

CMR Institute of Technology
Department of Management Studies

Answer key

I Internal test – II semester MBA (2017-19 Batch)

Subject: Management & Entrepreneurship

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Time: 2:00-3:30

Duration: 90 mins

Part A - Answer Any FIVE Full Questions (16*02=32 Marks)

1. a) Distinguish Between Management & Administration.

Basis for Comparison	Management	Administration
Meaning	An organized way of managing people and things of a business organization is called the Management.	The process of administering 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.
Applicable to	Profit making organizations, i.e. business organizations.	Government offices, military, clubs, business enterprises, hospitals, religious and educational organizations.
Decides	Who will do the work? And How will it be done?	What should be done? And When is should be done?
Work	Putting plans and policies into actions.	Formulation of plans, framing policies and setting objectives
Focus on	Managing work	Making best possible allocation of limited resources.
Key person	Manager	Administrator
Represents	Employees, who work for remuneration	Owners, who get a return on the capital invested by them.
Function	Executive and Governing	Legislative and Determinative

b) Explain the various skills required for a manager

What Are Managerial Skills?

Simply, **managerial skills are the knowledge and ability of the individuals in a managerial position to fulfill some specific management activities or tasks.** This knowledge and ability can be learned and practiced. However, they also can be acquired through practical implementation of required activities and tasks. Therefore, you can develop each skill through learning and practical experience as a manager.

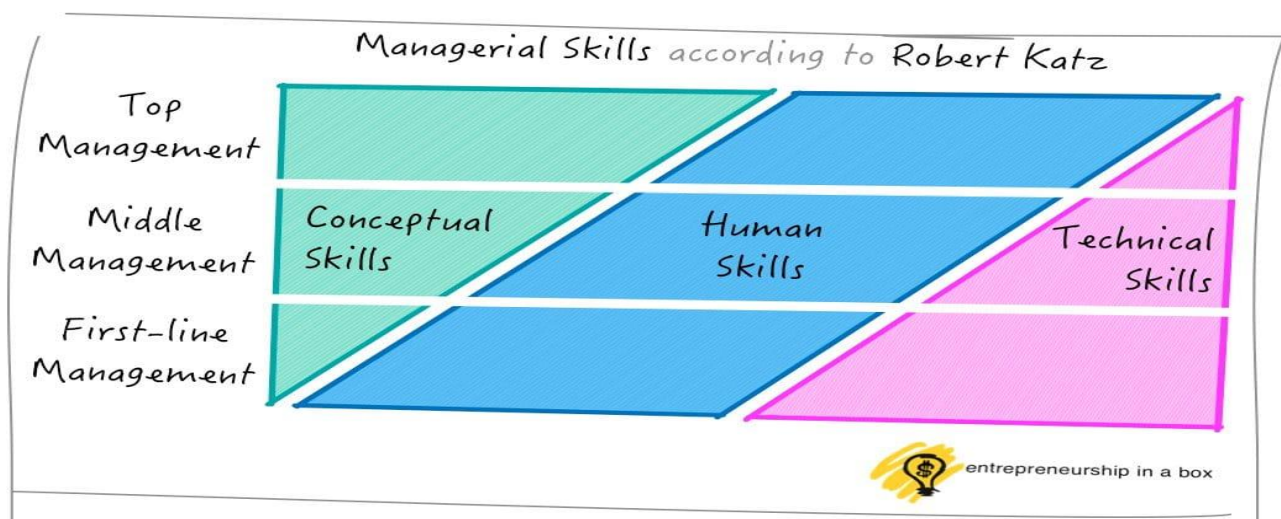
There are many definitions of skills that talk about talent. *Talent* is something personal related to an individual and shows a natural gift from nature about something inside that talented person. All persons cannot be artists. Usually, artists are born with the gift of art, but despite their talent, they continue to develop their talent to improve their art skills.

When we talk about managerial skills, we talk about skills of a manager to maintain high efficiency in the way how his or her employees complete their everyday working tasks. Because of that, **managers will need skills that will help them to manage people and technology to ensure an effective and efficient realization of their working duties.**

Three Types of Managerial Skills

Robert Katz identifies three types of skills that are essential for a successful management process:

- Technical skills,
- Conceptual skills and
- Human or interpersonal management skills.



Technical Skills as One Part of Management Skills

As the name of these skills tells us, they give the manager's knowledge and ability to use different techniques to achieve what they want to achieve. Technical skills are not related only for machines, production tools or other equipment, but also they are skills that will be required to increase sales, design different types of products and services, market the products and services, etc.

