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Internal Assessment Test 2 – Dec. 2021

Sub:	Technological Innovation Management And Entrepreneurship				Sub Code:	18ES51	Branch:		ECE	
Date:	16-12-2021	Duration:	90 Minutes	Max Marks:	50	Sem / Sec:		5/A,B,C,D	OBE	

	Answer any FIVE FULL Questions	MARKS	CO	RBT
1 (a)	What is motivation? Explain Maslow's need hierarchy theory.	[05]	CO2	L2
1 (b)	Define the word coordination and its types.	[05]	CO2	L2
2	Explain principles of organizing.	[10]	CO2	L2
3 (a)	Discuss essentials of effective control system.	[05]	CO2	L2
3 (b)	Discuss the factors affecting the span of management.	[05]	CO2	L2
4	Describe different leadership styles from the point of view of authority.	[10]	CO2	L2
5	What is social audit? Discuss the benefits and limitations of social audit.	[10]	CO2	L1,L2
6 (a)	What do you understand by business ethics? Discuss the factors which affect the decision is ethical or unethical?	[06]	CO2	L1,L2
6 (b)	Explain the benefits of corporate governance.	[04]	CO2	L2
7	Explain the social responsibilities of a business towards various groups.	[10]	CO2	L2

Scheme and Solutions for IAT-2

1 a) What is motivation? Explain Maslow's need hierarchy theory.

Ans:

MOTIVATION

Technically, the term *motivation* can be traced to the Latin word *movere*, which means "to move". This meaning is evident when we remember that a manager gets work done through others. If there is any one key to "getting work done through others", it is his ability to move other people in the right direction day after day.
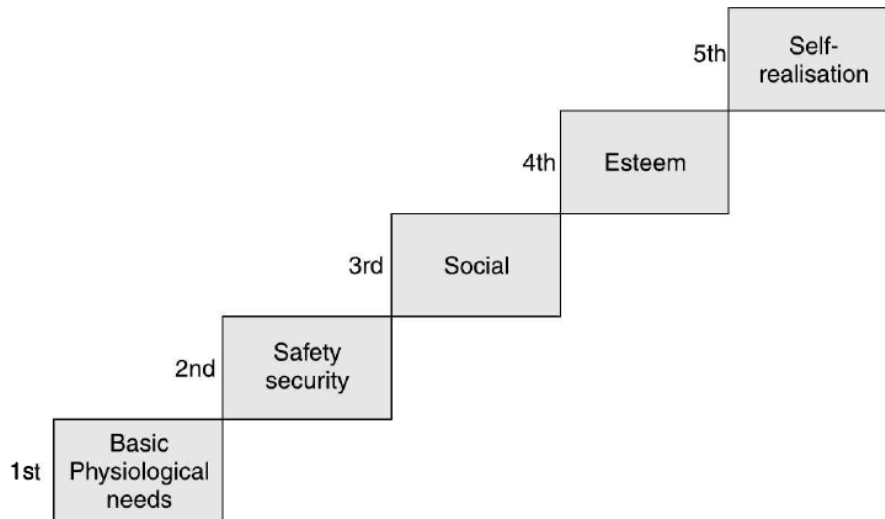
1 Mark

Fig. 15.2   Order of priority of human needs

Maslow's Need-Hierarchy Theory   All people have a variety of needs. At any given time, some of these needs are satisfied and others are unsatisfied. *An unsatisfied need is the starting point in the motivation process.* It begins the chain of events leading to behaviour.

When a person has an unsatisfied need, he or she attempts to identify something that will satisfy the need. This is called a goal. Once a goal has been identified, the person takes action to reach that goal and thereby satisfy the need. According to A.H. Maslow, needs are arranged in a hierarchy or a ladder of five successive categories as shown in Fig. 15.2. Physiological needs are at the lowest level, followed by security, social, esteem, and self-fulfilment needs.

