hierarchical structures, coming up with a unique blend that is ideal for the purposes and culture of the organization involved.
- Typically, a hybrid organizational structure will seek to integrate the most desirable elements of other approaches to business organization into the model, while arranging the corporate structure so that any elements seen as liabilities are kept to a minimum.

Advantages:
1. Alignment of corporate and divisional goals.
2. Functional expertise and efficiency.
3. Adaptability and flexibility in divisions.

Disadvantages:
1. Conflicts between corporate departments and units.
2. Excessive administration overhead.
3. Slow response to exceptional situations.

Explain (Differentiate) centralization and decentralization.

<table>
<thead>
<tr>
<th>Basis of Comparison</th>
<th>Centralization</th>
<th>Decentralization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meaning</td>
<td>The retention of powers and authority with respect to planning and decisions, with the top management, is known as Centralization.</td>
<td>The dissemination of authority, responsibility and accountability to the various management levels, is known as Decentralization.</td>
</tr>
<tr>
<td>Communication Flow</td>
<td>Vertical</td>
<td>Open and Free</td>
</tr>
<tr>
<td>Decision Making</td>
<td>Slow</td>
<td>Comparatively faster</td>
</tr>
<tr>
<td>Advantage</td>
<td>Proper coordination and Leadership</td>
<td>Sharing of burden and responsibility</td>
</tr>
</tbody>
</table>
Power of decision making | Lies with the top management. | Multiple persons have the power of decision making.
--- | --- | ---
Reasons | Inadequate control over the organization | Considerable control over the organization
Best suited for | Small sized organization | Large sized organization

List and explain factors affecting centralization and decentralization.

Factors affecting centralization and decentralization

1. **Importance of the decision**: How would be decision made affect the culture and image of the organization.
2. **Size of the organization**: A larger organization with several duties and function would highly need a much decentralized structure on its divisions.
3. **Willingness of top people to delegate power**: Leadership style at the top contributes so much to any kind of organization structure. Democratic leadership is much more willing to discuss and delegate some duties to others.
4. **Willingness of the subordinates to accept responsibility**: There should be interest from the subordinates to take responsibility and assume authority to enable delegation of duties to take place.
5. **Availability of management talents**: The subordinates should have enough managerial know-how and skills to be able to make just and proper decisions that is in the interest of the organization. This would mean training them to be in a position to carry out decision making efficiently.
6. **Rate of growth**: Organization which is static would remain for long time centralized as there are no more duties and programmes to be decentralized as opposed to continually growing organization which could have a branch in a different area, be it geographical or operational that will need line managers.

Explain Span of Control.

**Span of Control**

- Span of Control means the number of subordinates that can be managed efficiently and effectively by a superior in an organization. It suggests how the relations are designed between a superior and a subordinate in an organization.
- Span of control is of two types:
  1. **Narrow span of control**: Narrow Span of control means a single manager or supervisor oversees few subordinates. This gives rise to a tall organizational structure.
  2. **Wide span of control**: Wide span of control means a single manager or supervisor oversees a large number of subordinates. This gives rise to a flat organizational structure.

**Factors affecting Span of Control**

1. **Job complexity**: Subordinate jobs that are complex, ambiguous, dynamic or otherwise complicated will likely require more management involvement and a narrower span of management.
2. **Similarity of subordinate jobs:** The more similar and routine the tasks that subordinates are performing, the easier it is for a manager to supervise employees and the wider the span of management that will likely be effective.

3. **Physical proximity of subordinates:** The more geographically dispersed a group of subordinates the more difficult it is for a manager to be in regular contact with them and the fewer employees a manager could reasonably oversee, resulting in a narrower span of management.

4. **Abilities of employees:** Managers who supervise employees that lack ability, motivation, or confidence will have to spend more time with each employee. The result will be that the manager cannot supervise as many employees and would be most effective with a narrower span of management.

5. **Abilities of the manager:** Some managers are better organized, better at explaining things to subordinates, and more efficient in performing their jobs. Such managers can function effectively with a wider span of management than a less skilled manager.

6. **Technology:** Cell phones, email, and other forms of technology that facilitate communication and the exchange of information make it possible for managers to increase their spans of management over managers who do not have access to or who are unable to use the technology.

**Explain Departmentation (Departmentalization) and also explain its advantages (benefits/merits).**

*Departmentation (Departmentalization)*

- Departmentalization is an aspect of organizational design that includes the subdivision of a business into units based on their function or other criteria.
- In departmentalization, similar activities are grouped together to form various departments.
- For example, all the activities relating to accounts are grouped together to make the accounts department. Similarly, we have purchase department, production department, sales department, finance department, human resource (HR) department, etc.
- So, departmentalization is the process of dividing the organization into different departments. It is the process by which an organization expands horizontally. There are many bases or types of departmentalization. A department consists of, head of department, specific functions and staff. The head of department (HOD) is responsible to the CEO of the organization for the functions of his department.

**Advantages of Departmentation**

1. **Develop specialization:** Departmentalization leads to the benefits of specialization. In departmentalization, works are divided into different departments on the basis of their nature and responsibility is entrusted to skilled and efficient manager. When a manager is involved in one specific function, his expertise and efficiency increases in that particular field.
2. **Administrative control:** In departmentalization, the standard of performance of each department and objective to be achieved is planned. When actual performance deviates with planned performance, corrective measures are taken to remove the barriers.

3. **Fixation of responsibility:** Departmentalization divides works into different units on the basis of nature and responsibility is entrusted to departmental managers. And the departmental managers are accountable to the job performed by the staff of their concerned departments.

4. **Helpful for expansion:** Departmentalization facilitates top manager to direct and supervise the work performed by subordinate managers. It also helps to divide work into different units on the basis of nature, and responsibility is entrusted to departmental managers. Such division of work, thus, is helpful for expansion of business.

5. **Management development:** Departmentalization helps to develop new managers by providing them opportunity to take independent decision and initiatives. Consequently, a high skilled subordinate level manager can get opportunity to promote to the higher level.

**Explain methods (types/bases) of Departmentation.**

**Methods (types/bases) of Departmentation**

1. **Functional departmentalization:** Grouping activities by functions performed. Activities can be grouped according to function (work being done) to pursue economies of scale by placing employees with shared skills and knowledge into departments for example human resources, IT, accounting, manufacturing, logistics, and engineering. Functional departmentalization can be used in all types of organizations.

2. **Product departmentalization:** Grouping activities by product line. Tasks can also be grouped according to a specific product or service, thus placing all activities related to the product or the service under one manager. Each major product area in the corporation is under the authority of a senior manager who is specialist in, and is responsible for, everything related to the product line. LA Gear is an example of company that uses product departmentalization. Its structure is based on its varied product lines which include women’s footwear etc.

3. **Customer departmentalization:** Grouping activities on the basis of common customers or types of customers. Jobs may be grouped according to the type of customer served by the organization. The assumption is that customers in each department have a common set of problems and needs that can best be met by specialists. The sales activities in an office supply firm can be broken down into three departments that serve retail, wholesale and government accounts.

4. **Geographic departmentalization:** Grouping activities on the basis of territory. If an organization's customers are geographically dispersed, it can group jobs based on geography. For example, the organization structure of Coca-Cola has reflected the company’s operation in two broad geographic areas – the North American sector and the international sector, which includes the Pacific Rim, the European Community, Northeast Europe, Africa and Latin America groups.
5. **Process departmentalization**: Grouping activities on the basis of product or service or customer flow. Because each process requires different skills, process departmentalization allows homogenous activities to be categorized. For example, the applicants might need to go through several departments namely validation, licensing and treasury, before receiving the driver's license.

6. **Divisional departmentalization**: When the firm develops independent lines of business that operate as separate companies, all contributing to the corporation profitability, the design is called divisional departmentalization or (M-FORM).
Define Market, Marketing and Marketing management.

**Market**
- Market refers to the physical location where buyers and sellers meet for concluding a deal e.g cloth market, vegetable market etc.

**Marketing**
- Marketing is a specialized activity directed towards bringing together a producer on one hand and consumer or a buyer on the other.

**Marketing management**
- Marketing management is defined as the process of overseeing and planning new product development, advertising, promotions and sales.
- Marketing management facilitates the activities and functions which are involved in the distribution of goods and services.
- According to Philip Kotler, Marketing management is the analysis, planning, implementation and control of programmes designed to bring about desired exchanges with target markets for the purpose of achieving organizational objectives.

Explain characteristics (features) of Marketing Management.

**Characteristics (features) of Marketing Management**

1. **Customer-orientation:** All business activities should be directed to create and satisfy the customer. Importance on the needs and wants of consumers keep the business on the right track. All marketing decisions should be made on the basis of their impact on the customer. Consumer becomes the guide of business.

2. **Marketing Research:** Under the marketing concept; knowledge and understanding of customer’s needs, wants and desires is very vital. Therefore, a regular and systematic marketing research program is required to keep abreast of the market. In addition, innovation and creativity are necessary to match the products of requirements of customers.

Up-to-date and adequate knowledge must be available to answer the following questions:

- What business are we really in?
- Who are our customers?
- What do the customers want?
- How should we distribute our products?
- How can we communicate most effectively with our customers?

