

# **SHRI KRISHNA ACADEMY**

**NEET, JEE & BOARD EXAM(10<sup>th</sup>, +1, +2) COACHING CENTRE**

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## **XII - COMMERCE**

## **MATERIAL**

### **2019 - 2020**

**DEPARTMENT OF COMMERCE**

# BOOKBACK ONEMARK

## UNIT -1 MANAGEMENT PROCESS

### CHAPTER -1

## PRINCIPLES OF MANAGEMENT

#### I. Choose the Correct answers:

1. Management is what a \_\_\_\_\_ does?  
 a) **Manager**      b) Subordinate      c) Supervisor      d) Superior
2. Management is an \_\_\_\_\_  
 a) Art      b) Science      c) **Art and Science**      d) Art or Science
3. Scientific management is developed by  
 a) Fayol      b) **Taylor**      c) Mayo      d) Jacob
4. Dividing the work into small tasks is known as  
 a) Discipline      b) Unity      c) **Division of work**      d) Equity
5. With a wider span, there will be \_\_\_\_\_ hierarchical levels.  
 a) More      b) **Less**      c) Multiple      d) Additional

#### II. Very short answer questions:

##### 1. What is Management?

- ❖ Management is part and parcel of our day to day life.
- ❖ The practice of management could be found in our entire endeavour whether we are in a play ground or library or class room or hostel and so on wherein we plan many of our actions and execute them in a systematic manner to arrive at the desired results.

##### 2. List out the management tools.

- ❖ Tools of management have been developed such as, accounting, business law, psychology, statistics, econometrics, data processing, etc.

##### 3. Who is a manager?

- ❖ manager is a dynamic and life-giving element in every business.
- ❖ Without efficient management it cannot be secure the best allocation and utilisation of human, material and financial resources.

##### 4. State the meaning of Authority.

- ❖ This is the issue of commands followed by responsibility for their consequences. Authority means the right of a superior to give the order to his subordinates whereas responsibility means obligation for performance.

##### 5. What do you mean by Span of management?

- ❖ The Span of Management refers to the number of subordinates who can be managed efficiently by a superior.
- ❖ Simply, the manager having the group of subordinates who report him directly is called as the span of management.

#### III. Short answer questions:

##### 1. Define the term management.

###### (i) Generalized Definition of Management:

- ❖ Management is a distinct ongoing process of allocating inputs of an organisation (human and economic resources) by typical managerial functions (planning, organising, directing and controlling) for the purpose of achieving stated objectives, viz., output of goods and services desired by its customers (environment)

**(ii) Precise Definition of Management:**

- ❖ Let us discuss the definition of management. It should be the basis of our study of the principles of management. The substance of management should be identified as a process. A process is something that a person does.

**2. Is management an Art or Science?**

- ❖ There is always a discussion about the nature of management whether it is an Art of doing things or it is a pure Science of getting things done. It would be useful to explain the nature of management in brief as under
- ❖ Management is an in-exact science, because in pure science, the principles are put into test in a laboratory and they are either proved or disproved exactly and precisely.
- ❖ For example, plant leaves have starch in them which can be proved or disproved in a Botany lab. Similarly the management principles can be put to test in an organization where men, machine, money and materials (4 Ms) are practically integrated towards achieving some chosen organizational goals.

**3. Differentiate management from Administration. 6 point**

Basis of comparison	management	administration
meaning	An organization way of managing people and things of a business organization is called management	the process of administration an organization by a group of people is known as the administration
Authority	Middle and lower level	top level
Role	Executive	Decisive
concerned with	Policy implementation	policy formulation
Area of operation	It works under administration	It has full control over the activities of the organization
Decide	Who will do the work? And how will it be done	What should be done? and When is should be done
work	Putting plan and policies into action	Formulation of plan , framing policies and setting objectives
Focus on	Managing work	making best possible allocation of limited resources
Key person	manager	administration
Represents	Employees, Who work for remuneration	Owner , who get a return on the capital invested by them
Function	Executive and governing	Legislative and Determination

**4. What are the principles of Taylor?**

Principles of scientific management propounded by Taylor are

1. Science, Not Rule of Thumb
2. Harmony, Not Discord
3. Mental Revolution
4. Cooperation, Not Individualism
5. Development of each and every person to his or her greatest efficiency and prosperity.

**5. What determines the span of management?**

1. Influences the complexities of the individual manager's job
2. Determine the shape or configuration of the Organization

**IV. Long answer questions:****1. Write about the contribution of Drucker to management.**

- (i) Managing a business;
- (ii) Managing manager; and
- (iii) Managing workers and work.
- ❖ Even if one is omitted, It would not have management anymore and it also would not have a business enterprise or an industrial society. According to P. Drucker, the manager has to balance and integrate three major jobs of a business enterprise as mentioned above.
- ❖ Hence, a manager is a dynamic and life-giving element in every business. Without efficient management it cannot be secure the best allocation and utilisation of human, material and financial resources.