Physiological needs are those which arise out of the basic physiology of life, for example, the need for food, water, air, etc. These needs must be at least partially satisfied for continued survival.

Security needs are the needs to feel both economically secure and psychologically secure The former include protection from arbitrary lay-off and dismissal, disaster, and avoidance of the unexpected. The latter relates to a man's confidence that he will be able to deal with the problems that might confront him in future.

Social needs are needs to associate with other people and be accepted by them; to love and be loved. These needs are variously referred to as "the hard instinct", "gregariousness" and the like, but at base, they point to the fact that man finds a satisfaction in association with others and feels a real deprivation when it is not possible.

Egoistic or esteem needs are those which relate to respect and prestige. A need for dominance may be thought of as one of the egoistic needs. These are of two types: self-esteem and esteem from others. Self-esteem is an individual's need to feel inside himself that he is worthy. He has also the need that others think he is worthy.

Self-fulfilment needs are needs for realising one's potential. These include the need for realising one's capabilities to the fullest—for accomplishing what one is capable of accomplishing, for becoming what one is capable of becoming. A musician must make music, an artist must paint, a poet must write if he is to be ultimately happy. This need is also called need for self-realisation or self-actualisation. This term, first coined by Kurt Goldstein, refers to a person's motivation to transform his perception of self into reality.

1(b) Define the word coordination and its types.

Definition: Coordination is the management of interdependence in work situations. 1 Mark

TYPES OF COORDINATION

Coordination may be variously classified as internal or external, vertical or horizontal and procedural or substantive.

Coordination among the employees of the same department or section, among workers and managers at different levels, among branch offices, plants, departments and sections is called *internal* coordination. Coordination with customers, suppliers, government and outsiders with whom the enterprise has business connections is called *external* coordination.

Vertical coordination is what exists *within* a department where the departmental head is called upon to coordinate the activities of all those placed below him. On the other hand, *horizontal* coordination takes place sideways. It exists *between* different departments such as production, sales, purchasing, finance, personnel, etc.

By *procedural* coordination is meant the specification of the organisation itself—that is, the generalised description of the behaviours and relationships of the members of the organisation. Procedural coordination establishes the lines of authority, and outlines the sphere of activity and authority of each member of the organisation. *Substantive* coordination is concerned with the *content* of the organisation's activities. In an automobiles factory, an organisation chart is an aspect of procedural coordination, while blueprints for the engine block of the car being manufactured are an aspect of substantive coordination.

4 Marks

2. Explain principles of organizing. 10 Marks

PRINCIPLES OF ORGANISING

In order to develop a sound and efficient organisation structure, certain principles need to be followed because if an organisation is not founded on principles, then those directing it have nothing to fall back on, but personalities. In the words of E.F.L. Brech[7], "if there is to be a systematic approach to the formation of organisation structure, there ought to be a body of accepted principles." These principles are as follows:

Objectives The objectives of the enterprise influence the organisation structure and hence the objectives of the enterprise should first be clearly defined. Then every part of the organisation should be geared to the achievement of these objectives.

Specialisation Effective organisation must promote specialisation. The activities of the enterprise should be grouped according to functions and assigned to persons according to their specialisation.

Span of Control As there is a limit to the number of persons that can be supervised effectively by one boss, the span of control should be as far as possible, the minimum. That means, an executive should he asked to supervise a *reasonable number* of subordinates only say six.

Management by Exception Principle As the executives at the higher levels have limited time, only exceptionally complex problems should be referred to them and routine matters should be dealt with by the subordinates at lower levels. This will enable the executives at higher levels to devote time to more important and crucial issues.

Scalar Principle This principle is sometimes known as the "chain of command". The line of authority from the chief executive at the top to the first-line supervisor at the bottom must be clearly defined.

Unity of Command Each subordinate should have only one superior whose command he has to obey. Multiple subordination must be avoided, for it causes uneasiness, disorder, indiscipline and undermining of authority.