For example, let's take an individual who works in the sales department and has highly developed sales skills achieved through education and experience in his department or the same departments in different organizations. Because of these skills that he possesses, this person can be a perfect solution to become a sales manager. This is the best solution because he has excellent technical skills related to the sales department.

On the other hand, the person who becomes sales manager will start to build his next type of required skills. It is because if his task until now was only to work with the customers as a sales representative, now he will need to work with employees in the sales department in addition to the work with customers.

Technical skills are most important for the first-level managers. When it comes to the top managers, these skills are not something with high significance level. As we go through a hierarchy from the bottom to higher levels, the technical skills lose their importance.

Conceptual Skills

Conceptual skills present [knowledge](#) or ability of a manager for more abstract thinking. That means he can easily see the whole through analysis and diagnosis of different states. In such a way they can predict the future of the business or department as a whole.

Why managers need these skills?

As a first, a company includes more [business elements](#) or functions as selling, marketing, finance, production, etc. All these business elements have different goals even completely opposed goals. Think about marketing and production as a business function and their specific goals. You'll see the essential difference. The conceptual skills will help managers to look outside their department's goals. So, they will make decisions that will satisfy overall business goals.

Conceptual skills are vital for top managers, less critical for mid-level managers, and not required for first-level managers. As we go from a bottom of the managerial hierarchy to the top, the importance of these skills will rise.

Human or Interpersonal Managerial Skills

Human or interpersonal management skills present a manager's knowledge and ability to work with people. One of the most critical [management tasks](#) is to work with people. Without people, there will not be a need for the existence of management and managers.

These skills will enable managers to become leaders and motivate employees for better accomplishments. Also, they will help them to make more effective use of human potential in the company. Simply, they are the essential skills for managers.

Interpersonal management skills are essential for all hierarchical levels in the company.

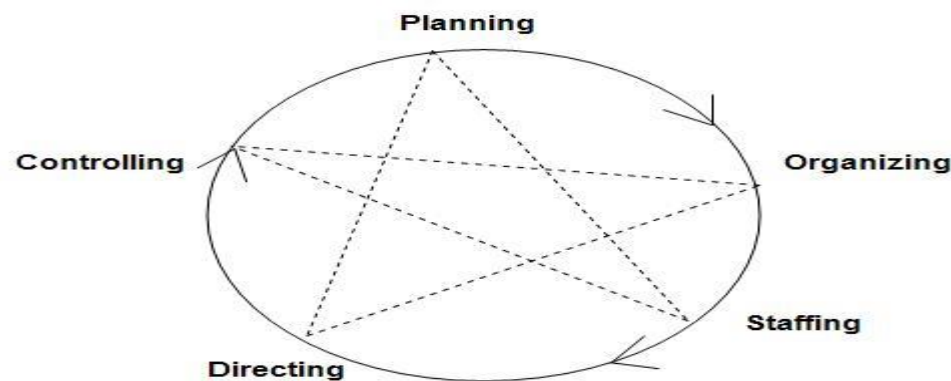
Are There More Management Skills

These are the three necessary skills required for successful management as a process. Some authors also mention other skills related to management skills. But, when I think about, they are simply part of these three types of primary skills.

Let's take an example of controlling skills. The controlling can't be a skill, but rather a process, or one of the managerial functions. Managers are controlling their employees through their interpersonal managerial skills that we already described. Other additional skills that I find in theory are decision-making skills. Again, decision making is a process and not the skill. When we have conceptual skills, we will make a better decision. Furthermore, when we have technical skills, we will make a better technical decision. I think that the primary skills all managers will need are skills explained as technical, conceptual, and interpersonal managerial skills.

In the end, I want to note something about managerial skills and business potential energy. Better management skills in your company will produce more considerable business potential energy. So, these three types of skills are in the category of business elements that can increase your business potential energy.

2 a. Discuss the functions of management



1. Planning

It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, "Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be". A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

2. Organizing

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, "To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel's". To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

3. Staffing

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose of staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O'Donnell, "Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed un the structure". Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, Selection & Placement.
- Training & Development.
- Remuneration.
- Performance Appraisal.
- Promotions & Transfer.