3. **Marketing Planning:** The marketing concept calls for a goal-oriented approach to marketing. The overall objectives of the firm should be the earning of profits through satisfaction of customers. On the basis of this goal, the objectives and policies of marketing and other departments should be defined precisely. Marketing planning helps to inject the philosophy of consumer-orientation into the total business systems and serves as a guide to the organization’s efforts.
4. **Integrated Marketing**: Once the organizational and departmental goals are formulated, it becomes necessary to match the organizational goals with the goals of the individuals working in the organization. The activities and operation of various organizational units should be properly coordinated to achieve the defined objectives. The marketing department should develop the marketing mix which is most appropriate for accomplishing the desired goals through the satisfaction of customers.

5. **Customer Satisfaction**: The aim should be to maximize profit over the long run through the satisfaction of customers wants.

6. **Marketing is both a Science and Art**: Marketing is a science as it provides some general principles to guide the managers in their working. Marketing is an art as every situation requires to be tackled differently and in an effective manner. Neither the science should be over-emphasized nor should art be discounted. The reality is that both of them go together and are both mutually interdependent and complementary.

7. **Voluntary Exchange of Values**: Marketing is always about exchange of value to each other without any coercion or force, i.e., voluntary exchange. Selling is only a tip of marketing iceberg. Value assessment is a subjective assessment of benefits. A customer benefits include what a buyer receives in exchange. Buyer’s cost includes price, time, effort, and risk (s)/he undertakes. The marketer must provide equal value through marketing mix.

8. **Achievement of Organizational Objectives and Customer Needs**: Marketing is a purposeful activity. It is always to achieve the organizational objectives as well as satisfying customers. Organizational objective for a commercial organization may be profit and for a non-commercial organization it may be different (police wants to bring down crimes, and anti-tobacco campaign wants to eliminate tobacco consumption).

9. **Selection of Target Markets**: No marketer can satisfy everyone in the market. A marketer has to select target markets rather than a quixotic attempt to win every market and be all things to all men. Not everyone likes the same diaper, shampoo or car. Therefore, marketers start with market segmentation, choosing a target groups (s), identifying target group needs and requirements and meeting these needs in a better way than the competitors through suitable marketing mix.

10. **Beneficial to all the Stakeholders**: Favoring one of the stakeholders at the cost of others cannot be marketing. Profit maximization, by hook or crook, may be beneficial to the firm, but customer will lose. Making use of polythene bags may make convenience for the customers, but environment will suffer.

---

**Explain importance of Marketing Management.**

**Importance of Marketing Management**

1. **Marketing Helps in Transfer, Exchange and Movement of Goods**: Marketing is very helpful in transfer, exchange and movement of goods. Goods and services are made available to customers through various intermediaries' viz., wholesalers and retailers etc. Marketing is helpful to both producers and consumers. To the former, it tells about
the specific needs and preferences of consumers and to the latter about the products that manufacturers can offer.

2. **Marketing is Helpful in Raising and Maintaining the Standard of Living of the Community**: Marketing is above all the giving of a standard of living to the community. Paul Mazur states, “Marketing is the delivery of standard of living”. Professor Malcolm McNair has further added that “Marketing is the creation and delivery of standard of living to the society”. By making available the uninterrupted supply of goods and services to consumers at a reasonable price, marketing has played an important role in raising and maintaining living standards of the community. Community comprises of three classes of people i.e., rich, middle and poor. Everything which is used by these different classes of people is supplied by marketing.

3. **Marketing Creates Employment**: Marketing is complex mechanism involving many people in one form or the other. The major marketing functions are buying, selling, financing, transport, warehousing, risk bearing and standardization, etc. In each such function different activities are performed by a large number of individuals and bodies. Thus, marketing gives employment to many people.

4. **Marketing as a Source of Income and Revenue**: The performance of marketing function is all important, because it is the only way through which the concern could generate revenue or income and bring in profits. Buskirk has pointed out that, “Any activity connected with obtaining income is a marketing action. Marketing should be given the greatest importance, since the very survival of the firm depends on the effectiveness of the marketing function.

5. **Marketing Acts as a Basis for Making Decisions**: A businessman is met with many problems in the form of what, how, when, how much and for whom to produce? In the past problems was less on account of local markets. There was a direct link between producer and consumer. In modern times marketing has become a very complex and tedious task. Marketing has emerged as new specialized activity along with production. As a result, producers are depending largely on the mechanism of marketing, to decide what to produce and sell. With the help of marketing techniques a producer can regulate his production accordingly.

6. **Marketing Acts as a Source of New Ideas**: The concept of marketing is a dynamic concept. It has changed altogether with the passage of time. Such changes have far reaching effects on production and distribution. With the rapid change in tastes and preference of people, marketing has to come up with the same. Marketing as an instrument of measurement, gives scope for understanding this new demand pattern and thereby produce and make available the goods accordingly.

7. **Marketing is Helpful in Development of an Economy**: Adam Smith has remarked that “nothing happens in our country until somebody sells something”. The marketing organization, more scientifically organized, makes the economy strong and stable, the lesser the stress on the marketing function, the weaker will be the economy.
Explain Marketing concepts.

**Marketing concept**

1. **Production Concept**: Those companies who believe in this philosophy think that if the goods/services are cheap and they can be made available at many places, there cannot be any problem regarding sale. Keeping in mind the same philosophy these companies put in all their marketing efforts in reducing the cost of production and strengthening their distribution system. In order to reduce the cost of production and to bring it down to the minimum level, these companies indulge in large scale production. This helps them in effecting the economics of the large scale production. Consequently, the cost of production per unit is reduced. The utility of this philosophy is apparent only when demand exceeds supply. Its greatest drawback is that it is not always necessary that the customer every time purchases the cheap and easily available goods or services.

2. **Product Concept**: Those companies who believe in this philosophy are of the opinion that if the quality of goods or services is of good standard, the customers can be easily attracted. The basis of this thinking is that the customers get attracted towards the products of good quality. On the basis of this philosophy or idea these companies direct their marketing efforts to increasing the quality of their product. It is a firm belief of the followers of the product concept that the customers get attracted to the products of good quality. This is not the absolute truth because it is not the only basis of buying goods. The customers do take care of the price of the products, its availability, etc. A good quality product and high price can upset the budget of a customer. Therefore, it can be said that only the quality of the product is not the only way to the success of marketing.

3. **Selling Concept**: Those companies who believe in this concept think that leaving alone the customers will not help. Instead there is a need to attract the customers towards them. They think that goods are not bought but they have to be sold. The basis of this thinking is that the customers can be attracted. Keeping in view this concept these companies concentrate their marketing efforts towards educating and attracting the customers. In such a case their main thinking is ‘selling what you have’. This concept offers the idea that by repeated efforts one can sell-anything to the customers. This may be right for some time, but you cannot do it for a long-time. If you succeed in enticing the customer once, he cannot be won over every time. On the contrary, he will work for damaging your reputation. Therefore, it can be asserted that this philosophy offers only a short-term advantage and is not for long-term gains.

4. **Marketing Concept**: Those companies who believe in this concept are of the opinion that success can be achieved only through consumer satisfaction. The basis of this thinking is that only those goods/service should be made available which the consumers want or desire and not the things which you can do. In other words, they do not sell what they can make but they make what they can sell. Keeping in mind this idea, these companies direct their marketing efforts to achieve consumer satisfaction. In short, it can be said that it is a modern concept and by adopting it profit can be earned on a
long-term basis. The drawback of this concept is that no attention is paid to social welfare.

5. **Societal Marketing Concept**: This concept stresses not only the customer satisfaction but also gives importance to Consumer Welfare/Societal Welfare. This concept is almost a step further than the marketing concept. Under this concept, it is believed that mere satisfaction of the consumers would not help and the welfare of the whole society has to be kept in mind. For example, if a company produces a vehicle which consumes less petrol but spreads pollution, it will result in only consumer satisfaction and not the social welfare. Primarily two elements are included under social welfare-high-level of human life and pollution free atmosphere. Therefore, the companies believing in this concept direct all their marketing efforts towards the achievement of consumer satisfaction and social welfare. In short, it can be said that this is the latest concept of marketing. The companies adopting this concept can achieve long-term profit.