Delegation Proper authority should be delegated at the lower levels of organisation also. The authority delegated should be equal to responsibility, i.e., each manager should have enough authority to accomplish the task assigned to him. Inadequate delegation often results into multiplication of staff and service activities.

Responsibility The superior should be held responsible for the acts of his subordinates. No superior should be allowed to avoid responsibility by delegating authority to his subordinates.

Authority The authority is the tool by which a manager is able to accomplish the desired objective. Hence, the authority of each manager must be clearly defined. Further, the authority should be equal to responsibility.

Efficiency The organisation structure should enable the enterprise to function efficiently and accomplish its objectives with the lowest possible cost.

Simplicity The organisation structure should be as simple as possible and the organisation levels should, as far as possible, be minimum. A large number of levels of organisation means difficulty of effective communication and coordination. Too many committees and excessive procedures also unduly complicate the structure.

Flexibility The organisation should be adaptable to changing circumstances and permit corrections of demonstrated deficiencies in the existing structure without dislocation and disruption of the basic design.

Balance There should be a reasonable balance in the size of various departments, between centralisation and decentralisation, between the principle of span of control and the short chain of command, and among all types of factors such as human, technical and financial.

Unity of Direction There should be one objective and one plan for a group of activities having the same objective. Unity of direction facilitates unification and coordination of activities at various levels.

Personal Ability As people constitute an organisation, there is need for proper selection, placement and training of staff. Further, the organisation structure must ensure optimum use of human resources and encourage management development programmes.

Acceptability The structure of the organisation should be acceptable to the people who constitute it. Two things generally happen if people oppose the structure: it is modified gradually by the people, or it is used ineffectively.

1.6 Marks for each principle

3 a. Discuss the essentials of effective control system.

ESSENTIALS OF EFFECTIVE CONTROL SYSTEM

The essentials of an effective control system are as follows.

Suitable

The control system should be appropriate to the nature and needs of the activity. Controls used in the sales department will be different from those used in finance and personnel. Similarly, a machine-based method of production requires a control system which is different from the system that is used in labour intensive methods of production. Hence, every concern should evolve such a control system as would serve its specific needs.

Timely and Forward Looking

Although an ideal control system, as in certain electric controls, should be able to detect deviations *before* they occur, the same is not possible in personnel and marketing controls which always include a time lag between the deviation and corrective action. In any case, the feedback system should be as short and quick as possible and the information should reach the superior before it is too late to head off failures.

Objective and Comprehensible

The control system should be both objective and understandable. Objective controls specify the expected results in clear and definite terms and leave little room for argument by the employees. They avoid red

tape and provide employees with direct access to any additional information which they may need to perform their task. Employees are not made to go up and down the hierarchy to get the information.

When the precise purposes, for which the control system exists, are not understood it is difficult, if not impossible, to establish criteria for its evaluation and review.

Flexible

The control system should be flexible so that it can be adjusted to suit the needs of any change in the basic nature of the inputs and/or the sizes, varieties or types of the same product or service. One way of introducing flexibility into a control system is to make the adjustments automatic. Both flexible budgets and standard costs, for example, provide a shifting standard for expenses, as the volume of work goes up or down. A similar type of adjustment is in effect when the sales quotas are tied to general business activity. In all such plans, *the basis for shifting the control standard is built right into the system.*

Economical

Economy is another requirement of every control system. The benefit derived from a control system should be more than the cost involved in implementing it. To spend a dollar to protect 99 cents is not control. It is waste. Eighty years ago this was clearly understood by the men who built Sears, Roebuck—the world's biggest retail store. In the early days of the mail-order business, the money in incoming orders was not counted. The orders were weighed, unopened. (These were, of course, the days when currency was still metallic.) Sears, Roebuck had run enough tests to know what average weights correspond to overall amounts of money—and this was sufficient control.

Prescriptive and Operational

A control system in order to be effective and adequate must not only detect deviations from the standards but should also provide for solutions to the problems that cause deviations. In other words, the system should be prescriptive and operational. It must disclose where failures are occurring, who is responsible for them, and what should be done about them. It must focus more on action than on information.