4. Directing

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

Motivation- means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

Leadership- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

Communications- is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

5. Controlling

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to *Theo Haimann*, “Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation”. According to Koontz & O’Donell “Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished”. Therefore controlling has following steps:

- a. Establishment of standard performance.
- b. Measurement of actual performance.
- c. Comparison of actual performance with the standards and finding out deviation if any.
- d. Corrective action.

2b. Explain briefly the nature of management.

Various contributions to the field of management have changed its nature. The *nature of management* can be described as follows:

Multidisciplinary: Management is multidisciplinary because it includes knowledge/information from various disciplines- economics, statistics, maths, psychology, sociology, ecology, operations research, history, etc. Management integrates the ideas and concepts taken from these disciplines and presents newer concepts which can be put into practice for managing the organizations.

Management is dynamic: Management has framed certain principles, which are flexible in nature and change with the changes in the environment in which an organization exists.

Relative, Not Absolute Principles: Management principles are relative, not absolute, and they should be applied according to the need of the organization. A particular management principle has different strengths in different conditions. Therefore, principles should be applied according to the prevailing conditions.

Nature of Management

Multidisciplinary
Management is dynamic
Relative, Not Absolute Principles
Management as Profession
Management is Universal

Management: Science or Art: Management like other practices- whether medicine, music composition, or even accountancy- is an art. It is know-how. Yet managers can work better by using the organized knowledge about management. It is this knowledge that constitutes science. Thus, managing as practice is an art; the organized knowledge underlying the practice may be referred to as science.

Management as Profession: Management has been regarded as a profession by many while many have suggested that it has not achieved the status of a profession. Schein concluded that by some criteria management is indeed a profession, but by other criteria it is not. Today we can see many signs that management is working towards increased professionalism.

Management is Universal: Management is a universal phenomenon. However, management principles are not universally applicable but are to be modified according to the needs of the situation.

3a. Describe the importance and purpose of planning in a large organization.

Importance of Planning

The following image depicts the need and importance of planning.



The main advantages of planning are as follows:

1. Planning increases the efficiency of an organization.
2. It reduces the risks involved in modern business activities.
3. It facilitates proper coordination within an organization.
4. It aids in organizing all available resources.
5. It gives a right direction to the organization.
6. It is important to maintain good control.

7. It helps to achieve the objectives of the organization.
8. It motivates the personnel of an organization.
9. It encourages managers' creativity and innovation.
10. It also helps in decision-making.

Discussed below are top ten benefits of planning.

■ Why Planning is Important?

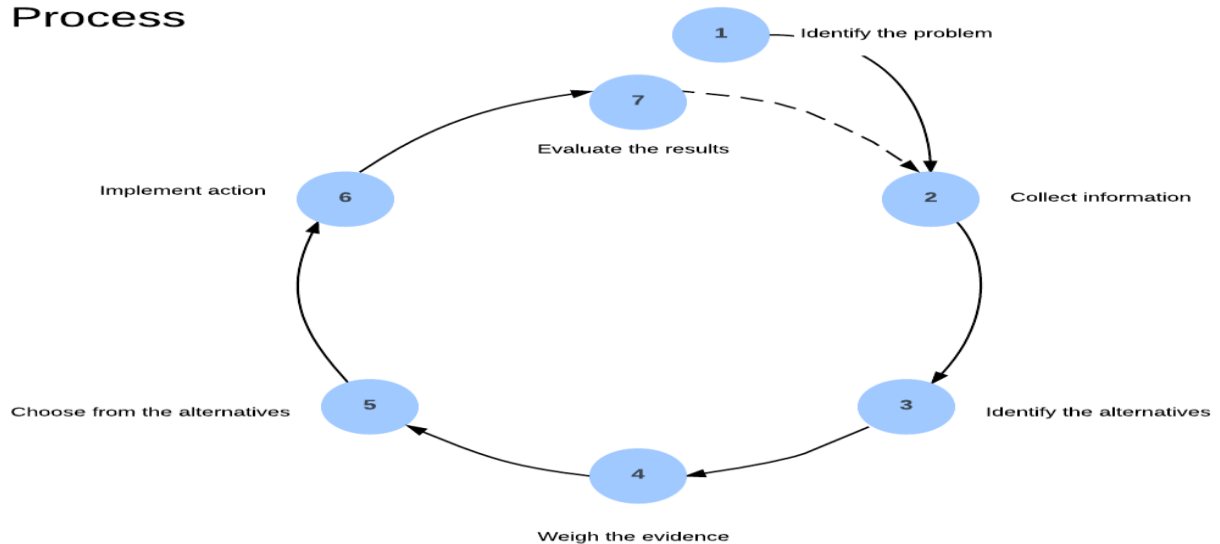
Now let's understand why planning is important for organization:

1. **Increases efficiency:** Planning makes optimum utilization of all available resources. It helps to reduce wastage of valuable resources and avoids their duplication. It aims to give the highest returns at the lowest possible cost. It thus increases the overall efficiency.
2. **Reduces business-related risks:** There are many risks involved in any modern business. Planning helps to forecast these business-related risks. It also helps to take the necessary precautions to avoid these risks and prepare for future uncertainties in advance. Thus, it reduces business risks.
3. **Facilitates proper coordination:** Often, the plans of all departments of an organization are well coordinated with each other. Similarly, the short-term, medium-term and long-term plans of an organization are also coordinated with each other. Such proper coordination is possible only because of efficient planning.
4. **Aids in Organizing:** Organizing means to bring together all available resources, i.e. 6 Ms. Organizing is not possible without planning. It is so, since, planning tells us the amount of resources required and when are they needed. It means that planning aids in organizing in an efficient way.
5. **Gives right direction:** Direction means to give proper information, accurate instructions and useful guidance to the subordinates. It is impossible without planning. It is because planning tells us what to do, how to do it and when to do it. Therefore, planning helps to give a right direction.
6. **Keeps good control:** With control, the actual performance of an employee is compared with the plans, and deviations (if any) are found out and corrected. It is impossible to achieve such a control without right planning. Therefore, planning becomes necessary to keep a good control.
7. **Helps to achieve objectives:** Every organization has certain objectives or targets. It keeps working hard to fulfill these goals. Planning helps an organization to achieve these aims, but with some ease and promptness. Planning also helps an organization to avoid doing some random (done by chance) activities.
8. **Motivates personnel:** A good plan provides various financial and non-financial incentives to both managers and employees. These incentives motivate them to work hard and achieve the objectives of the organization. Thus, planning through various incentives helps to motivate the personnel of an organization.
9. **Encourages creativity and innovation:** Planning helps managers to express their creativity and innovation. It brings satisfaction to the managers and eventually success to the organization.
10. **Helps in decision-making:** A manager makes many different plans. Then the manager selects or chooses the best of all available strategies. Making a selection or choosing something means to take a decision. So, decision-making is facilitated by planning.

Therefore, planning is necessary for effective and efficient functioning of every organization irrespective of its size, type and objectives.

3.b. Show a chart depicting a typical decision-making process

Decision Making Process



Made in
 Lucidchart

The 7 decision-making process steps

Though there are many slight variations of the decision-making framework floating around on the Internet, in business textbooks, and in leadership presentations, professionals most commonly use these seven steps.

1. Identify the decision

To make a decision, you must first identify the problem you need to solve or the question you need to answer. Clearly define your decision. If you misidentify the problem to solve, or if the problem you've chosen is too broad, you'll knock the decision train off the track before it even leaves the station.

If you need to achieve a specific goal from your decision, make it measurable and timely so you know for certain that you met the goal at the end of the process.

2. Gather relevant information

Once you have identified your decision, it's time to gather the information relevant to that choice. Do an internal assessment, seeing where your organization has succeeded and failed in areas related to your decision. Also, seek information from external sources, including studies, market research, and, in some cases, evaluation from paid consultants.

Beware: you can easily become bogged down by too much information—facts and statistics that seem applicable to your situation might only complicate the process.