---

**Explain Marketing Mix.**

**Explain 4 P’s of Marketing.**

**Marketing Mix OR 4 P’s of Marketing**

1. **Product**: The product is either a tangible good or an intangible service that is seem to meet a specific customer need or demand. All products follow a logical product life cycle and it is vital for marketers to understand and plan for the various stages and their unique challenges. It is key to understand those problems that the product is attempting to solve. Here are some examples of the product decisions to be made:
   - Brand name
   - Functionality
   - Styling
   - Quality
   - Safety
   - Packaging
   - Repairs and Support
   - Warranty
   - Accessories and services

2. **Price**: Price covers the actual amount the end user is expected to pay for a product. How a product is priced will directly affect how it is sold. If a product is priced higher or lower than its perceived value, then it will not sell. This is why it is imperative to understand how a customer sees what you are selling. Price may also be affected by distribution plans, value chain costs and markups and how competitors price a rival product. Some examples of pricing decisions to be made include:
   - Pricing strategy (skim, penetration, etc.)
   - Suggested retail price
   - Volume discounts and wholesale pricing
   - Cash and early payment discounts
   - Seasonal pricing
3. **Promotion**: The marketing communication strategies and techniques all fall under the promotion heading. These may include advertising, sales promotions, special offers and public relations. Whatever the channel is used, it is necessary for it to be suitable for the product, the price and the end user it is being marketed to. It is important to differentiate between marketing and promotion. Promotion is just the communication aspect of the entire marketing function. Some examples of promotion decisions include:
   - Advertising
   - Personal selling & sales force
   - Sales promotions
   - Public relations & publicity

4. **Place**: Place or placement has to do with how the product will be provided to the customer. Distribution is a key element of placement. The placement strategy will help assess what channel is the most suited to a product. How a product is accessed by the end user also needs to compliment the rest of the product strategy. Some examples of place decisions include:
   - Distribution channels
   - Market coverage (inclusive, selective, or exclusive distribution)
   - Specific channel members
   - Inventory management
   - Warehousing
   - Distribution centers
   - Order processing
   - Transportation

**Define Demand Forecasting and also explain characteristics of Demand Forecasting.**

**Demand Forecasting**
- Demand forecasting is predicting future demand for the product.
- In other words it refers to the prediction of probable demand for a product or a service on the basis of the past events and normal trends in the present.

**Characteristics of Demand Forecasting**
1. **Accuracy**: Various important plants are prepared on the basis of forecasts. In case of wrong forecasting, the business may be in trouble and suffer heavy losses. Hence it is necessary to have such forecasting system which amounts to maximum accuracy.
2. **Simplicity**: Forecasting method should be as simple as possible. If it is difficult or technical then the person, who is engaged in forecasting job, will not do his job properly and there will be chances always for mistake. Some information’s may also require being collected from outsiders. If his method is complex or difficult then they may not be able to reply reasonably and accurately.
3. **Availability**: The objects and scope of forecasting should be as such as the relevant information are collected immediately with reasonable accuracy.

4. **Stability**: The data of forecasting must be such wherein the future changes are expected to be minimum and are reliable for planning.

5. **Economy**: Costs must be weighed against the importance of the forecast to the operations of the business.

6. **Utility**: The forecasting techniques must be easily understandable and reliable to the management.

7. **Consistency**: The forecaster has to deal with various components which are independent. If he does not make an adjustment in one component to bring it in line with a forecast of another, he would achieve a whole which would appear consistent.

**Explain different methods of forecasting.**

**Methods of forecasting**

1. There are two approaches of demand forecasting
   1. Survey methods
   2. Statistical methods

**Survey methods**

1. **Experts' Opinion Poll**: Refers to a method in which experts are requested to provide their opinion about the product. Generally, in an organization, sales representatives act as experts who can assess the demand for the product in different areas, regions, or cities. Sales representatives are in close touch with consumers; therefore, they are well aware of the consumers’ future purchase plans, their reactions to market change, and their perceptions for other competing products. They provide an approximate estimate of the demand for the organization’s products. This method is quite simple and less expensive.

2. **Delphi Method**: Refers to a group decision-making technique of forecasting demand. In this method, questions are individually asked from a group of experts to obtain their opinions on demand for products in future. These questions are repeatedly asked until a consensus is obtained. In addition, in this method, each expert is provided information regarding the estimates made by other experts in the group, so that he/she can revise his/her estimates with respect to others’ estimates. In this way, the forecasts are cross checked among experts to reach more accurate decision making. Ever expert is allowed to react or provide suggestions on others' estimates. However, the names of experts are kept anonymous while exchanging estimates among experts to facilitate fair judgment and reduce halo effect. The main advantage of this method is that it is time and cost effective as a number of experts are approached in a short time without spending on other resources. However, this method may lead to subjective decision making.

3. **Market Experiment Method**: Involves collecting necessary information regarding the current and future demand for a product. This method carries out the studies and experiments on consumer behavior under actual market conditions. In this method, some areas of markets are selected with similar features, such as population, income...
levels, cultural background, and tastes of consumers. The market experiments are carried out with the help of changing prices and expenditure, so that the resultant changes in the demand are recorded. These results help in forecasting future demand.

**Statistical methods**

1. **Trend Projection Method:** Trend projection or least square method is the classical method of business forecasting. In this method, a large amount of reliable data is required for forecasting demand. In addition, this method assumes that the factors, such as sales and demand, responsible for past trends would remain the same in future. In this method, sales forecasts are made through analysis of past data taken from previous year’s books of accounts. In case of new organizations, sales data is taken from organizations already existing in the same industry. This method uses time-series data on sales for forecasting the demand of a product.

2. **Barometric Method:** In barometric method, demand is predicted on the basis of past events or key variables occurring in the present. This method is also used to predict various economic indicators, such as saving, investment, and income. This technique helps in determining the general trend of business activities. For example, suppose government allots land to the XYZ society for constructing buildings. This indicates that there would be high demand for cement, bricks, and steel. The main advantage of this method is that it is applicable even in the absence of past data. However, this method is not applicable in case of new products. In addition, it loses its applicability when there is no time lag between economic indicator and demand.

3. **Econometric Methods:** Econometric methods combine statistical tools with economic theories for forecasting. The forecasts made by this method are very reliable than any other method. An econometric model consists of two types of methods namely, regression model and simultaneous equations model.

4. **Other Statistical Measures:** Apart from statistical methods, there are other methods for demand forecasting. These measures are very specific and used for only particular datasets. Therefore, there usage cannot be generalized for all types of research. The different types of statistical measures are index number, time series analysis, decision tree analysis etc.

**Define Market Segmentation also explain its types.**

**OR**

**Define Market Segmentation also explain bases for segmentation.**

**Market Segmentation**

2. Market segmentation is a marketing strategy which involves dividing a broad target market into subsets of consumers, businesses, or countries that have, or are perceived to have, common needs, interests, and priorities, and then designing and implementing strategies to target them.
Types of Market Segmentation
3. Consumer markets can be segmented on the following customer characteristics.
   1. Geographic
   2. Demographic
   3. Psychographic
   4. Behavioristic

Geographic Segmentation
4. The following are some examples of geographic variables often used in segmentation.
   ➢ Region: by continent, country, state, or even neighborhood
   ➢ Size of metropolitan area: segmented according to size of population
   ➢ Population density: often classified as urban, suburban, or rural
   ➢ Climate: according to weather patterns common to certain geographic regions

Demographic Segmentation
5. Some demographic segmentation variables include:
   ➢ Age
   ➢ Gender
   ➢ Family size
   ➢ Family lifecycle
   ➢ Generation: baby-boomers, Generation X, etc.
   ➢ Income
   ➢ Occupation
   ➢ Education
   ➢ Ethnicity
   ➢ Nationality
   ➢ Religion
   ➢ Social class
6. Many of these variables have standard categories for their values. For example, family
   lifecycle often is expressed as bachelor, married with no children (DINKS: Double
   Income, No Kids), full-nest, empty-nest, or solitary survivor. Some of these categories
   have several stages, for example, full-nest I, II, or III depending on the age of the
   children.

Psychographic Segmentation
7. Psychographic segmentation groups customers according to their lifestyle. Activities,
   interests, and opinions (AIO) surveys are one tool for measuring lifestyle. Some
   psychographic variables include:
   ➢ Activities
   ➢ Interests
   ➢ Opinions
   ➢ Attitudes
   ➢ Values
8 – Introduction to Marketing Management & Finance Management

Behavioristic Segmentation

8. Behavioral segmentation is based on actual customer behavior toward products. Some behavioristic variables include:
   - Benefits sought
   - Usage rate
   - Brand loyalty
   - User status: potential, first-time, regular, etc.
   - Readiness to buy
   - Occasions: holidays and events that stimulate purchases

9. Behavioral segmentation has the advantage of using variables that are closely related to the product itself. It is a fairly direct starting point for market segmentation.

Explain advantages (benefits/merits) and disadvantages (demerits) of Market Segmentation.

Advantages (benefits) of Market Segmentation

1. The marketer can spot and compare marketing opportunities. He can examine the needs of each segment and determine to what extent the current offering satisfies these needs. Segments which have low level of satisfaction from current offerings represent excellent opportunities for the marketer.

2. With the help of knowledge about different segments, the marketer can better allocate the total marketing budget. Differences in customer response to different marketing tools serve as the basis for deciding on the allocation of market funds to different customer groups.

3. The marketer can modify his product/service and marketing appeals to suit the target segment.

4. Segmentation facilitates setting up of realistic selling targets and priorities.

5. Management can identify new profitable segments which deserve special attention.

6. It is possible to deal with competition more effectively by using resources more effectively.

7. Appropriate service packages can be developed for each market segment.

Disadvantages (demerits) of Market Segmentation

1. Segmentation increases costs. When a firm attempts to serve several market segments, there is a proliferation of products. Cost of production rises due to shorter production runs and product variations.

2. Larger inventory has to be maintained by both the manufacturer and the distributors.

3. Promotion and distribution expenditures increase when separate programmes are used for different market segments.

4. When characteristics of a market segment change, investment made already might become useless.
Define Finance Management.