Acceptable to Organisation Members

The system should be acceptable to organisation members. When standards are set unilaterally by upper level managers, there is a danger that employees will regard those standards as unreasonable or unrealistic. They may then refuse to meet them. Status differences between individuals also have to be recognised. Individuals who have to report deviations to someone they perceive as a lower level staff member may stop taking the control system seriously.

Reveal Exceptions at Strategic Points

A control system should be such as to reveal exceptions at strategic points. Small exceptions in certain areas have greater significance than larger deviations in other areas. Five per cent deviation from the standard in office labour cost is more important than 20 per cent deviation from the standard in cost of postage stamps. That we can quantify something is no reason for measuring it. The question is "Is this what a manager's attention should be focussed on?"

Motivate People to High Performance

A control system is most effective when it motivates people to high performance. Since most people respond to a challenge, successfully meeting a tough standard may well provide a greater sense of accomplishment than meeting an easy standard. However, if a target is so tough that it seems impossible to meet, it will be more likely to discourage than to motivate effort. Standards that are too difficult may, therefore, cause the performance of organisation members to decline.

Should Not Lead to Less Attention to Other Aspects

Control over one phase of operations should not lead to less attention to other aspects. For example, if controls put pressure on employees to increase output, the quality of work, care of equipment, and prevention of waste should not be neglected.

Should be Periodically Reviewed and Evaluated

Every control system should be periodically reviewed and evaluated in relation to its objectives to see how effective and efficient the design proved to be or why it failed.

Each point carries 0.5 marks. A brief explanation is needed.

3 b) Discuss the factors affecting the span of management.

Factors Governing the Span of Management (Contingency Approach)

From the above discussion, it is clear that there is no unanimity among writers about the average span that will be appropriate for all managers. Also, the situation is not as simple as that implied by Graicunas. How can we then determine the appropriate span of management? Modern writers suggest a contingency approach to this problem. They say that the appropriate span of management must be determined by the *specifics of the manager's particular situation*. These are discussed below.

1. **Ability of the Manager** Some managers whose span of knowledge, time, energy, attention and personality are greater than those of others are more capable than others and can, therefore handle a large number of subordinates. In planning an organisation, the span of management should be based on a manager of average ability.

2. **Ability of the Employees** If the employees are competent and possess the necessary skill and motivation to perform the task assigned, less attention from the manager is required and a larger span of management can be used. On the other hand, if the employees are dissatisfied with their jobs or are incompetent or untrained, close supervision by the manager is needed. This will reduce his span of management.

3. **Type of Work** If employees are doing similar jobs, the span of management can be larger. If their jobs are quite different, a small span may be necessary. This is analogous to saying that a professor of a class in which every student does identical work can handle more students than one in which instructions, assignments and testing are individualised. Similarly, where the work is machine-paced, or is of such a nature as to require few working contacts with each other, the employees will require less supervision. For example, a supervisor can direct more employees if they are working on an assembly-line operation than if they are working in a warehouse or maintenance situation. Woodward[13] found that the span of control of the first-line supervisor was larger in firms employing mass production and assembly-line technology than in firms employing custom or continuous process technologies.

4. **Well-defined Authority and Responsibility** If the authority and responsibility of each employee are properly defined and if there are clear policies and procedures, they need not make frequent calls on their supervisors for guidance and instructions. This helps a superior to manage a large number of subordinates.

5. **Geographic Location** An office manager who has 25 employees, all located in one room may be able to supervise them very well. But a sales manager who has 25 sales people located in 25 different districts would find direct supervision impossible.

Each carries 1 mark

4 Describe different leadership styles from the point of view of authority.

Authority   From the point of view of authority, leadership style can be autocratic, democratic or free-rein. A description of these styles is given below.