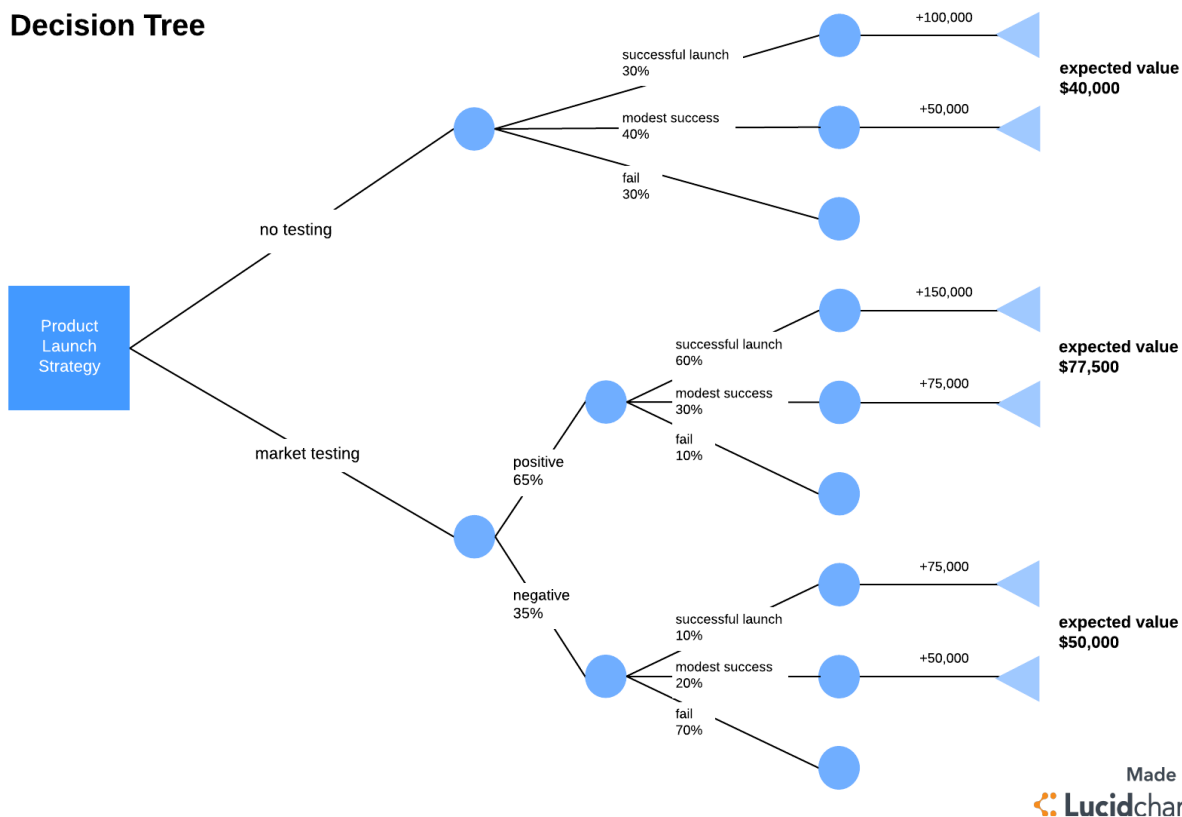
3. Identify the alternatives

With relevant information now at your fingertips, identify possible solutions to your problem. There is usually more than one option to consider when trying to meet a goal—for example, if your company is trying to gain more engagement on social media, your alternatives could include paid social advertisements, a change in your organic social media strategy, or a combination of the two.

4. Weigh the evidence

Once you have identified multiple alternatives, weigh the evidence for or against said alternatives. See what companies have done in the past to succeed in these areas, and take a good hard look at your own organization’s wins and losses. Identify potential pitfalls for each of your alternatives, and weigh those against the possible rewards.

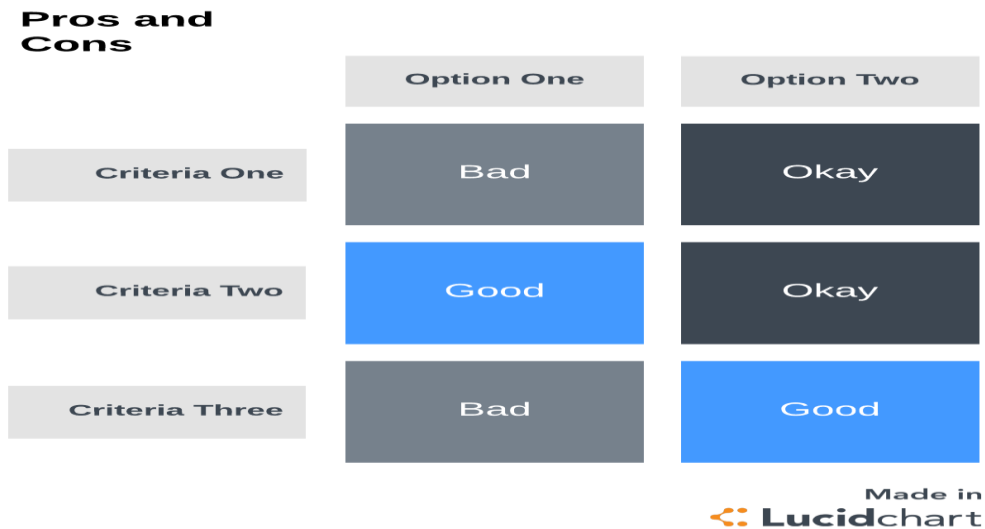
Depending on the decision, you might want to weigh evidence using a decision tree. The example below shows a company trying to determine whether to perform market testing before a product launch. The different branches record the probability of success and estimated payout so the company can see which option will bring in more revenue.