**2. Explain the management process in detail.**

- ❖ The substance of management should be identified as a process. A process is something that what a person does in the context of his individual duties and responsibilities assigned by his or her immediate higher authority.
- ❖ A process also implies ongoing and unceasing cyclical operations. In management there is planning-action-control cycle. Defining the concept must incorporate this management cycle. A process indicates the dynamic nature of management.
- ❖ It also implies that change is a constant reality of organisational life and management is the management of change. Lastly, management is regarded as a social process because it is directly concerned with management of human resources in order to secure cooperation and teamwork from the people in their performance.

**3. Describe the principles of scientific management.**

Principles of scientific management propounded by Taylor are

1. Science, Not Rule of Thumb
2. Harmony, Not Discord
3. Mental Revolution
4. Cooperation, Not Individualism
5. Development of each and every person to his or her greatest efficiency and prosperity.

They are explained in brief as follows:

**Science, Not Rule of Thumb:**

- ❖ In order to increase organisational efficiency, the 'Rule of Thumb' method should be substituted by the methods developed through scientific analysis of work.
- ❖ Rule of Thumb means decisions taken by manager as per their personal judgments. According to Taylor, even a small production activity like loading iron sheets into box cars can be scientifically planned. This will help in saving time as well as human energy.
- ❖ Decisions should be based on scientific enquiry with cause and effect relationships.
- ❖ This principle is concerned with selecting the best way of performing a job through the application of scientific analysis and not by intuition or hit and trial methods.

**Harmony, Not Discord:**

- ❖ Taylor emphasized that there should be complete harmony between the workers and the management since if there is any conflict between the two, it will not be beneficial either for the workers or the management.

- ❖ Both the management and the workers should realize the importance of each other. In order to achieve this state, Taylor suggested complete mental revolution on the part of both management and workers.
- ❖ It means that there should be complete change in the attitude and outlook of workers and management towards each other.
- ❖ It should always be kept in mind that prosperity for an employer cannot exist for a long time unless it is accompanied by the prosperity of the employees of that organisation and vice versa.

### **Mental Revolution:**

- ❖ The technique of Mental Revolution involves a change in the attitude of workers and management towards each other. Both should realize the importance of each other and should work with full cooperation. Management as well as the workers should aim to increase the profits of the organisation.

### **Cooperation, Not Individualism:**

- ❖ This principle is an extension of principle of 'Harmony, not discord' and lays stress on mutual cooperation between workers and the management. Cooperation, mutual confidence, sense of goodwill should prevail among both, managers as well as workers.
- ❖ The intention is to replace internal competition with cooperation. Both 'Management' and 'Workers' should realize the importance of each other. Workers should be considered as part of management and should be allowed to take part in decision making process of the management.
- ❖ Management should always welcome their suggestions and should also reward them if their suggestions prove to be beneficial for the organisation viz. reduction of costs or increase in production etc. At the same time, workers should also resist from going on strike or making unnecessary demands from management.
- ❖ Workers should be treated as integral part of organisation and all important decisions should be taken after due consultation with workers

### **Development of each and every person to his or her greatest efficiency and prosperity:**

- ❖ Efficiency of any organisation also depends on the skills and capabilities of its employees to a great extent. Thus, providing training to the workers was considered essential in order to learn the best method developed through the use of scientific approach.
- ❖ To attain the efficiency, steps should be taken right from the process of selection of employees. Employees should be scientifically selected.

#### **4. Explain the principles of modern management.(any 10)**

##### **Division of Work:**

According to this principle the whole work is divided into small tasks. The specialization of the workforce according to the skills of a person, creating specific personal and professional development within the labour force and therefore increasing productivity; leads to specialization which increases the efficiency of labour.

##### **Authority and Responsibility:**

This is the issue of commands followed by responsibility for their consequences. Authority means the right of a superior to give the order to his subordinates whereas responsibility means obligation for performance.

##### **Discipline:**

It is obedience, proper conduct in relation to others, respect of authority, etc. It is essential for the smooth functioning of all organizations.

**Unity of Command:**

This principle states that each subordinate should receive orders and be accountable to one and only one superior. If an employee receives orders from more than one superior, it is likely to create confusion and conflict.

**Unity of Direction:**

All related activities should be put under one group, there should be one plan of action for them, and they should be under the control of one manager. Subordination of Individual Interest to

**Mutual Interest:** The management must put aside personal considerations and put company objectives firstly. Therefore the interests of goals of the organization must prevail over the personal interests of individuals.

**Remuneration:**

Workers must be paid sufficiently as this is a chief motivation of employees and therefore greatly influences productivity. The quantum and methods of remuneration payable should be fair, reasonable and rewarding of effort.

**The Degree of Centralization:**

The amount of power wielded with the central management depends on company size. Centralization implies the concentration of decision making authority at the top management.

