



**STUDENT STUDY MATERIAL
CLASS XII
BUSINESS STUDIES(054)**



SESSION 2023-24

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BUSINESS STUDIES

CLASS XII

SYLLABUS

Session 2023-24

TIME : 3 HOURS

THEORY : 80

PROJECT : 20

Units	Periods	Marks
PART – A : Principles and Functions of Management		
1. NATURE AND SIGNIFICANCE OF MANAGEMENT	12	16
2. PRINCIPLES OF MANAGEMENT	14	
3. BUSINESS ENVIRONMENT	12	
4. PLANNING	14	14
5. ORGANISING	15	
6. STAFFING	16	20
7. DIRECTING	15	
8. CONTROLLING	12	
TOTAL	110	50
PART – B : Business Finance and Marketing		
		15
9. FINANCIAL MANAGEMENT	20	
10. FINANCIAL MARKETS	18	15
11. MARKETING MANAGEMENT	30	
12. CONSUMER PROTECTION	12	
Total	80	30
PART – C : PROJECT WORK (One)	30	20

CHAPTER 1

NATURE AND SIGNIFICANCE OF MANAGEMENT

Revision Notes

❖ **Meaning of management**

Management is the **PROCESS** of getting things done through others to achieve organisational objectives **EFFICIENTLY** and **EFFECTIVELY**.

OR

Management is the process of Planning, Organizing, Staffing, Directing and Controlling to accomplish organizational objectives through the coordinated use of human and material resources.

Three important concepts identified from the above meaning of management are:

1. PROCESS
2. EFFICIENCY
3. EFFECTIVENESS

❖ **PROCESS:**

Management is called a process because management consist of series of interrelated functions that are performed by all the managers to accomplish the objectives of organization.

These functions are Planning, Organising, Staffing, Directing and Controlling.

❖ **EFFICIENCY AND EFFECTIVENESS**

EFFICIENCY: Efficiency means doing the task correctly **at minimum cost**.

EFFECTIVENESS: Effectiveness means **completing the task** correctly within the given time.

Efficiency and Effectiveness are two sides of the same coin.

OR

Relation between Efficiency and Effectiveness

Although efficiency and effectiveness are different but they are interrelated. It is important for management to be both i.e. effective and efficient.

• **Example of effective and not efficient**

A business produces targeted 800 units but at a higher cost which exceed the given budget. In this case the business entrepreneur is effective but not efficient.

• **Example of efficient and not effective**

A business saves the cost by producing less than targeted units and produces only 700 units. In such a case business entrepreneur is efficient but not effective.

Therefore, if the business has to be effective and efficient then it has to produce 800 units with minimum cost and within given time.

CONCLUSION:

It is important for the management to achieve the goals (EFFECTIVE) with minimum resources(EFFICIENTLY) as far as possible while **maintaining the balance between Efficiency and Effectiveness**.

❖ CHARACTERISTICS OF MANAGEMENT

1. Goal oriented Process:

- It is a goal oriented process, which is undertaken to achieve already specified and desired objectives.
- The goal should be simple and clearly stated.
- Different organisations have different goals.

2. Pervasive:

- Management is pervasive in nature. It is used in all types of organizations whether economic, social or political and at every level.
- The way to manage may differ in different organisations.
- The difference is due to differences in culture, traditions and history.

3. Multidimensional: It is multidimensional in three ways:

i) Management of Work:

- Management translates the work of organisation in terms of goals to be achieved and assigns the means to achieve it.

ii) Management of People: People/ Human resources are the greatest assets of the organisation.

Management of people is done in two ways:

- a) It implies dealing with employees as individuals
- b) Dealing with individuals as a group of people.

iii) Management of operations:

- Every organisation has some production process.
- It includes flow of input material and technology and other operations to translate them into output.
- To manage the operations both work and people are to be managed.

4. Continuous:

- All the functions of management are being performed by all managers simultaneously.
- The process of management continues till an organisation exists for attaining its objectives.

5. Group Activity:

It is a group activity since it involves managing and coordinating activities of different people with different needs and purposes of joining organisation as a team to attain the common organisational objectives.

6. Dynamic function:

It is a dynamic function since it has to adapt to the changes in social, economic, political, technological and legal dimensions of business environment to run the organisation successfully.

7. Intangible Force : It is an intangible force as it cannot be seen but its presence and effect can be felt in the form of results like

- Whether the targets are met
- Whether employees are happy, satisfied and motivated.
- Whether there is orderliness instead of chaos.

❖ OBJECTIVES OF MANAGEMENT

(A) Organizational Objectives : These are the primary objectives of organisation. It includes the economic objectives of:

- a) Survival : In order to survive, an organisation must earn enough revenues to cover costs.
- b) Profit : Profit is essential to cover cost and risk of the business. It provides incentives for successful operations of the business.
- c) Growth : To remain in industry, management should fully use the growth potential of organisation. Growth of a business can be measured in terms of:
 - Sales volume
 - Increase in number of employees
 - Increase in number of products
 - Increase in capital investment.

(B) Social Objectives: It involves giving benefits to society like

- using environmental friendly practices
- giving employment to disadvantaged sections of society
- giving basic amenities like schools and **crèches to employees.**

(C) Personal Objectives: Employees working in the organisation have individual needs like:

- Financial needs like salary and perks.
- Social needs like recognition
- Higher level needs like personal growth and development.

The diverse personal objectives of people working in the organization have to be reconciled with organizational objectives by the management.

❖ IMPORTANCE OF MANAGEMENT

- (1) Achieving Group Goals: Management helps in achieving group goals. Manager gives common direction to the individual efforts in achieving the overall goals of the organisation.
- (2) Increases Efficiency: Management increases efficiency by using resources in the best possible manner to reduce cost and increase productivity through better planning, organising, staffing, directing and controlling.
- (3) Creates Dynamic Organisation: Business environment is constantly changing. Management helps people to adapt these changes so that the organisation is able to maintain its competitive edge.
- (4) Achieving Personal Objectives: Management helps in achieving personal objectives of individuals working in the organisation by contributing to the overall goals of organisation through motivation and effective leadership.
- (5) Development of Society: Management helps in the development of society by:
 - producing good quality products & services
 - creating employment opportunities and
 - adopting new technology.

❖ NATURE OF MANAGEMENT

It can be explained under three heads:

I) Management as an Art

Art refers to skillful and personal application of existing knowledge to achieve desired results. It can be acquired through study, observation and experience.

The features of management as an art are as follows.

1) Existence of theoretical knowledge:

- Art involves the existence of theoretical knowledge. For eg: literature in music, acting, dancing etc is widely recognized.
- The various areas of management like marketing, sales, finance etc involves a lot of literature. It can be studied as a discipline.

2) Personalized Application:

- Individuals make use of basic knowledge in his own personal way. For eg- two singers having same basic knowledge of music will sing differently.
- A manager skillfully applies the acquired knowledge according to the situation in his own unique way.

3) Based on practice and creativity:

- Art involves creative practice of acquired knowledge in order to be expert in his/ her field.
- A manager over a period of time gains lot of experience and formulates his own theories & ways for use in given situation.

Conclusion

Management possess all the features of an art which strengthen the view that management is an art.

II) Management as a Science

Science is a systematized body of knowledge that explains certain general truths or the operations of general laws.

The features of management as a science are as follows.

(1) Systematized body of knowledge:

- Science has its own systematic theory and principles based on cause & effect relationship. Example: Law of gravitation.
- Management is also a systematic body of knowledge having its own theory & principles. Eg: Fayol's principles of management.

(2) Principles based on experimentation:

- Scientific Principles have been developed through observation & experimentation under controlled conditions. Eg- If we boil water at 100° C, it will evaporate.
- Management principles are also developed over a period of time on the basis of experimentation & observation. But since it deals with human behaviour the *results are not so exact*.

(3) Universal Validity:

- Scientific principles are universal i.e. they are true under each & every situation. Eg- Principle of Gravitation.
- Principles of Management are not universal. They have to be modified according to the situation.

Conclusion:

In the absence of two main features i.e. 'Principles based on Experimentation' & 'Universal Validity', Management cannot be considered as perfect/pure science, rather it is a Social Science/ Soft Science/ Inexact Science.

III) Management As A Profession

Profession is a well defined body of knowledge which can be acquired through training and instructions and it follows ethical standards. For eg: Doctors, Lawyers etc.

The features of management as a profession are as follows.

1) Well-defined body of knowledge:

- All professions are based on a well-defined body of knowledge that can be acquired through instructions.
- Management has also grown as a discipline having a systematic body of knowledge and well defined principles.

2) Restricted entry:

- The entry to a profession is restricted through an examination or through acquiring an educational degree.
- But there is no restriction on any one being appointed as manager irrespective of the educational qualification possessed by him/her. Hence, this criterion is not fully satisfied in management.

3) Professional association:

- All professions are affiliated to a professional association which regulates entry, grants certificate of practice and formulates and enforces a code of conduct.
- There is no compulsion for managers to be members of any Management Association. Hence, this criterion is not fully satisfied in management.

4) Ethical code of conduct:

- All professions are bound by a code of conduct which guides the behaviour of its members.
- There is no compulsion for managers to be members of any management association and abide by the code of conduct. Hence this criterion is not fully satisfied in management.

5) Service motive:

- The basic motive of a profession is to serve their client's interests by rendering dedicated and committed service.
- The basic motive of management is to strive for profits. Though in order to survive in long run they have to fulfill their social responsibilities too. Hence this criterion is not fully satisfied in management.

Conclusion:

Management does not fulfill the exact criteria of profession. Hence, it cannot be recognized as a fully fledged profession.

Though it is on the path of becoming a profession in near future.

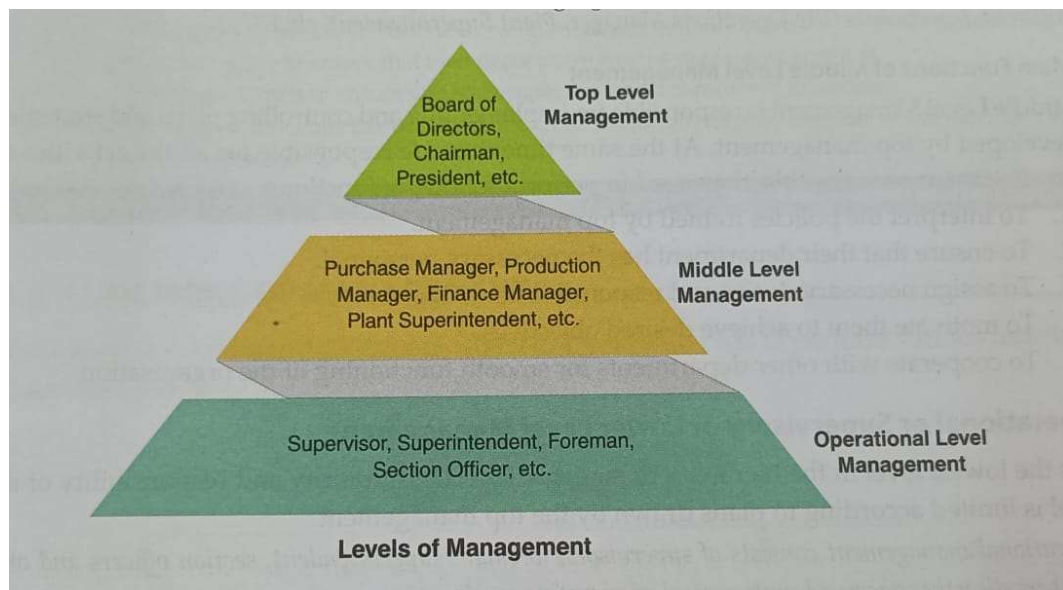
❖ **LEVELS OF MANAGEMENT:**

Management is a universal term used for certain functions performed by individuals in an enterprise who are bound together in a hierarchy of relationships.

This authority-responsibility relationship binds individuals as superiors and subordinates and gives rise to different levels in an organisation.

There are three levels of management:

Top, Middle and Operational/Lower levels.



1.Top Level :

It consists of managers at the highest level in management hierarchy. They are responsible for welfare and survival of the organization.

Consists of – Chairman, Managing Director(MD), Board Of Directors(BOD), Chief Executive Officer(CEO), Chief Operating Officer, Chief Financing Officer, President, Vice President, General Manager etc.

FUNCTIONS OF TOP MANAGEMENT:

- To integrate diverse elements and coordinate the activities of different departments according to overall objectives of organization.
- To work for the welfare and survival of the organization.
- To analyse the business environment and its implications for the survival of the firm.
- To formulate the overall goals of the organization and the strategies to achieve them.
- They are responsible for the activities of the business and their impact on the society.

2. Middle Level:

Middle Level managers act as link between Top management & Supervisory Management. They are subordinate to top level managers and superior to low level managers. They are responsible for implementing & controlling plans & strategies formulated by top level..

Consists of- *Division Heads* like Factory head, Plant Superintendent etc. and *Departmental Heads* like Finance manager, marketing manager etc.

FUNCTIONS OF MIDDLE MANAGEMENT

The main functions are:

- a) To implement and control plans and strategies developed by the top level managers.
- b) They are responsible for all the activities of first line managers.

To perform the above functions the other **sub functions** performed by middle level managers are:

- a) To Interpret the policies framed by top management.
- b) To Ensure enough personnel for their departments.
- c) To Assign duties and responsibilities to lower-level managers.
- d) To Motivate them to achieve their desired objectives.
- e) To Cooperate with other departments to ensure smooth functioning of the organization.

3. Lower Level / Supervisory Level:

They are also called Operational Level Management.

First line managers oversee the work force & actually carry out operational work in an organization.

Consist of – Supervisor, Foremen, Inspector, First Line Managers. etc.

FUNCTIONS OF SUPERVISORY MANAGEMENT

- a) To act as a link and pass on the instructions of the middle management to the workers.
- b) To Put their efforts for the maintenance of quality of output.
- c) To Minimise the wastage of materials.
- d) To They maintains safety standards at work place.
- e) To Oversee the efforts of workforce and act as guide to them.
- f) To Ensure discipline among the workers.
- g) To Provide training foremen and workers.

❖ THE FIVE FUNCTIONS OF MANAGEMENT:

1. **Planning:** Planning is the function of determining in advance what is to be done and who is to do it.
2. **Organizing:** Organizing is to assign duties, grouping tasks, establishing authority and allocating resources required to carry out a specific plan.
3. **Staffing:** Staffing is finding the right people for the right job.
4. **Directing:** Directing is leading, influencing and motivating employees to perform the tasks assigned to them.
5. **Controlling:** Controlling is monitoring the organizational performance towards the attainment of organizational goals.

❖ COORDINATION:

Coordination is the force which synchronizes(binds) all the functions of management and activities and efforts of different departments of the organisation.

❖ CHARACTERISTICS OF COORDINATION

- ✘ **Integrates group efforts:** It unites and gives common focus to group efforts to ensure that performance is as per plans & turns them into a purposeful work.
- ✘ **Ensure unity of action:** It acts as the binding force between various departments and ensure that all efforts are focused towards achieving common organizational goals.
- ✘ **Continuous process:** It is a never ending process. It begins at planning stage and continues till controlling.
- ✘ **Pervasive function:** It is needed in all departments and at all levels because of various interdependent activities. Without coordination, there is overlapping and chaos instead of harmony and integration of activities.
- ✘ **Responsibility of all managers:** It is the responsibility of all top level, middle level and lower level managers and no one can avoid this responsibility to ensure the smooth functioning of the organization,
- ✘ **Deliberate functions:** A manager has to deliberately coordinate the activities of the workers to ensure that work proceeds according to plans. It gives direction to the willing spirit of workers.

❖ IMPORTANCE OF COORDINATION

- ✘ **Growth in size:** Individuals come from different backgrounds with different interest, habits, experiences etc. So, coordination ensures that individuals work towards the common organizational goals.
- ✘ **Functional differentiation:** There are various departments in an organization performing different functions. Coordination synchronies activities of all departments so they proceed together in a single direction instead of working as independent units.
- ✘ **Specialisation:** An organization employs different specialists due to complexities of modern technology and diversified tasks to be performed. Coordination helps to reconcile the difference in approaches, interest or opinion of different specialist hired in an organization.

❖ COORDINATION – ESSENCE OF MANAGEMENT

“ Like a thread in a garland, coordination is a part of all management functions”.

“Coordination is the Essence of Management”.

The above two statements means that Coordination is ***needed in all functions of Management.***

The above statements can be explained as follows:

- ✘ **Planning** – Coordination is required between

- The main plans and organisational objectives.
- The master plan and various departmental plans.

✘ **Organising** – Coordination is required between authority delegated and responsibility given.

✘ **Staffing** – Coordination is needed to maintain balance between the work assigned to an individual and his capabilities and abilities.

✘ **Directing** – Coordination is needed between

- Instructions given and work expected from an employee.
- Needs of an employee and incentives offered to him/her.

✘ **Controlling** – Coordination is needed between actual performance and standard performance or expected results.

❖ *Needed at all levels of Management-*

✘ **Top level** - Needs coordination to integrate activities of the whole organisation for accomplishing the organizational goal

✘ **Middle level** - Coordination of the efforts within and among different departments.

✘ **Lower level** - Coordination in the day to day activities of workers to ensure work progresses as per plans.

SHORT ANSWER TYPE OF QUESTIONS (1 MARK)

1. Aaradhya explains the policies of superiors to the employees and ensures a touch of co-operation among all the departments. At which level of management was he working:

- (a) Top level management
- (b) Middle level management
- (c) Lower level management
- (d) None of these

Ans- b

2. The goal of the Gopika retail store is to increase sales and the goal of the Spastics Society of India is to impart education to children with special needs. Management unites the efforts of different individuals in the organization towards achieving these goals. Identify the characteristics of management discussed above.

- (a) Management is all pervasive
- (b) Management is a goal oriented process
- (c) Management is multi-dimensional
- (d) Management is a continuous process

Ans-b

3. Why management is called an intangible force? State.

Ans- It is an intangible force as it cannot be seen but its presence and effect can be felt in the form of results.

4. Lalit's Ltd. target is to produce 10,000 geometry boxes per month at a cost of Rs. 100 per box. The production manager achieved this target at a cost of Rs.90 per box. Do you think the production manager is effective? Give one reason in support of your answer.

Ans- Yes, the production manager is effective because he has been able to achieve the target.

5. Management of Sooraj Ltd. has installed a special recycling plant to recycle the waste instead of dumping the waste in ground. It is also providing employment opportunities to local residents. Identify the objective company is fulfilling.

Ans- Social objectives.

“Installed a recycle plant”

“Started a school for children of their employees”

6. A.R. Rehman is the first Indian to win the Oscar award for his composition ‘Jai Ho’. His composition of music is unique and different as he has used the singing notes in a manner that is entirely his own interpretation. Like A. R. Rehman, Jeet General Manager of Meera Ltd., uses his knowledge of management in a unique and different manner and all the employees working under his guidance are happy and satisfied. He rewards his employees who come to office ontime.

Identify the nature of management highlighted above.

Ans- Management is an art.

7. In order to be successful, an organization must keep a pace with changing trend in the market and must change its goals according to the needs of the environment”. Which characteristic of management is highlighted in the statement?

Ans- Management is a ‘Dynamic Function’

8. To meet the objectives of the firm, the management of Bharat Ltd. offers employment to physically challenged persons. Identify the organizational objective it is trying to achieve. Give reason in support of your answer.

Ans- Growth, since number of employees is increasing, it leads to increase in production and hence growth of the company.

9. Sonika argues that management is required in all kinds of organizations where as Reena feels that management is not required in non-business organizations such as school, club, hospitals, etc. who is correct?

Ans- Sonika, Because management is pervasive.

10. Sarthak has retired from the post of a foreman in a factory. At what level of management is he working?

Ans- Supervisory or operational level.

11. Occupation which is backed by specialized knowledge and training and to which entry is regulated by a representative body.

(i) Science

- (ii) Art
- (iii) Profession
- (iv) All of Above

Ans- (iii)

12. It means dividing and grouping the activities and specifying working relationships of the employees in the organizations.

- (i) Staffing
- (ii) Organising
- (iii) Directing
- (iv) Controlling

Ans- (ii)

13. “The aim of a manager is to reduce costs and increase productivity with minimizingwastage.” Identify the importance of management

- (i) It increases efficiency
- (ii) Management creates dynamic organization
- (iii) Management helps in development of society
- (iv) Maintaining a sound organizational structure

Ans- (i)

14. Coordination unifies the diverse interest of various people in such a manner that the work proceeds without any hindrance towards common goals. Identify the feature of coordination.

- (i) Coordination integrates group efforts
- (ii) Coordination ensures unity of action
- (iii) Coordination is a continuous process
- (iv) Coordination is deliberate function

Ans- (i)

15. “Explains certain general truth and is based on logical observation.” Identify and explain the nature of management discussed.

Ans- Management as a Science.

16. Identify the concept of management absent in the picture below.



Ans- Coordination.

SHORT ANSWER TYPE OF QUESTIONS (THREE MARKS)

1. Madhuri the famous dancer always spends time in practice and adds her creativity in her dancing. Like her, Mr. Ronit, HR manager of Superior Ltd. uses his creativity in managing the employees of organization and practice management principles in different situations. The employees are happy and satisfied as he listens to their grievances and suggestions very calmly and reward them for their punctuality and efficiency.
 - a) Identify the nature of management highlighted above.
 - b) Name other two aspects of nature of management.

Ans- a) Nature of management highlighted above is “Management as an Art”

b) The other two aspects of nature of management are:

- Management as Science.
- Management as Profession

2. Vedika Mittal is working in a real estate company. One of her key function relates to the formulation of the overall organizational goals and strategies for the company. Identify the level of management at which she is working? State any three other functions that she has to perform at this level.

Ans- Anjali Sharma is working at the top level of management in the private sector bank. The three other functions that she has to perform at this level are outlined below:

- She is responsible for the success and failure of the organization.
- She is responsible for all the business activities and its impact on society.
- She has to coordinate the activities of different departments in pursuit of common goal

3. Vikrant, the manager of Zest Ltd. is very efficient and effective and makes sure all the employees and workers in his team perform the task on time with minimum cost. His main focus is on cost cutting so he never listens to the demand of workers for increasing wages. He even gives no opportunity to worker for promotion. As a result workers are dissatisfied and disheartened all the time.
 - a) Which objective of management could not be achieved by the manager?
 - b) State other two objectives of management

- Ans- a) Personal/Human or individual objective.
b) Economic (ii) Social objective(with explanation)

SHORT ANSWER TYPE OF QUESTIONS (FOUR MARKS)

1. Varun Ltd., a leading electronic company is facing a lot of problems these days. It manufactures electronic goods like washing machines, microwave ovens, refrigeration and air-conditioners. The company's margins are under pressure and the profits and market marketing department blames production department for producing goods, which are not of good quality to meet customers' expectations. The finance department blames both production and marketing departments for declining return on investment and bad marketing.

- a) What quality of management do you think the company is lacking? Justify your answer.
b) State the importance of the concept identified in (a).

Ans- Coordination: because production, marketing and finance departmental efforts are not coordinated for achieving organizational objectives harmoniously. As a result, the company's profits and market share are declining.

Importance of coordination:

- Growth in size
- Functional differentiation
- Specialization

2. Identify the characteristics of management in the following cases:

- a) It creates an environment of productive relations, keeps all stakeholders happy and satisfied.
b) All regional sales manager worked towards achievement of companies annual sales targets..
c) Management sets targets and unites efforts of all individuals to accomplish them.
d) A business needs to manage all activities from its start to finish.

- Ans- a) Intangible force
b) Group activity
c) Goal oriented
d) Continuous

3. State the functions performed by middle level management.

Ans- Functions required to be performed by Middle level(Any Four)

1. To interpret the policies framed by the top management.
2. To ensure that their department has the necessary personnel.
3. To assign necessary duties and responsibilities to the employees of their respective Departments for implementation of the plan.
4. To motivate employees of their respective departments to achieve the desired objectives.
5. To co-operate with other departments for smooth functioning of the organization.

LONG ANSWER TYPE OF QUESTIONS (SIX MARKS)

1. Panna Ltd. is a well-known paper making company in India. It is able to earn adequate revenues to cover costs. Its capital base, number of employees and production turnover has increased manifolds

over the years. The rate of profitability of the business is also creditable. The employees of the company are happy and satisfied with their remuneration, working conditions, promotion policy etc. As a part of its moral obligation, the company has taken many initiatives for providing employment to specially abled persons and promoting literacy in the villages adopted by it. In the context of the above case:

Identify and explain the various types of objectives of management being fulfilled by Panna Ltd by quoting lines from the paragraph.

Ans- An organization strives to achieve:

I) Organisational objectives:

- Survival: "It is able to earn adequate revenues to cover costs."
- Growth: "Its capital base, number of employees and production turnover has increased manifolds over the years."
- Profit: "The rate of profitability of the business is also creditable."

II) Personal objectives: These objectives relate to the needs of the employees of the organization

which must be given due consideration. "The employees of the company are happy and satisfied with their remuneration, working conditions, promotion policy etc."

III) Social objectives: It is expected that every organization should undertake certain initiatives for the welfare of the society at large. "As a part of its moral obligation, the company has taken many initiatives for providing employment to especially abled persons and promoting literacy in the villages adopted by it."