*Finance Management*
- Financial management refers to the efficient and effective management of money (funds) in such a manner as to accomplish the objectives of the organization.
- It is the specialized function directly associated with the top management.
- According to Solomon, “Financial management is concerned with the efficient use of an important economic resource, namely, capital funds.”
- According to J. L. Massie, “Financial management is the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operation.”
- According to Weston & Brigham, “Financial management is an area of financial decision making harmonizing individual motives & enterprise goals.”
- According to Howard & Upton, “Financial management is the application of the planning & control functions of the finance function.”
- According to J. F. Bradley, “Financial management is the area of business management devoted to the judicious use of capital & careful selection of sources of capital in order to enable a spending unit to move in the direction of reaching its goals.”

Explain aims of Finance Management.

*Aims of Finance Management*

1. **Acquiring Sufficient Funds**: The main aim of finance function is to assess the financial needs of an enterprise and then finding out suitable sources for raising them. The sources should be commensurate with the need of the business. If funds are needed for longer period’s then long term sources like share capital, debentures, term loans may be explored.

2. **Proper Utilization of Funds**: Though raising of funds is important but their effective utilization is more important. The funds should be used in such a way that maximum benefit is derived from them. The returns from their use should be more than their cost.

3. **Increasing Profitability**: The planning and control of finance function aims at increasing profitability of the concern. To increase profitability sufficient funds will have to be invested. Finance function should be so planned that the concern neither suffers from inadequacy of funds nor wastes more funds than required. A proper control should also be exercised so that scarce resources are not frittered away on uneconomical operations.

4. **Maximizing Firm’s Value**: Finance function also aims at maximizing the value of the firm. Besides profits, the type of sources used for raising funds, the cost of funds, the condition of money market, the demand for products are some other considerations which also influence a firm’s value.

5. **Reduction in Cost**: Capital and equity funds are utilized for production. So all types of steps should be taken to reduce firm’s cost of capital.

6. **Sources of funds**: It should be decided by keeping in view the value of the firm to collect funds through issue of shares or debentures.
Reduce risks: There won't be profits without risk. But for this reason if more risk is taken, it may become danger to the existence of the firm. Hence risk should be reduced to minimum level.

Long run value: It should be the feature of financial management to increase the long-run value of the firm. To earn more profits in short time, some firms may do the activities like releasing of low quality goods, neglecting the interests of consumers and employees.

**Explain characteristics (features) of Finance Management.**

**Characteristics (features) of Finance Management**

1. **Analytical Thinking:** Under financial management financial problems are analyzed and considered. Study of trend of actual figures is made and ratio analysis is done.

2. **Continuous Process:** Previously financial management was required rarely but now the financial manager remains busy throughout the year.

3. **Basis of Managerial Decisions:** All managerial decisions relating to finance are taken after considering the report prepared by the finance manager. The financial management is the base of managerial decisions.

4. **Maintaining Balance between Risk and Profitability:** Larger the risk in the business larger is the expectation of profits. Financial management maintains balance between the risk and profitability.

5. **Coordination between Process:** There is always a coordination between various processed of the business.

6. **Centralized Nature:** Financial management is of a centralized nature. Other activities can be decentralized but there is only one department for financial management.

**Explain objectives (goals) of Finance Management.**

**Objectives (goals) of Finance Management**

1. **Profit maximization:** The main objective of financial management is profit maximization. The finance manager tries to earn maximum profits for the company in the short-term and the long-term. He cannot guarantee profits in the long term because of business uncertainties. However, a company can earn maximum profits even in the long-term, if:-
   - The Finance manager takes proper financial decisions.
   - He uses the finance of the company properly.

2. **Wealth maximization:** Wealth maximization (shareholders' value maximization) is also a main objective of financial management. Wealth maximization means to earn maximum wealth for the shareholders. So, the finance manager tries to give a maximum dividend to the shareholders. He also tries to increase the market value of the shares. The market value of the shares is directly related to the performance of the company.

3. **Proper estimation of total financial requirements:** Proper estimation of total financial requirements is a very important objective of financial management. The finance manager must estimate the total financial requirements of the company. He must find out how much finance is required to start and run the company. He must find out the
fixed capital and working capital requirements of the company. His estimation must be correct. If not, there will be shortage or surplus of finance. Estimating the financial requirements is a very difficult job. The finance manager must consider many factors, such as the type of technology used by company, number of employees employed, scale of operations, legal requirements, etc.

4. **Proper mobilization**: Mobilization (collection) of finance is an important objective of financial management. After estimating the financial requirements, the finance manager must decide about the sources of finance. He can collect finance from many sources such as shares, debentures, bank loans, etc. There must be a proper balance between owned finance and borrowed finance. The company must borrow money at a low rate of interest.

5. **Proper utilization of finance**: Proper utilization of finance is an important objective of financial management. The finance manager must make optimum utilization of finance. He must use the finance profitable. He must not waste the finance of the company. He must not invest the company’s finance in unprofitable projects. He must not block the company’s finance in inventories. He must have a short credit period.

6. **Maintaining proper cash flow**: Maintaining proper cash flow is a short-term objective of financial management. The company must have a proper cash flow to pay the day-to-day expenses such as purchase of raw materials, payment of wages and salaries, rent, electricity bills, etc. If the company has a good cash flow, it can take advantage of many opportunities such as getting cash discounts on purchases, large-scale purchasing, and giving credit to customers, etc. A healthy cash flow improves the chances of survival and success of the company.

7. **Survival of company**: Survival is the most important objective of financial management. The company must survive in this competitive business world. The finance manager must be very careful while making financial decisions. One wrong decision can make the company sick, and it will close down.

8. **Creating reserves**: One of the objectives of financial management is to create reserves. The company must not distribute the full profit as a dividend to the shareholders. It must keep a part of it profit as reserves. Reserves can be used for future growth and expansion. It can also be used to face contingencies in the future.

9. **Proper coordination**: Financial management must try to have proper coordination between the finance department and other departments of the company.

10. **Create goodwill**: Financial management must try to create goodwill for the company. It must improve the image and reputation of the company. Goodwill helps the company to survive in the short-term and succeed in the long-term. It also helps the company during bad times.

11. **Increase efficiency**: Financial management also tries to increase the efficiency of all the departments of the company. Proper distribution of finance to all the departments will increase the efficiency of the entire company.

12. **Financial discipline**: Financial management also tries to create a financial discipline. Financial discipline means:-
i. To invest finance only in productive areas. This will bring high returns (profits) to the company.

ii. To avoid wastage and misuse of finance.

13. **Reduce cost of capital**: Financial management tries to reduce the cost of capital. That is, it tries to borrow money at a low rate of interest. The finance manager must plan the capital structure in such a way that the cost of capital it minimized.

14. **Reduce operating risks**: Financial management also tries to reduce the operating risks. There are many risks and uncertainties in a business. The finance manager must take steps to reduce these risks. He must avoid high-risk projects. He must also take proper insurance.

15. **Prepare capital structure**: Financial management also prepares the capital structure. It decides the ratio between owned finance and borrowed finance. It brings a proper balance between the different sources of capital. This balance is necessary for liquidity, economy, flexibility and stability.

---

**Explain scope of Finance Management.**

**Scope of Finance Management**

1. **Estimating Financial Requirements**: The first task of a financial manager is to estimate short term and long-term financial requirements of his business. For this purpose, he will prepare a financial plan for present as well as for future. The amount required for purchasing fixed assets as well as for working capital will have to be ascertained.

2. **Deciding Capital Structure**: The capital structure refers to the kind and proportion of different securities for raising funds. After deciding about the quantum of funds required, it should be decided which type of securities should be raised. It may be wise to finance fixed assets through long-term debts and current assets through short-term debts.

3. **Selecting a Source of Finance**: After preparing capital structure, an appropriate source of finance is selected. Various sources from which finance may be raised include: share capital, debentures, financial institutions, commercial banks, public deposits etc. If finance is needed for short period then banks, public deposits and financial institutions may be appropriate. On the other hand, if long-term finance is required then, share capital, and debentures may be useful.

4. **Selecting a pattern of Investment**: When funds have been procured then a decision about investment pattern is to be taken. The selection of an investment pattern is related to the use of funds. A decision will have to be taken as to which asset is to be purchased. The funds will have to be spent first on fixed assets and then an appropriate portion will be retained for working capital. The decision-making techniques such as capital budgeting, opportunity cost analysis etc. may be applied in making decisions about capital expenditures.

5. **Proper cash Management**: Cash management is an important task of finance manager. He has to assess various cash needs at different times and then make arrangements for arranging cash. The cash management should be such that neither there is a shortage of
it and nor it is idle. Any shortage of cash will damage the credit worthiness of the enterprise. The idle cash with the business will mean that it is not properly used. Cash flow statements are used to find out various sources and application of cash.

6. **Implementing Financial Controls**: An efficient system of financial management necessitates the use of various control devises. Financial control devises generally used are budgetary control, break even analysis; cost control, ratio analysis etc. The use of various techniques by the finance manager will help him in evaluating the performance in various areas and take corrective measures whenever needed.