**Line of Authority/Scalar Chain:**

This refers to the chain of superiors ranging from top management to the lowest rank. The principle suggests that there should be a clear line of authority from top to bottom linking all managers at all levels.

**Order:**

Social order ensures the fluid operation of a company through authoritative procedure. Material order ensures safety and efficiency in the workplace. Order should be acceptable and under the rules of the company.

**Equity:**

Employees must be treated kindly, and justice must be enacted to ensure a just workplace. Managers should be fair and impartial when dealing with employees, giving equal attention towards all employees.

**Stability of Tenure of Personnel:**

Stability of tenure of personnel is a principle stating that in order for an organization to run smoothly, personnel (especially managerial personnel) must not frequently enter and exit the organization.

**Initiative:**

Using the initiative of employees can add strength and new ideas to an organization. Initiative on the part of employees is a source of strength for organization because it provides new and better ideas. Employees are likely to take greater interest in the functioning of the organization.

**Esprit de Corps/Team Spirit:**

This refers to the need of managers to ensure and develop morale in the workplace; individually and communally. Team spirit helps develop an atmosphere of mutual trust and understanding. Team spirit helps to finish the task on time.

**5. Discuss the implications of span of management.**

The Span of Management has two implications:

1. Influences the complexities of the individual manager's job



## 2. Determine the shape or configuration of the Organization

- ❖ The span of management is related to the horizontal levels of the organization structure. There is a wide and a narrow span of management. With the wider span, there will be less hierarchical levels, and thus, the organizational structure would be flatter. Whereas, with the narrow span, the hierarchical levels increase, hence the organizational structure would be tall.
- 1. Both these organizational structures have their advantages and the disadvantages. But however the tall organizational structure imposes more challenges
- 2. Since the span is narrow, which means less number of subordinates under one superior, requires more managers to be employed in the organization. Thus, it would be very expensive in terms of the salaries to be paid to each senior.
- 3. With more levels in the hierarchy, the communication suffers drastically. It takes a lot of time to reach the appropriate points, and hence the actions get delayed.
- 4. Lack of coordination and control because the operating staff is far away from the top management.

### INTERIOR ONE MARK

1. ----- is a part and parcel of our day to day life  
a) communication      **b) management**      c) function      d) control
2. Management is ----- concept  
a) global      b) universal      **c) global & universal**      d) all of these
3. Pick out the odd man out  
Not concept of management  
a) Body of knowledge      b) Management tools      c) specialization      **d) simplicity**
4. Tools of management have been not developed such as -----  
**a) commerce**      b) business law      c) accounting      d) data processing
5. Management offering master's degree in business year-----  
a) 1952      **b) 1951**      c) 1954      d) 1953
6. ----- have now social conscience and awareness  
a) coordination      **b) corporation**      c) cooperation      d) all of these
7. ----- oriented marketing concept is the reflecting of a corporate code of conduct  
a) customer      b) employee      **c) consumer**      d) worker
8. ----- sees management as a process of planning, organizing, directing, and controlling  
a) behavioural school      **b) functional school**  
c) Quantitative school      d) all of these
9. ----- is not interested in the process only but rather in the way the process affect the organisation  
a) Behavioural school      **b) functional school**      c) Quantitative school      d) all of these
10. ----- wants to improve the quality of decision making  
a) Behavioural school      b) functional school      **c) Quantitative school**      d) all of these
11. ----- we have planning action control cycle  
**a) management**      b) control      c) manager      d) tools
12. To manage is to forecast, to plan, to organize, to command, to coordinate and control according to  
**a) Henry Fayol**      b) Peter F. Druker      c) William      d) Alfred Marshall

13. Which one is not Drucker stresses three jobs of management  
a) Managing a business                      b) Managing manager  
c) Managing worker and work              d) **Management is a organize command**
14. ----- is a dynamic and life giving element in every business  
a) worker                      b) employee                      c) **manager**                      d) director
15. Plant leaves have starch in them which can be proved or disproved in -----  
a) zoology lab                      b) chemistry lab                      c) physics lab                      d) **botany lab**
16. The art of management is fully reflected in the decision making capacity of a -----  
a) worker                      b) employee                      c) **manager**                      d) director
17. ----- is more executive in nature of concept  
a) administration                      b) **management**                      c) controlling                      d) directing
18. ----- denotes the art of decision making at the top and evolving polices  
a) **administration**                      b) management                      c) controlling                      d) directing
19. Which one is not correct of management?  
a) CEO                      b) **production manager**                      c) MD                      d) Board of director
20. Which one is not correct of administration?  
a) accounting                      b) production manager                      c) Distribution researcher                      d) **MD**
21. ----- should be identified as a process  
a) substance of management                      b) substance of work  
c) substance of power                      d) All of these
22. ----- is something that what a person does in the context of his individual duties and responsibility  
a) planning                      b)controlling                      c) **process**                      d) directing
23. ----- is indicates the dynamic nature of management  
a) planning                      b)controlling                      c) **process**                      d) directing
24. Management process is ----- purpose  
a) one                      b) **two**                      c) three                      d) four
25. Organisation already had to deal with management in practice in the early -----s  
a) **1900**                      b) 1901                      c) 1902                      d) 1903
26. Which one is not principles of scientific management?  
a) science, not rule of thumb                      b) cooperation, not individualism  
c) **Management is a process**                      d) Harmony not discord
27. Small production activity like loading iron sheets into box car can be scientifically planned says to -----  
a) **Taylor**                      b) William                      c) Drucker                      d) Manager
28. ----- means the right of a superior to give the order to his subordinate whereas responsibility means obligation of performance  
a) Delegation                      b) **Authority**                      c) Command                      d) Direction
29. The line of authority is also called  
a) **scalar chain**                      b) division of work                      c) order                      d) equity
30. ----- refer to need of manager to ensure and development to ensure workplace  
a) single spirit                      b) **team spirit**                      c) initiative                      d) all of these