Autocratic leadership   In this type of leadership, the leader alone determines policies and makes plans. He tells others what to do and how to do it. He demands strict obedience and relies on power. An autocratic leader may sometimes be paternalistic or benevolent also who uses rewards for obtaining obediene from his employees.

Both the forms of autocratic leadership (authoritarian and benevolent) are disliked by employees. In one form, the employee remains under constant fear. In other form he remains under constant gratitude. In both the forms, the leader is the key person. The whole operation of the organisation depends upon him. In his absence it may function inadequately or not at all.

Democratic leadership In this type of leadership (also known as participative or person-oriented leadership) the entire group is involved in and accepts responsibility for goal setting and achievement. Subordinates have considerable freedom of action. The leader shows greater concern for his people than for high production. A part of the leader's task is to encourage and reinforce constructive inter-relationships among members and to reduce intra-group conflict and tensions. He serves more as a coordinator or agent for the group. Hence the group is not dependent upon him as an individual and can functions effectively in his absence.

While a democratic leader is not the key figure like an authoritarian leader, he is still the boss and can not avoid the exercise of authority any more than he can avoid responsibility for what happens to his organisation.

Free Rein In this type of leadership, also called laissez faire leadership, the leader exercises absolutely no control. He only provides information, materials and facilities to his men to enable them to accomplish group objectives. This type can be a disaster if the leader does not know well the competence and integrity of his people and their ability to handle this kind of freedom.

Figure 17.1 shows the spectrum of a wide variety of leadership styles moving from a very authoritarian style at one end to a very democratic style at the other end, as suggested by Robert Tannenbaum and Warren H. Schmidt.[9] As the spectrum demonstrates, there are a number of alternative ways in which a leader can relate himself to the group. At the extreme left of the spectrum, the emphasis is on the leader—on what he is interested in, how he sees things, how he feels about them. As we move towards

the employee-centred end of the spectrum, however, the focus is increasingly on the subordinates—on what *they* are interested in, how they look at things, how they feel about them. The centre of the spectrum finds a more equitable balance between the authority exercised by the leader and the amount of participation the group can exercise.

Autocratic leader-centred methods	Democratic participative methods	Laissez faire employee-centred methods

Use of Authority

Area of Freedom Permitted to Subordinates
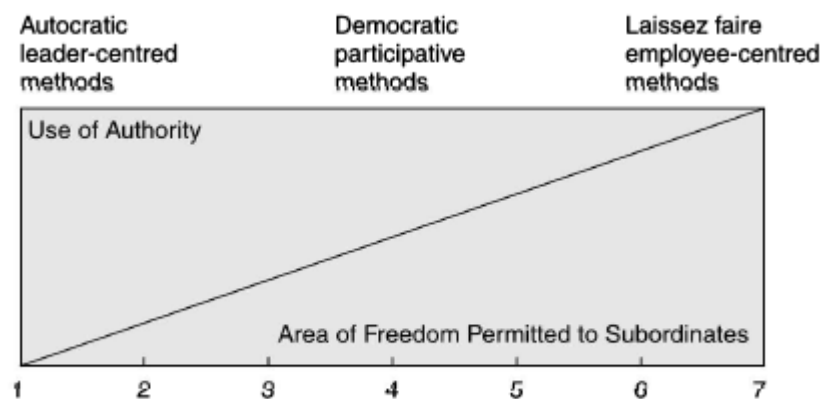
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Fig. 17.1 Spectrum of leadership styles

Each type carries 3 marks and diagram carries 1 mark.

5. What is social audit? Discuss the benefits and limitations of social audit.

SOCIAL AUDIT

A social audit is a systematic study and evaluation of the organisation's social performance as distinguished from its economic performance. The term "social performance" refers to any organisational activity that effects the general welfare of society.