7. **Proper use of Surplus**: The utilization of profit or surplus is also an important factor in financial management. A judicious use of surpluses is essential for expansion and diversification plan and also in protecting the interest of shareholders. The finance manager should consider the following factors before declaring the dividend:
   I. Trend of earnings of the enterprise
   II. Expected earnings in future.
   III. Market value of shares.
   IV. Shareholders interest.
   V. Needs of fund for expansion etc.

**Explain importance (significance) of Finance Management.**

**Importance (significance) of Finance Management**

1. **Capital Expenditures**: All your financial considerations of capital expenditures must balance the amount of income the asset will produce with the amount it will cost. If you manage your capital expenditures effectively, you will not overextend your company by borrowing too much for assets that don't provide enough income to justify the expense.

2. **Operating Cash**: You must manage your cash flow so you always have enough on hand to pay for rent, utilities, telephone, insurance, payroll and supplies. This means you must look ahead and see when your accounts receivable are due and compare that to the due dates for your outstanding bills. If you fail to manage cash flow effectively, you may not be able to pay expenses and keep your company operating.

3. **Lowering Expenses**: One of your financial management responsibilities is to keep costs as low as possible. You can ask vendors for lower prices, reduce the number of employees you use, reduce energy use and purchase supplies in bulk. If you do not monitor and manage costs, your company will always have to increase sales dramatically to pay rising expenses.

4. **Tax Planning**: Your financial management duties include planning for taxes. This involves making sure you have cash on hand to pay estimated tax payments each quarter and also timing your purchases of major assets to get the maximum benefit.

5. **Smooth Running of an Enterprise**: Sound Financial planning is necessary for the smooth running of an enterprise. Money is to an enterprise, what oil is to an engine. As, Finance is required at each stage of an enterprise. Proper financial administration means the study, analysis and evaluation of all financial problems to be faced by the management.
and to take proper decision with reference to the present circumstances in regard to the procurement and utilizations of funds.

6. **Financial Administration Co-ordinates Various Functional Activities:** Financial administration provides complete co-ordination between various functional areas such as marketing, production etc. to achieve the organizational goals. If financial management is defective, the efficiency of all other departments can, in no way, be maintained.

7. **Focal Point of Decision Making:** Almost, every decision in the business is taking in the light of its profitability. Financial administration provides scientific analysis of all facts and figures through various financial tools, such as different financial statements, budgets etc., which help in evaluating the profitability of the plan in the given circumstances, so that a proper decision can be taken to minimize the risk involved in the plan.

8. **Determinant of Business Success:** It has been recognized, even in India that the financial manager play a very important role in the success of business organization by advising the top management the solutions of the various financial problems as experts. They present important facts and figures regarding financial position on the performance of various functions of the company in a given period before the top management in such a way so as to make it easier for the top management to evaluate the progress of the company to amend suitably the principles and policies of the company. The financial managements assist the top management in its decision making process by suggesting the best possible alternative out of the various alternatives of the problem available. Hence, financial management helps the management at different level in taking financial decisions.

9. **Measure of Performance:** The performance of the firm can be measured by its financial results; i.e, by its size of earnings. Riskiness and profitability are two major factors which jointly determine the value of the concern. Financial decisions which increase risks will decrease the value of the firm and on the to the hand, financial decisions which increase the profitability will increase value of the firm. Risk and profitability are two essential ingredients of a business concern.

**Explain source of Finance Management.**

**Source of Finance Management**

Two of the main types of finance available include:

- **Debt finance:** Money provided by an external lender, such as a bank, building society or credit union.
- **Equity finance:** Money sourced internally by the business.

Once you know how much finance you need, it’s important to know your options. Knowing who to approach for finance can help you find the best finance option for your business. It can also give you several alternatives if traditional finance options fail. See the list below for some common sources of debt and equity finance:
Debt Finance

1. Financial institutions: Financial institutions such as banks, building societies and credit unions offer a range of finance products with both short and long-term finance solutions. Some products include business loans, lines of credit, overdraft facilities, invoice financing, equipment leases and asset financing.

2. Retailers: If you require finance to purchase goods such as furniture, technology or equipment, many stores offer store credit through a finance company. Generally, this is a higher interest option and is suited to businesses that can pay the loan off quickly within the interest-free period.

3. Suppliers: Most suppliers offer trade credit that allows businesses to delay payment for goods. The terms often vary and trade credit may only be offered to businesses that have an established relationship with the supplier.

4. Finance companies: Most finance companies offer finance products via a retailer. Finance companies must be registered, so before you obtain finance check the Professional registers.

5. Factor companies: Factor companies offer a form of finance where they purchase a business' outstanding invoices at a discount. The factor company then chases up the debtors. While factoring is a way to get quick access to cash, it can be quite expensive compared to traditional financing options.

6. Family or friends: If a friend or relative offers you a loan that is expected to be repaid, it’s called a debt finance arrangement. If you decide on this option, carefully consider how this arrangement could affect your relationship.

Equity Finance

1. Self-funding: Often called ‘bootstrapping’, self-funding is often the first step in seeking finance and involves funding purely through personal finances and revenue from the business. Investors and lenders will both expect some amount of self-funding before they agree to offer you finance.

2. Family or friends: Offering a partnership or share in your business to family or friends in return for equity is often an easy way of obtaining finance. However, this option must be carefully considered to ensure your relationship is not adversely affected.

3. Private investors: Investors can contribute funds to your business in return for a share in your profits and equity. Investors such as business angels can also work in the business providing expertise or advice as well as providing funds.

4. Venture capitalists: Venture capitalists are generally large corporations that invest large sums in start-up businesses with the potential for high growth and large profits. They typically require a large controlling share of the business and often provide management or industry expertise.

5. Stock market: Also known as an Initial Public Offering (IPO), floating on the stock market involves publicly offering shares to raise capital. This can be a more expensive and complex option and carries the risk of not raising the funds needed due to poor market conditions.
6. **Government:** In general, the government doesn't provide finance for starting up or buying a business. However, you may be eligible for a grant in certain circumstances, such as business expansion, research and development, innovation or exporting.

7. **Crowd funding:** Some social media websites offer entrepreneurs a 'crowd funding' platform for their product prototypes or innovative projects. It involves setting a funding goal, providing project and budget details and inviting people to contribute to a startup capital pool.

---

**Explain functions of Finance Management.**

**Functions of Finance Management**

1. **Estimating the Amount of Capital Required:** This is the foremost function of the financial manager. Business firms require capital for:
   - Purchase of fixed assets,
   - Meeting working capital requirements, and
   - Modernization and expansion of business.

   The financial manager makes estimates of funds required for both short-term and long-term.

2. **Determining Capital Structure:** Once the requirement of capital funds has been determined, a decision regarding the kind and proportion of various sources of funds has to be taken. For this, financial manager has to determine the proper mix of equity and debt and short-term and long-term debt ratio. This is done to achieve minimum cost of capital and maximize shareholders wealth.

3. **Choice of Sources of Funds:** Before the actual procurement of funds, the finance manager has to decide the sources from which the funds are to be raised. The management can raise finance from various sources like equity shareholders, preference shareholders, debenture holders, and banks and other financial institutions, public deposits, etc.

4. **Procurement of Funds:** The financial manager takes steps to procure the funds required for the business. It might require negotiation with creditors and financial institutions, issue of prospectus, etc. The procurement of funds is dependent not only upon cost of raising funds but also on other factors like general market conditions, choice of investors, government policy, etc.

5. **Utilization of Funds:** The funds procured by the financial manager are to be prudently invested in various assets so as to maximize the return on investment: While taking investment decisions, management should be guided by three important principles, viz., safety, profitability, and liquidity.

6. **Disposal of Profits or Surplus:** The financial manager has to decide how much to retain for plugging back and how much to distribute as dividend to shareholders out of the profits of the company. The factors which influence these decisions include the trend of earnings of the company, the trend of the market price of its shares, the requirements of funds for self-financing the future programs and so on.
7. Management of Cash: Management of cash and other current assets is an important task of financial manager. It involves forecasting the cash inflows and outflows to ensure that there is neither shortage nor surplus of cash with the firm. Sufficient funds must be available for purchase of materials, payment of wages and meeting day-to-day expenses.

8. Financial Control: Evaluation of financial performance is also an important function of financial manager. The overall measure of evaluation is Return on Investment (ROI). The other techniques of financial control and evaluation include budgetary control, cost control, internal audit, break-even analysis and ratio analysis. The financial manager must lay emphasis on financial planning as well.
Define production management.

**Production Management**
- Production management deals with converting raw materials into finished goods or products.
- It brings together the 6M's i.e. men, money, machines, materials, methods and markets to satisfy the wants of the people.
- Production management also deals with decision-making regarding the quality, quantity, cost, etc., of production.
- It applies management principles to production.
- Production management deals with decision-making related to production processes so that the resulting goods or service is produced according to specification, in the amount and by the schedule demanded and at minimum cost.

List and explain the objectives of production management.