## CHAPTER-2

### FUNCTIONS OF MANAGEMENT

#### I. Choose the Correct answers

1. Which is the primary function of management?  
 (a) Innovating            (b) Controlling            (c) **Planning**            (d) Decision-making
2. Which of the following is not a main function?  
 (a) **Decision-making**    (b) Planning            (c) Organising            (d) Staffing
3. Distribution of work in groupwise or sectionwise is called as \_\_\_\_\_.  
 (a) Co-ordinating        (b) Controlling            (c) Staffing            (d) **Organising**
4. Which of the following is verification function?  
 (a) Planning            (b) Organising            (c) Staffing            (d) **Controlling**

#### II. Very Short Answer Questions:

##### 1. Write a short note about Planning.

- ❖ Think Before you Act' or 'Look Before you Leap' are some of the usual traditional proverbs; which provide a basis or logic for planning.
- ❖ In short, planning refers to deciding in advance. Planning is a constructive reviewing of future needs so that present actions can be adjusted in view of the established goal.

##### 2. What is meant by Motivation?

- ❖ The goals are achieved with the help of motivation. Motivation includes increasing the speed of performance of a work and developing a willingness on the part of workers.
- ❖ This is done by a resourceful leader.

##### 3. What is meant by Controlling?

- ❖ Controlling is performed to evaluate the performance of employees and deciding increments and promotion decisions.
- ❖ The control function helps in identifying under performers and arranging remedial training for them.

##### 4. How do you coordinate your classroom with peace?

- ❖ Peace starts with each individual, and the way you act affects the world around you. "Allow the children to respond. Express your interest in getting to know each student and your willingness to be there for them if they have a problem you might say something like. "I want us to have a great year together.

##### 5. What is meant by Innovation?

- ❖ Innovation refers to the preparation of personnel and organisation to face the changes made in the business world. Continuous changes are being made in the business.

### III. Short Answer Questions:

#### 1. List out the main functions of management? explain any 3

##### Planning

- ❖ 'Think Before you Act' or 'Look Before you Leap' are some of the usual traditional proverbs; which provide a basis or logic for planning. Planning is the primary function of management. Nothing can be performed without planning. (For eg., Writing a book starts with planning).
- ❖ In short, planning refers to deciding in advance. Planning is a constructive reviewing of future needs so that present actions can be adjusted in view of the established goal. Planning should take place before doing; most individual or group efforts are made by determining before any operative action takes place, what shall be done, where, how and who shall do it.

##### Organising

- ❖ Organising is the process of establishing harmonious relationship among the members of an organisation and the creation of network of relationship among them. Organising function work is assigned to employees who are given authority to carry out the work assigned and made accountable for it.

##### Staffing

- ❖ Staffing function comprises the activities of selection and placement of competent personnel. In other words, staffing refers to placement of right persons in the right jobs.
- ❖ Staffing includes selection of right persons, training to those needy persons, promotion of best persons, retirement of old persons, performance appraisal of all the personnel, and adequate remuneration of personnel.

##### Directing

- ❖ Directing denotes motivating, leading, guiding and communicating with subordinates on an ongoing basis in order to accomplish pre-set goals

##### Controlling

- ❖ Controlling is performed to evaluate the performance of employees and deciding increments and promotion decisions. The control function helps in identifying under performers and arranging remedial training for them.

##### Co-ordination

- ❖ Co-ordination is the synchronization (or unification or integration) of the actions of all individuals, working in the enterprise in different capacities; so as to lead to the most successful attainment of the common objectives.

##### Motivating

- ❖ The goals are achieved with the help of motivation. Motivation includes increasing the speed of performance of a work and developing a willingness on the part of workers.
- ❖ This is done by a resourceful leader.