2. The management of Parvati Ltd. strongly believes that the members of an organization should work towards fulfilling the common organizational goals. This requires team work and integration of efforts of all individuals, departments and specialists. This is because all the individuals and departments depend on each other for information and resources to perform their respective activities. Managers need to reconcile differences in approach, timing, effort or interest. At the same time it should enable all its members to grow and develop. Thus, there is a need to harmonize individual goals and organizational goals.

- a) Identify the concept of management discussed above.
- b) Explain any five features of the concept identified in (a).

Ans- a) Coordination

b) Features of coordination:

- i. It integrates group efforts into purposeful work activity.
- ii. It ensures unity of action as it acts as a binding force between and among Departments.
- iii. It is a continuous on-going process as it is required till an organization exists.
- iv. It is all pervasive as it is required at all levels of management.
- v. It is the responsibility of all managers however the scope of their operations varies.
- vi. It is a deliberate function.

3. Radhika is the branch manager of ABC Handicrafts Pvt. The company's objective is to promote the sales of Indian handloom and handicraft products. Its sells fabrics, furnishings, ready-mades and household items are made out of traditional Indian fabrics. Radhika decides quantities, variety, colour and texture of all the above items and then allocates resources for their purchase from different suppliers. She appoints a team of designers and crafts people in the company, who developed some prints for bed covers in bright colour on silk. Although they looked very impressive, they were more

expensivethan they had planned to sell. Average customer could not afford to buy it. Praising their effort, Radhika suggested that they should keep the silk bed covers for special occasions like Diwali and Christmas and offer the cotton bed covers on a regular basis to keep costs under control.

Identify the functions of management which Radhika performs by quoting the lines the above para.

Ans-

1. Planning: ‘Radhika decides quantities, variety, colour and texture of all the above items...’
 2. Organizing: ‘...allocates resources for their purchase from different suppliers.’
 3. Staffing: ‘She appoints a team of designers and crafts people in the company...’
 4. Directing: ‘Praising their effort, Radhika suggested that they should keep the silk bed covers for special occasions like Diwali and Christmas’
 5. Controlling: ‘...offer the cotton bed covers on a regular basis to keep costs under control.’ ‘...they were more expensive than they had planned to sell.’
4. Aman, Ahmad and Ally are partners in a firm engaged in the distribution of dairy products in Maharashtra state. Aman is a holder of Senior Secondary School Certificate from Central Board of Secondary Education with Business Studies as one of his elective subjects. Ahmad had done his post graduation in History and Ally in dairy farming. One day there was a serious discussion between Ahmad and Ally regarding the nature of management. Ahmad argued that management was a profession whereas Ally argued against it saying that the legal and medical professions are the only professions because they fulfill all the conditions of profession. Aman on the basis of his knowledge of business studies explained the nature of management as a profession to Ahmad and Ally. Explain how Aman would have satisfied both Ahmad and Ally.

Ans-

Aman would have satisfied both Ahmad and Ally by giving the following explanation: Management is a profession. However, it is not a full-fledged profession like legal, accounting or medical professions because it does not meet the exact criteria of a profession. The application of the features of a profession to management is examined below:

1. Well-defined body of knowledge
2. Restricted Entry
3. Professional Association
4. Ethical code of conduct
5. Service motive.

CHAPTER:-2

PRINCIPLES OF MANAGEMENT

Revision notes:

Concept of Principles of Management

- Managerial principles are the general guidelines for decision-making and behaviour.
- Framed on the basis of standard human behaviour patterns but applied as per the need or demand of a situation.
- Help managers to perform managerial activities more effectively and efficiently.

Principles of management v/s Principles of Pure Science

- Management principles are flexible and updated to meet the changing demands of the environment.
- Management principles are related to human behaviour thus they need to be used creatively.
- Management principles cannot be tested in any laboratory.
- Application of management principles may give different results in different situations.

Principles of Management v/s, Techniques of Management

Management principles are the guidelines to take decisions whereas techniques are procedures to implement decisions.

Principles of Management v/s, Values

- Values are the acceptable or desirable behaviour of individuals whereas Principles of Management are the guidelines for human behaviour.
- Values are related to individual behaviour in society but the Principles of Management are the technical rules related to work situations.
- Values are part of Principles of Management but Values may not include Principles of Management.

Nature of Principles of Management

Management principles are based on observations, experimentation and the personal experiences of managers. The nature of principles of management can be stated as:

(1) Universal Applicability

Principles of Management are applicable at all levels of an organisation and in all types of organisations.

(2) General Guidelines

Principles of Management provide broad guidelines to solve business problems in general.

(3) Formed by practice and experimentation

The principles of management are formed on the basis of experiences, observations and analysis of events in the past.

(4) Flexible

The principles of management are the guidelines or tools which managers may use as their discretion.

(5) Mainly Behavioral

Principles of Management though explain the relationship between human and material resources but they influence human behaviour the most while accomplishing organisational goals.

(6) Cause and effect relationship

Principles of management intent to provide the cause-and-effect relationship of the principles if applied in a specific situation.

(7) Contingent

The application of principles of management are dependent on situations and time at which such situations happen

14 Fayol's Principle of Management

1-Division of work- The entire work of the organization should be divided into small specialised tasks and

each tasks should be performed by a specialist or a trained employee.

2-Authority and Responsibility-Authority means the right to give orders and obtain obedience.

Responsibility means obligation to perform the of a subordinate to properly perform the

3- Discipline-Discipline is the obedience to organisational rules and employment agreement which are necessary for the working of the organisation. .

4-Unity of command-It means that there should be one and only one boss for every individual employee. Dual subordination should be avoided.

5-Unity of direction-It means that all the units of an organisation should be moving towards the same objectives through coordinated and focused efforts.

6-Centralisation and Decentralisation-The concentration of decision-making authority is called centralisation. The dispersal of decision-making authority among more than one person is known as decentralisation.

7-Scalar Chain-The formal lines of authority from highest to lowest ranks are known as scalar chain. Gang plank-Gang plank is a shorter route and has been provided so that communication.is not delayed in an emergency.

8-Order-It means that a place for everything (everyone) and everything (everyone) in its (his/her) place.

9-Initiative-Initiative means taking the first step with self-motivation. It is thinking out and executing the plan.

10-Remuneration- Principle of remuneration implies that every employee in the organization should be given fair and adequate remuneration for their work.

11-Equity-Principle of equity implies similar treatment with all the employees in the organization.

12-Subordination of individual interest to general interest-In the organization, there are personal interests of individuals as general interest of the organization as a whole. This principle means the interests of the must be given preference over the individual interest.

13-Stability of Tenure-Personnel should be selected and appointed after due and rigorous (Extremely through/carefully) procedures. Employees once selected to be kept at their post for a minimum fixed period.

14-Esprit De corps-Management should promote a feeling of team spirit, belongingness and mutual trust among employees.

Significance of Principles of Management

(1)Providing managers with useful insights into reality-They provide ideas, hints or guidelines to solve similar problems.

(2) Optimum utilisation of resources and effective administration-The cause and effect relationship helps managers to foresee the effect of their decisions and actions, thus, enables them to use resources most effectively.

(3) Scientific decisions-Principles based on experiments, observations and logic provide objective assessment of a situation.

(4) Meeting changing environment requirements-The managers can modify principles to meet the needs of dynamic business environment.

(5) Fulfilling social responsibility-By incorporating values, as part of principles, has enabled businesses

to fulfill social responsibilities.

(6) Management training, education and research-The principles of management and the managerial experiences are used as case studies to train employees or for further modification or development of principles already applied.

Taylor's Principles of Scientific Management

(1) Science Not Rule of Thumb

This principle states that maximum productivity can be achieved only by following standard methods of production and the standard methods must be developed by evaluating the different methods followed in the past and selecting the best possible method. Production techniques cannot be followed using hit and trial method.

(2) Harmony, Not Discord

This principle states that management and workers must have good understanding and faith amongst each other. The combined efforts of management and workers help an organisation to achieve its goals.

(3) Cooperation, Not individualism

This principle states that each individual in the organisation must work with the final aim of achieving organisational goals. Management and workers must work as a team to be effective and efficient.

(4) Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity

This principle states that organisations must appoint such people who possess the mental, physical and intellectual capabilities required for the job. It must also provide continuous on the job training for employees to improve their productivity and achieve growth.

Taylor's Techniques of Scientific Management

Functional Foremanship

As per this technique, the planning and execution should be treated as two separate functions and each function should be handled by a separate in-charge. Each in-charge must be assisted by four specialized personnel who would give instructions to workers.

Assistants of Planning in-charge would be-

- i-Instruction card clerk-For drafting instructions for workers.
- ii-Route clerk-To specify the production route.
- iii-Time and cost clerk-For preparing time and cost sheet.
- iv-Disciplinarian-For maintaining discipline in the factory.

Assistants of Production in-charge would be-

- i-Speed boss-Will ensure that job is completed accurately and on time.
- ii-Gang boss-Responsible to keep machines and tools ready for operations.
- iii-Repair boss-Responsible for keeping the machines and tools in proper working conditions
- iv-Inspector-Responsible to maintain the quality of work.

Standardisation and Simplification of work

Standardisation of work means setting standards with respect to process followed, time taken, raw material used, working conditions for each business activity.

Objectives of standardisation:

- To produce products of fixed types, sizes and characteristics.
- To establish interchangeability of manufactured parts and products.
- To establish standards of excellence and quality in materials.
- To establish standards of performance of men and machines.

Simplification of work means simplifying work by eliminating needless varieties, sizes, dimensions etc. of products produced to utilize resources optimally and reduce labour and overhead costs.

Method Study

- Finds the best possible way of doing a particular job
- Decides sequence of operations and placement of human and physical resources while producing goods.
- Aims to minimize cost of production and maximize efficiency, quality, productivity and customer satisfaction.

Motion Study

- It is a study of movements undertaken while doing a job like lifting, putting objects, sitting and changing positions etc.
- It designs the best method to perform repeated jobs.
- It eliminates unnecessary movements to complete the task in minimum time with greater efficiency.
- Body motions can be (i) productive motions (ii) incidental motions and (iii) unproductive motions. Through motion study the unproductive motions can be eliminated.

Time Study

- It determines the standard time for performing a well-defined job or a repeated activity.
- Standard time is fixed by using the average of time taken to perform same activity several times.

Fatigue Study

- It determines the amount and frequency of rest intervals required to complete a task without getting physically or mentally tired.
- The breaks in between work help workers to regain stamina to work with the same energy.

Differential Piece Wage System

- It suggests that workers should be paid wages at different rates to recognize and reward efficiency and penalize inefficiency.
- Under this system different wage rates are determined to make payments to workers for performance as per standard output, above standard output and below standard output.

Mental Revolution: It involves a complete change in mental outlook and attitude of workers and management towards one another from competition to cooperation. The management should create pleasant working conditions & workers should work with devotion and loyalty. Instead of fighting over distribution of profits, they must focus attention on increasing it.

Q. No. Questions

1. A worker directly contact to CEO of the company with a complaint regarding working condition in the factory. Which of the following principle is being violated here?

- (a) Unity of command
- (b) Scalar chain
- (c) Unity of direction
- (d) Discipline

Answer-(b) Scalar chain.

2. Goyal company limited manufacturer's motorcycle and cars. It has two separate divisions for both of them. Each division has its own in-charge, plans and execution resources. On the account of the working of two divisions overlap. Which principle of management violated by the Goyd company limited.

- (a) Unity of command
- (b) Scalar chain
- (c) Unity of direction
- (d) Discipline

Answer-(d) Discipline

3. Nimita and Salim completed their MBA and started working in multinational companies at the same level. Both are working hard and are happy with their employer. Salim had the habit of backbiting and wrong reporting about his colleagues to impress his boss. All the employees in the organisation knew about it. At a time of performance appraisal the performance of Nimita was judged better than Salim. Even then their boss, Mohammed Shaif decided to promote

Salim stating that being a female Nimita will not be able to handle the complaints of a higher post. Identify the principle of management which is not followed by the multinational company.

- (a) Unity of command
- (b) Scalar chain
- (c) Principle of Equity
- (d) Discipline

Answer-(c) Principle of Equity

4. Lian limited a large company. manufacturing electric motors. The company has several departments production marketing finance and HRM. Mr. Shashi, CEO of the company set the target sale of Rs.10,00,000 in the month. To increase the sale, the marketing management, Mr. Ishu, insist on offering 10% discount to the customer. But the finance manager, Mr. GanMohak, does not approve such discount as it would means loss of the revenue. Because of dual subordination, the sales manager, Mr. Ansh, could not achieve the sales target. Which principle of management has been overlooked by the company.

- (a) Unity of command
- (b) Scalar chain
- (c) Principle of Equity
- (d) Discipline

Answer-(a) Unity of command

5. Sona Ltd. Is leading automobile company in which the various departments are setting up their own objectives without paying any interest to the organisational objectives.

Which principle of management violated by the Sona limited.

- (a) Unity of command
- (b) Subordination of individual interest to general interest.
- (c) Unity of direction
- (d) Discipline

Answer- (b) Subordination of individual interest to general interest.

6. She/he keeps machines, materials, tools etc. ready for operations by concerned workers.

Whose work is described by this sentence under functional foremanship.

- (a) Gang Boss
- (b) Repair Boss
- (c) Speed Boss
- (d) Disciplinarian

Answer- (a) Gang Boss

7. Mr. Goyal, HR, manager of a company, select each person scientifically, assigns work to its employees according to his/her physical, mental and intellectual capability, He also gives them to required training so that they may produce more and earn more. This will ensure their prosperity for the both company and the workers.

Identify the principal of management highlighted in the above case.

- (a) Development of each and every person to his/her greatest efficiency and prosperity
 - (b) Subordination of individual interest to general interest.
 - (c) Produce more and earn more
 - (d) Physical, mental and intellectual capability development of workers
- Answer- (a) Development of each and every person to his/her greatest efficiency and prosperity

8. Gagan is working as a production manager in SSM limited engaged in manufacturing of CFL bulbs. There are no class conflicts between the manager and workers. The working conditions are very good. The company is earning huge profit. As a policy matter, management is sharing the gain with the workers because they believe that the prosperity of the employees and company cannot exist for long time without the prosperity of the company cannot exist for a long term without employees' prosperity. Identify the principle of management described in the above paragraph.

- (a) Science, not rule of thumb
- (b) Principal of Scientific management
- (c) Principle of Fatigue Study
- (d) Harmony not discard

Answer-(d) Harmony not discard

9. Assertion (A): Techniques are procedures or methods which involves series of steps to be taken to desired goals.

Reason (R) principles are the guideline to take decisions or action while practicing techniques.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true but (R) is not the correct explanation of (A)
- (c) (A) is true but (R) is false.
- (d) (A) is false but (R) is true.

Answer- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)

10. Match the following-

- | | |
|--|-----------------------------------|
| a -Framing rules and regulation and meeting commitment by subordinates and superiors. | i-Principle of unity of Direction |
| b -One unit one plan and unification of efforts towards one direction. | ii-Principle of Order |
| c -No wastage of time in search of a person and material. | iii-Principle of Equity |
| d -Fair, kind and just treatment to employees and no discrimination of employees. | iv- Principle of Discipline |

- (a) a-iii, b-iv, c-i, d-ii
- (b) a-iv, b-i, c-ii, d-iii
- (c) a-ii, b-iii, c-iv, d-i
- (d) a-iv, b-iii, c-ii, d-i

Answer-(b) a-iv, b-i, c-ii, d-iii

11are procedure or methods, which involve a series of steps to be taken to accomplish desired goals.are the guideline to take decisions or actions while practicing techniques.

- (a) Order, Discipline
- (b) Principles, Techniques
- (c) Techniques, Principles

(d) Discipline, Order

Answer-(c) Techniques, Principles

12principle result is systematic working and improve the efficiency by removing confusion and chaotic conditions and.....principle result in coordination of activities of different personnel's.

(a) Principle of Unity of Command, Principal of Unity of Direction

(b) Principle of Order, Principal of Stability of Personnel

(c) Principle of Decentralization, Principal of Centralization

(d) Principal of Unity of Direction, Principle of Unity of Command

Answer-(a) Principle of Unity of Command, Principal of Unity of Direction

Short and Long Answer Type Questions

1. Mr. Neeraj, the salesman in Progress Ltd., designed a new cost saving advertisement technique ' through his personal experience and suggests the same to his sales manager but it was not appreciated by his sales manager and he also warned him not to come with any suggestions in future. Which principle of Fayol is being overlooked by the sales manager? What should have been the appropriate way of response by the sales manager?

Ans. Principle of Fayol is being overlooked by the sales manager is Initiative.

The appropriate way of response by the sales manager: salesmen should be encouraged to develop and carry out their plan for improvements

2. The production manager assigned a target of producing 1,000 TV sets in the month oi April to , group of 10 workers. They mutually decided to produce 100 W sets each. Among them, Vishal (one of the worker in the group) fall sick. The other workers refused to divide his work among themselves and concentrated only on the production of their own individual target of production. As a result target of 1,000 TV sets could not be achieved.

(a) Name the principle of Fayol which is violated in the given case.

(b) What does it state?

(c) What should have been the appropriate course at action.

Ans.

a) Principle of Fayol which is violated in the given case is Espirit De Corps

b) Espirit de corps 'means unity is strength'. Fayol emphasized on team work and harmony among employees. He suggested that every employee in the organization must consider himself as a part or member of a team and try to achieve the team goal. A manger should replace I with we in organizational communication.

c) Other workers should divide his work among themselves and concentrate on the production of group targets rather than their own individual target.

3. Rama" Ltd. was engaged in the business of manufacturing auto components. Lately, its business was expanding due to increased demand for cars. The competition was also increasing. .In order to keep its market share intact, the company directed its workforce to work overtime. But this resulted in lot of problems. Due to increased pressure of work the efficiency of workers declined. Sometimes the subordinates had to work for more than one superiors. The workers were becoming undisciplined. The

spirit of teamwork, which had characterised the company previously, had begun to wane.

Identify any three principles of management which were being violated, quoting the lines from the above case.

Ans.

Principle violated	Line quoted
Unity of command	Sometimes the subordinates had to work for more than one superiors..
Discipline	The workers were becoming undisciplined.
Espirit De Corps	The spirit of teamwork, which had characterised the company previously, had begun to wane

4. 'Puneet Constructions Ltd'. had never given any importance to the suggestions of its employees. All the employees in the company considers themselves superior than the other. They neither help anybody nor get help from anybody. Last year, Mr. Shivam was appointed as Chief Manager of the company. He was an MBA from IMM Ahmedabad and also seven-year experience of the same post. Immediately after taking charge he decided to deal with both the problems of the company. He convened a meeting of all the employees and said, "All the employees are free to give their suggestions. Besides, the one who gives the best suggestion will be awarded a prize. In addition, he advised them to discard ego and extend help in each other's work. We will have to give it the shape of a movement. Those who participate in this movement will be promoted at the earliest." Shivam proved to be a good leader.

Identify and explain the principles of management discussed above by quoting the lines.

Ans.

Principle of management	Line quoted	Explanation
Initiative	All the employees are free best suggestion will be awarded a prize.	<ul style="list-style-type: none"> Workers should be encouraged to develop and out their plans for improvements according to Fayol. Initiative means taking the first step with self-motivation. Initiative 'means eagerness to initiate action with being asked to do so. According to Fayol, employees should be allowed to think and execute plans, to bring about improvements in work related matters. However initiative does not imply freedom to do whatever people like. They must observe discipline. So once the decisions are taken by management every employee must follow it whether it is according to his suggestions or not

Espirit De Corps	In addition, he advised each other's work	<ul style="list-style-type: none"> • Espirit de corps 'means unity is strength'. • Fayol emphasized on team work and harmony among employees. He suggested that every employee in the organization must consider himself as a part or member of a team and try to achieve the team goal. • A manger should replace I with we in organizational communication.
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5. 'New Delhi Ltd.' is a famous services providing company. Mr. Aman Malhotra is its Managing Director. He continuously motivates his Research and Development department that new and latest methods of doing work be explored. The provisions has also been made to give reward to those employees who will participate in a particular exploration. He also believes that two groups working on managerial and non-managerial posts are similar to two wheels of an organisational vehicle. If this vehicle (organisation) is to be driven in a right way then both the wheels should be property aligned. Mr. Aman is a successful leader. Among his employees, he has instilled the feeling that no decision will be taken without consulting the subordinates. To excel in this field, is the main motive of Mr. Aman and he paid lot of attention to training of employees.

Identify the principles of scientific management discussed above by quoting the lines.

Principle of scientific management	Line quoted
Science and not rule of thumb	He continuously motivates his Research and Development department that new and latest methods of doing work be explored.
Harmony and not discord	He also believes that two wheels should be property aligned.
Co-operation and not individualism	The provisions has also been made to give reward to those employees who will participate in a particular exploration
Development of each and every person to his/her greatest efficiency and prosperity	he paid lot of attention to training of employees

Additional Questions

Q. 1. In your school, you observe that books are kept in office, chalks in the library and office records in the staff room.

1. Which principle of management is violated here and why?
2. How will that affect the achievement of school objectives?
3. As a manager, what steps will you take to rectify the shortcomings?

Ans.1. The principle of 'Order'

2. In the absence of orderliness, school objectives will not be achieved efficiently and effectively.
3. Things should be placed at appropriate places to achieve maximum efficiency with given time framework.

Q. 2. The production manager of an automobile company asked the foreman to achieve a target production of 200 scooters per day. But he did not give him the authority of requisition tools and materials from the stores department. Can the production manger blame the foreman if he is not able to achieve the desired target? Explain briefly the principle relating to the situation.

Ans. No, the production manager cannot blame the foreman because he did not give him the authority to requisition tools and materials form the stores department. Since he has no authority, he could not fulfill his responsibility.

In this case the principle of 'Authority and Responsibility' is violated.

Q. 3. Soniya Ltd. was engaged in the business of manufacturing auto components. Lately, its business was expanding due to increased demand for cars. The competition was also increasing. In order to keep its market share intact, the company directed its workforce to work overtime. But this resulted in many problems. Due to increased pressure of work the efficiency of workers declined. Sometimes, the subordinates had to work for more than one superior. The workers were becoming indiscipline. The spirit of teamwork, which had characterized the company previously, had begun to wane.

Identify any three principles of management (as given by Henry Fayol) which were beginning violated, quoting the lines from the above case.

Ans.1. Unity of command "sometimes, the subordinates had to work for more than one superior."

2. Discipline 'The workers were becoming indiscipline.'

3. Esprit de corps

Q. 4. The production manager of Harsh Ltd. instructs a salesman to go slow in selling the product, where the marketing manager is insisting on fast selling to achieve the target. Which principle of management is being violated in this case?

Ans. Unity of command

Q. 5. Kanika and Priyanka are typists in a company having same educational qualifications. Kanika is getting Rs. 16000 per month and Priyanka Rs. 10000 per month as salary for the same working hours. Which principle of management is violated in this case?

Ans. Principle of equity

Q. 6. Rishabh, a manager, very often speaks to people at all levels, passing on instructions regarding his department and also the other departments. Which principle of management is being overlooked?

Ans. Principle of Scalar Chain.

Q. 7. The management and workers have entered into an agreement that workers will do overtime to cover up losses of the company. In return, the manager will increase the wages. But management later refused to increase the wages. Name the principle violated in this situation.

Ans. Principle of discipline

Q. 8. In Simran Ltd., an employee has the objective of maximizing his salary, but the organizational objective is to maximize output at competitive cost. There was some dispute on this for a while. Eventually, the organization's interest was given priority over employees' interest. Name the principle related to this situation.

Ans. Principle of subordination of individual interest to general interest.

Q. 9. Neeraj is selected for the post of software developer in an IT Company. On the first day of his joining

Mehul, his project manager tells Neeraj that during the course of his work he will come across many such opportunities which may tempt him to misuse his powers for individual or family's benefit at the cost of larger general interest of the company. In such situations, he should rather exhibit exemplary behavior as it will raise his stature in the eyes of the company. Also, for interacting with anyone in the company on official matters, he should adopt the formal chain of authority and communication.

In context of the above case:

Identify and explain the various principles of management that Mehul is advising Neeraj to follow while doing his job.

ANS. The various principles of management that Mehul is advising Neeraj to follow while doing his job are as follows:

1. Subordination of Individual Interest to General Interest:
2. Scalar Chain.

Q. 10. Davinder is a class twelfth commerce student in a reputed school in Punjab. Satinder is his elder brother who is doing his Masters in Hospital administration from Delhi after completing his B. Sc course. During vacations when Satinder comes home, Davinder shows him the business studies project that he is preparing on the topic 'Principles of Management'. Satinder tells him that these principles are also a part of MBA course curriculum at the beginner's level as they form the core of management in practice. But he finds this principle different from those of pure science. In context of the above case:

1. Outline the concept of principles of management.
2. Why does Satinder find the principle of management different from those of pure science?
3. Why do the principles of management form the core of management in practice?

Explain by giving any two points highlighting the importance of principles of management.

Ans.1. The principles of management serve as a broad and general guideline for the managerial decision making and action.

2. Satinder finds the principles of management different from those of pure science because the management principles are not as rigid as principles of pure science. This is due to the fact that they deal with the human behavior and thus, need to be applied creatively in the light of given situation.

3. The importance of principles of management is described below:

Providing managers with useful insights into reality:

Optimum utilization of resources and effective administration:

CHAPTER – 3

BUSINESS ENVIRONMENT

QUICK REVISION

Business Environment

Meaning:

The term 'business environment' means the sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but that may affect its performance.