Benefits

1. It supplies data for comparison with the organisation's social policies and standards. The management can determine how well it is living up to its social objectives.
2. It develops a sense of social awareness among all employees. In the process of preparing reports and responding to evaluations, employees become more aware of the social implications of their actions.
3. It provides data for comparing the effectiveness of different types of programmes.
4. It provides data about the cost of social programmes, so that the management can relate this data to budgets, available resources, company objectives, etc.
5. It provides information for effective response to external groups which make demands on the organisation.

Limitations

A social audit is a *process audit* rather than an *audit of results*. This means that a social audit determines only what an organisation *is doing* in social areas and not the amount of social good that *results* from these activities. An audit of social results is not made because:

1. They are difficult to measure. If, for example, following a company's S.C./S.T. employment programme in a certain region, there is a fall in the violent crime rate by 4 per cent, it is difficult to measure how much of the benefit is caused by this programme.
2. Their classification under "good" or "bad" is not universally accepted. In other words, the same social result may be classed as "good" according to one opinion, and as "bad" according to another.
3. Most of them occur outside the organisation, making it difficult for the organisation to secure data from these outside sources.

Even though social results cannot be proved, an audit of what is being done is still considered desirable, because it shows the amount of effort that a business is making in area deemed beneficial to society. Further, if effort can be measured, then informed judgements can be made about potential results.

Social audit 2 Marks, Benefits 4 Marks and Limitations 4 Marks

6 a. What do you understand by business ethics? Discuss the factors which affect the decision is ethical or unethical?

Business Ethics

Business ethics is the *application of moral principles to business problems*. However, ethics extend beyond the question of legality and involve the goodness or badness of an act. Therefore, an action may be legally right but ethically wrong. For example, a small village community located twenty miles from the closest urban shopping area has a single grocer's shop. The owner of the shop can charge any exorbitant price for his product though legally but not ethically.

Sexual harassment, discrimination in pay and promotion and the right to privacy are some other issues specially relevant to the study of ethics.

Sexual harassment in the workplace can be defined as unwelcome sexual advances, sexual favour or other verbal or physical conduct of a sexual nature. Although the landmark judgment of the

3 Marks

How does a manager decide what is ethical or unethical? There are *four* important factors which affect his decision.

- Government legislation.
- Business codes. (But being voluntary in nature these codes, though pointed to with pride, are usually ignored in practice.)
- Pressure groups. (For example, in recent years Indian carpet industry has been facing consumer boycott from the west for employing child labour.)
- Personal values of the manager himself. (But a manager with strong personal values mostly finds himself in a dilemma when an unethical course of action becomes his only choice to achieve the company's goal. This has prompted many major business houses, to teach executives the importance of remaining true to their convictions, whether rooted in organised religion or personal morality, amid the conflicting demands and temptations they confront when taking decisions. New approaches (e.g., asking participants to write their autobiographies, as if they are at the end of their lives) are being tried to make them inspiring decision-makers, with a sense of morality. "Under-promise over-deliver" is a much revered motto at Infosys. The company can excuse incompetence but not lack of ethics.)

3 Marks

6 b) Explain the benefits of corporate governance.

Benefits of Good Corporate Governance

1. It creates overall market confidence and long-term trust in the company.
2. It leads to an increase in company's share prices.
3. It ensures the integrity of company's financial reports.
4. It maximises corporate security by acting as a whistle blower.
5. It limits the liability of top management by carefully articulating the decision-making process.
6. It improves strategic thinking at the top by inducting independent directors who bring a wealth of experience and a host of new ideas.

4 Marks

7. Explain the social responsibilities of a business towards various groups.

SOCIAL RESPONSIBILITIES OF BUSINESS TOWARDS DIFFERENT GROUPS

Every businessman is at the centre of a network of relationships which consist of those between him at one end and his workers, employees, consumers, shareholders, other businesses, community and the government on the other. A businessman's social responsibilities to each of these parties are briefly enumerated below.

Towards the Consumer and the Community

1. Production of cheap and better quality goods and services by developing new skills, innovations and techniques, by locating factories and markets at proper places and by rationalising the use of capital and labour.
2. Levelling out seasonal variations in employment and production through accurate forecasts, production scheduling and product diversification.