#### 2. State the importance of staffing.

- ❖ Staffing function comprises the activities of selection and placement of competent personnel. In other words, staffing refers to placement of right persons in the right jobs.
- ❖ Staffing includes selection of right persons, training to those needy persons, promotion of best persons, retirement of old persons, performance appraisal of all the personnel, and adequate remuneration of personnel.
- ❖ The success of any enterprise depends upon the successful performance of staffing function

### 3. Bring out the subsidiary functions of management.

#### Innovation

- ❖ Innovation refers to the preparation of personnel and organisation to face the changes made in the business world. Continuous changes are being made in the business.
- ❖ Consumers are satisfied through innovation. Innovation includes developing new material, new products, new techniques in production, new package, new design of a product and cost reduction.

#### Representation

- ❖ A manager has to act as representative of a company. Manager has dealings with customers, suppliers, government officials, banks, financial institutions, trade unions and the like. It is the duty of every manager to have good relation with others.

#### Decision-making

- ❖ Every employee of an organisation has to take a number of decisions every day. Decision-making helps in the smooth functioning of an organisation.

#### Communication

- ❖ Communication is the transmission of human thoughts, views or opinions from one person to another person. Workers are informed about what should be done, where it is to be done, how it is to be done and when it is to be done. Communication helps the regulation of job and co-ordinates the activities.

### 4. State the importance of Motivation.

- ❖ The goals are achieved with the help of motivation. Motivation includes increasing the speed of performance of a work and developing a willingness on the part of workers.
- ❖ This is done by a resourceful leader. The workers expect, favourable climate conditions to work, fair treatment, monetary or non-monetary incentive, effective communication and gentleman approach.

### 5. What are the main duties of a manager?

- ❖ A manager has to act as representative of a company. Manager has dealings with customers, suppliers, government officials, banks, financial institutions, trade unions and the like. It is the duty of every manager to have good relation with others.

## IV. Long Answer Questions:

### 1. Explain the various functions of management.

#### Planning

- ❖ 'Think Before you Act' or 'Look Before you Leap' are some of the usual traditional proverbs; which provide a basis or logic for planning. Planning is the primary function of management. Nothing can be performed without planning. (For eg., Writing a book starts with planning).
- ❖ In short, planning refers to deciding in advance. Planning is a constructive reviewing of future needs so that present actions can be adjusted in view of the established goal. Planning should take place before doing; most individual or group efforts are made by determining before any operative action takes place, what shall be done, where, how and who shall do it.

## Organising

- ❖ Organising is the process of establishing harmonious relationship among the members of an organisation and the creation of network of relationship among them. Organising function work is assigned to employees who are given authority to carry out the work assigned and made accountable for it.

## Staffing

- ❖ Staffing function comprises the activities of selection and placement of competent personnel. In other words, staffing refers to placement of right persons in the right jobs.
- ❖ Staffing includes selection of right persons, training to those needy persons, promotion of best persons, retirement of old persons, performance appraisal of all the personnel, and adequate remuneration of personnel. The success of any enterprise depends upon the successful performance of staffing function.

## Directing

- ❖ Directing denotes motivating, leading, guiding and communicating with subordinates on an ongoing basis in order to accomplish pre-set goals.
- ❖ Employees are kept informed of all necessary matters by circulars, instructions manuals, newsletters, notice-boards, meeting, participative mechanism etc., in order to enable the employees to accomplish the organizational goals.

## 5. Controlling

- ❖ Controlling is performed to evaluate the performance of employees and deciding increments and promotion decisions. The control function helps in identifying under performers and arranging remedial training for them.
- ❖ It is the control function which facilitates synchronization of actual performance with predetermined standards.

## Co-ordination

- ❖ Co-ordination is the synchronization (or unification or integration) of the actions of all individuals, working in the enterprise in different capacities; so as to lead to the most successful attainment of the common objectives.
- ❖ Co-ordination is included in every managerial function; Eg (i) Planning and co-ordination, (ii) Organising and co-ordination, (iii) Staffing and co-ordination, (iv) Directing and co-ordination, (v) Motivation and co-ordination and (vi) Controlling and co-ordination.

All the activities are divided group wise or section wise under organising function. Now, such grouped activities are co-ordinated towards the accomplishment of objectives of an organisation.

- ❖ The difficulty of co-ordination depends upon the size of organisation. The difficulty of co-ordination is increased with the increasing size of the organisation.

## Motivating

- ❖ The goals are achieved with the help of motivation. Motivation includes increasing the speed of performance of a work and developing a willingness on the part of workers.
- ❖ This is done by a resourceful leader. The workers expect, favourable climate conditions to work, fair treatment, monetary or non-monetary incentive, effective communication and gentleman approach.

## Subsidiary Functions

### Innovation

- ❖ Innovation refers to the preparation of personnel and organisation to face the changes made in the business world. Continuous changes are being made in the business.

- ❖ Consumers are satisfied through innovation. Innovation includes developing new material, new products, new techniques in production, new package, new design of a product and cost reduction.