Decision Tree Template (Click on image to modify online)

You could also use Lucidchart to build a pros and cons list. With a ton of colors and shapes available to customize your visual, you can clearly highlight whether your options meet necessary criteria or whether

they pose too high of a risk. Any diagram you create in Lucidchart is simple to embed into a presentation or share with stakeholders so everyone involved sees your research.



Pros and

Cons List (Click on image to modify online)

5. Choose among alternatives

Here is the part of the decision-making process where you, you know, make the decision. Hopefully, you've identified and clarified what decision needs to be made, gathered all relevant information, and developed and considered the potential paths to take. You are perfectly prepared to choose.

6. Take action

Once you've made your decision, act on it! Develop a plan to make your decision tangible and achievable. Use Lucidchart diagrams to plan the projects related to your decision, and then set the team loose on their tasks once the plan is in place.

7. Review your decision

After a predetermined amount of time—which you defined in step one of the decision-making process—take an honest look back at your decision. Did you solve the problem? Did you answer the question? Did you meet your goals?

If so, take note of what worked for future reference. If not, learn from your mistakes as you begin the decision-making process again.

4.a. Summarize the various steps in planning.

Step # 1. Perception of Opportunities:

Perception of opportunities is not strictly a part of the planning process. But this awareness of opportunities in the external environment as well as within the organisation is the real starting point for planning. It is important to take a preliminary look at possible future opportunities and see them clearly and completely.

All managers should know where they stand in the light of their strengths and weaknesses, understand the problems they wish to solve and know what they gain. Setting objectives depends on the awareness. Planning requires realistic diagnosis of the opportunity situation.

Step # 2. Establishing Objectives:

This is the second step in the planning process. The major organisational and unit objectives are set in this stage. This is to be done for the long term as well as for the short range. Objectives specify the expected results and indicate the end points of what is to be done, where the primary emphasis is to be placed and what is to be accomplished by the various types of plans.

Organisational objectives give direction to the major plans, which by reflecting these objectives define the objective of every major department. Major objectives, in turn, control the objectives of subordinate departments and so on down the line. In other words, objectives form a hierarchy.

The objectives of lesser departments will be more accurate if subdivision managers understand the overall enterprise objectives and the derivative goals. Managers should also have the opportunity to contribute their ideal to setting their own goals and those of the organisation.

Step # 3. Planning Premises:

After determination of organisational objectives, the next step is establishing planning premises that is the conditions under which planning activities will be undertaken. Planning premises are planning assumptions the expected environmental and internal conditions.

Thus planning premises are external and internal. External premises include total factors in task environment like political, social, technological, competitors, plans and actions, government policies. Internal factors include organisation's policies, resources of various types, and the ability of the organisation to withstand the environmental pressure. The plans are formulated in the light of both external and internal factors.

The nature of planning premises differs at different levels of planning. At the top level, it is mostly externally focused. As one moves down the organisational hierarchy the composition of planning premises changes from external to internal. The major plans both old and new will materially affect the future against which the managers at lower units must plan.

Step # 4. Identification of Alternatives:

The fourth step in planning is to identify the alternatives. Various alternatives can be identified based on the organisational objectives and planning premises. The concept of various alternatives suggests that a particular objective can be achieved through various actions.

For example, if an organisation has set its objectives to grow further, it can be achieved in several ways like expanding in the same Field of business or product line diversifying in other areas, joining hands with other organisations, or taking over another organisation and so on. Within each category, there may be several alternatives.

The most common problem is not finding alternatives but reducing the number of alternatives so that the most promising may be analysed. Even with mathematical techniques and the computer, there is a limit to the number of alternatives that can be thoroughly examined. The planner must usually make a preliminary examination to discover the most fruitful possibilities.

Step # 5. Evaluation of Alternatives:

The various alternative course of action should be analysed in the light of premises and goals. There are various techniques available to evaluate alternatives. The evaluation is to be done in the light of various factors. Example, cash inflow and outflow, risks, limited resources, expected pay back etc., the alternatives should give us the best chance of meeting our goals at the lowest cost and highest profit.