**Objectives of Production Management**
- **Accomplishment of firm's objectives**: Production management helps the business firm to achieve all its objectives. It produces products, which satisfy the customers' needs and wants. So, the firm will increase its sales. This will help it to achieve its objectives.
- **Reputation, Goodwill and Image**: Production management helps the firm to satisfy its customers. This increases the firm's reputation, goodwill and image. A good image helps the firm to expand and grow.
- **Helps to introduce new products**: Production management helps to introduce new products in the market. It conducts Research and development (R&D). This helps the firm to develop newer and better quality products. These products are successful in the market because they give full satisfaction to the customers.
- **Supports other functional areas**: Production management supports other functional areas in an organization, such as marketing, finance, and personnel. The marketing department will find it easier to sell good-quality products, and the finance department will get more funds due to increase in sales. It will also get more loans and share capital for expansion and modernization. The personnel department will be able to manage the human resources effectively due to the better performance of the production department.
- **Helps to face competition**: Production management helps the firm to face competition in the market. This is because production management produces products of right quantity, right quality, and right price and at the right time. These products are delivered to the customers as per their requirements.
- **Optimum utilization of resources**: Production management facilitates optimum utilization of resources such as manpower, machines, etc. So, the firm can meet its capacity utilization objective. This will bring higher returns to the organization.
Minimizes cost of production: Production management helps to minimize the cost of production. It tries to maximize the output and minimize the inputs. This helps the firm to achieve its cost reduction and efficiency objective.

Expansion of the firm: The Production management helps the firm to expand and grow. This is because it tries to improve quality and reduce costs. This helps the firm to earn higher profits. These profits help the firm to expand and grow.

List and explain the importance of production management.

Importance of Production Management

➢ Higher standard of living: Production management conducts continuous research and development (R&D). So they produce new and better varieties of products. People use these products and enjoy a higher standard of living.

➢ Generates employment: Production activities create many different job opportunities in the country, either directly or indirectly. Direct employment is generated in the production area, and indirect employment is generated in the supporting areas such as marketing, finance, customer support, etc.

➢ Improves quality and reduces cost: Production management improves the quality of the products because of research and development. Because of large-scale production, there are economies of large scale. This brings down the cost of production. So, consumer prices also reduce.

➢ Spread effect: Because of production, other sectors also expand. Companies making spare parts will expand. The service sector such as banking, transport, communication, insurance, BPO, etc. also expand. This spread effect offers more job opportunities and boosts economy.

➢ Creates utility: Production creates Form Utility. Consumers can get form utility in the shape, size and designs of the product. Production also creates time utility, because goods are available whenever consumers need it.

➢ Boosts economy: Production management ensures optimum utilization of resources and effective production of goods and services. This leads to speedy economic growth and well-being of the nation.

List and explain the functions of production management.

Functions of Production Management

➢ Selection of Product and Design
➢ Selection of Production Process
➢ Selecting Right Production Capacity
➢ Production Planning
➢ Production Control
➢ Quality and Cost Control
➢ Inventory Control
➢ Maintenance and Replacement of Machines
Selection of Product and Design: Production management first selects the right product for production. Then it selects the right design for the product. Care must be taken while selecting the product and design because the survival and success of the company depend on it. The product must be selected only after detailed evaluation of all the other alternative products. After selecting the right product, the right design must be selected. The design must be according to the customers' requirements. It must give the customers maximum value at the lowest cost. So, production management must use techniques such as value engineering and value analysis.

Selection of Production Process: Production management must select the right production process. They must decide about the type of technology, machines, material handling system, etc.

Selecting Right Production Capacity: Production management must select the right production capacity to match the demand for the product. This is because more or less capacity will create problems. The production manager must plan the capacity for both short and long term's production. He must use break-even analysis for capacity planning.

Production Planning: Production management includes production planning. Here, the production manager decides about the routing and scheduling.

- Routing means deciding the path of work and the sequence of operations.
  The main objective of routing is to find out the best and most economical...
sequence of operations to be followed in the manufacturing process. Routing ensures a smooth flow of work.

- Scheduling means to decide when to start and when to complete a particular production activity.

- **Production Control:** Production management also includes production control. The manager has to monitor and control the production. He has to find out whether the actual production is done as per plans or not. He has to compare actual production with the plans and finds out the deviations. He then takes necessary steps to correct these deviations.

- **Quality and Cost Control:** Production management also includes quality and cost control. Quality and Cost Control are given a lot of importance in today’s competitive world. Customers all over the world want good-quality products at cheapest prices. To satisfy this demand of consumers, the production manager must continuously improve the quality of his products. Along with this, he must also take essential steps to reduce the cost of his products.

- **Inventory Control:** Production management also includes inventory control. The production manager must monitor the level of inventories. There must be neither over stocking nor under stocking of inventories.
  - If there is an overstocking, then the working capital will be blocked, and the materials may be spoiled, wasted or misused.
  - If there is an understocking, then production will not take place as per schedule, and deliveries will be affected.

- **Maintenance and Replacement of Machines:** Production management ensures proper maintenance and replacement of machines and equipment. The production manager must have an efficient system for continuous inspection (routine checks), cleaning, oiling, maintenance and replacement of machines, equipment, spare parts, etc. This prevents breakdown of machines and avoids production halts.

### Define plant layout and its types.

**Plant layout**

- Plant Layout is the physical arrangement of equipment and facilities within a Plant.
- Optimizing the Layout of a Plant can improve productivity, safety and quality of Products.
- Un-necessary efforts of materials handling can be avoided when the Plant Layout is optimized.
- Plant layout techniques apply to the case where several physical means have to be located in a certain area, either industrial processes or services.
- The basic objective is to ensure a smooth flow of work, material, people and information.
- There are probably two levels at which layouts are required.
- In one, the various departments have to be sited, and in other the items of equipment within a department need to be located.
Types of Layout
1. Process
2. Product
3. Cellular
4. Fixed position
5. Hybrid (mixed)

Process Layout
- Used when the operations system must handle a wide variety of products in relatively small volumes (i.e., flexibility is necessary)
- Designed to facilitate processing items or providing services that present a variety of processing requirements.
- The layouts include departments or other functional groupings in which similar kinds of activities are performed.
- A manufacturing example of a process layout is the machine shop, which has separate departments for milling, grinding, drilling, and so on.

Product (Assembly Line) Layout
- Product layouts are used to achieve a smooth and rapid flow of large volumes of products or customers through a system.
- A job is divided into a series of standardized tasks, permitting specialization of both labor and equipment.
- The large volumes handled by these systems usually make it economical to invest huge amount of money in equipment and job design.
- Operations are arranged in the sequence required to make the product. For instance, if a portion of a manufacturing operation required the sequence of cutting, polishing, and painting, the appropriate pieces of equipment would be arranged in that sequence.
- Product layouts achieve a high degree of labor and equipment utilization.

Cellular Manufacturing (CM) Layout
- Cellular manufacturing is a type of layout in which machines are grouped into what is referred to as a cell.
- Groupings are determined by the operations needed to perform work for a set of similar items, or part families that require similar processing.
- Cellular layout provides faster processing time, less material handling, less work-in-process inventory, and reduced setup time.
- Used when the operations system must handle a moderate variety of products in moderate volumes.

Fixed-Position Layouts
- In fixed-position layouts, the materials or major components remain in a fixed position, and workers, materials, and equipment are moved as needed.
- Fixed-position layout is used when product is very bulky, heavy or fragile.
Fixed-position layouts are used in large construction projects (buildings, power plants, and dams), shipbuilding and production of large aircraft and space mission rockets.

Fixed-position layouts are widely used for farming, firefighting, road building, home building, remodeling and repair.

**Hybrid (mixed) Layouts**

- Actually, most manufacturing facilities use a combination of layout types.
- An example of a hybrid layout is where departments are arranged according to the types of processes but the products flow through on a product layout.
- For instance, supermarket layouts are fundamentally of a process nature, and however we find most use fixed-path material-handling devices such as roller-type conveyors both in the stockroom and at checkouts, and belt-type conveyors at the cash registers.
- Hospitals also use the basic process arrangement, although frequently patient care involves more of a fixed-position approach, in which nurses, doctors, medicines, and special equipment are brought to the patient.

**List and explain factors affecting plant layout.**

**Factors affecting plant layout**

- **Policies of management:** It is important to keep in mind various managerial policies and plans before deciding plant layout. Various managerial policies relate to future volume of production and expansion, size of the plant, integration of production processes; facilities to employees, sales and marketing policies and purchasing policies etc. These policies and plans have positive impact in deciding plant layout.

- **Plant location:** Location of a plant greatly influences the layout of the plant. Topography, shape, climate conditions, and size of the site selected will influence the general arrangement of the layout and the flow of work in and out of the building.

- **Nature of the product:** Nature of the commodity or article to be produced greatly affects the type of layout to be adopted. In case of process industries, where the production is carried in a sequence, product layout is suitable. For example, soap manufacturing, sugar producing units and breweries apply product type of layout. On the other hand in case of intermittent or assembly industries, process type of layout best suited. For example, in case of industries manufacturing cycles, typewriters, sewing machines and refrigerators etc., process layout method is best suited. Production of heavy and bulky items need different layout as compared to small and light items. Similarly products with complex and dangerous operations would require isolation instead of integration of processes.