### Representation

- ❖ A manager has to act as representative of a company. Manager has dealings with customers, suppliers, government officials, banks, financial institutions, trade unions and the like.
- ❖ It is the duty of every manager to have good relation with others.

### Decision-making

- ❖ Every employee of an organisation has to take a number of decisions every day.
- ❖ Decision-making helps in the smooth functioning of an organisation.

### Communication

- ❖ Communication is the transmission of human thoughts, views or opinions from one person to another person. Workers are informed about what should be done, where it is to be done, how it is to be done and when it is to be done.
- ❖ Communication helps the regulation of job and co-ordinates the activities.

## INTERIOR ONEMARK

- Pick out the odd man out in managerial function  
a) **welfare specific** b) time specific c) institution specific d) country specific
- Management function are called as -----  
a) **managerial process** b) subsidiary function c) main function d) all of these
- Functions of management can be classified ----- categories  
a) one b) **two** c) three d) four
- Writing a book start with-----  
a) organising b) staffing c) directing d) **planning**
- function comprise the activities of selection and placement of competent personal  
a) organising b) **staffing** c) directing d) planning
- refers to placement of right person in the right jobs  
a) organising b) **staffing** c) directing d) planning
- denotes motivating leading with subordinates on an ongoing basis in order to pre set goal  
a) organising b) staffing c) **directing** d) planning
- The goals are achieved with the help of -----  
a) organising b) staffing c) directing d) **motivating**
- refers to the preparation of personal and organization to face the changes made in the business world  
a) communication b) **innovation** c) directing d) motivating
- is the transmission of human thoughts  
a) **communication** b) innovation c) directing d) motivating
- Which one is not corrected to worker motivators?  
a) skip annual performance review b) Expect to provide more structure and direction  
c) make them feel valued d) **management by exception**

## CHAPTER-3

### MANAGEMENT BY OBJECTIVES (MBO) MANAGEMENT BY EXCEPTION (MBE)

#### I. Choose the Correct Answers:

1. \_\_\_\_\_ System gives full Scope to the Individual Strength and Responsibility.  
 (a) MBO (b) MBE (c) MBM (d) MBA
2. Which is the First step in Process of MBO?  
 (a) Fixing Key Result Area (b) Appraisal of Activities  
 (c) Matching Resources with Activities (d) **Defining Organisational Objectives**
3. \_\_\_\_\_ keeps Management Alert to Opportunities and Threats by Identifying Critical Problems.  
 (a) MBA (b) **MBE** (c) MBM (d) MBO
4. Delegation of Authority is Easily Done with the Help of \_\_\_\_\_.  
 (a) MBM (b) MBE (c) **MBO** (d) MBA

#### II. Very Short Answer Questions:

##### 1. Define – MBO

- ❖ Prof. Reddin defines MBO as, “the establishment of effective standards for managerial positions and the periodic objectives linked vertically and horizontally and with future planning”.conversion of those into measurable time bound

##### 2. What are the objectives of MBO? any 5

Management by objectives is intended primarily:

- i. to measure and judge performance
- ii. to relate individual performance to organisational goals
- iii. to clarify both the job to be done and the expectations of accomplishment
- iv. to foster the increasing competence and growth of the subordinates
- v. to enhance communications between superiors and subordinates
- vi. to serve as a basis for judgements about salary and promotion
- vii. to stimulate the subordinates' motivation
- viii. to serve as a device for organisational control and integration

##### 3. Bring out the meaning of MBE.

- ❖ Management by exception is an important principle of managerial control suggested by the classical writers on management.
- ❖ Management by exception is a style of business management that focuses on identifying and handling cases that deviate from the norm.



#### 4. Mention any two advantages of MBO? any 5

The advantages of MBO are explained below:

1. Managers are involved in objectives setting at various levels of management under MBO and this commitment ensures hard work to achieve them.
2. MBO process helps the managers to understand their role in the total organisation.
3. Manager recognises the need for planning and appreciates the planning.
4. MBO provides a foundation for participative management. Sub-ordinates are also involved in goal setting.
5. A department does not work at cross purpose with another department. In other words, each department's objectives are consistent with the objectives of the whole organisation.
6. Systematic evaluation of performance is made with the help of MBO.
7. MBO gives the criteria of performance. It helps to take corrective action.
8. Delegation of authority is easily done with the help of MBO.
9. MBO motivates the workers by job enrichment and makes the jobs meaningful.
10. The responsibility of a worker is fixed through MBO.
11. Decision is taken by the management very quickly. The reason is that each worker knows the purpose of taking a decision and does not oppose the decision.