Step # 6. Choice of Alternative Plans:

This is the real point of decision-making. An analysis and evaluation of alternative courses will disclose that two or more are advisable and beneficial. The fit one is selected.

Step # 7. Formulation of Supporting Plan:

After formulating the basic plan, various plan are derived so as to support the main plan. In an organisation there can be various derivative plans like planning for buying equipment, buying raw materials, recruiting and training personal, developing new product etc. These derivative plans are formulated out of the basic or main plan and almost invariably required to support the basic plan.

Step # 8. Establishing Sequence of Activities:

After formulating basic and derivative plans, the sequence of activities is determined so those plans are put into action. After decisions are made and plans are set, budgets for various periods and divisions can be prepared to give plans more concrete meaning for implementation.

The overall budgets of an enterprise represent the sum total of income and expenses, with resultant profit or surplus, and budgets of major balance sheet items such as cash and capital expenditures. Each department or programme of a business or other enterprise can have its own budgets, usually of expenses and capital expenditures, which tie into the overall budget.

If done well, budgets become a means of adding together the various plans and also set important standards against which planning progress can be measured.

5.a. Explain Standing plan and Single use plan

Standing Plans

Standing plans are used over a long period of time, sometimes indefinitely, and can be altered to adapt to changing circumstances. A standing plan is often created with input from a wide range of individuals over a longer period of time than single-use plans. Standing plans generally encompass a wider scope than single-use plans, involving more than one department or business function.

Single-Use Plans

Single-use plans are created to address short-term challenges or provide guidance for short-term initiatives. Single-use plans can be created in teams or by individual managers. The scope of these plans is generally smaller than the scope of standing plans. For example, single-use plans can be created for specific work groups or departments to guide their contributions to short-term company objectives.

5.b. Examine the various functions of planning.

Planning function of management involves following steps:-

1. Establishment of objectives

- a. Planning requires a systematic approach.
- b. Planning starts with the setting of goals and objectives to be achieved.
- c. Objectives provide a rationale for undertaking various activities as well as indicate direction of efforts.
- d. Moreover objectives focus the attention of managers on the end results to be achieved.
- e. As a matter of fact, objectives provide nucleus to the planning process. Therefore, objectives should be stated in a clear, precise and unambiguous language. Otherwise the activities undertaken are bound to be ineffective.
- f. As far as possible, objectives should be stated in quantitative terms. For example, Number of men working, wages given, units produced, etc. But such an objective cannot be stated in quantitative terms like performance of quality control manager, effectiveness of personnel manager.
- g. Such goals should be specified in qualitative terms.
- h. Hence objectives should be practical, acceptable, workable and achievable.

2. Establishment of Planning Premises

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

3. Choice of alternative course of action

- a. When forecast are available and premises are established, a number of alternative course of actions have to be considered.

- b. For this purpose, each and every alternative will be evaluated by weighing its pros and cons in the light of resources available and requirements of the organization.
- c. The merits, demerits as well as the consequences of each alternative must be examined before the choice is being made.
- d. After objective and scientific evaluation, the best alternative is chosen.
- e. The planners should take help of various quantitative techniques to judge the stability of an alternative.

4. Formulation of derivative plans

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

5. Securing Co-operation

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

6. Follow up/Appraisal of plans

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

6.a. What is organizing? Explain the important steps in the process of organizing.

Organizing, like planning, must be a carefully worked out and applied process. This process involves determining what work is needed to accomplish the goal, assigning those tasks to individuals, and arranging those individuals in a decision-making framework (organizational structure). The end result of the organizing process is an **organization** — a whole consisting of unified parts acting in harmony to execute tasks to achieve goals, both effectively and efficiently.

A properly implemented organizing process should result in a work environment where all team members are aware of their responsibilities. If the organizing process is not conducted well, the results may yield confusion, frustration, loss of efficiency, and limited effectiveness.

1. Review plans and objectives.

Objectives are the specific activities that must be completed to achieve goals. Plans shape the activities needed to reach those goals. Managers must examine plans initially and continue to do so as plans change and new goals are developed.