- **Volume of production:** Plant layout is generally determined by taking into consideration the quantum of production to be produced. There are three systems of production viz.,
  - Job production
  - Mass production
  - Batch production
Availability of floor space: Availability of floor space can be other decisive factor in adopting a particular mode of layout. If there is a scarcity of space, product layout may be undertaken. On the other hand more space may lead to the adoption of process layout.

Nature of manufacturing process: The type of manufacturing process undertaken by a business enterprise will greatly affect the type of layout to be undertaken.

- Synthetic process
- Analytical process
- Conditioning process
- Extractive process

Repairs and maintenance of equipment and machines: The plant layout should be designed in such a manner as to take proper care with regard to repairs and maintenance of different types of machines and equipment being used in the industry. The machines should not be installed so closely that it may create the problems of their maintenance and repairs. It has been rightly said that “Not only should access to parts for regular maintenance such as oiling, be considered in layout but also access to machine parts and components when replacement and repair are fairly common”.

Define plant location and factors affecting plant location.

Plant location

- Plant location meaning - the establishment of an industry at a particular place.
- The selection of appropriate location can be done in two stages:
- Evaluation of various geographic areas and the selection of an optimum area.
- Within each area there is a choice of proper site which can be urban, suburban or rural.
- The fundamental object of location analysis is to maximize the profits by minimizing the total cost of production associated with the production process.

- Total costs = Fixed costs + Operational costs
- Fixed costs include expenditure on land, building, machines and other equipments etc. Operational costs are the expenditure incurred on inputs, transformation process and the distribution of output etc.
- The contribution of various factors to the total cost will vary from place to place.
- The location of the plant can have a crucial effect on the profitability of a Project, and the scope for future expansion.

Factors affecting plant location

- Proximity to market: Organization may choose to locate facilities close to their market, not merely to minimize transportation costs, but to provide a better service.
- Integration with other parts of the organization: If the new plant or facility is one of a number owned or operated by a single organization or group, it should be so situated that its work can be integrated with that of the associated units.
Availability of labor and skills: Certain geographical areas have traditional skills but it is very rare that a location can be found which has appropriately skilled and unskilled labour in the desired proportions or quantities.

Availability of amenities: A location which provides good external amenities is often more attractive than one which is more remote.

Availability of transport: It is important that good transport facilities are readily available.

Availability of inputs: A location near main suppliers will help to reduce cost and permit staff to meet suppliers easily to discuss quality, technical or delivery problems.

Availability of services:
1. Gas
2. Electricity
3. Water
4. Drainage
5. Disposal of waste
6. Communications

Suitability of land and climate: The geology of the area needs to be considered, together with the climate conditions.

Regional regulations: It is important to check at an early stage that the proposed location does not violate any local regulations.

Safety requirements: Some production units may present, or may be believed to present, potential dangers to the surrounding neighborhood. Location of such plants in remote areas may be desirable.

Site cost: As a first charge, the site cost is important, although it is necessary to prevent immediate benefit from jeopardizing long term plans.

Political, cultural and economic situation:

Special grants, regional taxes and import/export barriers: Certain government and local authorities often offer special grants, low-interest loans, low rental or taxes and other inducements in the hope of attracting certain industries to particular locations.

Define HRM (Human Resource Management). Explain objectives of HRM.

Human Resource Management

- Human resources management (HRM) is a management function concerned with hiring, motivating and maintaining people in an organization. It focuses on people in organizations.
- Human resource management is designing management systems to ensure that human talent is used effectively and efficiently to accomplish organizational goals.

Objectives of HRM

- Human capital: assisting the organization in obtaining the right number and types of employees to fulfill its strategic and operational goals.
Developing organizational climate: helping to create a climate in which employees are encouraged to develop and utilize their skills to the fullest and to employ the skills and abilities of the workforce efficiently.

Helping to maintain performance standards and increase productivity through effective job design; providing adequate orientation, training and development; providing performance-related feedback; and ensuring effective two-way communication.

Helping to establish and maintain a harmonious employer/employee relationship.

Helping to create and maintain a safe and healthy work environment.

Developing programs to meet the economic, psychological, and social needs of the employees and helping the organization to retain the productive employees.

Ensuring that the organization is in compliance with provincial/territorial and federal laws affecting the workplace (such as human rights, employment equity, occupational health and safety, employment standards, and labor relations legislation). To help the organization to reach its goals.

To provide organization with well-trained and well-motivated employees.

To increase the employees satisfaction and self-actualization.

To develop and maintain the quality of work life.

To communicate HR policies to all employees.

To help maintain ethical polices and behavior.

Explain manpower planning process.

Manpower Planning which is also called as Human Resource Planning consists of putting right number of people, right kind of people at the right place, right time, doing the right things for which they are suited for the achievement of goals of the organization.

Human Resource Planning has got an important place in the arena of industrialization.

Human Resource Planning has to be a systems approach and is carried out in a set procedure.

The procedure is as follows:

1) Analyzing the current manpower inventory
2) Making future manpower forecasts
3) Developing employment programs
4) Design training programs

Analyzing the current manpower inventory:

Before a manager makes forecast of future manpower, the current manpower status has to be analyzed. For this the following things have to be noted-

- Type of organization
- Number of departments
- Number and quantity of such departments
- Employees in these work units

Once these factors are registered by a manager, he goes for the future forecasting.
Making future manpower forecasts:

- Once the factors affecting the future manpower forecasts are known, planning can be done for the future manpower requirements in several work units.
- The Manpower forecasting techniques commonly employed by the organizations are as follows:
  - Expert Forecasts: This includes informal decisions, formal expert surveys and Delphi technique.
  - Trend Analysis: Manpower needs can be projected through extrapolation (projecting past trends), indexation (using base year as basis), and statistical analysis (central tendency measure).
  - Work Load Analysis: It is dependent upon the nature of work load in a department, in a branch or in a division.
  - Work Force Analysis: Whenever production and time period has to be analyzed, due allowances have to be made for getting net manpower requirements.
  - Other methods: Several Mathematical models, with the aid of computers are used to forecast manpower needs, like budget and planning analysis, regression, new venture analysis.

Developing employment programs:

- Once the current inventory is compared with future forecasts, the employment programs can be framed and developed accordingly, which will include recruitment, selection procedures and placement plans.

Design training programs:

- These will be based upon extent of diversification, expansion plans, development programs etc. Training programs depend upon the extent of improvement in technology and advancement to take place. It is also done to improve upon the skills, capabilities, knowledge of the workers.

List and explain sources of recruitment.

Internal sources of Recruitment:

- **Present Permanent Employees**: Organizations consider the candidates from this source for higher level of jobs due to availability of most suitable candidates for jobs relatively or equally to external sources, to meet the trade union demands and due to the policy of the organization to motivate the present employees.
- **Present temporary/casual Employees**: Organizations find this source to fill the vacancies relatively at the lower level owing to the availability of suitable candidates or trade union pressures or in order to motivate them on present job.
- **Retrenched or Retired Employees**: Employees retrenched due to lack of work are given employment by the organization due to obligation, trade union pressure etc. Sometimes they are re-employed by the organization as a token of their loyalty to the organization or to postpone some interpersonal conflicts for promotion.
Dependents of Deceased, Disabled, retired and present employees: Some organizations function with a view to developing the commitment and loyalty of not only the employee but also his family members.

Employee Referrals: Present employees are well aware of the qualifications, attitudes, experience and emotions of their friends and relatives. They are also aware of the job requirements and organizational culture of their company. As such they can make preliminary judgment regarding the match between the job and their friends and relatives.

**External Sources of Recruitment**

- **Campus Recruitment**: These candidates are directly recruited by the Company from their college/educational institution. They are inexperienced as far as work experience is concerned.

- **Private Employment Agencies/Consultants**: Public employment agencies or consultants like ABC Consultants in India perform recruitment functions on behalf of a client company by charging fees. Line managers are relieved from recruitment functions and can concentrate on operational activities.

- **Public Employment Exchanges**: The Government set up Public Employment Exchanges in the country to provide information about vacancies to the candidates and to help the organization in finding out suitable candidates. As per the Employment Exchange act 1959, makes it obligatory for public sector and private sector enterprises in India to fill certain types of vacancies through public employment exchanges.

- **Professional Organizations**: Professional organizations or associations maintain complete bio-data of their members and provide the same to various organizations on requisition. They act as an exchange between their members and recruiting firm.

- **Data Banks**: The management can collect the bio-data of the candidates from different sources like Employment Exchange, Educational Training Institutes, candidates etc and feed them in the computer. It will become another source and the co can get the particulars as and when required.

- **Casual Applicants**: Depending on the image of the organization its prompt response participation of the organization in the local activities, level of unemployment, candidates apply casually for jobs through mail or handover the application in the Personnel dept. This would be a suitable source for temporary and lower level jobs.

- **Similar Organizations**: Generally experienced candidates are available in organizations producing similar products or are engaged in similar business. The Management can get potential candidates from this source.

- **Trade Unions**: Generally unemployed or underemployed persons or employees seeking change in employment put a word to the trade union leaders with a view to getting suitable employment due to latter rapport with the management.