#### 5. Write any two importance of MBE.

- ❖ It saves the time of managers because they deal only with exceptional matters. Routine problems are left to subordinates. It focuses managerial attention on major problems. As a result, there is better utilisation of managerial talents and energy. iii. It facilitates delegation of authority.
- ❖ Top management concentrates on strategic decisions and operational decisions are left to the lower levels. There is increase in span of control. This leads to motivation and development of subordinates. iv. It is a technique of separating important information from unimportant one.
- ❖ It forces managers to review past history and study related business data for identifying deviations. There is better use of knowledge of trends, history and available business data. v. MBE keeps management alert to opportunities and threats by identifying critical problems.
- ❖ It can avoid uninformed and impulsive action. vi. Management by exception provides better yardsticks for judging results. It is helpful in objective performance appraisal

#### 6. What is known as KRA?

- ❖ Key result areas are fixed on the basis of organisational objectives premises. Key Result Areas (KRA) are arranged on a priority basis.
- ❖ KRA indicates the strength of an organisation.
- ❖ The examples of KRA are profitability, market standing, innovation etc.

#### III. Short Answer Questions:

##### 1. Write the features of MBO. any 6

1. An attempt is made by the management to integrate the goals of an organisation and individuals. This will lead to effective management.
2. MBO tries to combine the long run goals of organisation with short run goals.

3. Management tries to relate the organisation goals with society goals.
4. MBO's emphasis is not only on goals but also on effective performance.
5. It pays constant attention to refining, modifying and improving the goals and changing the approaches to achieve the goals on the basis of experience.
6. It increases the organisational capability of achieving goals at all levels.
7. A high degree of motivation and satisfaction is available to employees through MBO.
8. Recognises the participation of employees in goal setting process.
9. Aims at replacing the exercise of authority with consultations.
10. Encourages a climate of trust, goodwill and a will to perform.

## 2. What are the process involved in MBO?( Explain 3)

### Defining Organisational Objectives

- ❖ Initially, organisational objectives are framed by the top level employees of an organisation. Then, it moves downwards. The definition of organisational objectives states why the business is started and exists. First, long-term objectives are framed. Then, Short-term objectives are framed taking into account the feasibility of achieving the long-term objectives.

### Goals of Each Section

- ❖ Objectives for each section, department or division are framed on the basis of overall objectives of the organisation. Period within which these objectives should be achieved is also fixed. Goals or objectives are expressed in a meaningful manner.

### Fixing Key Result Areas

- ❖ Key result areas are fixed on the basis of organisational objectives premises. Key Result Areas (KRA) are arranged on a priority basis. KRA indicates the strength of an organisation. The examples of KRA are profitability, market standing, innovation etc

### Setting Subordinate Objectives or Targets

- ❖ The objectives of each subordinate or individual are fixed. It is preferable to fix the objectives at lower level in quantitative units. There should be a free and frank discussion between the superior and his subordinates. Subordinates are induced to set standards themselves by giving an opportunity.

### Matching Resources with Objective

- ❖ The objectives are framed on the basis of availability of resources. If certain resources (technical personnel or scarce raw material) are not adequately available, the objectives of an organisation are changes accordingly. So, there is a need for matching resources with objectives.
- ❖ Next, the available resources should be properly allocated and utilized.

### Periodical Review Meetings

- ❖ The superior and subordinates should hold meetings periodically in which they discuss the progress in the accomplishment of objectives. The fixed standards may be changed in the light of progress.

### Appraisal of Activities

- ❖ At the end of the fixed period for achieving the objectives, there should be a discussion between the superior and subordinates. The discussion is related with subordinates' performance against the specified standards. The superior should take corrective action.
- ❖ The superior should identify the reasons for failure of achieving objective

### 3. What are the Process of MBE?

- ❖ Primarily, it is necessary to set objectives or norms with predictable or estimated results. These performances are assessed and get equated to the actual performance.
- ❖ Next, the deviation gets analysed. With an insignificant or no deviation, no action is required and senior managers can concentrate on other matters.
- ❖ If actual performances deviates significantly, the issue needs to be passed to the senior managers, as an “exception has occurred”. Finally, the aim is to solve this “exception” immediately.

### 4. List out any Four process of MBO.

#### Defining Organisational Objectives

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#### Goals of Each Section

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#### Setting Subordinate Objectives or Targets

- ❖ The objectives of each subordinate or individual are fixed. It is preferable to fix the objectives at lower level in quantitative units. There should be a free and frank discussion between the superior and his subordinates. Subordinates are induced to set standards themselves by giving an opportunity.
- ❖ If subordinates are allowed to do so, they may set high standards and the chances of their accomplishment are higher. In this way, the objectives or targets of the subordinates are fixed.

#### Matching Resources with Objective

- ❖ The objectives are framed on the basis of availability of resources. If certain resources (technical personnel or scarce raw material) are not adequately available, the objectives of an organisation are changes accordingly. So, there is a need for matching resources with objectives.
- ❖ Next, the available resources should be properly allocated and utilized.

#### Periodical Review Meetings

- ❖ The superior and subordinates should hold meetings periodically in which they discuss the progress in the accomplishment of objectives. The fixed standards may be changed in the light of progress.
- ❖ But the basic conditions do not change. The periodical review meeting is held during the period set for achieving the objectives.