Features of Business Environment

1. **Totality of external forces:** Business environment is the sum total of all things external to business firms and so it is **aggregative in nature**.
2. **Specific and general forces:** Business Environment consist of
 - a) Specific Forces - such as investors, customers, competitors and suppliers which **affect individual enterprises directly** and immediately in their day-to day working.
 - b) General forces- such as social, political, legal and technological conditions which have impact on all business enterprises and thus may **affect an individual firm only indirectly**.
3. **Inter-relatedness:** All the elements of business environment are closely **interrelated**. For example- Health awareness among people has raised the demand for fat free cooking oil, gym etc.
4. **Dynamic nature:** It keeps on **changing** due to technological upgradation, shifts in consumer preferences or increase in competition in the market.
5. **Uncertain:** It is uncertain as it is **not possible to accurately predict future happenings**, especially when environment changes are taking place too frequently as in the case of information technology or fashion industries.
6. **Complexity:** It is **complex** in nature as it is relatively easier to understand in parts but **difficult to understand in its totality** because it consists of numerous interrelated and dynamic conditions or forces which arise from different sources.
7. **Relativity:** It is a **relative concept** since it **differs from country to country** and even region to region. Example- Demand for sarees may be high in India but almost nil in France.

Importance of Business Environment

1. **It enables the firm to identify opportunities and getting the first mover advantage:**
 - **Opportunities** are the positive external trends/ changes that helps the firm to improve the performance.
 - Business Environment helps any business enterprise to grab the opportunities in market instead of losing them to its competitors.
2. **It helps the firm to identify threats and early warning signals**
 - **Threats** are negative external factors which are likely to hinder a firm's performance.
 - Business Environment helps the business enterprise to identify the threats timely and deal with them.
3. **It helps in tapping useful resources:**
 - An enterprise depends on its environment for various **inputs** (resources) required for carrying out various activities. Like- Finance, raw material labour etc.
 - It will get all such inputs from its environment only when it returns the **output** in the form of goods & services to customers, taxes to govt., return to investors etc.

- Therefore, an enterprise designs policies that allow it to get the resources that it needs so that it can convert those **resources into outputs that the environment desires.**

4. It helps in coping with rapid changes:

- There are various **changes** that takes place in business environment like:
 - *Changes in technology
 - *Changes in customer’s tastes & preferences
 - *Turbulent market conditions
 - *Fragmentation of markets etc
- So, to cope up (deal) with these changes the managers must understand and **examine the environment** and develop **appropriate courses of action.**

5. It helps in assisting in planning and policy formulation:

- Business environment is the source of both **opportunities and threats** for the business.
- So, its understanding and analysis can be the basis for –
 - *Deciding the future course of action (planning)
 - * Training guidelines for decision making (policy formulation).

6. It helps in improving performance of an enterprise:

- The **future of an enterprise** is **dependent** on and affected by what is happening in its **environment.**
- So, continuous **monitoring of the environment** and adopting suitable business practices will help to **improve** both their present and future **performance** as well as gives **success** for a longer period.

**DIMENSIONS OF BUSINESS ENVIRONMENT/
Factors Constituting the General Environment of Business**

Dimensions of the business environment include economic, social, technological, political and legal conditions which are considered relevant for decision-making and improving the performance of an enterprise.

Economic Environment	Social Environment	Technological Environment	Political Environment	Legal Environment
Interest rates	Customs and Traditions	Scientific improvements	General stability and peace in the country	Legislations passed by the Government
Inflation/Deflation rates	Social values social trends	Innovations New ways of producing goods and services	Specific attitudes that elected government representatives hold towards business	Administrative orders issued by government authorities
Changes in disposable income	Society’s expectations from business	New methods and techniques of operating business.	Political System in Country	Court judgments
Stock market indices	Quality of Life	Computerized Kiosks	Relation of our country with	Decisions rendered by various commissions and agencies at every level of the
Value of Rupee	Women			
Role of Private and public sector				

Savings & Investments	Empowerment	World Wide Web (WWW)	foreign countries.	government—center, state or local.
GDP,NDP, GNP	Birth & Death Rates	Online Ticket Booking	Political thoughts & practices of political Parties	
Balance of Payment	Population	POS(Point of sale machines)		
Import- Export	Education & Literacy Rates	E wallets, digital cash		

DEMONETISATION

Meaning:

The withdrawal of a coin, note or precious metal from use as legal tender.

- Government of India made an announcement of Demonetization on **November 8, 2016**.
- Currency notes of Rs. 500 and Rs. 1,000 were demonetized.

Features:

1. **A tax administration measure:** All the people with black money had to declare their unaccounted (**undeclared**) income and pay taxes at prescribed penalty rate.
2. **No tax evasion:** Through demonetization, government of India gave a message that **tax evasion will no longer be tolerated** or accepted.
3. **Channelizing savings into the formal financial system:** The new deposit schemes offered by banks will provide base **loans at lower interest rates**.
4. **Created less -cash economy or cash – lite economy:** Demonetization facilitated the payments through online system and thereby increased bank deposits and created less cash economy.

SHORT ANSWER TYPE QUESTIONS (1 MARK)

1. Which of the following is a feature of demonetization?

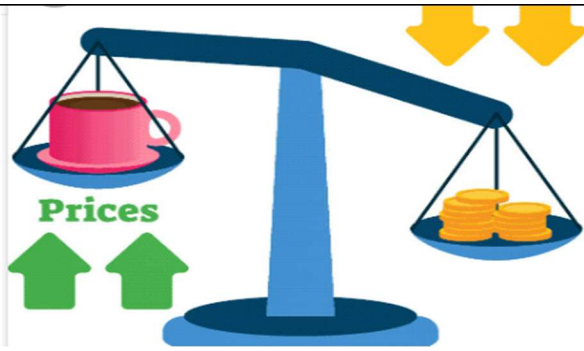
- (a) Tax administration measure
- (b) Channelizing savings into the formal financial system
- (c) Development of less-cash economy
- (d) All of the above

Ans- d

2. Give two examples each of specific forces general forces.

Ans- Specific forces- Competitors, customers General forces-Political forces, social forces

3. Identify the dimension of business environment given in the picture below



Ans- Economic Dimension

4. Business environment differs from country to country and even region to region. Which characteristics of business environment are highlighted here?

Ans- Relativity

5. To ensure the uninterrupted working of the organisation, the Senior manager took the meeting of all the subordinates through Google Meet. Which dimension of business environment is discussed here?

Ans- Technological Dimension

6. With change in consumption habits of people, Vishesh who was running a sweets shop shifted to chocolate business. On the eve of Diwali he offered chocolates in attractive packages at reasonable prices. He anticipated huge demand and created a website chocolove.com for taking online orders. Identify the dimensions of business environment discussed above.

Ans- Social environment, Technological environment, Economic environment

7. Identify the dimension of business environment in the following-

- Replacing old machinery with new one to meet the requirements of pollution control regulations.
- Availability of e-books

Ans- a) Legal environment b) Technological environment

8. “It is very difficult to predict the future happenings, especially when environment changes are taking place too frequently.”

Which characteristic of business environment is discussed in the above sentence?

- Dynamic
- Inter related
- Uncertain
- Complex

Ans- c

SHORT ANSWER TYPE QUESTIONS (3/4 MARKS)

1. Looking at the severe pandemic situation of Covid-19, the entire education system has adjusted itself with online teaching, online examination, developing creative way of teaching etc. Which point of importance of business environment does it reflect? Identify. Explain any two other importance of business environment also.

Ans- Coping with rapid changes

The other two importance:

- Identify opportunities and get first mover advantage
- Early warning signal

2. XYZ Ltd. a book publishing house published books on coding language for kids before any other publishing house could print it. What advantage will this publishing house get? Explain it.

Ans- Benefits of first mover advantage will be enjoyed by XYZ Ltd.

The study of Business Environment helps us to know about opportunities available. A company which is more conscious about changes taking place becomes the first supplier and innovator and hence can be the greatest beneficiary.

3. Explain any two aspects of political environment.

Ans-

- General stability and peace in the country
- Specific attitudes that elected government representatives hold towards business

4. Mr. Akshay after completing MBA from USA comes to India to start a new business under the banner Electric Creations Ltd. He launches a new product in e-learning for senior Secondary School students in Commerce stream, which already has an established market in UK and USA but not in India. His business starts flourishing in India. Now more Indian companies entered into the market with other subjects also.

Identify and quote the lines from above paragraph which highlight the significance of understanding business environment.

Ans-

- “Comes to India to start a new business ... launches a new product in e-learning for Senior secondary school students in Commerce stream.”
 - i. It helps in assisting in planning and policy formulation.
 - ii. It helps the firm to identify opportunities and get the first mover advantage.
- “His business starts flourishing in India.”
 - i. It helps in improving performance.
- “Now more Indian companies entered into the market with different subjects also.”
 - i. It helps the firm to identify threats and early warning signals.

5. The court passed an order that all schools must have water purifier for the school children as society in general is more concerned about quality of life. Society in general is more concerned about quality of life. To manufacture water purifier at competitive rates. Incomes are rising and children at home are also drinking purified water. The government is also showing positive attitude towards the water purifier business.

Identify the different dimensions of business environment by quoting from the above details.

Ans-

- a) Legal environment: “The court passed an order....”
 - b) Social environment: “society in general is more concerned about quality of life.....”
 - c) Technological environment: “society in general is more concerned about quality of life....”
 - d) Economic environment: “Incomes are rising.....”
 - e) Political environment: “The government is also showing positive attitude...”
6. Eco-friendly products are gaining power as the consumers’ awareness about environmental issues has increased over the years and they are conscious about choosing products that do not have adverse effects on the environment. They are now more conscious about the carbon

emission and climate change effects, and want themselves to be 'seen' as a green advocate among their peers. In such a scenario, it has become a challenge for the companies as they have to not only meet the needs of the consumers but also ensure that their products are safe and environment friendly. As a result, there is growing need for better and advanced technologies to work as a catalyst in this regard.

- a) Identify the relevant feature of business environment being discussed above.
- b) Describe briefly any three points which highlight the importance of business environment and its understanding by managers.

Ans-

- a) Inter-relatedness is the relevant feature of business environment which is being discussed above.
- b) The three points which highlighted the importance of business environment and its understanding by managers are described below:
 - (i) It enables the firm to identify opportunities and getting the first mover advantage
 - (ii) It helps the firm to identify threats and early warning signals
 - (iii) It helps in tapping useful resources

LONG ANSWER TYPE QUESTIONS (6 MARKS)

1. The organic food market in India is growing at 25-30 per cent which reflects a clear shift in consumer tastes and preferences. The current growth in the organic food market is driven by multiplicity of factors like rising health consciousness, changing lifestyles, increase in disposable income and growing availability of organic food products in shopping malls, retail outlets and online. In context of the above case:
 - a) Identify and explain the features of business environment being referred to here.
 - b) By quoting phrases from the paragraph identify the various components of general forces which have led to a growth in the organic food market

Ans

- a) The features of business environment being referred to in the above case are as follows:
 - Dynamic nature: It is dynamic in nature and keeps on changing due to technological up-gradations, shifts in consumer preferences or increase in competition in the market.
 - Inter-relatedness: All the elements of business environment are closely interrelated. Therefore, any change in one element may necessitate corresponding changes in the other elements as well.
 - b) The various components of general forces which have led to a growth in the organic food market are as follows:
 - Social: "rising health consciousness, changing lifestyles"
 - Economic: "increase in disposable income"
 - Technological: "growing availability of organic food products in shopping malls, retail outlets and online."
2. Naman and Govind after finishing their graduation under vocational stream decided to start their own travel agency which will book Rail Tickets and Air Tickets on commission basis. They also thought of providing tickets within ten minutes through the use of internet. They discussed the idea with their Professor Mr. Mehta who liked the idea and suggested them to first analyze the business environment which consists of investors', competitors and other forces like social, political etc. that may affect their business directly or indirectly. He further told them about the technological improvements and shifts in consumer preferences that were taking place and hence they should be aware of the environmental trends and changes which may hinder their business performance. He emphasized on making plans keeping in mind the threat posed by the competitors, so that they can

deal with the situation effectively. This alignment of business operations with the business environment will result in better performance.

- a) Identify and state the component of business environment highlighted in the above Para.
- b) State any two features of business environment as discussed by Professor Mehta with Naman and Govind.
- c) Also state one point of importance of business environment as stated by Professor Mehta in the above situation.

Ans-

- a) Technological Environment is the component of business environment highlighted in the above Para. Technological Environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.
 - b) The two features of business environment as discussed by Professor Mehta with Naman and Govind are as follows:
 - Dynamic nature: It is dynamic in nature and keeps on changing due to technological up gradations, shifts in consumer preferences or increase in competition in the market.
 - Inter-relatedness: All the elements of business environment are closely Inter-related. Therefore, any change in one element may necessitate corresponding changes in the other elements as well.
 - c) The two points of importance of business environment as stated by Professor Mehta in the above situation are described below:
 - i) It enables the firm to identify opportunities and getting the first mover advantage.
 - ii) It helps the firm to identify threats and early warning signals.
3. As per the directions issued by the Supreme Court, the government passed an order to ban the sale of tobacco products within the area of 200 meters of all educational institutions as:
- a) Its consumption is injurious to health.
 - b) People are becoming more conscious about health and fitness.
 - c) This indicates the government's attitude towards this business.

Identify the business environment under three different dimensions by quoting from above paragraph.

Ans- The various dimensions of business environment being referred to in the above case are as follows:

- a) Legal Environment: "As per the directions issued by the Supreme Court."
- b) Political Environment: "The government passed an order to ban the sale of tobacco products within the area of 200 meters of all educational institutions."
- c) Social Environment: "Its consumption is injurious to health and people are becoming more conscious about health and fitness."

4. What do you mean by business environment? Explain the key components of business environment.

Ans- Business environment is the sum total of all external factors that influence the functioning of a business enterprise.

The components of general environment are:

- (i) Economic environment: Economic environment consists of factors having economic dimensions such as fiscal policy, monetary policy, industrial policy etc.
Impact: Banking sector reforms have led to attractive deposit avenues and easier credit policy. Likewise reforms in leasing & financial institutions are also catalysing company's economic growth.
- (ii) Social environment: It discriminates characteristics of the society in which an enterprise exists. It consists of literacy rates, educational levels, customs and demographic distribution etc.
Impact : Equal pay for equal work for both male and female workers, reservation of jobs for minorities etc.
- (iii) Political environment: It consists of the political forces responsible for the management of public affairs and their influence on business.
Impact : Government allowed Pepsi to enter Indian market again for giving boost to the food processing industry.
- (iv) Technological environment: It comprises of the various processes, techniques, approaches etc. by which an organization transforms inputs into output.
Impact : Digital watches have pushed out traditional watches.
- (v) Legal Environment : It characterizes various governmental rules, regulations and legislations etc. that all members of business community must follow.

CHAPTER-4

PLANNING

QUICK REVISION

Meaning of Planning –

Planning is deciding in advance what to do and how to do. It is concerned with both ends and means.

Features of Planning:-

- 1) **Planning focuses on achieving objectives:** Specific goals are set out in the plans along with activities to be undertaken to achieve the goals.
- 2) **Planning is futuristic:** It involves looking ahead and preparing for the future to meet future events effectively.
- 3) **Planning involves decision making:** It involves evaluation of each alternative course of action and choose the most appropriate one.
- 4) **Planning is a mental exercise:** As it is an intellectual activity of thinking rather than doing. It requires application of mind involving foresight, intelligent imagination and sound judgment.
- 5) **Planning is the primary function of management:** As it lays down the basis for all other functions of management. All other managerial functions are performed within the framework of the plans drawn. Thus, planning precedes other functions. This is also referred to as the 'primacy of the planning'.
- 6) **Planning is pervasive:** It is required in all type of organisations, at all levels of management and in all departments of an organisation. Top management undertakes planning for the whole organisation. Middle management does the departmental planning. At the lowest level, day-to-day operational planning is done by supervisors.
- 7) **Planning is continuous:** Plan is framed and implemented for a specific period of time and is followed by another plan and so on.

Importance of Planning: -

- 1) **Provides direction:** Planning provides directions by deciding in advance what action should be taken. If there was no planning, employees would be working in different directions and the organisation would not be able to achieve its desired goals.
- 2) **Reduces the risks of uncertainty:** Planning reduces the risk of uncertainty by anticipating changes and developing managerial responses to them. Planning cannot eliminate changes/ uncertainties but can predict them and prepare contingency plans to deal with them.
- 3) **Reduces overlapping & wasteful activities:** Planning reduces overlapping and wasteful activities by coordinating the activities of different divisions, department and individuals.
- 4) **Promotes innovative ideas:** Planning promotes innovative ideas requiring Application of mind and foresight. It is the most challenging activity for the management as it guides all futures plan actions leading to growth and prosperity of the business.
- 5) **Facilitates decision making:** Planning facilitates decision making by making a choice from among the alternative courses of action.
- 6) **Establishes standards for controlling:** Planning establishes standards against which actual performance is measured. (A comparison of actual performance with the standards helps to identify that deviations and to take correct corrective action. Thus, planning is a prerequisite for controlling.)

Limitations of Planning: -

- 1) **Planning leads to rigidity:** Plan is drawn with specific targets in a specific timeframe. Once the plans are drawn, the managers may not be able to change them. It may not be in the best interest of the organisation when circumstances change.
- 2) **Planning may not work in a dynamic environment:** The organisation has to constantly adapt itself to changes.
- 3) **Planning reduces creativity:** It is Mostly done by the top management; rest of the members just carry out orders and think on the same lines as other. They are neither allowed to deviate from plans nor are they permitted to act on their own.
- 4) **Planning involves huge costs** in terms of time and money. Sometimes cost incurred may not justify the benefits derived from the plan.
- 5) **Planning is time consuming** and sometimes not much time is left for its implementation.
- 6) **Planning does not guarantee success** unless it is translated into action. Managers have a tendency to rely on previously tried and tested successfully plans which may create a false sense of security and lead to failure.

Process of planning

Steps in Planning Process:-

(Note for students: Sequence to be remembered and strictly followed)

- 1) **Setting objectives:** Objectives may be set for the entire organisation and each department or unit within the organisation . They specify what the organisation wants to achieve.
- 2) **Developing Premises:** Planning premises are the assumptions made about the future. Assumptions are made in the form of forecasts, existing plans or any past information about policies. Forecast about the demand for the product, policy change, interest rates etc. Planning premises are base material upon which plans are to be drawn.
- 3) **Identifying alternative courses of action:** There may be many ways to achieve the objectives, all the alternatives courses of action should be identified.
- 4) **Evaluating alternative courses of action:** The next step is to weigh the pros and cons of each alternative. The positive and negative aspects of each alternative to be evaluated in the light of their feasibility & consequences.
- 5) **Selecting an alternative:** This is the real point of decision making. The best plan has to be adopted and implemented. The ideal plan would be the most feasible, profitable and with least negative consequences.
- 6) **Implementing the plan:** It means putting the plan into action. This is the step where other managerial functions also come into the picture. i.e., doing what is required.
- 7) **Follow up action:** To see whether the plans are implemented and activities are performed according to schedule. Monitoring of the plans is equally important to ensure that objectives are achieved.

Types of Plans.

Single use Plans: Developed for one time event, for non-recurring situations include programme, budget

Standing Plans: Used for recurring activities, ensure smooth operations, enhances efficiency, include policy, procedure, method, rule

Objectives: End results, set by top management, should be measurable in quantitative terms, in the form of written statement, example: **Increase in sales by 10% by six month**

Strategy: comprehensive plan, provides broad contours, defines organisation's direction and scope in long run, three dimensions includes i) determining long term objectives ii) adopting a particular course of action iii) allocating resources necessary to achieve objective. Example: Sales promotion techniques, which channels of distribution to be used.

Policy: General statements, guide thinking towards a particular direction, provide basis for interpreting strategy, define broad parameters. Example: Purchase Policy- From how many suppliers company should purchase., Pricing policy, Recruitment policy.

Procedure: The exact manner in which any work is to be performed, specified steps to be followed, sequence of steps to be taken, chronological order.

Method: The prescribed ways or manner in which a task has to be performed, proper method saves time, increases efficiency, systematic way.

Rule: Specific statements, not flexible, certain **action must or must not be taken**, no compromise, simplest types of plans.

Programme: Detailed statements about project, include entire gamut of activities, the minutest details are worked out. Example: opening of new department.

Budget: Statement of expected results expressed in numerical terms, quantifies future facts, comes under planning also a control device. Example: sales budget.

MCQ

1) It requires application of mind involving of mind involving foresight ,intelligent imagination and sound judgement. Which feature of planning is being highlighted?

- (a) Planning is pervasive
- (b) Planning is a mental exercise
- (c) Planning is futuristic
- (d) Planning is futuristic

Answer . (b)

2) Should the company make or buy its requirements, transport services printing stationery, water and power supply etc.? How should vendors be selected for procuring supplies?

- (a) Procedure
- (b) Rule
- (c) Budget
- (d) Policy

Answer: (d)

3) Which of the following is a limitation of Planning?

- (a) Planning Provides Direction
- (b) Planning Facilitates decision- Making
- (c) Planning promotes innovative idea
- (d) Planning may not work in dynamic environment

Answer: (d)

4) Given below are the steps of planning Process

1. Setting objectives
2. Developing Premises
3. Identifying alternative courses of action
4. Follow up
5. Selecting an alternative
6. Implementing the plan
7. Evaluating Alternative course of action

Which one of the following is the right sequence of the process?

- (a) 7,2,5,1,6,3,4
- (b) 2,5,7,9,1,3,6
- (c) 1,3,6,7,5,2,4
- (d) 1,2,3,7,5,6,4

Answer : (d)

5) At what managerial level planning is needed?

- | | |
|----------------|--------------------|
| a) Top level | c) All the Levels |
| b) Lower Level | d) Middle Level |

Answer : (c)

6) Which one of the following is not a step of planning:

- a) Setting objectives
- b) Developing Premises
- c) Assignment of duties
- d) Follow up

Answer : (c)

7) Planning may not work in Environment.

- (a) Stable
- (b) Dynamic
- (c) Both
- (d) None of the above

Answer : (b)

8) In this type of Plan , the sequence of activities to complete a job is determined :

- (a) Method
- (b) Rule
- (c) Procedure
- (d) Strategy

Answer : (c)

9) This type of plan provides organisation scope in long run:

- (a) Method
- (b) Strategy
- (c) Procedure
- (d) Rule

Answer : (b)

10) A manager is required to make certain assumptions about the future which may be in the form of

forecast. This step of planning is known as

- (a) Follow-up
- (b) Developing Premises
- (c) Evaluating alternative courses of action
- (d) Identifying alternative courses of action

Answer : (b)

11) Planning is deciding in advance- what to do. The step of planning process is:

- (a) Follow-up
- (b) Developing premises
- (c) Implementation of plan
- (d) Setting objectives

Answer : (d)

12) Amit is planning to start a publishing house. He wants to introduce new writers in the field of business studies, accountancy, economics etc. Therefore, he is constantly interacting school teachers and encouraging them to write their innovative ideas and techniques. This will make his publication available of more alternatives. The step of planning being described in the given lines is.....

- (a) Identifying alternative courses of action
- (b) Selecting the best course of action
- (c) Evaluating the courses of action
- (d) Follow up action

Answer : (a)

13) Which of the following statement is not correct with respect to planning?

- a) Planning is closely connected with creativity and innovation
- b) It is one of the basic managerial functions
- c) It involves decision making decisions
- d) Planning can eliminate business risk.

Answer : (d)

14) Standing plans are used in:

- a) Non recurring activities
- b) Recurring activities
- c) Not concerned with recurring/ non recurring nature of activities.
- d) Both a and b

Answer : (b)

15) The most feasible, profitable and with least negative consequences alternative is finalized . Identify the Step of Planning process highlighted here.

- a) Identifying alternative courses of action
- b) Selecting the best course of action
- c) Evaluating the courses of action
- d) Follow up action

Answer : (b)

16) Formation of major plan and framing of overall policies is the task of top level managers whereas

departmental managers form plan for their respective departments. And lower level managers make plans to support the overall objectives and to carry on day to day activities. Identify the feature of planning highlighted above:

- (a) Planning is continuous
- (b) Planning is futuristic
- (c) Planning is pervasive
- (d) Planning involves decision making

Answer : (c)

Very short answer type

(1 Mark)

Q1. Why Planning is considered as pervasive function of management?

Q2. Why is Planning called a forward looking or futuristic?

Q3. What is the next step in the planning process after selective an alternative course of action?

(Implementing the plan)

Q4. Name the Plan which is considered as the simplest of all.

(Rule)

Q5. Name the Plan that decide how a particular activity is to be performed for greater efficiency.

(Method)

Q6. Name the the of plan that is also a control device from which deviations can be ascertained. **(Budget)**

Q7. Planning may fail due to change in social , economic and technological environment. Which limitation of planning is discussed here? s **(may not work in dynamic environment)**

Q8. Name the type of plan those can be used over a long period of time. **(Standing Plan)**

Q9. Planning is the function of top management only. True / false

Q10. Explain any one of the following features of planning- i) Planning is continuous , ii) planning is futuristic

Short answer type

1. Explain any three features of Planning

2. Explain any three point of importance of Planning.

3. Sushrutu (p) ltd is a manufacturing firm of different surgical items. There was an increase in masks due to Pandemic . heavy production was intended to be planned but this could be done only in board of directors meeting and with after consulting specialists. This took lot of time . There was a chance to loose the opportunity as the time was passed . As a result there was fall in demand due to relax in pandemic situations. Identify the Limitation of Planning Discussed above.