- **Walk In**: The busy organization and rapid changing companies do not find time to perform various functions of recruitment. Therefore they advise the potential
candidates to attend for an interview directly and without a prior application on a specified date, time and at a specified place.

- **Consult In:** the busy and dynamic companies encourage the potential job seekers to approach them personally and consult them regarding the jobs. The companies select the suitable candidates and advise the company regarding the filling up of the positions. Head hunters are also called search consultants.

- **Body Shopping:** Professional organizations and the hi-tech training develop the pool of human resource for the possible employment. The prospective employers contact these organizations to recruit the candidates. Otherwise the organizations themselves approach the prospective employers to place their human resources. These professional and training institutions are called body shoppers and these activities are known as body shopping. The body shopping is used mostly for computer professionals. Body shopping is also known as employee leasing activity.

- **Mergers and Acquisitions:** Business alliances like acquisitions, mergers and take over help in getting human resources. In addition the companies do also alliances in sharing their human resource on adhoc basis.

- **E-recruitment:** The technological revolution in telecommunications helped the organizations to use internet as a source of recruitment. Organizations advertise the job vacancies through the World Wide Web (www). The job seekers send their applications through e-mail using the internet.

- **Outsourcing:** Some organizations recently started developing human resource pool by employing the candidates for them. These organizations do not utilize the human resources; instead they supply HRs to various companies based on their needs on temporary or ad-hoc basis.

---

**Explain process (steps) of selection.**

**Process or steps of selection**

- **Identify vacancy:** In this step company will find out the number of vacancies and evaluate it.

- **Develop position description:** Find out the description of each and every vacancy. It is used to develop interview questions, interview evaluations and reference check questions.

- **Develop recruitment plan:** Make a plan for the recruitment process such as date of interview, time, venue of interview etc...

- **Select search committee:** Find out the source of candidate and collect data of candidate from that source.

- **Post position and implement recruitment plan:** Make an advertisement in newspaper, website etc. and make a recruitment plan.

- **Review applicants and develop short list:** Go through the list of candidates and make a list of candidate as per our requirement and qualification and experience.

- **Conduct interviews:** Arrange interview for the selected candidate as per the recruitment plan.

- **Select candidate:** Select the right candidate as per our requirement.
Finalize recruitment: Finalize the recruitment after selecting the entire rights candidate and finalize them with package and other facilities.
Define Corporate Social Responsibility (CSR).

Corporate Social Responsibility (CSR)
- Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.
- CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives while at the same time addressing the expectations of shareholders and stakeholders.

Explain characteristics (nature) Corporate Social Responsibility (CSR).

Characteristics (nature) Corporate Social Responsibility (CSR)
1. **Concerned with social prestige**: Business is an activity connected with the production, sale or distribution of a commodity or services with a view to satisfy diverse needs of the society. The more effectively a business unit caters to the needs of society, the greater will be its social prestige.
2. **Applicable to both private and public sector**: The concept of social responsibility of business is universal in its applicability. Every business unit has certain social obligations to discharge. Whether it functions in the private sector or in the public sector. The public sector units are not immune from social responsibility, In fact, public sector lies come into being out of the belief and experience that the private enterprise are neglecting their social responsibilities. Therefore public sector has greater responsibilities as compared to the private sector.
3. **Balance between individual and social interests**: The basis of the concept of social responsibility is the realization of the fact that business unit has to strike a balance between its own interests and those of the society. A business house that concentrates only on personal gains at the cost of social interests cannot survive for long. Similarly a firm that gives too much importance to social interests at the cost of personal gains cannot flourish and must close down sooner or later.
4. **Continuous process**: Social responsibility is a continuous process. So long as business functions, it must discharge its obligations to the society. It has to provide society with the commodity or services continuously. It has to maintain the quality of its product for ever. It has to maintain the prices of its product at its legitimate level. It has to pursue welfare — oriented activities continuously. Any disturbance in this continuous process would jeopardize not only the social prestige. But the very existence of the business unit.
5. **Two—way process**: Just as a business house has to discharge obligations to the various sections of the society, similarly the society has to fulfill some obligations to the business too, it is the responsibility of the society to create and maintain an atmosphere which is conducive to the functioning and growth of business. How can a business firm fulfill its obligations to society? unless it earns enough profits
6. **Spirit of trusteeship**: The idea of trusteeship was propounded by Tolstoy, Ruskin and Mahatma Gandhi. According to this principle, the managers of business are only the
trustees of their property and it is their moral duty to use and manage all of their property for the welfare of the society. No individual has any tight to hold any property for personal gain only and to use it against the interests of society. All resources must be fully utilized for production of goods and services. Keeping in view the needs of the society. As far back as in 1927, a top industrialist had remarked, “We consider ourselves to be the trustees of out wealth, which is to be managed only for the benefits of workers and consumers”

7. **Essential for the growth of business**: A business firm that neglects the expectations of the society cannot prosper. A sympathetic attitude of various sections of the society is essential for the success of business. The co-operation of the workers. Good wishes of the local population and attachment of the consumers are essential to the growth of business unit. Therefore, the manager of business must not neglect their duty towards all these section of society.

**Explain advantages (importance) of Corporate Social Responsibility (CSR).**

**Advantages (importance) of Corporate Social Responsibility (CSR)**

1. **Satisfied Employees**: Employees want to feel proud of the organization they work for. An employee with a positive attitude towards the company is less likely to look for a job elsewhere. It is also likely that you will receive more job applications because people want to work for you.

2. **Commitment with Stakeholders**: CSR requires engagement with internal and external stakeholders so it enables enterprises to anticipate better and take advantage of fast changing expectations in society as well as operating conditions. This means it can also act as a driver for the development of new markets and create real opportunities for growth.

3. **Creating long-term employee, Consumer and citizen Trust**: By addressing their social responsibility, enterprises can build long-term employee, consumer and citizen trust as a basis for sustainable business models. This helps to create an environment in which enterprises can innovate and grow. The economic crisis and its social consequences have to some extent damaged the levels of trust in business and have focused public attention on the social and ethical performance of enterprises, including on issues such as bonuses and executive pay.

4. **Costs Reductions**: Companies can reduce the recurring and non-recurring costs by hiring the right person at the right job with effective retention strategies. Because retention cost is lesser than recruitment cost. Organizations can also implement energy savings programs through energy audits. Effective CSR can assist the companies in managing potential risks and liabilities very effectively. These all together will create good-will for the company with very minimum investment in advertising.

5. **Win New Business Opportunities for Sustainable Future**: The business must be in a constant dialogue with customers, suppliers and other parties that affect the organization. Because of continuous interaction with other parties, your business will be the first to know about new business opportunities.
6. **Reducing the social effects of the crisis**: CSR also helps to reduce the social effects of the crisis, including job losses, is part of the social responsibility of enterprises. CSR offers a set of values on which we have to build an organized society and to look for sustainable economic system. Commission aims to create conditions favorable to sustainable growth, responsible business behavior and lasting job creation for the medium and long-term through CSR.

**Define Ethics and advantages (importance) of ethics.**

*Ethics*
- Management ethics is the ethical (proper/right) treatment of employees, stockholders, owners and the public by a company.
- A company, while needing to make a profit, should have good ethics.
- Employees should be treated well, whether they are employed here or overseas.
- By being respectful of the environment in the community a compound ethics, and good, honest records also show respect to stockholders and owners.
- Ethics and ethical behaviors are the essential parts of healthy management.
- From a management perspective, behaving ethically is an integral part of long-term career success.

*Advantages (importance) ethics*

1. **Satisfying Basic Human Needs**: Being fair, honest and ethical is one the basic human needs. Every employee desires to be such himself and to work for an organization that is fair and ethical in its practices.

2. **Creating Credibility**: An organization that is believed to be driven by moral values is respected in the society even by those who may have no information about the working and the businesses or an organization. Infosys, for example is perceived as an organization for good corporate governance and social responsibility initiatives. This perception is held far and wide even by those who do not even know what business the organization is into.

3. **Uniting People and Leadership**: An organization driven by values is revered by its employees also. They are the common thread that brings the employees and the decision makers on a common platform. This goes a long way in aligning behaviors within the organization towards achievement of one common goal or mission.

4. **Improving Decision Making**: A man's destiny is the sums total of all the decisions that he/she takes in course of his life. The same holds true for organizations. Decisions are driven by values. For example an organization that does not value competition will be fierce in its operations aiming to wipe out its competitors and establish a monopoly in the market.

5. **Long Term Gains**: Organizations guided by ethics and values are profitable in the long run, though in the short run they may seem to lose money. Tata group, one of the largest business conglomerates in India was seen on the verge of decline at the beginning of 1990's, which soon turned out to be otherwise. The same company’s Tata
NANO car was predicted as a failure, and failed to do well but the same is picking up fast now.

6. **Securing the Society**: Often ethics succeeds law in safeguarding the society. The law machinery is often found acting as a mute spectator, unable to save the society and the environment. Technology, for example is growing at such a fast pace that the by the time law comes up with a regulation we have a newer technology with new threats replacing the older one. Lawyers and public interest litigations may not help a great deal but ethics can.