#### Appraisal of Activities

- ❖ At the end of the fixed period for achieving the objectives, there should be a discussion between the superior and subordinates. The discussion is related with subordinates' performance against the specified standards. The superior should take corrective action.

- ❖ The superior should identify the reasons for failure of achieving objectives. The problems faced by the subordinates should be identified and steps should be taken to tackle such problems.

#### IV. Long Answer Questions: (any 10)

##### 1. What are the major advantages of MBO?

The advantages of MBO are explained below:

1. Managers are involved in objectives setting at various levels of management under MBO and this commitment ensures hard work to achieve them.
2. MBO process helps the managers to understand their role in the total organisation.
3. Manager recognises the need for planning and appreciates the planning.
4. MBO provides a foundation for participative management. Sub-ordinates are also involved in goal setting.
5. A department does not work at cross purpose with another department. In other words, each department's objectives are consistent with the objectives of the whole organisation.
6. Systematic evaluation of performance is made with the help of MBO.
7. MBO gives the criteria of performance. It helps to take corrective action.
8. Delegation of authority is easily done with the help of MBO.
9. MBO motivates the workers by job enrichment and makes the jobs meaningful.
10. The responsibility of a worker is fixed through MBO.
11. Decision is taken by the management very quickly. The reason is that each worker knows the purpose of taking a decision and does not oppose the decision.

##### 2. What are the advantages of MBE? (any 5)

- ❖ Management by exception provides the following benefits: i. It saves the time of managers because they deal only with exceptional matters. Routine problems are left to subordinates. It focuses managerial attention on major problems.
- ❖ As a result, there is better utilisation of managerial talents and energy. iii. It facilitates delegation of authority.
- ❖ Top management concentrates on strategic decisions and operational decisions are left to the lower levels. There is increase in span of control.
- ❖ This leads to motivation and development of subordinates. iv. It is a technique of separating important information from unimportant one. It forces managers to review past history and study related business data for identifying deviations.
- ❖ There is better use of knowledge of trends, history and available business data. v. MBE keeps management alert to opportunities and threats by identifying critical problems.
- ❖ It can avoid uninformed and impulsive action. vi. Management by exception provides better yardsticks for judging results. It is helpful in objective performance appraisal.

##### 3. Explain the various disadvantages of MBO.

The disadvantages of MBO arise due to the application of the MBO which are discussed below:

1. MBO fails to explain the philosophy; most of the executives do not know how MBO works? what is MBO? and why is MBO necessary? and how participants can benefit by MBO?
2. MBO is a time consuming process. Much time is needed by senior people for framing the MBO. Next, it leads to heavy expenditure and also requires heavy paper work.

3. MBO emphasises only on short-term objectives and does not consider the long-term objectives.
4. The status of subordinates is necessary for proper objectives setting. But, this is not possible in the process of MBO.
5. MBO is rigid one. Objectives should be changed according to the changed circumstances, external or internal. If it is not done, the planned results cannot be obtained.

#### 4. Discuss the disadvantages of MBE.

- ❖ The main disadvantage of MBE is, only managers have the power over really important decisions, which can be demotivating for employees at a lower level.
- ❖ Furthermore, it takes time to pass the issues to managers. Managing employees who deviate from the normal procedures. Because of compliance failures are considered difficult to manage and typically find themselves with limited job duties and ultimately dismissed/terminated.

#### INTERIOR ONE MARKS

1. ----- is popularized in the USA by  
 a) **George Ordiorne**      b) Marshall      c) William      d) Drucker
2. Match the following  
 a) Objective of MBO      -      Goal of each section  
 b) Feature of MBO      -      integrate goal  
 c) Process of MBO      -      subordinate motivation  
 a) **c, b, a**      b) b,a,c      c) a,b,c      d) none of these
3. ----- meeting is held during the period set for achieving the objectives  
 a) Board meeting      b) AGM meeting      c) **Periodical review**      d) All of these
4. ----- is a part of dynamic world  
 a) economic      b) **organisation**      c) non-economic      d) MBE
5. Which one is correct statement for MBO  
 a) MBO is rigid one objectives      b) **MBO systematic performance evaluation**  
 c) MBO fails to explain the philosophy      d) MBO emphasizes only on short term objectives
6. ----- by exception provides better yardsticks for judging results  
 a) commerce      b) **management**      c) business      d) industry
7. ----- is easily done with the help of MBO  
 a) span of control      b) simplicity      c) delegation of authority      d) all of these
8. Assertion: MBE keeps Management alert to opportunities and threats by identifying critical problem.  
 Reason : The above information is one of advantages  
 a) A is true but R is false      b) A is false but R is true  
 c) **A is true, R is correct explanation for A**      d) A is false but R is correct statement for A
9. Responsibility of a worker is fixed through -----  
 a) **MBO**      b) MBE      c) MOB      d) ME