Hint:Time consuming

4. Discuss any three limitations of planning.

5. Identify the types of plans: Identify the types of plans:

A. Sameer is a senior middle level manager. He is busy in allocating resources to his staff, he has also finalised the objectives and decided the course of action to be followed. He is expecting energy in his staff for the whole season but he will have to be cautious.

B. Amit is giving a speech to the workers of his factory. He is the owner of a toy manufacturing factory and has 112 workers. He tells them that this year's target of production is 23 lakh toys.

C. On the wall of 'Health is Wealth' hospital a board is hanging. On this board. It is written 'We care for the health of senior citizens as our top most priority'. This hospital is known for treating people aged more than 60 years.

D. Pratham calls his new subordinates for a meeting. He is a top level manager. He arranges for a power point presentation to train his subordinates who are all middle level managers. He tells them the way of doing task of treating suppliers through a new software system to be installed within next 20 days.

E. Kartik takes a meeting and guides his employees in a type of plan which is chronological in nature and is situation specific. It is a collection of various methods in a step wise sequence.

F. Vijay has given a detailed statement of expected results in numerical terms. This plan is conveyed to the subordinates by him in a special meeting.

Answer:

The different types of plans are:

- A. Strategy
- B. Objective
- C. Policy
- D. Method
- E. Procedure
- F. Budget

Long answer type

Q1) Mr. Rajveer an automobile engineer, was not satisfied with his present job as head of workshop in a leading automobile company. He is an ambitious person who wants more growth and earning opportunities. So he decided to set up his own workshop. After proper research he set his own targets and formulated a course of action to achieve those targets. One of his targets was to earn 12% profit on the amount invested in the first year. He decided that spare parts, loose tools, lubricants, etc. will be purchased on two months credit from suppliers. He appointed Mr. Ramesh as the workshop in charge who decided the exact manner in which the repairs and service to be provided. Mr. Ramesh also prepared a statement showing the number of mechanics that will be required in the workshop throughout the year. Rajveer informed Mr. Ramesh about his quarter-wise revenue targets for the whole year. While working in the workshop, a penalty of Rs. 500 per day for wearing helmets and gloves was declared. Quoting lines from the above paragraph, identify and explain the different types of plans discussed.

Hint (Objective, Policy, Method, Rule)

Q2) Mr. Anil decided to start a FMCG goods company named Bharat Products with an ambitious target of reaching out to 70% of the Indian consumers within 3 years. He chose this business with a belief that an Indian customer wants Indian brands with quality and their purchasing power is increasing rapidly. To achieve this target, he had some options like acquire a running FMCG company business or make ties with small producers or start independent action with self production and aggressive marketing. He assessed the proposals of different companies on various parameters i.e., EPS, Tax liabilities, Dividend paid etc. and their future projection. He knew that the above projections may not remain the same if the country's economic policies get modified.

The above paragraph discusses some of the steps of one of the functions of management. By quoting the lines from the above paragraph, explain these steps in chronological order.

Hint: "reaching out to 70% within 3 years" - **Setting Objectives**

"Indian customer wants Indian brands is increasing rapidly" - **Developing premises,**

"he had some options aggressive marketing" - **Identifying alternative course of**

action,

He assessed the proposals and their future projection - **Evaluating alternative**

courses)

CHAPTER 5

ORGANISING

QUICK REVISION

Organising:

Meaning: Organising essentially implies a process which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilised for achieving specified objectives.

Importance of Organising

- 1) **Benefits of specialization:** In organizing every individual is assigned a part of total work and not the whole task. This division of work into smaller units and repetitive performance leads to specialization. Thus organizing promotes specialization which in turn leads to efficient & speedy performance of tasks.
- 2) **Clarity in working relationship:** It helps in creating well defined jobs and also clarifying the limits of authority and responsibility of each job. The superior-subordinate relationship is clearly defined in organizing.
- 3) **Effective Administration:** It provides a clear description of jobs and related duties which helps to avoid confusion and duplication. Clarity in working relationships enables proper execution of work which results in effective administration.
- 4) **Optimum utilization of resources:** The proper assignment of jobs avoids overlapping/duplication of work. This helps in preventing confusion and minimizing the wastage of resources and efforts.
- 5) **Adaptation to Change:** The process of organising allows a business enterprise to accommodate changes. It allows the organisation structure to be suitably modified and the revision of inter-relationship amongst managerial levels.
- 6) **Development of Personnel:** Sound organization encourages initiative and relative thinking on part of the employees. When managers delegate their authority, it reduces their workload so they can focus on more important issues related to growth & innovation. This also develops the subordinates' ability and helps him to realize his full potential.
- 7) **Expansion and growth:** It helps in growth & diversification of an enterprise by adding more job positions, departments, product lines, new geographical territories etc

Process of organizing.

- 1) **Identification and division of work:** The first step in the process of organising involves identifying and dividing the work that has to be done in accordance with previously determined plans. The work is divided into manageable activities so that duplication can be avoided and the burden of work can be shared among the employees.
- 2) **Departmentalisation:** Once work has been divided into small and manageable activities then those activities which are similar in nature are grouped together. Such sets facilitate specialisation. This grouping process is called departmentalisation. Departments can be created using several criteria as a basis. Examples of some of the most popularly used basis are territory (north, south, west, etc.) and products (appliances, clothes, cosmetics etc).
- 3) **Assignment of duties:** It is necessary to define the work of different job positions and accordingly

allocate work to various employees. Once departments have been formed, each of them is placed under the charge of an individual, Jobs are then allocated to the members of each department in accordance to their skills and competencies.

- 4) Establishing authority and reporting relationships:** Merely allocating work is not enough. Each individual should also know who he has to take orders from and to whom he is accountable. The establishment of such clear relationships helps to create a hierarchal structure and helps in coordination amongst various departments.

Organizational Structure

The organisational structure can be defined as the framework within which managerial and operating tasks are performed. It specifies the relationships between people, work and resources. It allows correlation and coordination among human, physical and financial resources and this enables a business enterprise to accomplish desired goals.

The span of management, to a large extent gives shape to the organisational structure. Span of management refers to **the number of subordinates that can be effectively managed by a superior**. This determines the levels of management in the structure

An organisation structure provides the framework which enables the enterprise to function as an integrated unit by regulating and coordinating the responsibilities of individuals and departments.

Types of organisational structure

- **Functional structure** : Grouping of jobs of similar nature under functional and organising these major functions as separate departments creates a functional structure.

Suitability:

- (1) Large organizations producing one line of product.
- (2) Organizations which require high degree of functional specialization with diversified activities.

Advantage:

- (a) Specialization: Better decision of labour takes place which results in specialization of functions and its consequent benefits.
- (b) Coordination is established: All the persons working within a departmental are specialists of their respective jobs. It makes the co-ordination easier at departmental level.
- (c) Helps in increasing managerial efficiency: Managers of one department are performing same type of function again and again which makes them specialized and improves their efficiency.
- (d) Minimizes cost: It leads to minimum duplication of effort which results in economies of scale and thus lowers cost.

Disadvantages:

- (a) Ignorance of organizational objectives: Each departmental head works according to his own wishes. They always give more weight to their departmental objectives. Hence overall organizational objectives suffer.
- (b) Difficulty in Inter-departmental Coordination: All departmental heads work as per their own wishes which leads to coordination within the department easier but it makes inter-departmental coordination difficult.
- (c) Hurdle in complete development – because each employee specializes only in a small part of the whole job.

• **Divisional structure:** It refers to the division of whole enterprise on the basis of different products. Each division is multifunctional because within each division functions like production, marketing, finance, purchase, etc.

Suitability:

This structure is suitable in organizations producing multi product or different lines of products requiring product specialization. Also growing companies which intend to add more lines of products in future adopt this structure.

Advantages:

- (a) Quick decision-making: Divisional manager can take any decision regarding his division independently which makes decisions quick and effective.
- (b) Divisional results can be assessed: Division results (profit/loss) can be assessed easily. On this basis any unprofitable division can be closed.
- (c) Growth and Expansion: It facilitates growth and expansion as new divisions can be added without disturbing existing departments.

Disadvantages:

- (a) Conflicts among different divisions on allocation of resources.
- (b) Duplicity of Functions: Entire set of functions is required for all divisions. It gives rise to duplicity of efforts among divisions & increases cost.
- (c) Selfish Attitude: Every division tries to display better performance and sometimes even at the cost of other divisions. This shows their selfish attitude.

Difference between Functional and Divisional structure

Basis	Functional Structure	Divisional Structure
Formation	It is based on functions.	It is based on products .
Responsibility	It is difficult to fix on a department.	It is easy to fix responsibility for performance.
Specialisation	Functional specialization	Product specialisation.
Managerial Development	It is difficult ,as each functional Manager has to report to the top management.	It is easier, autonomy as well as the chance to perform multiple functions helps in managerial development.
Cost	It is economical as the functions are Not duplicated.	It is costly as there is duplication of Resources in various departments.
Coordination	It is difficult for a multi product company.	It is easy, because all functions related to a particular product are Integrated in one.
Suitability	It is most suitable when the size of the organisation is large, has diversified activities and operations require a high degree of specialisation.	It is suitable for those business enterprises wh a large variety of products are manufactured using different productive resources.

• **Formal organization :** Formal organization refers to the organization structure which is designed by the management. It clearly specifies the boundaries of authority and responsibility.

Advantages:

- i) Easy to fix responsibility, ii) No ambiguity, iii) Unity of command is maintained, iv) Leads to effective accomplishment of goals, v) Provides stability

Limitations:

i) formal organization may lead to procedural delays, ii) Poor organization practices may not provide adequate recognition to creative talent, iii) It does not provide the complete picture of how an organization works.

• **Informal organization:** Interaction among people at work gives rise to a network of social relationship among employees called the informal organization. Informal organization emerges within the formal organization.

Advantages: i) Faster spread of information, ii) fulfill the social needs , iii) contributes towards the fulfilment of organizational objectives.

Disadvantages: i) when spreads rumors, it becomes destructive ii) Management may not be successful in implementing changes if the informal organization opposes them.

Difference between Formal and Informal Organisation

Basis	Formal organization	Informal organization
Meaning	Structure of authority relationship is created by the management.	Network of social relationships arising out of interaction among employees.
Origin	Arises as a result of company rules and policy.	Arises as a result of s social interaction.
Authority	Arises by virtue of position in management .	Arises out of personal qualities.
Behaviour	It is directed by rules	There is no set behavior pattern
Flow of communication	Communication takes place through scalar chain.	Flow of communication is not through a planned route. It can take place in any direction.
Nature	Rigid.	Flexible.
Leadership	Managers are leaders.	Leaders may or may not be the managers. They are chosen by the group.

Delegation: Delegation refers to the downward transfer of authority from a superior to a subordinate. It is a pre-requisite to the efficient functioning of an organisation because a manager can use his time on high priority activities. It also satisfies the subordinate's need for recognition and provides them with opportunities to develop and exercise initiative

Elements of delegation

- 1. Authority:** The power of taking decisions in order to guide the activities of others. Authority is the power that influences the others.
- 2. Responsibility:** It is the obligation of a subordinate to properly perform the assigned duty. When a superior issues orders, it becomes the responsibility of the subordinate to carry it out.
- 3. Accountability:** When a superior assigns some work to a subordinate, he is answerable to his superior for its success or failure.

Difference between Authority, Responsibility and Accountability:

Basis	Authority	Responsibility	Accountability
Meaning	Authority refers to the right of an individual to command his subordinates and to take action within the scope of his position.	Responsibility is the obligation of a subordinate to properly perform the assigned duty.	Accountability implies being answerable for the final outcome, one authority has been delegated and responsibility accepted, one cannot deny accountability.
Delegation	Can be delegated.	Cannot be entirely delegated.	Cannot be delegated at all.
Origin	Arises from formal position in the organization.	Arises from delegated authority.	Arises from responsibility.
Flow	Flows downward from superior to subordinate.	Flows upward from subordinate to superior.	Flows upward from subordinate to superior.

Importance of Delegation

- 1. Effective Management:** By empowering the employees, the managers are able to function more efficiently as they get more time to concentrate on important matters.
- 2. Employee Development:** Employees get more opportunities to utilise their talent and this may give rise to latent abilities in them.
- 3. Motivation of employees:** When superior entrusts a subordinate with a task it is not merely the sharing of work but involves trust on the superior's part and commitment on the part of subordinate. Subordinate feels encouraged.
- 4. Facilitation of growth:** Delegation helps in the expansion of an organisation by providing a ready work force to take up leading positions in new ventures.
- 5. Basis of management hierarchy:** Delegation of authority establishes superior- subordinate relationship, which are the basis of hierarchy of management.
- 6. Better coordination:** The elements of delegation (authority, responsibility, accountability) help to define the powers duties and answerability to the various positions in an organisation.

Decentralization:

It is defined as even and systematic distribution of authority among hierarchical order. Under this, the authority is transferred to the level where it is to be exercised, so the numbers of centers for taking decisions increases. **It should be noted that 'Decentralization' is an extension of delegation.**

Importance of Decentralisation

- 1) Develops initiative among subordinates:** Decentralisation helps to promote self-reliance and confidence amongst the subordinates. This is because when lower managerial levels are given freedom they learn to depend on their own judgment. This policy helps to identify those executives who have the necessary potential to become dynamic leaders.
- 2) Develops Managerial talent for future:** Decentralisation gives subordinates the chance to prove their abilities and creates a reservoir of qualified manpower.
- 3) Quick decision making:** In a decentralised organization, since decisions are taken at levels which are nearest to the points of action and there is no requirement of approval from many levels, the process is much faster

- 4) **Relief to Top management:** Decentralisation leaves the top management with more time which they can devote to important policy decisions rather than occupying their time with both policy as well as operational decisions.
- 5) **Facilitates growth:** Decentralisation awards greater autonomy to lower levels of management as well as divisional and departmental heads. This allows them to function in a manner best suited to their department. Consequently, Productivity level increase and the organization is able to generate more returns which can be used for expansion purposes
- 6) **Better control:** Decentralisation makes it possible to evaluate performance at each level and the departments can be individually held accountable for their results

Difference between Delegation and Decentralisation

S. No.	Basis	Delegation of authority	Decentralisation
1.	Nature	It is a compulsory act because no individual can perform all tasks on his own.	It is an optional policy decision and is only implemented at the discretion of the top management.
2.	Freedom of action	The subordinates have less freedom to take own decisions as there is more control is exercised by the superiors.	The control over executives is less hence they have a greater freedom of action.
3.	Status	It is a process followed to share tasks.	It is the result of the policy decision of the top management.
4.	Scope	It has narrow scope as it is limited to superior and his immediate subordinate.	It has wide scope as it implies extension of delegation to the lowest level of management.
5.	Purpose	To lessen the burden of the manager.	To increase the role of the subordinates in the organisation by giving them more autonomy.

Very short answer type question

1. What does the term span of management refer to?

Ans – It refers Number of subordinate under a superior

2. In an Garment manufacturing company , there are four main activities Production, finance, marketing, personnel. Which type of organization structure should company adopt?

Ans – Functional Structure

3. Which of the following is not an importance of organising?

- a) Increase cost
- b) Clarity in working relationship
- c) Adaptation to change
- d) None of the above

Answer : (a)

4. Span of management refers to:

- (a) Numbers of managers
- (b) Number of subordinate under a superior
- (c) Number of total employees
- (d) Number of Directors

Answer : (b)

5. Which of the following is not an element of delegation:

- (a) Authority
- (b) Responsibility
- (c) Decentralisation
- (d) Accountability

Answer : (c)

6. “Creating departments on the basis of products” which organizational structure is discussed here?

- (a) Divisional
- (b) Informal
- (c) functional
- (d) Decentralised

Answer : (a)

7. A tall Structure has a :

- (a) Narrow span
- (b) Wide Span
- (c) No span
- (d) All of the above

Answer : (a)

8. Identify the type of organisational structure which makes training of employees easier, as the focus is only on a limited range of skills.

- a) Network structure
- b) Divisional structure
- c) Functional structure
- d) Matrix structure

Answer : (c)

9. Which of the following is not a merit of divisional structure?

- a) It promotes product specialisation.
- b) It ensures that different functions get due attention.
- c) It promotes flexibility and faster decision making.
- d) It facilitates expansion and growth as new divisions can be added

Answer : (b)

10. Which of the following is not part of organising process?

- a) Grouping of activities

- b) Departmentalisation
- c) Decentralisation
- d) None of the above

Answer : (c)

Short answer type Question

(1) A Company named Vivan Cements has decided to start a factory in the Gurugram. The company has recognised the amount of work to be done in number of hours. The company has found out that it will take 48000 hours of man work and has subsequently divided the number of hours for different operations. Responsibility of the recognized amount of work has been given to different individuals according to their capabilities.

Which function of management is highlighted above? Identify the two steps of this function indicated above.

**Hints: a) The function- 'Organising' , b) Step 1: Identification and division of work
Step 2: Assignment of duties.**

(2) Discuss the element of delegation .

(3) State any three points of importance of organizing.

(4) What is meant by functional structure of organization?

(5) A company is manufacturing Bikes. There is a well-defined system of jobs with a clear and definite authority, responsibility and accountability in the company but people are not allowed to interact beyond their officially defined goals. As a result the companies not able to adapt to the changing business environment. The work force is also not motivated due to lack of social interaction. A company is facing problems of procedural delays and inadequate recognition to creative talents.

Suggest how the organisation can overcome the problems faced by it. Give any two benefits it will derive from your suggestion **Hint: Informal Org.**

Long answer type Questions

(1) The Sunrise limited is on a large scale public limited company. Mr Dwaraka Prasad is the CEO of the company. He directs the marketing manager that he can take decisions to spend up to 2 lakh in order to improve the performance of his division. For example if the marketing manager wishes to run an advertising campaign within the limit of 1 lakh then this decision can be taken without the consent of the CEO. This authority is not delegated to the remaining department. After continuous requests of other departmental managers they are provided with this authority.

- a) What would you call the authority given to the marketing manager to take decisions up to 1 lakh ?
- b) What does the change introduce in the organisation with the delegation of authority to all department manager's?
- c) Explain the concepts identified in (a) and (b)

Hints: a) Delegation , b) Decentralisation

(2) Ms Nidhi is the owner of a factory where she makes shoes. She plans to grow the company by branching into leather bags in addition to western wear because it has been doing well. Her business offers formal clothes, making it a full-service provider of business attire. She may then pitch her company as the one-stop shop for working women. Which kind of structure, and why, would you advise for the expanding organisation? Identify four benefits of this organisational structure.

Hints: Divisional structure

(3) Identify the type of organisation structure in the following cases:

- a) Abrezza is a manufacturing company based upon functions and has important departments like Finance, Marketing, Production etc.
- b) Sreeja is a well known CEO. In her organisation she allows for autonomy and opportunity to perform multiple functions in order to develop managerial skills in her employees.
- c) Aniket is an owner of a reputed manufacturing company. However in his firm it is difficult to fix responsibility on a particular department.
- d) Suresh runs a company in Jaipur. The company is known for its product specialisation and has a lot of reputation in the market.
- e) Rahul tubes is a city based growing company. Recently it has won award for being the most economical company as the functions are not duplicated in it.
- f) Synchronisation of efforts is easy in sunlastic Ltd. as all the related functions related to a particular product are integrated within one department.

Hints:

- a) Functional structure
- b) Divisional structure
- c) Functional structure
- d) Divisional structure
- e) Functional structure
- f) Divisional structure

(4) In a fast growing company, the HR department made the decision to use a novel approach to managing employee performance. They made the decision to provide each employee with a balance score card so that they could track their performance. The top management could leave the decision making on the employees.. The management's strategy changed as a result, making it simpler to evaluate staff members and departments. The speed at which decisions were made increased because they were no longer to be made by the senior management alone. The organization's changes were now apparent to the senior management. It was clear that they could now relax, have a seat, and concentrate on other things. Identify the concept discussed above. And explain the advantages of identified concept. **Hint: Decentralisation**

(5) ANG Ltd. made the decision to locate its Cement manufacturing facility in a rural area of Telangana where there were few employment possibilities. The locals in that area supported ANG Ltd.'s endeavour. It also chose to build a school, hospital, market, and other amenities on the plant grounds in an effort to draw people to work there. ANG Ltd. began to make large profits. A different rival company ordered Mahendra, its Regional manager, to look into ANG Ltd.'s reasons for making such large profits. Mahendra discovered that there was systematic coordination between the various tasks in both companies in order to accomplish organisational objectives. Each employee understood their own responsibilities and lines of authority. The main difference was that " ANG Ltd." allowed flow of communication in all directions as needed, but communication in his organisation only occurred through the scalar chain.

- a) Identify the type of organization which permits 'ANG Ltd.' the flow of communication in all the directions.
- b) Explain the advantages of the type of organization identified in (a) above.

Hint: Informal Organisation

- (6)** Differentiate between functional structure and divisional structure.
- (7)** Differentiate between Informal and formal organisation.

- (8) Differentiate between Delegation and Decentralisation.
- (9) What is divisional structure ? discuss its advantages and limitations

CHAPTER-6

STAFFING

QUICK REVISION

Meaning: Staffing is a process of recruiting right people at the right job. It is described as the managerial function of filling and keeping filled the positions in the organization structure.

(Key words: Human element of organization, Personnel, manpower or human resources.)

Importance:

1. **Discovering Competent Personnel:** Proper staffing helps in discovering and obtaining competent personnel for various jobs.
2. **High Performance:** Proper staffing ensures higher performance by putting right person on the right job.
3. **Continuous growth of enterprise:** Proper staffing ensures continuous survival and growth of the enterprise.
4. **Optimum utilization of human resources:** It prevents under-utilization and over manning of personnel and thus reduces labour cost.
5. **Higher job satisfaction:** It improves job satisfaction and morale of employees.

Staffing as a part of Human Resource Management:

The scope of Human Resource

Management is wider than staffing. It involves staffing, keeping personnel records, providing expert service and other works. It facilitates procurement and placement of right people on the right jobs. The nature of staffing as a part of HRM is discussed in following points:

1. Staffing is people centered and is relevant in all types of organization and with all categories of personnel from top to bottom.
2. It is duty of every manager to perform the staffing activities. In many enterprises, Personnel Department is established to provide assistance to managers in performing their staffing function.
3. Staffing function is concerned with training, development and performance appraisal of human resources.

Process of Staffing: : (Important for 4 mark type)

1. **Estimating Manpower Requirement:** Drafting work force requirements in an organization, defining the job related activities and recruiting personnel with a specific set of skill knowledge, qualification and experience. For this purpose company takes following three steps: *(Important for 1 mark)*

a) Work load analysis enables the enterprise to assess the number and type of employees necessary for the completion of a work.

b) Work force analysis enables the enterprise to know the number and type of existing employees. It helps determining whether an enterprise is overstaffed or under staffed and also enables an organization to make necessary steps to take corrective action.

(Hint : “force” used for filled positions)

c) **comparison.** After comparison new staff is appointed or excess employees are either removed or transferred.

2. **Recruitment:** Recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organization. Both internal and external sources may be used for searching employees. It is called a **positive process** as it invites more and more people to apply.

3. **Selection:** It is the process of choosing and appointing the right candidates for right job in an organization by conducting various exams, tests and interviews. It ensures that the organization gets the best organization candidate. The selection process enhances the self-esteem and prestige of the selected candidates. It is called a **negative process** as rejections are more than selections.

4. **Placement and Orientation: :*(Important for 1 mark type)***

Orientation is, thus, introducing the selected employee to other employees and familiarizing him with the rules, regulations and policies of the organization. Placement refers to the employee occupying the position or post for which the person has been selected.

5. **Training and Development:** Systematic training helps in increasing the skills and knowledge of employees in doing their jobs through various methods. Development involves growth of an employee in all aspects such as performance, knowledge etc.

(Acronym: Early Riser Saves POcket and Time = ERPOT)

In most of the organizations there is a separate human resource department which perform staffing function but in small scale organizations it is performed by line managers only so in small organizations the following steps are also followed:

1. **Performance Appraisal:** Performance appraisal means evaluating an employee's current and/or past performance as against certain predetermined standards. Once an employee has undergone training, his/ her performance is evaluated. It is concerned with continuous evaluation of the performance of employees in an organization.
2. **Promotion and Career Planning:** Promotion means being placed in positions increased responsibility. Promotion and career planning is very important to boost the morale of employees and motivate them to utilize their full potential.
3. **Compensation:** Compensation refers to all forms of payment made by an enterprise to their employees. E.g. salaries, incentives, commission etc.

Recruitment: Recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in an organization.

(Key words: Searching for prospective candidates, inviting applications inducing people to apply for job, a positive process.)

SOURCES OF RECRUITMENT

A. **Internal Sources of Recruitment:** Internal sources refer to inviting candidates from within the organization.

1. **Promotion:** it means shifting of employees from one job position to the other next level. It increases the compensation, Salary or prestige of the employee.
2. **Transfer:** It means shifting of employees from one job position to other at the same level of authority. Generally with the transfers there is no change in the compensation level and authority level there is no change even in the rank responsibilities and prestige. Only the place of working is changed.