3. Deciding priorities of production in the country's interest and conserving natural resources.
4. Providing for social audit (see section below).
5. Honouring contracts and following honest trade practices.
    Some important but dishonest trade practices are: making misleading advertisements calculated to deceive the purchaser; misbranding of articles with respect to their material, ingredients, quality, origin, etc.; selling rebuilt or secondhand goods as new; procuring business or trade secrets of competitors by espionage, bribery or other means; restraining free and fair competition by entering into combination agreements; using containers that do not give a correct idea of the weight and quantity of a product; making false claims of being an "authorised dealer", "manufacturer" or "importer" of certain goods; giving products misleading names so as to give them a value which they do not possess; declaring oneself insolvent through questionable financial manipulations.
6. Making **real** consumer needs as the criterion for selecting messages to be given by product advertisements. Nearly all current advertising seeks to create wants. Thus, people no longer buy soap to make them clean. They buy the promise that it would make them beautiful. Toothpaste is bought not to kill bacteria but to create white teeth. Cars are bought for prestige rather than travel. Even foodstuffs such as oranges are bought for vitality, not nutrition. This kind of advertising promotes over-consumption, forces consumers to constantly compare themselves negatively with others, creates in them dissatisfaction with the old and outmoded, and makes them feel that without a particular brand of a product they are losers.
7. Preventing the creation of monopolies. Monopolies are bad in that they make the community face high prices, short supply and inferior quality of goods. Inequalities of wealth distribution are accentuated and the standards of public morality deteriorate as bribing the judges, legislators and the government to gain favours becomes very common.
8. Providing for after-sale servicing.
9. Ensuring hygienic disposal of smoke and waste and voluntarily assisting in making the town environment aesthetically satisfying.
10. Achieving better public relations (that is, creating a more favourable attitude towards the enterprise) by giving to the community, true, adequate and easily intelligible information about its working.
11. Supporting education, slum clearance and similar other programmes.

Towards Shareholders and Other Businesses

1. Promoting good governance through internal accountability and transparency.
2. Fairness in relations with competitors. Competition with rival businessmen should always be fair and healthy, based on rules of ethics and fair play rather than on rules of warfare. Businessmen sometimes treat their rivals as enemies and try to harm each other by malicious propaganda, price-cutting, interference in production and distribution.

Towards the State

1. Shunning active participation in and direct identification with any political party.
2. Observing all the laws of land which may have the following objectives:
    (a) To provide direction to the economic and business life of the community.
    (b) To bring about harmony between the limited enterprise interest and the wider social interest of the country.
    (c) To provide safeguard against errant business practices.
    (d) To compel business to play fair to all participants in the economy—employees, shareholders, minority shareholders, etc.
    (e) To prevent oppression or exploitation of the weaker partners in business, such as employees, minority shareholders, etc.
    (f) To enforce maximum production according to the priority of sectors and production lines laid down by the government.
    (g) To allocate limited resources according to social priorities and preferences.
    (h) To enforce distributive justice, especially to weaker sections of the community.
    (i) To implement rural uplift and secure balanced development of the country.

Towards Employees and Workers

1. A fair wage to the workers (and not merely one determined by market forces of supply and demand), which is possible only when the businessman is willing to accept a voluntary ceiling on his own profits.
2. Just selection, training and promotion (without any discrimination on grounds of sex, race, religion and physical appearance).
3. Social security measures and good quality of work life.
4. Good human relations (i.e., maintaining industrial peace, creating conditions for collective bargaining, educating workers to produce their own leadership and participative management).
5. Freedom, self-respect and self-realisation. A businessman should devote his knowledge and ability not only to making his worker's life more affluent, but also to making it more satisfying and rewarding. There should be an awareness that the quality of man's life is as important as the quantity of his material wealth.

Each type to carry 2.5 Marks