Advantages of Internal Sources Recruitment:

- (1) Employees are motivated to improve their performance.
- (2) Internal recruitment also simplifies the process of selection & placement.
- (3) No wastage of time on the employee training and development.
- (4) Filling of jobs internally is cheaper.

Limitation of Internal Sources

- (1) The scope for induction of fresh talent is reduced.
- (2) The employee may become lethargic.
- (3) The spirit of competition among the employees may be hampered.
- (4) Frequent transfers of employees may often reduce the productivity of the organization.

B. External Sources of Recruitment: When the candidates from external sources are invited to fill in the vacant job position then it is known as external recruitment. The common **methods of external sources of recruitments are: *:(Important for 1/3 mark type)***

1. **Direct Recruitment:** Under the direct recruitment, a notice is put up on the notice board of the enterprise specifying the details of the jobs available.
2. **Casual callers:** Many reputed business organizations keep a data base of unsolicited applicants in their office. This list can be screened and best candidate is selected.
3. **Advertisement:** Advertisement media is used when a wider range of candidates to choice are required. Example– Newspapers, Internet, Radio, Television etc.
4. **Employment Exchange:** Employment exchange run by government is regarded as a good source of recruitment for unskilled and skilled operative jobs.
5. **Placement Agencies and Management consultants:** Placement agencies provide a nationwide service in matching personnel demand and supply.
6. **Campus Consultants:** Campus recruitment means recruitment of candidates directly from management and technical institutions and universities.
7. **Labour Contractors:** Labour contractors maintain close contacts with labourers and they can provide the required number of unskilled workers at short notice.
8. **Advertising on Television:** The practice of telecasting of vacant posts over Television is gaining importance these days.
9. **Web Publishing:** There are certain websites specifically designed and dedicated for the purpose of providing information about both job seekers and job opening.
10. **Recommendations of Employees:** Applicants introduced by present employees, or their friends and relatives may prove to be a good source of recruitment.

Merits of External Sources:

1. **Qualified Personnel:** By using external source of recruitment the management can attract qualified and trained people to apply for the vacant jobs in the organization.
2. **Wider Choice:** The management has a wider choice in selecting the people for employment.
3. **Fresh Talent:** It provides wider choice and brings new blood in the organization.
4. **Competitive Spirit:** If a company taps external sources, the staff will have to compete with the outsiders.

Limitations of External Sources of Recruitment:

1. **Dissatisfaction among existing employees:** Recruitment from outside may cause dissatisfaction among the employees. They may feel that their chances of promotion are reduced.

2. Costly process: A lot of money has to be spent on advertisement therefore this is costly process.
3. Lengthy Process: It takes more time than internal sources of recruitment.

Selection: It is the process of choosing from the pool of the prospective job candidates developed at the stage of recruitment. It finds the best out of the available stuff. It's called a negative process as the rejections are more than the selections.

(Key words: Choosing the prospective candidates, negative process, looking for the qualities of different candidates)

Process of Selection: (Important for 4/6 marks)

1. **Preliminary Screening:** Preliminary screening helps the manager eliminate unqualified or unfit job seekers based on the information supplied in the application forms.
2. **Selection Tests:** These tests include: *(Important for 1 mark type)*
 - (a) **Intelligence Tests: It tests a person's ability to make decisions and adjustments.(I.Q. test)**
 - (b) **Aptitude Tests: It is a measure of individual's potential for learning new skill.**
 - (c) **Personality Tests: personality tests provide clues to a person's emotion, behaviour and approach towards an issue or work.**
 - (d) **Trade Tests: It measures the existing working skills of an individual.**
 - (e) **Interest Tests: It allows knowing the Pattern of interests and involvement of a person in some other types of jobs.**
3. **Employment Interviews:** It is an in-depth formal conversation conducted to find out suitability of the candidate for a specific post to seek more information about the candidate. It gives the candidate an accurate picture of job with details of terms and conditions and to clarify his doubts.
4. **Reference Checks:** The prospective employer checks the authenticity of the references given by the applicant. They conduct a search into candidate's family background, past employment, education, police records etc.
5. **Selection Decisions:** A list of candidates who clear the tests and interviews are generally considered for the final selection based on manager's opinion.
6. **Medical/Physical Examination:** A medical expert or a certified clinic appointed by organization has to certify whether the candidate is physically fit to the requirements of a specific job. A proper physical exam will ensure higher standard of health & physical fitness of employees thereby reducing absenteeism.
7. **Job Offer:** After selection procedure and medical examination, he/she is formally appointed by issuing him an Appointment Letter.
8. **Contract of Employment:** After getting the job offer, the candidate has to give his acceptance. Both employer and employee has to sign a contract of employment which contains terms & conditions, pay scale, leave rules, hours of work, mode of termination of employment etc.

(ACRONYM : Pehle STudent ko EMPty CHEque SE MEDICAL JOB ka CONTRACT mila aur wo select ho gya)

Training and development: :(Important for 3/4 marks)

Training is an act of increasing the knowledge and technical skills of an employee for doing a particular job efficiently. Both existing employees and new employees get acquainted with their jobs and this increases the job related skills.

(Key words: Imparting skill to improve performance related to job or work performed by an individual update knowledge and competency of employees.)

Development refers to the learning opportunities designed to help employees grow. It covers not only those activities, which improve job performance but also those which bring about growth of the

personality.

(Key words: Overall growth of an employee, include all round growth and not restricted to job performance.)

BENEFITS TO ORGANISATION:

1. Systematic learning reduces wastage of efforts and money.
2. Increases productivity thereby leading to increase in profit.
3. Equips the future managers to handle emergencies.
4. Increases employee morale and reduces absenteeism.
5. Effective response to changing environment.

BENEFITS TO EMPLOYEE:

1. Better career opportunities due to improved skills and knowledge.
2. Higher earning leads to higher earnings.
3. Improves efficiency in handling machines.
4. Improves satisfaction and morale of employees.

<u>Training</u>	<u>Development</u>
<u>It is a process of increasing knowledge and skills</u>	<u>It is a process of learning and growth.</u>
<u>It is to enable the employee to do the job better</u>	<u>It is to enable the overall growth of the Employee</u>
<u>It is a job-oriented process.</u>	<u>It is a career-oriented process</u>

Training Methods:

(A) On the Job Method: It refers to the methods that are applied at the work place, where the employee is actually working. It means learning while doing.

1. **Apprenticeship Programs:** Apprenticeship programs put the trainee under the guidance of a master worker. The trainee receives stipend while learning so that he/she can enjoy “earn while you learn” scheme. The trainee is placed under the supervision of an experienced person who imparts him the necessary skills and regulates his performance.

(Key words: Learning by doing, suitable for technical works.)

2. **Induction/Orientation training** means to acquaint the newly appointed employees with their job and the organisation. Under this, new employees are introduced both to their superior and subordinates so that they can work with them as a team. Apart from this, he/she is informed about the objectives and policies of the organisation. He/She is also informed about their own authorities and responsibilities. In short, the purpose of induction is to accommodate new employees in the new environment expeditiously.

3. **Internship Training:** The educational institutes enter into a contract with business firms or corporate for providing practical knowledge to its students by sending them to business organizations for gaining practical experience.

(Key words: classroom sessions with practical training)

(B) Off the job methods: Off-the-job training as the name itself indicates, refers to training conducted away from the actual work setting. There may be a special site in the organization itself or in a non-organizational location elsewhere (for example, vocational school or university). Off-the-job training is particularly useful and appropriate for certain managerial skills such as interpersonal abilities and also for certain production jobs where machinery is employed to control the pace of work-an example may be the assembly-line operation and is also useful for some technical jobs where teaching expertise is found elsewhere.

1. Vestibule Training: :(Important for 1/3 mark)

Employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor. It is an attempt to duplicate as nearly as possible the actual conditions of the work-place. The learning conditions are carefully controlled. The trainees can concentrate on training because they are not under any pressure of work. Their activities do not interfere with the regular process of production. Thus vestibule training is very much suitable where a large number of persons are to be trained and where mistakes are likely to occur which will disturb the production schedules.

(Key words: Duplicate training or dummy training, using dummy models for sophisticated and expensive machineries)

Questions:

Short answer type

Q1- Mention briefly the important sources of recruitment.

Ans- The two important sources of recruitment in any organization are; internal sources and External Sources.

Q2- Why Aptitude test is conducted during the process of selection?

Ans: An aptitude test is conducted to measure and scale the applicant's potential for learning a skill.

Q3- Why 'employment interview' is conducted by an organisation in the process of selection?

Ans- Organizations conduct employee interviews in order to assess the applicant's feasibility for the position and to check if the person is suitable for the prescribed job post.

Q4- Mention the advantages of training to the individual and to the organization.

Ans- Training is an important part of the job that aims at improving and growing the aptitude and knowledge of a person as prescribed in the job description. It benefits the organisation through the improved skills and output of the employee.

Q.5. Mention any two differences between training and development.

Q.6. What is meant by 'estimating manpower requirement' as a step in the process of staffing?

Ans. 'Estimating manpower requirement' means finding out the number and their types of persons or employees needed by the organisation in near future.

Q.7. Name the components of staffing function.

Ans: Recruitment, Selection and Training

Q8. What is the term refers to the employee occupying the position or post for which the person has been selected?

Ans: Placement.

Q9. Which analysis would reveal the number and type of human resource available within the organization and how many are required to perform various jobs in the organization?

Ans : Workforce analysis and work load analysis.

Q10. It is the process of choosing from the pool of the prospective job candidates developed at the stage of recruitment.

Ans : Selection

Q.11. The quality of production is not as per standards on investigation. It was observed that most of the workers were not fully aware of the proper operation of the machinery. What could be the way to improve the accuracy?

Ans: training

Q.12. Name the process of introducing the selected employees to other employees and family with the rules and policies of the organization?

Ans : Orientation/induction

Q.13. Why selection is considered as negative process?

Ans : Because it involves rejection of unfit candidates and the number of rejected candidates is more than the number of selected candidates

Q.14. Which source of recruitment is needed to bring new blood and talent in the organization? Explain any two advantages of it.

Ans : External sources.

Q.15. "Our assets walk out of the door each evening, we have to make sure that they come back the next morning." These are words of Mr. Narayana Murthy, CEO, Infosys. At a time when organizations were debating the strategic importance of their human resources. This statement relates to which function of management. Explain the importance of this function.

Ans. Staffing.

Q.16. What is the relation between staffing and HRM?

Ans. HRM is wider than staffing as staffing is the part of HRM.

Questions of 3 or 4 marks:

Q. 1. Name the methods of recruitment in the following cases:

1. A company gets applications on and off even without declaring any vacancy. However, as and when the vacancy arises, the company makes use of such applications.

2. Casual vacancies of unskilled or semi-skilled jobs when there is a rush of order or when some permanent workers are absent.

3. Recruitment by which most of the senior positions of the industry as well as commerce are filled.

Ans. 1. Casual callers

2. Direct recruitment

3. Advertisement

Q.2. Zara Ltd. purchased a new hi-tech machine from England for manufacturing high quality auto components in a cost effective manner. But during the production process, the manager observed that the quality of production was not as per standard. On investigation it was found that there was lack of knowledge amongst the employees of using these hi-tech machines. So, frequent visit of engineers was required from Germany. This resulted in high overhead charges.

Suggest what can be done to develop the skills and abilities of employees for producing high quality products by using these hi-tech machines. Also state how the employees or the organization will benefit

from your suggestion.

Ans. Training of employees, (Benefits to the organization or employees)

Q. 3. Navyug runs an NGO under the name 'Sakasham' in Kolkata . The organization is engaged in offering waste paper recycling services to all kinds of institutions in the West Bengal . It also manufactures custom made paper stationery out of recycled paper on order for the interested institutions at a very competitive price. The website of 'Sakasham' provides a link to a Careers site where in the people desirous of joining the NGO can use simple Job Search to find the right opportunity for them. The NGO also keeps a database of unsolicited applicants in its office so that job seekers may be notified of future opportunities when they arise. In context of the above case:

Identify the two sources of external recruitment being used by the NGO 'Sakasham by quoting lines from the paragraph.

Ans. The two sources of external recruitment being used by the NGO 'Sakasham are as follows:

1. Web Publishing:
2. Casual Callers:

Q. 4. The workers of 'Smart Tech Ltd.' are unable to work on new computerized machines imported by the company to fulfill the increased demand. Therefore, the workers are seeking extra guidance from the supervisor and the supervisor is overburdened with the frequent calls of workers.

Suggest how the supervisor, by increasing the skills and knowledge of workers, can make them handle their work independently. Also state any three benefits that the workers will derive by the decision of the supervisor.

Ans. Training of employees.

Q. 5. Shefali is doing a course in fashion designing form an institute of repute. As a part of the course, she has been asked to take on-the-job training in an export house for a fortnight in order to gain an insight about various practical aspects related to designing. Shefali, through the references from her senior, joins an export house owned by an upcoming designer, Anjum.

In context of the above case:

- 1.Name and explain the type of training which Shefali has been asked to undertake.
- 2.Explain briefly any one method for providing off-the-job training.

Ans. 1. Internship Training. 2. Vestibule training.

Q.6. Read the following and identify the concept behind it and explain its benefits:

1. It is a managerial decision-making process as to predict which job applicants will be successful if hired.
2. It is the process of differentiating between applicants in order to identify and hire those with a greater likelihood of success in job.
3. It is the process of choosing from among the candidates from within the organization or from the outside, the most suitable person for the current position or for the future position.

Ans. Selection is the process being referred to in all the three statements.

It is the process of identifying and choosing the best person out of a number of prospective candidates for the job. Selection process serves two important purposes:

1. It ensures that the organization gets the best among the available.
2. It enhances the self-esteem and prestige of those selected.

Long answer type 6 Marks

Q.1. Akhil, the director of a garments company, is planning to manufacture bags for the utilization of waste material for one of his garments unit. He decided that this manufacturing unit will be set up in a rural area of Orissa, where people have less job opportunities and labour is available at a very low rate. He also thought of giving equal opportunities to men and women. For this, he selected M kumar, Jasmeet Kaur, Rehan and Mukul as heads of sales, accounts, purchases and production departments.

Identify and state the next two steps that Akhil has to follow in the staffing process after selecting the above heads.

Ans. (i) Selection is done in the third step, The next two steps are as follows:

Step 1-Placement and orientation in this step, employee occupies the position or is placed, for which he/she has been selected.

Step 2-Training and development.

Q. 2. Anupam has started an advertising agency in Gwalior. One of the pages on his company's website contains the following information, "Welcome to all the visitors of this page who are looking for an opportunity to make a career in the field of advertising. The openings are available in the company at various levels, so don't miss the chance." This page includes a link to provide further details about the vacancies available in terms of the desired qualifications, experience, personality characteristics and so on. Through a continuous assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organizational objectives and in relation to the number and type available, he gets the information on this page updated.

In context of the above case

1. Identify and explain the steps in the staffing process being carried out by Anupam by quoting lines from the paragraph.

2. Name the concept that relates to the details about the vacancies available in terms of the desired qualifications, experience, and personality characteristics and so on.

Ans. 1. The two steps in the staffing process being carried out by Anupam are as follows:

a) Estimating the Manpower Requirements

b) Recruitment

2. Job descriptions the concept that relates to the details about the vacancies available in terms of the desired qualifications, experience, and personality characteristics and so on.

Q. 3. Akshara the Managing Director of a toy manufacturing company is planning to produce now the toys of high quality that will not harm the children. She has decided that this manufacturing unit will be set up in a rural area of Madhya Pradesh where people have very few job opportunities and labour is available at very low rates. She has also thought of giving equal opportunities to men and women, for this she wants for different heads for sales, accounts, purchase and production. She gives an advertisement and shortlisted 10-15 candidates per post after conducting different selection tests. Identify and state the next three steps for choosing the best candidates out of the candidates shortlisted.

Ans. 1. employment interview

2. checking references and background

3. selection decision

Q.4. Smart age Public School had a vacancy of an English teacher looking for a smart creative and one who have all the qualities of an English teacher. An advertisement was given in all leading dailies. Since the response was huge the school examined all the application forms and rejected the candidates who did not have the necessary qualifications. There after a test was conducted to measure the existing

skills of the candidates. After that it was followed by a formal in-depth conversation with the principal of the school and the panel of English experts.

Explain the steps that have been performed by smart age Public School in the process of identifying and choosing the best candidate give the name and also the meaning of the test which was conducted by the school.

Ans: steps are;

1. Preliminary screening
2. Selection tests
3. Employment interview.

Q.5. Company Tejas Limited is setting up a new plant in India for manufacturing auto components. India is highly competitive and cost-effective production based in the sector so Tejas Limited is planning to capture about 50% of the market share in India and also export to the tune of at least \$10 million in about 5 years of its planned operations. To achieve these targets it requires a highly trained and motivated workforce outline the process of staffing.

1. The company should follow which sources of recruitment?
2. Which sources of recruitment should the company rely upon? Give reasons for your recommendation.
3. Which methods of training and development should company initiate explain giving reasons?

Ans: 1. Staffing process

2. External sources
3. Apprenticeship training, vestibule, internship training

CHAPTER-7

DIRECTING

QUICK REVISION

Meaning:- Directing refers to the process of instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives.

Features :

- a. Directing initiates action.
- b. Continuing function.
- c. Takes place at every level.
- d. Flows from top to bottom.
- e. Performance oriented.

Importance:

1. Directing Initiates Action: It helps in initiating action by the people in the organization towards attainment of desired objectives.
2. Directing Integrates Employee's Efforts: Coordination of all the employees activities is very necessary . thus, it ensures the individuals work for organizational goals
3. Motivation and Leadership: It motivates the subordinates by showing leadership qualities to work efficiently and to contribute their maximum efforts towards the achievement of organizational goals.

4. Directing Facilitates Change: Employees often resist changes due to fear of adverse effects on their employment and promotion. Effective directing through motivation, communication and leadership help employees to cope with changes in the environment.
5. Directing helps in Stability and Balance in the organization: Effective directing fosters cooperation and commitment among employees and helps them to striking a balance between various activities and departments.

Elements of Directing;

- (i) Supervision: Implies overseeing the work of subordinates by their superiors. It is an act of watching & guiding worker's activities.
- (ii) Motivation: It means the process of making subordinates to act in a desired manner to achieve certain organizational goals.
- (iii) Leadership: Leadership is the process of influencing the behavior of people by making them strive voluntarily towards achievement of organizational goals.
- (iv) Communication: is the process of passing information, experience, opinion etc. from one person to another.

Motivation:

Motivation means incitement or inducement to act or move.

Motivation is the process of stimulating people to action to accomplish desired goals. Three key terms = motive, motivation, motivators

Motive: Inner state that energizes, activates and directs behavior towards goals. Arises out of unsatisfied needs and causes restlessness.

Motivation: Process of stimulating people to action to accomplish desired goals. Motivators: Technique used to motivate people. E.g. = bonus, promotion, recognition etc.

FEATURES OF MOTIVATION:

1. Internal feeling : Desire to have a car, recognition in the society etc. are the internal feeling of an individual which lead him to be motivated
2. Produces goal oriented behaviour: If an employee is interested in promotion he will try to improve his performance, hence motivation produces goal-directed behavior.
3. Motivation can be positive or negative: Better pay, promotion, recognition, assigning important jobs with more responsibilities etc. are positive motivations, whereas punishment, cutting increments, scolding etc. are negative means of motivation.
4. Complex process: Because of individual differences among the employees, a uniform type of motivation may not satisfy all people in the organization.

Maslow's Need Hierarchy Theory of Motivation

This theory was given by Abraham Maslow in 1943, and is based on human needs.

Assumptions

- Satisfaction of needs influences people's behaviour.
- Needs are in hierarchical order.
- Once need is satisfied only, the next higher need can motivate individuals.
- Satisfaction of lower-level needs motivates to move to the next level of need.

1. **Basic Physiological Needs:** These are the most basic need such as food, shelter, sleep etc. In the organizational context, basic salary helps to satisfy these needs.
2. **Safety/ Security Need:** Provide security from physical and emotional harm E.g. Job security, stability Etc.
3. **Affiliation/Belonging Need:** These needs refer to affection, sense of belongingness, acceptance and friendship for mental satisfaction.
4. **Esteem Needs:** These include factors such self-respect, prestige, autonomy status, recognition and attention.
5. **Self-Actualization Needs:** It is the highest level of need in the hierarchy. It refers to the drive to become what one is capable of becoming.



Maslow's Need Hierarchy Theory

Financial and Non-Financial Incentives

Incentives are the means to satisfy an employee's needs and motives. These can be:

- Financial
- Non-Financial

Financial Incentive:

Incentives offered to employees which are either in direct monetary form or can be valued in monetary terms.

Types of Financial Incentives

1. **Pay and allowances:** These include salary, dearness allowance and other allowances paid to employees.
2. **Productivity linked wage incentives:** Wages paid at different rates to increase productivity.

3. Bonus: Incentive offered above the wages or salary.
4. Profit Sharing: Providing a fixed percentage of profit to employees.
5. Co-partnership/ Stock option: Shares offered to employees at a price which is lower than the market price.
6. Retirement benefits: Benefits offered after retirement such as provident fund, pension, etc.
7. Perquisites: Benefits over and above the salary offered such as car allowance, housing, medical aid, etc.

Non-Financial Incentives

Incentives which are given to provide psychological and emotional satisfaction rather than monetary satisfaction.

Types of Non-Financial Incentives

1. Status: It is the level of authority, responsibility and recognition an employee commands in the organization.
2. Organizational climate: Characteristics influencing an individual's behaviour such as individual autonomy, reward orientation, consideration to employees, etc.
3. Career advancement opportunity: Opportunities of growth and development in the organization to the higher level.
4. Job enrichment: It refers to a variety of work offered to challenge the knowledge and skills of highly motivated employees.
5. Employee recognition programmes: It involves recognising and appreciating the contribution of employees in public.
6. Job security: It refers to the certainty and stability offered in a job about future income and work.
7. Employee participation: Involvement of employees in the decision making process, seeking their advice or suggestions.
8. Employee empowerment: Opportunities provided to employees to take decisions independently and perform jobs assigned to them.

Leadership

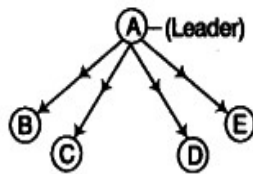
Leadership is the process of influencing the behaviour of people in such a way that they voluntarily work towards the achievement of organizational objectives.

Features of Leadership

- It is the ability of an individual to influence others.
- It tries to transform the behaviour of the subordinates.
- It indicates interpersonal relationship between leader and followers.
- It is exercised to achieve organizational goals.
- It is a continuous process.

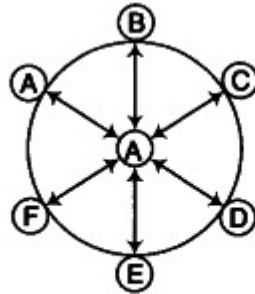
Leadership STYLES

1. **Autocratic leadership:** in this style of leadership, a leader takes all the decisions on his own and gives orders to his or her subordinate to implement them.



Boss-Centred-Leadership
(A is the leader who bosses around and give orders)

- Democratic leadership:** In this style of leadership a leader takes decisions after consulting withsubordinates and encourages them to participate in decision making.



Group-Centred-Leadership
(A is the leader, who consults with the group)

- Laissez faire leadership:** In this style of leadership a leader gives freedom to his subordinate to take decisions and execute work assigned to them and the leader acts as observer or guide.



Communication

It is the process of exchange of information between two or more people with an aim to create common understanding.

Elements of Communication Process

1. **Sender:** The person who conveys his thoughts or ideas.
2. **Message:** Content intended to be communicated.
3. **Encoding:** Process of converting message into communication.
4. **Media:** Path through which an encoded message is transmitted to the receiver.
5. **Decoding:** It is the process of converting the encoded message in a readable format.
6. **Receiver:** The person who receives a communication message from the sender.
7. **Feedback:** It refers to the information or suggestions provided by the receiver to the sender in contextto the communication or message he received.
8. **Noise:** The hindrances and obstruction to communication.

Formal and Informal Communication

The process of communication within an organization may be

- Formal
- Informal.

Formal communication

- It flows through official channels designed in the organization chart to communicate official information between employees.
- Formal communication is classified as:
 - Vertical communication: It is the formal two-way communication between superior and subordinate and the communication flows upward or downward.
 - Horizontal communication: It is the formal two-way communication between employees working at the same level of authority.

Informal communication

Communication between employees who are not officially related to each other is called informal communication. This type of communication may flow in any direction thus it is also called 'grapevine'.

The informal communication spreads information rapidly and sometimes generates rumours.

Grapevine Network

Grapevine communication, also known as informal communication, is a communication that develops as a result of social interaction among employees and spreads without following the formal communication path.

Barriers to effective communication

Any type of hurdle, block or bottleneck in the path of communication is called barriers to effective communication

Type of barriers

1. Semantic barriers
2. Psychological barriers
3. Organisational barriers
4. Personal barriers

- 1. Semantic barriers** The word Semantic means the meanings of words and sentences. The barriers in the process of encoding and decoding of message into words or expressions.

The types of semantic barriers are discussed below :

1. Badly Expressed Message : The message to be communicated must be stated in simple and clear words.
2. Words or Symbols with Different Meanings : A word or symbol may have different meanings. The receiver is required to understand the meaning of the word used by the sender in the same sense for which sender has used it. For example: If a superior says, this is the ideal (Perfect) method, and subordinate interprets as "This is the idle (Useless) method", then communication error takes place.
3. Faulty Translations : Sometimes the communication originally drafted in one language (e.g English) needs to be translated to the language understandable by the workers (e.g Hindi). If the translator is not proficient with both the languages, communication may be misunderstood.

4. **Unclear Assumptions:** Not giving clear and specific instructions. For example “Take care of guest”. To the boss it means travel, accommodation, food etc., whereas the subordinate may interpret it as the guest should be taken to the hotel with care.
5. **Body language and gesture decoding:** If what is said and what is expressed through body movements and gestures differ, communication may be misunderstood.

2. Psychological Barriers : The barriers which are created due to state of mind of sender and receiver.

1. **Premature Evaluation:** Here the receiver comes to conclusion without fully going through the message.
2. **Lack of attention:** If the receiver or the sender are not attentive while communication, the message will be misunderstood. For example Suppose an employee explains his problem to a manager while he is very busy with the preparation of a report for his superior, he will be less attentive and does not grasp the message, and the employee get disappointed
3. **Loss of transmission :** When a communication is passed through various levels, there is a possibility of loss in communication. Similarly people cannot retain all that is received as information for a long time .
4. **Distrust:** If the sender and receiver don't believe each other, they cannot understand message in true sense.

3. Organisational Barriers: The complex organizational structure with scalar chain restricts free and frequent communication that are called organizational barrier.

1. **Organizational Policy:** If an organization is highly centralized, it is not supportive to free flow of communication.
2. **Rules and regulations:** Communication strictly through the chain of command may cause delays .
3. **Status:** Some superiors may not be ready to talk freely with the subordinates. Similarly subordinates also not feel confident to talk freely with the superiors. They pass information what superiors would like to hear and hold back unpleasant facts.
4. **Complexity in organizational structure:** Too many levels in the management may cause delay and distortion.
5. **Organizational facilities:** If proper facilities are not provided such as intercom, public addressing system, complaint box, suggestions box etc. the communication may not flow freely.

4. Personal Barriers : These are related to the personal factors of both the sender and the receiver.

1. **Fear of challenge of authority:** If a superior feels that a particular communication may adversely affect his authority, he will hold it or suppress it.
2. **Lack of confidence:** When superiors do not have confidence on the competence of their subordinates, the process of communication hampered. In such case superiors may not seek advice, opinions and suggestions of subordinate.
3. **Unwillingness to communicate:** Subordinates may also be unwilling to communicate with their superiors on the fear that it will adversely affect their interest.
4. **Lack of proper incentive:** If there is no reward or appreciation for the suggestions of subordinates; they will not ready to communicate.

Improving communication effectiveness

1. **Clarify the idea before communication:** it is the duty of the communicator to clarify the message

clearly before he is going to communicate the same.

2. Consider the needs of sender: The sender must understand the capacity of the receiver and he must know what type of information the receiver needs and in what form.
3. Consult other before communication: It is better to consult with others in developing a plan for communication.
4. Beware of content, language and tone of message: The language and tone used by the sender should be stimulating to evoke response from the listeners.
5. Convey thing which are valuable to receiver: It is better to know the interest and needs of communicates while communicating a message.
6. Ensure proper feedback: The sender should take efforts to have feedback from the listeners time to time
7. Communicate for present and future: The communication should aim at present and future goals of the organization.
8. Follow up communication: Proper follow up and review of instructions given to subordinates will help to remove hurdles if any.
9. Be a good listener: Careful listening is a prerequisite for effective communication.

QUESTIONS

Q1: Obedience of order and discipline is found in

- a. Autocratic leadership
- b. Democratic leadership
- c. Free rein leadership
- d. Paternalistic leadership (Ans. a)

Q2: Alok is a supervisor of Ram, Rahim and Khan. He consults all his subordinates while framing work schedules, they provide suggestions and Alok consider such suggestions if they are productive. Which leadership style is followed by Alok?

- (a) Democratic style (b) Autocratic style
(c) Free rein style (d) none of the above (Ans. a)

Q3. Zurko was working as a clerk in Hindustan Ltd. since last three and a half years. He was working with full diligence. His boss noticed his performance and gave him "Confirmation letter". Which kind of Zurko's need was Satisfied. (Ans. Safety needs)

Q4. Rajat a sales Manager, achieved his sales target one month in advance. This achievement as displayed on the notice board and the CEO of the Company awarded a certificate for the best performance to him. Name and explain the incentive provided to Rajat. (Ans. Recognition)

Q5. In autocratic leadership style only -----communication is done with subordinates. (One way communication)

Q6. Lack of proper incentive' is a barrier to communication. Identify the type of barrier to which it belongs-

- a. Personal barrier
- b. Organizational barrier
- c. Psychological barrier
- d. Semantic barrier (Ans. a)

Q7. Which of the following is the appropriate order of hierarchy of needs according to Abraham Maslow?

- a. Safety Needs → Physiological needs → Affiliation needs → Esteem Needs → Self Actualization needs
- b. Physiological needs → Safety Needs → Affiliation needs → Esteem Needs → Self Actualization needs
- c. Affiliation needs → Safety Needs → Psychological needs → Esteem Needs → Self Actualization needs
- d. Physiological needs → Safety Needs → Esteem Needs → Affiliation needs → Self Actualization need.

(Ans. b)

Q8. Ayesha Ltd. assured their employees that in spite of recession no worker will be retrenched from the job.

- a. Name and explain the type of incentive offered to the employees.
- b. Explain one more incentive of the same category.

(Ans a. Job security

b. Status, Job enrichment etc)

Q9. A behavior study was done on total of 100 employees of an organization. Group A (of 50 employees) were appreciated by the manager for their work and initiative for new idea. All these employees were given option of flexible working hours and were paid wages at a higher piece rate. On the other hand, Group B (of remaining 50 employees) was criticized for their poor performance. Their increments were stopped and they were paid wages at a lower piece rate.

(a) Identify and explain the feature of motivation highlighted in the above case.

(b) What type of leadership is followed by the manager? Justify your answer.

(Ans a. Motivation can be positive or negative b. Autocratic leadership style)

Q10. ABC Ltd. Is not able to achieve its objective on analysing, they found that employees were not given their best, so he decided to announce an incentive plan, which offers various incentives to employee workers at different level for achieving their target.

(i) Which element of directing is used by manager?

(ii) Suggest incentive suitable for:

a. Employees operating at lower level.

b. Employees operating at higher level.

(Ans (i) Motivation (ii) a. Monetary incentive for lower level b. Non monetary incentives for higher

level)

Q11. Lakhan, an expert in the area of Financial Management, sent an e-mail to his subordinate Thomas about a new project for a client in France. Though, the mail was in English, a language known to Thomas, he was not able to understand the actual meaning of many words used in the mail. He was also not a specialist in the field of Financial Management. Not only this, some portions of the mail were translated from French to English in such a manner that many mistakes crept in, causing different meaning to the message.

(a) Identify two specific barriers to communication in Lakhan's e-mail.

(b) State any two measures which can be taken by Lakhan to overcome the barriers identified in part (a) above to improve in future the effectiveness of his communication.

(Ans. a. Faulty translations, Technical jargon

b.(1) Lakhan should communicate according to the needs, education and understanding level of subordinates. (2) He should take proper feedback to improve communication process.

Q12. Roshan is the chief of "Mehmaan" restaurant located in the city of Bengaluru. The place is known for its exquisite Mughlai cuisine especially mutton biryani and kababs. All the food is prepared under Roshan's purview. The various activities in the kitchen are initiated in accordance to his instructions. He is very clear and specific in issuing instructions to his subordinates in order to ensure smooth working of the department. He personally oversees the method followed by the chefs for preparation of each dish. He misses no opportunity to praise his subordinates for their good work. All his team members feel very happy and satisfied under his direction. He provides constant guidance to them in order to improve upon its taste and presentation and also encourages them to innovate and be more creative in their work.

In the above context:

a) Identify the various elements of directing mentioned in the above paragraph by quoting lines from the paragraph.

b) Describe briefly any two points to highlight the importance of directing as a function of management.

(Ans. (a) The various elements of directing mentioned in the above paragraph are as follows:
Communication: "He is very clear and specific in issuing instructions to his subordinates in order to ensure smooth working of the department."

Supervision: "He personally oversees the method followed by the chefs for preparation of each dish."

Leadership: "He provides constant guidance to them in order to improve upon its taste and presentation and also encourages them to innovate and be more creative in their work."

Motivation: "He misses no opportunity to praise his subordinates for their good work."

(b) The importance of directing as a function of management is described below: *Initiates action*: Directing helps to initiate action by people in the organization towards attainment of desired objectives. It is the first execution function of management.

Integrates employees' efforts: Directing seeks to integrate the individual efforts of employees in the organization towards the realization of the organizational goals.

Helps to realize their potential: Directing provides effective guidance, motivation and leadership to the employees so as to enable them to realize their potential and capabilities.

Q13. Three friends, Rajat, Raman and Ansh, after completing their MBA from a reputed business school at Mumbai, were discussing about the type of organization they would like to join. Rajat was very clear that he would like to take up a government job as it gives stability about the future income and work which will help him to work with greater zeal. It will also provide him pension when he will retire from his service. Raman wanted to work in a company, which has appropriate skill development plans for its employees and helps the employees to grow to higher levels in the organisation. In addition to this, the company should also provide facilities like housing, medical aid, etc. Ansh said that he would prefer to work in an organisation, which has the culture of individual autonomy, is considerate to employees and provides the employees with opportunity for personal growth and a meaningful work experience.

(a) Identify the various financial and non-financial incentives discussed by the three friends in the above conversation.

(b) Explain three other non-financial incentives which were not discussed by any one of them.

(Ans. (a) Financial incentives: Retirement benefits, Perquisites ; Non financial incentive: job security, Career advancement opportunity

(b) Other non financial incentives: job enrichment, Employee recognition, Employee participation etc

Q14. Smitha had been working as an Assistant Manager with “Johnson Enterprises” for the last ten years. She was very popular amongst her colleagues because of her commitment and dedication towards the work. When the manager senior to her retired, all her colleagues thought that now Smitha would be promoted. But to everyone’s surprise the vacant post was filled by an outsider, Mrs. Rita. Smitha felt demoralized and her performance started declining. She would abstain herself often and could not meet her targets.

Mrs. Rita was a good leader, who would not only instruct her subordinates but would also guide and inspire them. She noticed Smitha’s behavior and felt that her performance could be improved. She started involving Smitha in decision making- issues related to the organization and made her a part of high-level joint- management committee. Smitha was now punctual in office and her performance started improving.

a. Identify the function of management being performed by Rita.

b. Name the element of the above function of management which helped Rita to improve Smitha’s behavior.

c. State any three features of the element identified in (ii) above.

(Ans. (a) Directing (b) Motivation

(c) 1. Internal feeling 2. Goal oriented behaviour 3. Complex process

Q15. Kunal joined as a shop level manager in the Production department of a textile company in the year 2005. Because of his good work, he became the Deputy Production Manager of the company in the year 2010. He had status and prestige and was well respected by all in the company. On 1st March, 2019, he was promoted as the General Manager of the company. Kunal was very happy on his promotion as now he had become what he was capable of becoming. As a good manager, Kunal decided to motivate his subordinates, after understanding the Need Hierarchy theory which is based on various assumptions. He realised that people’s behaviour is based on their needs and the manager can influence the behaviour of his employees by satisfying their needs.

(a) One of the assumptions of Need Hierarchy theory is stated in the above paragraph. State the other three assumptions of this theory.

(b) State the needs of Kunal which are being satisfied through promotion.

(Ans. (a) 1. People needs are in hierarchical order.

2. A satisfied need can no longer motivate a person .
 3. A Person moves to the next higher level need only when the lower level need is satisfied.
- (b) Esteem needs, Self actualization needs

CHAPTER-8

CONTROLLING

QUICK REVISION

Meaning-:(Important for 1 mark type)

It is the last function of management that measures the actual performance, compares it with the planned standards and correcting deviations to ensure the achievement of pre-determined objectives of the organisation.

(Key words: Ensures work as per plan or Blue-print, Deviations between Actual and Standard output, both backward and forward looking.)

Scope of Controlling: its scope is wider because it does not come to an end just after comparing actual and standard outputs but to the next step. It locates for the causes of deviations and then rectifying it accordingly hence it has two aspects/types.

(a)Strategic control-It refers to the control of standards set to attain and to check the efficiency of strategies and plans to avoid underestimation and overestimation of standards as both can cause deviation at the time of comparison.

(b) Operational control –This aspect is related to controlling of operational activities, it finds out whether the difference is due to inefficiency of managerial or other activities and then take suggestive measures.

Nature/Characteristics:

1. Goal oriented function-All the activities of the organisations are performed to attain the objective of the organisation so controlling makes sure that the work is done as per the plan.

2. All pervasive/universal function-It is not only performed by top level management but at every level middle as well as supervisory level and irrespective of type of organisation economic or non economic it is performed.

3. Continuous function-This is not the function that is performed once or twice but it's carried out regularly like all other functions till the organisation survives.

4. Both backward looking as well as forward looking: (Important for 1 mark type)

-looking backward means assessment of actual performance and looking forward means taking corrective measures to remove the deviations and achieving targets.

Importance: : (Important for 3 marks)

1. **Helps to achieve organisational goal:** This function measures the progress towards the goals of organisation and ensures that all the activities take place as per the plan. If any deviation is found it is rectified immediately to bring back the work again on track. In this way it guides everyone to be on right path and to hit the target.
2. **Judges the accuracy of standards:** Using strategic control the accuracy of set standards can be checked. In case of any difference standards can be revised time to time.
3. **Helps to make efficient use of resources:** When all the activities are performed according to the plan then it reduces wastage of resources, avoids overlapping of activities and improves efficiency and in this way it ensures efficient use of resources.
4. **It improves employee's motivation:** A good controlling system helps the employees to know their targets that are to be accomplished and they know very well that their performance will help them to grab the opportunities in future so it motivates them to achieve their goals and improve the performance.
5. **Ensures order and discipline:** It helps to reduce the dishonest behaviour on the part of employees by keeping a close check on their activities through CCTV or using other ways of monitoring. This maintains order and discipline in the organisation.
6. **Facilitates coordination in action:** It provides directions to all the activities and efforts. It maintains coordination among various departments and the activities by making a balance between the objective and the resources available.

Relationship between planning and controlling:

Both the functions are inseparable and are supplementary to each other. The relation between both is explained in the following points;

1. **Nature and concept.** Planning is basic function that decides future actions in advance and controlling ensures the work as per plan.
2. **Planning and controlling are both dependent on each other.** Planning and controlling are inter-related to each other. Planning sets the goals for the organization and controlling ensures their accomplishment. Planning decides the control process and controlling provides sound basis for planning.
3. **Both backward looking as well as forward looking-** Planning is always for future so its forward looking and before making new plans always past experiences are considered as a base so its backward looking too. Controlling looks backward means assessment of actual performance and looking forward means taking corrective measures to remove the deviations and achieving targets.
4. **Planning is prescriptive whereas controlling is evaluative.** Planning involves intellectual process of thinking but controlling evaluates overall desired actions are followed successfully or not.

Process of controlling: (Important for 4 marks type)

1. **Setting –up of targets/standards:** Standards are the parameters against which the actual output is compared. This gives a base to the comparison so it must be achievable, time-bound and measurable.

High or very high standards can't be achieved and low or very low can miss lead the organisation about the capabilities of employees so in this case standards are of no use. As far as possible the standards must be set for short period of time or can be bifurcated in short-terms so that it can be controlled easily. Where the measurement of work is not possible in quantities then some qualitative standards must be set to check it.

2. Measuring actual performance: Then next step in this process is to measure the actual output after proper evaluation. Qualitative standards are easily measurable but the quality should be never ignored to maintain the quantitative standards.

3. Comparing actual and standard outputs: After the measurement of actual performance the comparison is done between planned outputs and actual outputs. If no deviation is found then this function comes to an end but in case of mismatch the causes of mismatch is located. Minor deviations can be ignored but if it's major then it must be paid proper attention immediately.

4. Analysing deviations: (important for 3/4 marks)

We have seen that after comparison we can find deviations. The deviations from the standards are assessed to identify the acceptable range of deviations.

The deviations must be divided in two categories these are as follows:

(a) Critical Point Control: Control should focus on key result areas (KRAs) which are critical to the success of an organization. These KRAs are set as the critical points and if any deviation is found in these critical areas that must be seen urgently without any delay because its ignorance can cause a huge loss to the organization.

(b) Management by Exception: Management by exception is often called as control by exception, is an important principle of management control, based on the belief that an attempt to control everything results in controlling nothing. In short, everything cannot be controlled at the same times so the deviations beyond the specific range should only be handled by managers and minor can be ignored. Managers should save their time and energy to find solutions of major deviations.

5. Taking corrective measures: The final step in the controlling process is taking corrective action. No corrective action is required when the deviation are within the acceptable limits. But where significant deviations occur corrective action is necessary.

6. Getting the feedback: This process doesn't end by taking corrective measures but after it the very important step is taken by receiving the feedback. Here in this report the reasons of deviations or inefficiency and its corrective measures are mentions so that in future this will help at the time of making plan of New Year.

(Acronym : SETh TARachand k MAP m Compass se ANA DEVI ka Temple FEEl kro control kro)

Meaning of Deviation: it means difference between standard output and actual output. It can be positive or negative.

Positive deviation: standard output < Actual output

Negative deviation: standard output > Actual output

QUESTIONS:

Q.1. This concept of Control Management is based on the belief that if you try to control everything, you may end up controlling nothing.

Ans. Management by exception

Q.2. Which two steps in the process of controlling are concerned with compelling events to conform to plan?

Ans. Step 1-Comparison of actual performance with standards. Step -2 Taking corrective actions.

Q3. Why is controlling considered to be a backward looking?

Ans. Controlling involves evaluation of past activities to find out deviations from standards so it is a backward looking function.

Q.4. In a marketing firm, the Financial Manager pays more attention towards an increase of 3% in the marketing cost as compared to a 15% increase in the courier expenses. Identify the concept being used by the manager.

Ans. Critical point control

Q.5. Akash has set up a small business unit for the manufacturing of detergent. In order to market the detergent in the local residential areas, he has appointed a team of ten salesmen. Each salesman is expected to sell at least 250 units of the detergent within 10 days. As per their performance they will be rewarded. Identify the point of importance of controlling being highlighted in the above case.

Ans. It helps in improving employee's motivation.

Q.6. Vandana runs a logistic company. The Tour In charges of each trip in the company are expected to submit a report to the Event Manager on the completion of every trip. Identify the step in the controlling process being described in the above lines.

Ans. Measurement of actual performance.

Q.7. In an artificial plants manufacturing unit, the standard output set for a worker is 50 units per day. Dinesh produces 48 units in one day. What do you mean by the term 'deviation' and what is the value of deviation in the given case?

Ans. it means difference between standard output and actual output and the value is Negative 2

Q.8. 'Vinayaka Exports' is a company involved in the export of indigenous food products like chutneys and pickles and murrabbas. It has tied up with the small farmers in various states for sourcing of fruits and vegetables. In this way it helps the small farmers to sell their produce at reasonable rates. The company follows a practice where only significant deviations from a budget or plan are brought to the attention of management. The degree of deviations allowed in different categories in the budget is well defined in advance, along with the appropriate levels of managements who will respond to the deviations in question. For example, a deviation of Rs. 20,000 or more in purchase costs will be reported to the concerned department manager.

In context of the above case identify the principle of management control adopted by the company. State the belief underlying this principle.

Ans. Management by exception is the principle of management control adopted by the company. It is based on the belief that 'if you try to control everything, you may end up controlling nothing.'

Q.9. You are the manager of Amazing Wives Ltd. it is reported to you that postal expenses have increased by 10% over standard rates and cost of raw materials has increased by 2%. Which of the two deviations will be more critical to you?

Ans. Increase in cost of raw materials by 2% is more critical. (Critical Point Control)

Q. 10. Suraksha Ltd. produces safety pins on a mass scale. The company's policy is that at most 25 of the daily production could be defective. Over a three months period, it has been observed that 8% - 10% of the production is defective. The cause of deviation found is defective machinery. What corrective action should be taken by the management?

Ans. Repair the existing machine or replace the machine if it cannot be repaired.

Long answer type:

Q. 1. Bitra Ltd. is engaged in manufacturing machine components. The target production is 250 units per day per worker. The company had been successfully attaining this target until two months ago. Over the last two months it has been observed that daily production varies between 200-210 units per worker.

1. Name the function of management and identify the step in the process of this function which helped in finding out that the actual production of a worker is less than the set target.

2. To complete the process of the function identified in (a) and to ensure the performance as per set targets, explain what further steps a manager has to take.

Ans. The management function is Controlling. "Comparing actual performance with standards" is the step involved in the process of controlling which helped in finding out that the actual production of a worker is less than the set target.

1. A manager has to take the following two further steps to complete the process of controlling:

1. Analysing deviations
2. Taking corrective action

Q. 2. Bikram has set up an export house after completing his masters in fashion designing. As the quality of the garment depends on the quality of raw materials used, he assures that the fabric meets the requirements by conducting a series of tests for the fabrics like shrinkage test, testing colour fastness to washing, colour fastness to light, colour fastness to perspiration etc. through laboratory tests. Later on, at the production areas, fabric inspection is also conducted by stopping the production process. The tests help to detect the deviations and also take corrective action. Moreover, they ensure that complete training about production work was given to every worker at the time of joining his export house. In context of the above case:

1. Identify the function of management being performed by Bikram by conducting tests to assure for the

quality of the garments manufactured in his export house.

2. Briefly explain the term 'deviations.'

3. Give any three advantages of giving training to the employees.

Ans. 1. Controlling is the function of management being performed by Bikram by conducting tests to assure for

the quality of the garments manufactured in his export house.

2. The term 'deviations' refers to the difference between the actual performance and planning performance. If the actual performance is more than the planned performance, it may be said to be positive in nature or vice-versa.

3. Mention three benefits of training of development to an organization

Q. 3. Good Luck ltd. is a large manufacturing unit. Recently, the company has conducted the 'time' and 'motion' studies and concluded that on an average a worker could produce 120 units per day. However, it has been noticed that average daily production of a worker is in the range of 80-90 units.

Which function of management is needed to ensure that the actual performance is in accordance with the

performance as per 'time' and 'motion' studies? State four features of this function of management.

Ans. Controlling

Features of controlling:

1. Controlling is a goal-oriented function
2. Controlling is a pervasive function
3. Controlling is a continuous process
4. Controlling is both a backward looking as well as forward looking function.

Q. 4. Mani and Jay are good friends. They decide to set up a digital printing press together as both of them are computer wizards. They plan to offer various types of printed products including labels, manuals, marketing material, memo pads, business order forms, T-shirts, mugs etc. They set standards for every aspect of their work in order to create an efficient working environment. As per the standards, an average person types between 38 and 40 words per minute. Keeping this in mind, they engage two typists Bitto and Raju and assign them work accordingly. Within two days, they realize the output in terms of typing work done by Raju is too less as compared to the desired output. On inspecting, Mani finds out that Raju's typing speed is between 18 and 20 words per minute only. But Raju exhibits great skills in designing work and is a good human being. Hence, Mani and Jay decide to retain him for doing creative work and appoint a new typist.

In context of the above case:

1. Identify and explain the function of management being discussed here.
2. List the steps involved in the function of management as identified in part (a).
Also, quote the lines from the paragraph relating to each step.

Ans. 1. Controlling is the function of management being discussed here.

2. The steps involved in the process of controlling which are discussed in the above paragraph are:

1. Setting standards of performance:
2. Measurement of actual performance:
3. Comparison of actual performance with the standards:
4. Analyzing deviations:
5. Taking corrective action:

Q. 5. A company 'Maple Leaf' Ltd. is manufacturing mobile phones both for domestic Indian market as well as for export. It has enjoyed a substantial market share and also had a loyal customer following. But latterly it has been experiencing problems because its targets have not been met with regard to sales and customer satisfaction. Also mobile market in India has grown tremendously and new players have come with better technology and pricing.

This is causing problems for the company. It is planning to revamp its controlling system and take other steps necessary to rectify the problems it is facing.

1. Identify the benefits the company will derive from a good control system.
2. How can the company relate its planning with control in this line of business to ensure that its plan is actually implemented and targets attained?

3. Give the steps in the control process that the company should follow to remove the problems it is facing.

Ans. 1. Explain the importance of controlling.

2. Company can relate its planning with control in this line of business by following measure by implementing an effective controlling system and following a controlling process.

3. Explain steps in the process of controlling system.

CHAPTER-9

FINANCIAL MANAGEMENT

QUICK REVISION

POINTS TO BE COVERED AS PER CBSE BOARD EXAM:

- Concept, Role and objectives of Financial Management.
- Financial decisions: investment, financing and dividend decision And factors affecting
 - * Concept and importance of Financial planning.
 - * Concept and factors affecting Capital Structure.
 - * Concept and factors affecting Fixed and working capital requirement.

FINANCIAL MANAGEMENT * It may be defined as planning, organizing, directing and controlling the financial activities of the organization.

- * It is concerned with management of flow of funds and involves
- * Decisions relating to procurement of funds(**Financing decision**)
- * Investment of funds in long term and short term(**Investment decision**) and
- * Distribution of earnings to the owners(**Dividend decision**).

ROLE OF FINANCIAL MANAGEMENT

- To determine the capital requirement of business (both long and short term)
- To determine capital structure of the company.
- To decide about allocation of funds into profitable avenues.
- To decide about appropriation of profits
- To exercise overall financial controls in order to promote liquidity, safety and profitability.

OBJECTIVES OF FINANCIAL MANAGEMENT

- * WEALTH MAXIMISATION
- * Profit maximization
- * Safety of funds
- * Efficient utilization of funds
- * Meeting financial commitments

Financial Decisions : There are three types of financial decisions

1. Investment Decision
2. Financing Decision
3. Dividend Decision

INVESTMENT DECISION

It is concerned with investment of firm's funds in different proposals on the basis of associated risk and return. It can be categorized as:

- 1 CAPITAL BUDGETING DECISION/LONG TERM INVESTMENT DECISIONS
- 2 WORKING CAPITAL DECISIONS/SHORT TERM INVESTMENT DECISIONS

CAPITAL BUDGETING DECISIONS-relate to decision taken to invest in fixed assets.

These decisions are very crucial because:

- (a) They affect the earning capacity of firm over the long run
- (b) These decisions normally involve huge outflow of funds
- (c) These decisions are irreversible except at a huge cost.

WORKING CAPITAL DECISIONS—relate to investment in current assets (like cash, inventories, debtors etc)

*These decisions affect the day to day working, liquidity and profitability of the business.

FACTORS AFFECTING :

- 1 **CASH FLOWS OF THE PROJECT**—when a firm takes an investment decision involving huge amount, expected cash receipts and payments over the life of an investment should be carefully analysed.
- 2 **RATE OF RETURN**-The firm should compare the rate of return expected from different investment projects.
- 3 **INVESTMENT CRITERIA**—Different types of ratio analysis should be done to evaluate the feasibility of the proposed projects in the same industry.

##FINANCING DECISION---deals with determination of sources of finance, amount to be raised from each source and the cost of each source of finance.(in order to decide a judicious mix of both debt and equity.

The main sources of finance are:

- (i) Shareholders’ or Owners’ Funds: They consist of equity capital and retained earnings.
- (ii) Borrowed funds: They refer to finance raised as debentures or other forms of debt.

COMPARISON OF DEBT AND EQUITY

1	Interest has to be paid regardless of profit earned	Shareholders do not expect any commitment regarding the payment of returns.
2	There is some amount of financial risk in debt financing	The floatation cost on raising equity capital is high
3	The cost of debt is less than equity	The shareholder expect higher returns for assuming higher risks

FACTORS AFFECTING FINANCING DECISION:

- (1) **COST**-the source of finance which involves the least cost should be chosen.
- (2) **RISK INVOLVED**—in raising the debt capital is higher than equity
- (3) **FLOATATION COST**—should also be considered while taking the decision
- (4) **CASH FLOW POSITION**—if it is good, company can opt for debt else equity.
- (5) **BOOM IN CAPITAL MARKET**—Then it is easy for the company to raise equity capital.

##DIVIDEND DECISION---involves (i) deciding the amount of profit to be distributed among shareholders and(ii) the amount of profit to be retained in the business to meet investment requirements.

FACTORS AFFECTING DIVIDEND DECISION:

- (1) **EARNING**-If earnings are high, dividend are paid at higher rate.
- (2) **GROWTH OPPORTUNITY**-A company planning to pursue a growth opportunity is likely to pay lower dividends
- (3) **TAX RATE**—If tax rate is high, the company is likely to pay less dividend
- (4) **LEGAL CONSTRAINTS**—should be considered at the time of dividend payment by a company.

(5) SHAREHOLDERS PREFERENCE-if they prefer regular income in the form of dividends, the company is likely to maintain a dividend payout ratio.

##FINANCIAL PLANNING—is the process of (i) Estimating the fund requirement of a business and (ii) Specifying the sources of funds

Keyword –Financial blueprint

TWIN OBJECTIVES OF FINANCIAL PLANNING:

- (i) To ensure availability of funds as per the requirements of business.
- (ii) To see that the enterprise does not raise resources needlessly.

IMPORTANCE OF FINANCIAL PLANNING

- 1 It ensures **smooth running** of business enterprise by ensuring availability of funds at the right time.
- 2 It helps **in avoiding business shocks and surprises** and improves the chances of financial success.
- 3 It helps **in achieving coordination** between various functions by providing clear policies and procedures.
- 4 It prevents **duplication of efforts** and gaps in planning by preparing detailed plans of action
- 5 It provides **link between investment and financing decisions** on continuous basis

##CAPITAL STRUCTURE—refers to **proportion of debt and equity** used for financial business operations.

#TRADING ON EQUITY/FINANCIAL LEVERAGE—raises the return(**Earning per share**) of equity shareholders by making use of fixed cost securities(Debt) in the capital structure. It happens because:

- Cost of debt is lower than cost of equity for a firm as lender’s risk is lower than risk of shareholder.
- Interest paid on debt is a deductible expense for computation of tax liability whereas, dividend are paid out of after tax profits.

Particulars	Situation I	Situation II	Situation III
Total Funds	30,00,000	30,00,000	30,00,000
Capital structure			
Equity	30,00,000	20,00,000	10,00,000
Debt	Nil	10,00,000	20,00,000
EBIT	4,00,000	4,00,000	4,00,000
10% Interest on debt	Nil	(1,00,000)	(2,00,000)
Earnings before Tax	4,00,000	3,00,000	2,00,000
30% Tax rate	(1,20,000)	(90,000)	(60,000)
Earning after Tax	2,80,000	2,10,000	1,40,000
No. of shares	3,00,000	2,00,000	1,00,000
EPS	0.93	1.05	1.40

- DOES EPS ALWAYS RISE WITH INCREASE IN DEBT?

No, EPS does not always rise with increase in debt. It is possible only when
 $ROI > \text{Cost of debt}$
 If $ROI < \text{Cost of debt}$ then EPS will fall with increased use of debt.

##FIXED AND WORKING CAPITAL

Fixed Capital—is the **money invested in fixed assets**, which is to be used over a long period of time.

Working capital—refers to that part of total capital, which is required for holding **current assets**.

1 Nature of business	Manufacturing-More working capital	Trading—Less working capital
2 Scale of operations	Large	Small
3 Business cycle	Boom	Recession
4 Credit allowed	Liberal policies-More working capital	Strict policies—Less working capital
5 Inflation	High-more working capital	Low working capital

QUESTION BANK

Q.1 Sunil Grover is working as a financial manager in ‘Amusement Production Ltd’ Keeping in line with the growth and expansion plan of the company, it has been decided to make an investment of Rs 100 crores. Out of which Rs 20 crores will be required to meet the working capital requirements that will commensurate with the project. It has been decided to raise the capital through an optimal mix of debt and equity to keep the cost of capital and financial risk low. Moreover, it has been decided that 20% of the profit inflow from the project will be distributed as dividends,

Identify and explain the three major decisions relating to the financial management which are being mentioned in the above paragraph

Ans Investment, financing and dividend decision will be explained in these.

Q.2 Explain any four factors that can affect the working capital requirements of company.

Ans Factors such as Cash flow position, ICR, Cost of debt, flexibility etc.

Q.3 How the return on equity can be increased by including debt in capital structure?

Ans Concept of trading on equity with example will be discussed here

Q.4 A sound capital budgeting decisions may have profound effect on the fortune pf a business. Explain

Ans Points like Long term growth and effects, Large amount of funds Involved, Risk involved, Irreversible decision will be discussed

Q.5 Aakriti has decided to set up a designer studio in a posh market in Udaipur. Through a survey she has assessed that the level of competition in this segment Describe briefly any four factors which Aakriti has not assessed so as to likely affect her pricing decisions.

Ans Factors---Product cost, Govt and legal regulations, Marketing methods used, Extent of competition in the market will be discussed here.

CHAPTER-10

FINANCIAL MARKETS

QUICK REVISION

MEANING—It is a market for **the creation** (new issue of securities) **and exchange** (sale of existing securities) of financial assets

PURPOSE---It serves as an intermediary between the surplus sector (households which have savings) and deficit sector (business firms which needs funds).

FUNCTIONS:

- 1 It performs **allocative function** by mobilization of savings and channelizing them into the most productive avenues.
- 2 It helps to **determine the price** for the financial assets through the market forces of demand and supply.
- 3 It **provides liquidity** to the financial assets by providing ready markets
- 4 It provides a common platform for exchange of securities resulting in **reduction of cost of transactions** by saving time, efforts and money spent in locating buyers and sellers

TYPES/SEGMENTS OF FINANCIAL MARKET:

- 1 MONEY MARKET
- 2 CAPITAL MARKET

MONEY MARKET

- (a) It is a market **for short term funds** (whose maturity period is upto one year)
- (b) The instruments in money market carry **low risk** as the expected return is low on them.
- (c) Since the cost of securities may be high, investments in the money market may require **huge capital outlay**.
- (d) The main participants are RBI, COMMERCIAL BANKS, MUTUAL FUNDS
- (e) It **has no physical location** but is an activity conducted over the telephone and through the internet.

Instruments of Money Market- Call Money, Treasury Bills, Commercial Paper, Certificate of Deposits, Commercial bill

CAPITAL MARKET—It refers to facilities and institutional arrangements through which long term funds, **both debt and equity** are raised and invested.

FEATURES OF CAPITAL MARKET:

- (1) It is a market for long term funds (equity shares, preference shares, debentures, bonds etc)
- (2) The main participants in capital market are development banks, commercial banks and stock exchanges.
- (3) Since the cost of securities may be low, investment can be made in the capital market with less capital
- (4) The securities in capital market enjoy good liquidity.
- (5) The instruments in capital market carry high risk as the expected return on them is high.

TYPES OF CAPITAL MARKET:

- (1) Primary Market
- (2) Secondary Market

##PRIMARY MARKET—It is also known as NIP (new issue market) as the securities are issued for the first time by the companies through this market.

Method of floatation in Primary Market-

Offer through prospectus, Offer for sale, Private placement, E-IPO, Right Issue

FEATURES:

- (1) Only buying of securities takes place
- (2) Prices of the securities are determined by the company
- (3) It involves dealings between the company and the investors
- (4) There is no fixed location of primary market.
- (5) Funds raised may be used for setting up new projects, expansion, diversification, modernization of existing projects, mergers and takeover etc.

#DIFFERENCE BETWEEN CAPITAL MARKET AND MONEY MARKET

Basis	Capital market	Money Market
Duration	It is a market for long term funds	It is a market for short term funds
Participants	Banks, Financial institutions, corporate bodies	Institutional investors
Investment outlay	Since the cost of securities may be low, investment made in the capital market can be done with less capital	Investment in the money market requires huge capital outlay
Liquidity	The securities in capital market enjoy good liquidity	The securities in money market enjoy high liquidity as The Discount Finance House of India (DFHI) works as a compulsory market maker
Risk and Return	The instruments in capital market carry high risk as the expected return is high on them.	The instruments in money market carry low risk as the expected return is low on them.

##COMPARATIVE TABLE OF PRIMARY AND SECONDARY MARKET

S.No	Primary Market(New Issue Market)	Secondary market(Stock Exchange)
1	There is sale of securities by new companies or new issues of securities by existing companies to investors	There is trading of existing shares only
2	Securities are sold by the company to the investors directly or through an intermediary	Ownership of existing securities is exchanged between investors.
3	The flow of funds is from savers to investors i.e it directly promotes capital formation	It promotes capital formation indirectly.
4	Only buying of securities takes place, securities cannot be sold there	Both buying and selling of securities can take place on the stock exchange.
5	Prices are determined and decided by the management of the company.	Prices are determined by demand and supply for the security
6	There is no fixed geographical location .	Located at specified places.

##STOCK EXCHANGE

According to Securities Contracts (Regulation) Act,1956,"Stock Exchange means any body of individuals, whether incorporated or not, constituted for the purpose of assisting, regulating or controlling the business of buying and selling or dealing in securities"

#FUNCTIONS OF STOCK EXCHANGE

- (1) Ensures **liquidity and marketability** of existing securities by providing a ready market.
- (2) Helps in determining **the prices** of the securities through the forces of demand and supply.
- (3) It promotes the habit of **saving and investment** among the general public.
- (4) It provides a legal framework for fair and safe dealings
- (5) It provides scope **for healthy speculation**.

#DEMATERIALIZATION—refers to the process of holding securities in **electronic form**.

#Depository—is the organization with which an investor has to open a DeMat account to hold securities in electronic form.

#STEPS IN THE TRADING AND SETTLEMENT PROCEDURE

STEP 1—The investor **approaches a registered broker** or sub broker for trading

The investor has to sign a broker-client agreement and a client registration form (furnishing details and mandatory information about himself).

After completion of the above formalities, the broker opens a trading account in the name of the investor.

STEP 2—The investor has **to open a demat account** with a depository participant and bank account for trading transactions in cash.

STEP 3—The investor then places an order to buy or sell shares with the broker by giving clear instructions about desired quantity and price.

The broker will issue an order **confirmation slip** to the investor.

STEP 4—The broker will then execute the order through screen based trading by considering the best available deal.

STEP 5—The broker will issue **a trade confirmation slip** to the investor.

STEP 6—Within 24 hrs after the deal is executed the broker issues a contract note. (legal document used to settle claims between investor and broker.)

This contract note includes unique order code for that transaction.

STEP 7—Since the settlement cycle is T+2 therefore, within two days of receiving the Contract note, the investor has to pay cash or deliver shares sold.

The broker can then forward it to the exchange. This is **called pay-in-day**.

STEP 8—On the T+2 day, cash will be paid or shares by intermediaries

will be delivered as the case may be by the exchange to the other broker. This is **called pay-out day**.

STEP 9—In case of purchase of securities, the amount will be transferred electronically to the investor's demat account.

##SECURITIES AND EXCHANGE BOARD OF INDIA(SEBI)

*It is the regulator for the securities market in India.

*It was established in the year 1988 by the Government of India.

* It was to function under the overall administrative control of Ministry of Finance of the Government of India.

#OBJECTIVES OF SEBI

- (1) To prevent trading malpractices in the securities market.
- (2) To protect the rights and interest of investors
- (3) To regulate and develop a code of conduct and fair practices .
- (4) To regulate stock exchanges and the securities market to promote their orderly functioning.

#FUNCTIONS OF SEBI

1 PROTECTIVE FUNCTIONS

- (a) SEBI prohibits fraudulent and unfair trade practices in the securities market.

- (b) Promotion of fair practices and code of conduct in securities market.
- (c) Undertaking steps for investor protection.
- (d) Controlling insider trading **and imposing penalties** for such malpractices.

2 DEVELOPMENTAL FUNCTIONS

- (a) Ensuring training of intermediaries of securities market.
- (b) Conducting research and publishing useful information .
- (c) Facilitating flexibility in the working of capital markets.

3 REGULATORY FUNCTIONS

- (a) Registration and regulation of brokers, sub brokers in the financial market.
- (b) Registration of collective investment schemes and Mutual Funds
- (c) Conducting enquiries and audits of stock exchanges
- (d) Regulation portfolio exchanges, underwriters and dealing in the stock exchanges.
- (e) Regulation of take over bids by the companies.

QUESTION--BANK

Q.1 Financial market _____ financial assets.

- (a) Creates
- (b) Exchanges
- (c) Creates and exchanges
- (d) None of the above

Ans (c)

Q.2 Money market deals in _____ securities

- A. Short Term
- B. Long Term
- C. Both
- D. None of Above

Ans. A

Q.3 SEBI can call for information by undertaking inspection, conducting enquiries and audit of stock exchanges and intermediaries. Identify the related function of SEBI.

Ans Regulatory function

Q.4 K Ltd is planning to raise an issue of 3,000 non convertible debentures of face value of Rs 10 lakh aggregating Rs 300 crore through private placement Name the type of financial market being approached by the company.

Ans Secondary market

Q.5 The index of NSE is called _____

- A. INDEX
- B. NIFTY
- C. SENSEX
- D LISTING

Ans -B

Q.6 Describe briefly the classification of financial markets

Ans Capital and Money market ,further classified into Primary and Secondary market

Q.7 Name the document prepaid in the process of online trading of securities i.e legelly enforceable and

help to settlement disputes between the investor and the broker.

Ans – Contract note

CHAPTER-11

Marketing Management

QUICK REVISION

Marketing Management: - It deals with planning, organizing and controlling the activities related to the marketing of goods and services to satisfy the consumer's wants. Its aim to achieve the organizational goals at minimum cost by: -Analysing and planning marketing activities, implementing the marketing plans, setting control mechanism, marketing management philosophy/Concept, product concept, production concept, selling concept, marketing concept and social concept.

FEATURES OF MARKETING

Need and want: A need is state of deprivation i.e., lack of something say when we feel hungry food becomes our Need. A Want is culturally defined object which satisfies the Need. Like, need for food can be satisfied by Roti or Rice depending upon culture, mood etc. The job of a marketer is to identify the need and develop products to satisfy the need of the customer.

Creating a market offering: it means offering a product or service by specifying its features shape size, colours etc.

Customer value: it means adding the value to the product to satisfy the need of the consumer. Like, adding new pocket to carry a bottle in a design of school bag.

Exchange mechanism: The process of marketing involves exchange of products and services for money or money's worth. It has four dimensions. A) presence of at-least two parties. B) both parties must have something viewed valuable by each other. C) both parties are free to accept or reject the offer. D) each party feels desirable to deal with the other.

Functions of Marketing:-

- a) Gathering and analysing market information (market research)
- b) Market planning
- c) Product designing and development
- d) Standardization and grading
- e) Packaging and labelling
- f) Branding
- g) Customer support services
- h) Pricing of products
- i) Promotion & Selling
- j) Physical distribution
- k) Transportation
- l) Storage and warehousing.51

Marketing Management philosophies:-

1. Production Concept: - Some companies believe that it is easy to sell the products when products are inexpensive and are easily available. So the firms following production concept focus on lowering the cost of production by means of mass production and distribution but the drawback of this concept is that customers don't always buy products which are inexpensive and available.

Main Focus: Large-scale production to decrease the cost.

2. Product concept:- Product concept stresses on quality of production rather than quantity of production. Product improvement is considered the key to success under it.

Main Focus: Good quality, added features in product.

3. Selling Concept:- Selling concept believes that in order to make a customer buy a product he or she need to be convinced and customers can be convinced by undertaking some aggressive selling and promotional efforts.

Main Focus: To sell whatever is produced by using intensive promotional technique.

4. Marketing Concept: - Marketing concept concentrates on the need of the customers. The concept says that product should be designed and produced keeping in mind the need of the customer and try to satisfy the need better than the competitor's product.

Main Focus: Customer satisfaction.

5. Societal concept: - Marketing concept is satisfying the needs of customers in the best possible manner but then also it has attracted criticism from people who are concerned about society and environment. They argue that companies should not blindly follow the goal of customer satisfaction.

Main Focus: Customer satisfaction within ethical and ecological boundaries of our society

Marketing Mix

Marketing mix refers to the ingredients or the tools or the variables which the marketer mixes in order to interact with a particular market.

Elements of Marketing Mix:

Product + Price + Place + Promotion = Marketing Mix.

A. PRODUCT: - The product element of the marketing mix signifies the tangible or intangible product

offered to the customer which is the satisfier of the need. Product is a bundle of utilities.

Product Mix:-Product mix includes all those decisions related to the product such as quality, design, packaging of product etc.

Important components of Product Mix:-

(i) Branding: - Branding is the process of giving a name of or a sign or a symbol to a product. Such as Polo, LG, Nike, Sony etc.

ASSOCIATED TERMS WITH BRANDING

- **Brand:** A brand is the identification of a product. It can be in form of name, symbol, design or combination of all. For example, Surf, Dettol etc.
- **Brand mark:** The part of brand which cannot be spoken but can be recognized is known as Brand Mark. For example, Pepsi's Red and Blue Ball.
- **Brand name:** The part of brand which can be spoken is called Brand Name. In other words we can say that it is the verbal part of Brand.
- **Trade mark:** A part of brand which is given legal protection. No other business can use this part.

Qualities of a good brand name:-

- a) Brand name should be short & simple, so that anyone can remember, spell it.
- b) Brand name should be easy to pronounce.
- c) Brand name should be suggestive i.e. must suggest the utility of the product eg, Hazmola
- d) Brand name should be unique and distinctive.
- e) Brand name should be selected after considering its meaning in other languages and cultures.

Advantages of branding:

- a) It helps in product differentiation.
- b) It helps in advertising the product.
- c) It helps in differential pricing.
- d) It helps in introducing a new product.

Packaging:- Packaging is a set of tasks or activities which are concerned with the designing, production of an appropriate wrapper, container or bag for the product.

Levels of Packaging:-

- a) *Primary Packaging:-* It refers to the product's immediate container, Like-toothpaste tube.
- b) *Secondary Packaging:* - It refers to the additional package, which provides additional layer protection to the product. Like- Card board box for toothpaste.
- c) *Transportation Packaging:-* These are packaging's used for storing or transporting the goods. Like corrugated boxes used to shift Ruffle Lays etc.

Functions of packaging:- It helps in Product identification, Product protection, Facilitating use of the Product, Product promotion, Convenient to store, Raising standard of health and sanitation etc.

Labelling: - Labelling means putting identification marks on the package. Label is the carrier of information.

Label performs following functions:-

- a) It helps in describing the product and specify its contents.
- b) It helps in identify the product among all products.
- c) It helps in grading the product.
- d) It helps in promoting sales
- f) It helps in providing information required by law/legal requirement.

B. PRICE: - Price is the value which a buyer passes on to the seller in lieu of the product or service provided.

Price Mix:-It includes all those factors which are considered while fixing the price of a product.

The factors kept in mind while fixing the price of a commodity or services:-

1. *Pricing objective:-* What is the objective of firm as a very important factor which helps in deciding the price. Apart from profit maximisation, the pricing objective of a firm may include:
 - a) Price Maximization, b) Obtaining market shares, c) Surviving in a competitive market etc.
2. *Product cost:-* The price of the product must be able to cover the total cost of product.
3. *Extent of competition in the market:* - A firm fixes price of a product as per the competition faced by them.
4. *Customer's demand and utility:* - When demand of the product is inelastic i.e. no or very less substitutes are available then company can fix up high price.
5. *Government and legal regulations:* - To protect the interest of general public, the government has all the right to control the prices of various products and services by including the products in the category

of essential commodities.

6. *Marketing methods used*:-The price of the product also gets affected by various techniques of method of marketing used to promote the products.

c. **PHYSICAL DISTRIBUTION**

Place Mix: refers to important decision related to physical distribution of goods and services. These decisions are deciding the (I) channels of distribution and (II) physical movement of goods.

Channel of distribution: refers to the people of middlemen who help in distributing the goods. These are the firms and individuals who help in transferring the goods from place of manufacturing to place of consumption. The common types of channels of distributions are Wholesaler and Retailer.

Components of distribution channels:

- 1) **Sorting and grading**: i.e., repack them according to quality size or price.
- 2) **Accumulation**: middlemen maintain a large stock of goods so that there is smooth supply of goods.
- 3) **Variety**: Middlemen maintain variety of goods. They procure goods from various manufacturers and assemble them at one place.
- 4) **Packing**: Generally, middlemen buy the goods in bulk and then they repack them in small lots.
- 5) **Promotion**: Middlemen also offer some sales promotional tools to attract the customers.
- 6) **Risk taking**: Middlemen maintain large stock of goods they transport goods, transport from one place to other then middlemen bear the risk of spoilage or damage of goods.

Types of distribution level

1. **Zero level/ Direct Level**: It is a case when firms sell their product directly to customers without adopting any intermediary. It may include: sales by salesmen, mail order house, through internet, teleshopping.
2. **One level channel**: In this only one intermediary is adopted i.e. the retailer. Firms supply the product to retailer who sells the product direct to customer.
3. **Two level channels**: This is most commonly used distribution path where two intermediaries are adopted by firms to sell the products i.e., the wholesaler and retailer. The manufacturer sells the goods to wholesaler who sells in small lot to retailers who supply it to ultimate customer.
4. **Three level channels**: In this path one more middleman is added so there are three intermediaries involved, these are distributors, wholesalers and retailer. When products are distributed in deep corners of the country then distributors are appointed area wise.

D. PROMOTION:-It is concerned with activities that are undertaken to communicate with customers & distribution channels to enhance the sales of the firm.

Promotion Mix: - Promotional techniques are used to create product awareness amongst the potential target customers and persuade them to purchase the product. *Like- advertising, personal selling, publicity and sales promotion etc.*

Elements of Promotion Mix-

- 1-Advertising,
- 2-Personal Selling,
- 3- Sales Promotion and,
- 4-Public relations.

1. Advertising:- It is defined as any paid form of non-personal presentation and promotion of ideas, goods or services by an *identified Sponsor*.

Merits of Advertising:-

- a) Mass Reach b) Expressiveness
- c) Economical d) Enhancing customer satisfaction & confidence.-

2. Personal Selling: - It means selling personally. This involves face-to-face interaction between seller and buyer for the purpose of sale.

3. Sales promotion: - It refers to short term use of incentives or other promotional activities that stimulate the customer to buy the product.

4. Public relations: - Public relations means maintaining public relations with public. By maintaining

public relations companies create goodwill. Examples- news, speeches by corporate leaders, organizing events like sports Events, concerts, seminars etc.

CASE STUDIES:

Question 1.

Shyam bought a pain relieving ointment after seeing it being displayed in the chemist's shop. The ointment tube was packed in card board box. Identify the different levels of packaging of the pain relieving medicine, when it was purchased by Shyam. Also state the functions of packaging.

Ans:-

Different levels of packaging of the pain relieving medicine are:

Ointment tube; Primary packaging

Cardboard box: Secondary packaging

Functions of Packaging (any Three)

- (i) It helps in product identification.
- (ii) It helps in protection of the product from spoilage, breakage, leakage, damage etc.
- (iii) It facilitates use of the product to the consumers through appropriate sizes and shapes.
- (iv) It helps in promotion of the product as a good package attracts the attention of the people at the time of purchase.

Question 2.

An important task in the marketing of goods relates to designing the label as it provides useful and detailed information about the products. In the light of this statement, draw a label for —Teal and highlight the important information to be provided on it.

Ans: Student must give information such as- MRP, Date of manufacturing, Date of expiry, Brand name, Batch no., Contents, etc. on label.

Question 3.

Various tools of communication are used by the marketers to promote their products.'

- (i) Why do companies use all tools at the same time?
- (ii) Name and explain the most commonly used non-personal tool of promotion which is paid for by the marketer.
- (iii) Which tool of promotion will primarily be used for the following?
 - (a) To promote or protect a company's image or its individual products.
 - (b) An existing product meant for mass usage buy literate people.
 - (c) To introduce a new product to a particular class of people through door-to-door visits.
 - (d) To attracts attention of the people by using incentives.

Ans:

- (i) Synergy in Total Promotion Efforts.
- (ii) Advertisement.
- (ii) (a) Public Relation (b) Advertisement
- (c) Personal Selling (d) Sales Promotion

Question 4.

ITC started its business with Jobaico industry, later on its entered in hotel industry, consumer goods industry, stationery, etc. ITC assured quality to customer and kept company's name as its identity. This helps the customers in product identification and hence ensure quality it also built up their confidence and help in increasing their level of satisfaction.

- (i) Name the element of marketing mix referred in above para.
- (ii) Name the other element of marketing mix.
- (iii) Name the concept which assure quality and help in identification of product.

Ans: (i) Product Mix

(ii) Other element: Price mix, Place mix, Promotion Mix

(iii) Concept which help in identifying the product and assure its quality is branding

1. What is marketing? What functions does it play with process of exchange of goods and services?

Explain.

Ans: Marketing is a total system of business activities designed to plan, price, promote and distribute want satisfying goods and services to present and potential customers. Marketing is concerned with exchange of goods and services from producer to consumers which involves many activities.

(i) Gathering and Analysing Market Information

This is done to identify the needs of the customers and take various decisions for the successful marketing of the products and services.

(ii) Marketing Planning

Another important activity or area of work of a marketer is to develop appropriate marketing plans, so that the marketing objective of the organisation can be achieved.

(iii) Product Designing and Development

The design of the product contributes to make the product attractive to the target customers.

A good design can improve performance of a product and also give it a competitive advantage in the market.

(i) Standardisation and Grading

Standardisation refers to producing goods of predetermined specification which helps in achieving uniformity and consistency in the output which reduces the need for inspection, testing and evaluation of the products.

Grading is the process of classification of products into different groups, on the basis of its features such as quality, size etc. It ensures that goods belong to a particular quality helps in realising higher prices for high quality output.

(ii) Packaging and Labelling

Packaging refers to designing the package for the products. Labelling refers to designing the label to be put on the package. Packaging provides protection to the product and also helps in its promotion.

Labelling helps in self service.

(iii) Branding

Brand names help in creating product differentiations i.e., how the product can be distinguished from its competitors.

(iv) Customer Support Service

Marketing management relates to developing customer support service such as after sales services,

handling customer complaints. All these aim to provide customer satisfaction which is a key to marketing success.

CHAPTER-12

CONSUMER PROTECTION

QUICK REVISION

Consumer Protection

- Consumer protection refers to safeguarding consumers from manufacturers or sellers that engage in anti-consumer trade activities.
- **Earlier Approach**

The previous approach was of ‘caveat emptor’, which literally translates to "let the buyer beware."

- **Present Approach**

However, presently the approach is of ‘caveat venditor’, which literally translates to "let the seller beware."

- Exploitative and unfair trading practices, such as defective and dangerous items, adulteration, false and misleading advertising, hoarding, and black-marketing, expose consumers to dangers. As a result, effective consumer protection against such acts is required.

Importance of Consumer Protection

A. From Consumer’s Point of View

- 1. Consumer Ignorance:** The majority of consumers are unaware of their rights and remedies, and as a result, they are constantly exploited. Consumer protection is required to protect consumers from such exploitative practices.
- 2. Widespread Exploitation of Consumers:** Consumers are abused on a huge scale through a variety of unfair trade practices, and consumer protection is necessary to safeguard them.
- 3. Unorganized Consumers:** Consumers in India are still unorganised, and there are few consumer organisations that would advocate for them.

B. From Business Point of View

- 1. Business utilises societal resources:** Every business utilises societal resources, and it is their job to operate in the society's best interests.
- 2. Long-term business interests:** It is in the business's best interests to keep its customers happy. Customers must be satisfied in order to win the global competition. Satisfied consumers lead to repeat purchases, which helps to expand the company's customer base.
- 3. Government Intervention:** If a firm engages in any type of unfair commercial practices, the government will take action against it, harming the company's reputation.
- 4. Social Responsibility:** A business has social duties to a variety of stakeholders, including owners, employees, the government, and customers. As a result, shoppers should be able to purchase high-quality goods at affordable pricing.

5. Moral Justification: Any firm has a moral obligation to behave in the best interests of its customers and prevent exploitation and unfair trade practices such as faulty and unsafe products, adulteration, false and misleading advertising, hoardings, black marketing, and so on.

The Consumer Protection Act, 2019

- The Consumer Protection Act of 2019 aims to safeguard and promote consumers' interests by resolving their complaints in a timely and cost-effective manner. It came into force on July 20th 2020.
- It covers the entire country of India, except the State of Jammu and Kashmir..
- It applies to all types of enterprises, whether they are manufacturers or traders, and whether they sell goods or services, including e-commerce companies.
- The Act gives consumers specific rights in order to empower them and defend their interests.

Scope of the Act

The scope of this act is broad and covers a wide range of activities. This act covers all the undertakings;

- Both large and small scale undertakings.
- All three sectors are covered, namely private, public, and cooperative.
- It is applicable to e-commerce companies as well.
- It is applicable to whole of India.
- All goods, services and trade practices are a part of this act, until specifically exempted.

Consumer

A consumer is defined as someone who buys or receives consumer goods or services against a payment. It includes anyone who benefits from such services, but it excludes anyone who uses such services for financial gain.

Under the Consumer Protection Act 2019, a consumer is a person who buys any goods or avails services for a consideration, which has been paid or promised, or partly paid and partly promised, or under any scheme of deferred payment.

Consumer Rights

- 1. Right to Safety:** Consumers have the right to be safeguarded against items and services that are harmful to their health and well-being. The consumers are righteous to get quality products, and they can also demand quality assurance from the seller for the same. Such as ISI, FPO, AGMARK, Hallmark etc. are quality marks for industrial items, food products, agricultural products, gold respectively.
- 2. Right to be Informed:** Before purchasing a product, the consumer has the right to get complete information about it, regarding the quality, quantity, ingredients, purity, price etc.
- 3. Right to Choose:** Consumers have the right to choose any product from the available options based on their own preferences. Hence no seller has the right to influence the consumer into purchasing a certain product through unacceptable means
- 4. Right to Seek Redressal:** If a product or service fails to meet the consumer's expectations or is dangerous, the consumer has the right to seek redressal. The consumer may be entitled to a replacement or repair of the problem, as well as reimbursement for any losses.

- 5. Right to Consumer Education:** Consumers have the right to learn and be well-informed throughout their lives. He should be informed of his rights and remedies in the event that the goods or service does not meet his expectations. The Indian government has integrated consumer education inschool curriculum and is using the media to educate consumers about their rights. For example, efforts like Jaago Grahak Jaago is one such measure to educate the consumers
- 6. Right to be Heard:** The consumer has the right to provide his opinion regarding the product and services, as well as he has the right to be heard in such cases. Hence the consumer has a right to file a complaint if he thinks that his rights have been violated. Also various consumer cells have been opened up in India so as to provide them the right to be heard.

Consumer Responsibilities

Consumers have the following responsibilities:

- **Be knowledgeable:** Be knowledgeable about the numerous items on the market so that you can make an informed and educated decision.
- **Standardised products:** Purchase just standardised products to ensure quality. Look for the ISI mark on electrical goods, the FPO label on food products, and the Hallmark on jewellery, among other things.
- **Follow Instructions:** Follow the product's instructions and learn about the hazards linked with it, then use it safely.
- **Cautious Purchasing:** Carefully read labels for information on prices, net weight, manufacturing, expiration dates, and so on.
- **Assert Yourself:** Assert yourself to guarantee that you obtain a fair bargain, and fair price of the product.
- **Honesty:** Be truthful in interactions and buy only legal goods and services, thus discouraging buying from sellers who follow unethical methods such as black marketing and hoarding.
- **Cash Memo:** When purchasing products or services, request a cash memo. This will serve as proof of the transaction.
- **Consumer Societies:** Establish consumer societies that will actively participate in consumer education and protection.
- **Take action whenever needed:** In the event of a defect in the quality of items purchased or services received, file a complaint with an appropriate consumer forum. Even if the sum involved is modest, don't hesitate to take action.
- **Avoid Littering:** Respect and value the environment, and avoid any activity that would adversely affect it.

Redressal Under the Consumer Protection Act

a. Who can file a complaint under CPA, 2019

- a consumer; or
- any voluntary consumer association registered under any law for the time being in force; or
- the Central Government or any State Government; or
- the Central Authority; or
- one or more consumers, where there are numerous consumers having the same interest; or
- in case of death of a consumer, his legal heir or legal representative; or

- in case of a consumer being a minor, his parent or legal guardian;

b. Against whom a complaint can be filed?

- In case of any defective good supplied, a complaint can be filed against the manufacturer or seller or dealer.
- For any deficient services rendered, a complaint can be filed against the provider of services.

c. Redressal Agencies

As per Consumer Protection Act, 2019, The statute establishes a three–tiersystem for resolving consumer complaints, as follows:

District Commission	Complaints upto 1 crore
State Commission	Complaints exceeding 1 crore, but upto 10 crores
National Commission	Complaints exceeding 10 crores

A. District Commission

The state concerned establishes district forums in each district. The following are the key characteristics:

- It is made up of a President and two members, one of whom must be a woman, who are officially nominated by the state government.
- The value of consumer complaints should not exceed Rs. 1 crore.
- Upon receiving the complaint, the district forum shall forward it to the opposing party and submit the items or sample to a laboratory for testing.
- If the district forum determines that the goods are defective or that there has been unfair trading practices, the opposite party may be ordered to repair or return the items or pay compensation. If any of the party is not satisfied with the district forum's decision, they have 45 days to file an appeal with the state forum from the date of order.

B. State Commission

The government establishes a state commission in each state. The following are the key characteristics:

- Each commission has a president and at least two members appointed by the state government, one of whom should be a woman.
- The total worth of the products or services, including the compensation sought, is greater than Rs. 1 Crore but less than Rs. 10 crore.
- Upon receiving a complaint, the state commission may submit the matter to the opposing party and send the items to a laboratory for examination.
- After being satisfied, the state commission might require the other party to replace, reimburse, or pay compensation. If any of the parties is not pleased with the judgement, they can file a complaint with the national commission within 30 days of the order being issued.

C. National Commission

Central government sets the National commission. The provisions are:

- It is made up of a President and at least four members chosen by the central government, one of whom should be a woman.
- All complaints relating to products and services with a compensation value above Rs. 10 crore can be filed with the national commission.
- When the national commission receives a complaint, it can also refer it to the opposing party and send items for testing.
- The National Commission has the authority to issue orders for product replacement and loss compensation, among other things.
- If any of the parties is not pleased with the decision taken, they can file a complaint with the Supreme Court of India within 30 days of the order being issued.

d. Reliefs Available To The Consumer

- Removal of flaws in the goods.
- Removal of the deficiencies in the services.
- Replacement of damaged goods with new ones that are free of flaws.
- Refunding the complainant for the price paid by him.
- Payment of an appropriate amount of compensation for any loss or injury that has occurred.
- In suitable circumstances, payment of punitive damages.
- Discontinuance or abandonment of unfair/restrictive trade practices.
- Discontinuance of the sale of hazardous goods and services.
- Payment to the consumer welfare fund (not less than 5%) which is to be used in the prescribed manner.
- Run corrective advertisements to counteract the effect of misleading advertisements.
- Reimburse all parties for their expenses.

Role of NGO's and Consumer organizations:

There are a number of NGO's and consumer organizations active in India who are working for consumer protection. Their roles involve:

- Raising awareness of consumer rights among the general public.
- Educating consumers through periodicals and other publications.
- Providing consumers with legal help, such as legal counsel.
- Filing complaints on behalf of consumers in competent consumer tribunals.
- Inspiring consumers to take action against unfair business practices.
- Taking the initiative to file cases on behalf of consumers in consumer courts.

Case Studies:-

QUESTIONS

1. Anita buys a packet of dry cake from a cake shop without asking for the bill. The pack does not bear any information other than the name of shop. After reaching home she finds the cake to be stale. (a) Identify the consumer right that has been violated. (b) Explain any one consumer right other than identified in point (a). (c) State any three responsibilities that a consumer must keep in mind while purchasing any good.
(5)

Ans. (a) Right to Information (b) Any one consumer right other than 'Right to Information' (c) Consumer Responsibilities (State any three)

2. Bhavya visited his friend, Raghav. On his returning from Raghav's home, Raghav booked a taxi for Bhavya from 'Ganga Travels'. The taxi driver drove UBAR Co. car very fast and his behaviour was rude with Bhavya. Bhavya told about this to Raghav who in turn complained to the proprietor of 'Ganga Travels'.
(a) Can Raghav file a complaint against UBAR Co.? Give reason.
(b) Can Bhavya file a complaint against UBAR Co.? Give reason.
(c) Can Ganga Travels file a complaint against UBAR Co.? Give reason.
(3)

Ans.

(a) Yes, Raghav can file a complaint against UBAR Co. since he is a 'consumer' as per the definition of a 'consumer' under the Consumer Protection Act, 2019. A consumer includes "any beneficiary of such services with the approval of the person concerned...."

(b) Yes, Bhavya can also file a complaint against UBAR Co. since he is a 'consumer' as per the definition of a 'consumer' under the Consumer Protection Act, 2019 "A consumer is any person who hires or avails of any services for a consideration, which has been paid or promised, or partly paid and partly promised, or under any system of deferred payment."

(c) No, 'Ganga Travels' cannot file a complaint against UBAR Co. since it is not a consumer as per the definition of a 'consumer' under the consumer protection Act, 2019- "A consumer does not include any person who avails of such services for any commercial purposes."

3. Archana is a pure vegetarian. She went to a popular food chain shop and asked for a packaged 'Veg-Biryani'. While eating the same she noticed that it had some non-vegetarian content. Neither the advertisement nor the label on the package showed that the product had non-vegetarian content. Identify and explain the consumer right which Archana can claim for compensation as per the provisions of Consumer Protection Act, 2019.
(3)

Ans. Right to seek redressal (Explain)

4. Sudhanshu saw a weight reducing electric machine advertisement on the television. He purchased it and decided to use it. The moment he plugged the machine he got an electric shock. As a result he died instantly. His relatives suggested Vedant, Sudhanshu's son to file a case claiming compensation of ₹50 lakh. (a) Who can file a case against the company? (b) Where should the complaint be filed and why?
(3)

Ans. (a) A complaint in a consumer court can be filed by Vedant, legal heir or representative of the deceased consumer, Sudhanshu or any registered consumers' association, etc.

(b) The complaint can be filed at the District Commission since the amount of compensation claimed does not exceed ₹1 crore.

5. Anchal purchased a food processing machine for ₹10,000 from 'Kajal Machinery Pvt. Ltd.' She found that the machine was not working properly. Despite many complaints, the defect was not rectified by Kajal Machinery Pvt. Ltd. (a) Identify the consumer right that has been violated by Kajal Machinery Pvt. Ltd.

(b) Suggest the appropriate Consumer Disputes Redressal Commission (CDRC) where Anchal can file her complaint.


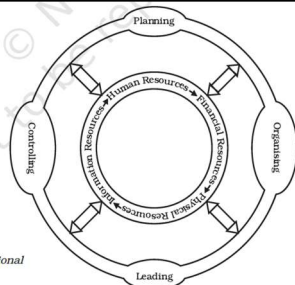




(c) Can she appeal to the Supreme Court if she is not satisfied with the order of the appropriate CDRC? Give

reason in support of your answer.

(3)

Ans. (a) Right to be heard (b) District Commission; because the District CDRC will entertain complaints where value of goods and services does not exceed ₹1 crore. (c) Yes; because appeals from a District CDRC will be heard by the State CDRC. Appeals from the State CDRC will be heard by the National CDRC. Final appeal will lie before the Supreme Court.

NCERT PICTURE BASED LEARNING

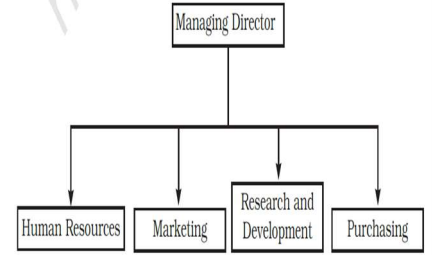
		
<p>Management of People</p>	<p>Management a Multi-dimensional activity</p>	<p>Motivate employees for achievement of objectives</p>
		
<p>Results of lack of coordination</p>	<p>Sharing of gains between management and workers leading to complete harmony</p>	<p>Employee suggestion system: Encourage initiative among trainee managers</p>



Planning: Keeping the objective in view and being in action



Planning is a mental exercise



Functional structure



No delegation leads to delays in decision-making



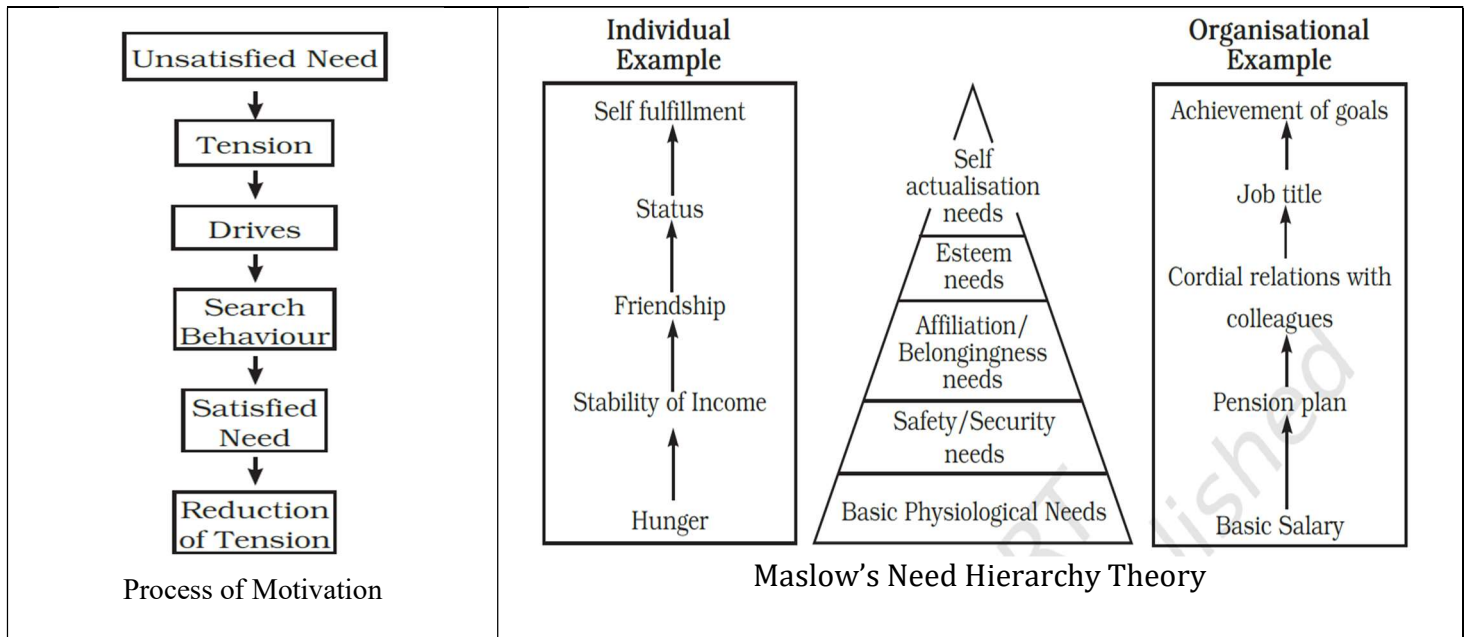
DELEGATION-Creation of accountability for performance



Problem of Over staffing



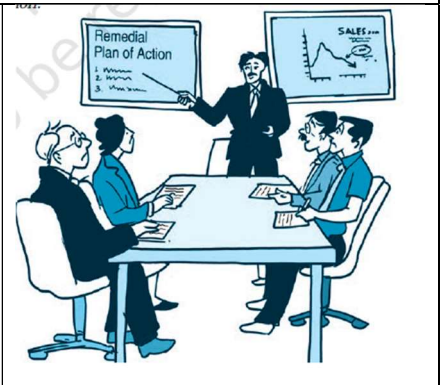
Campus Recruitment



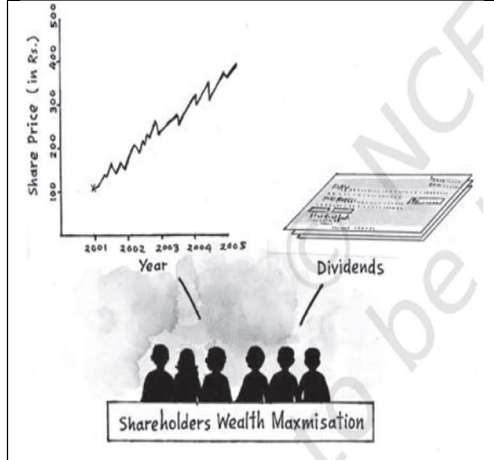
Effective Communication increases managerial efficiency



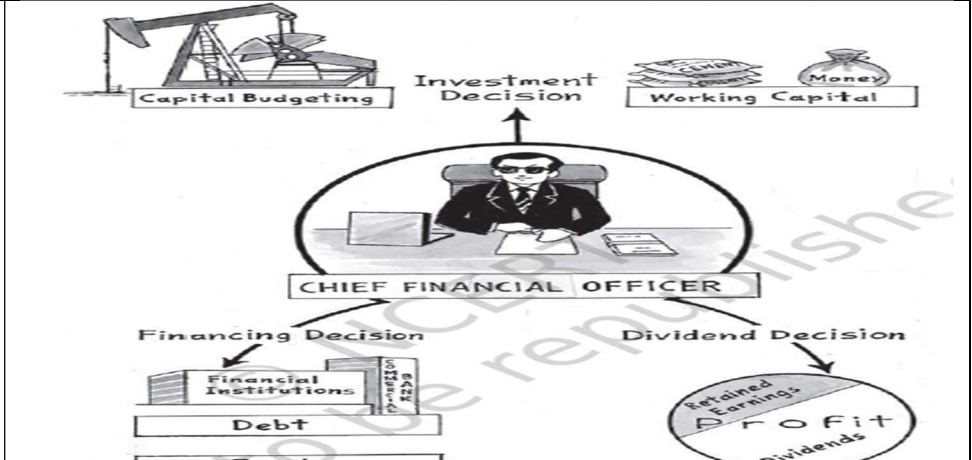
Informal Communication Grapevine



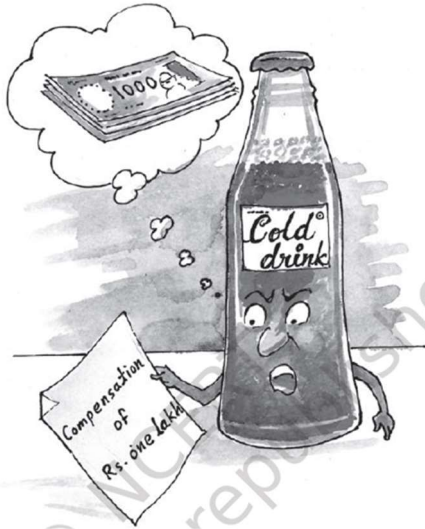
Remedial Plan of Action: Analysing deviations



Wealth Maximisation Concept



Financial Decisions



Compensation for impurities in cold drinks



Levels of Packaging




Protection against malpractices and exploitation

Know Your Rights

RIGHTS OF THE CONSUMER

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- Right to be Informed
- Right to be Heard
- Right to be Assured
- Right to seek Redressal
- Right to Consumer Education


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