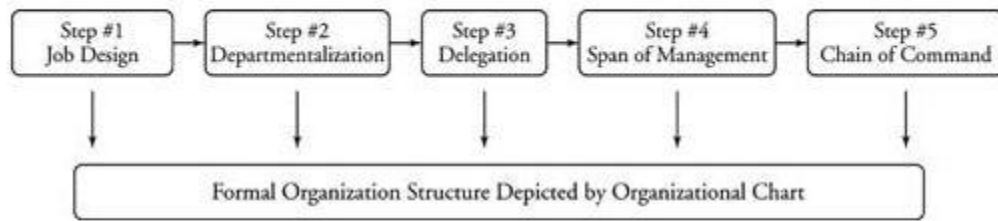


Figure 1 The organizational process.

2. Determine the work activities necessary to accomplish objectives.

Although this task may seem overwhelming to some managers, it doesn't need to be. Managers simply list and analyze all the tasks that need to be accomplished in order to reach organizational goals.

3. Classify and group the necessary work activities into manageable units.

A manager can group activities based on four models of departmentalization: functional, geographical, product, and customer.

4. Assign activities and delegate authority.

Managers assign the defined work activities to specific individuals. Also, they give each individual the authority (right) to carry out the assigned tasks.

5. Design a hierarchy of relationships.

A manager should determine the vertical (decision-making) and horizontal (coordinating) relationships of the organization as a whole. Next, using the organizational chart, a manager should diagram the relationships.

6.b. Discuss Decentralization of authority.

Decentralisation of Authority: Definition and Meaning:

‘Decentralisation of Authority’ refers to the dispersal of authority for decision-making in various levels of organisational operations throughout the organisation.

In the words of Louis A. Allen:

“Decentralisation is the systematic effort to delegate to the lowest levels of authority except that which can be exercised at central points.”

Decentralisation is actually an extension of the concept of delegation.

Delegation can take place from one superior to one subordinate and is a complete process, but decentralisation takes place only when the fullest possible delegation or distribution of authority is made to all—or most of the people in the organisation—in respect of the specific function, activity or responsibility.

It is, however, to be remembered that decentralisation does not necessarily mean distribution of authority in respect of all activities.

One function may be decentralized and another stay centralised.

For example, in an automobile manufacturing concern, the sales function may be distributed or decentralised to product division, while labour relations may remain centralised. The extent to which decentralisation exists in any organisation depends on the extent to which clear-cut decision-making authority is vested in levels below the top management level.

Therefore, when delegation is widespread and authority is delegated to lower levels of management, to all, or most of the people who are entrusted with responsibilities, decentralisation of authority takes place.

On the other hand, when delegation is restricted to the top level of management, and the subordinates are simply to implement the decisions taken at the top level, the authority is said to be centralised to that extent.

Decentralisation is a question of degree. It is not what is delegated but how much is delegated. Henry Fayol pointed out **“everything that goes to increase the importance of the subordinate’s role is decentralisation, everything which goes to reduce it is centralisation.”**

However, there cannot be any absolute centralisation or absolute decentralisation in an organisation. Absolute centralisation is possible if there is one person with absolute authority and there is no other subordinate manager under him that means there is no structured organisation.

Similarly, there is no absolute decentralisation. Actually centralisation and decentralisation are inclinations, tendencies or bents towards reservation of authority in varied degrees. In an organisation, authority may be centralised, but some amount of decentralisation also becomes necessary.

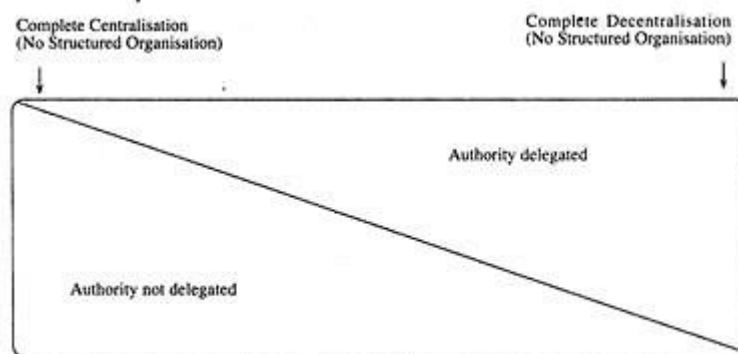


Fig. 4.17: Centralisation and Decentralisation.

7.a. Classify the various types of organization structure.

Organizations are set up in specific ways to accomplish different goals, and the structure of an organization can help or hinder its progress toward accomplishing these goals. Organizations large and small can achieve higher sales and other profit by properly matching their needs with the structure they use to operate. There are three main types of organizational structure: functional structure, divisional structure and a blend of the two, called matrix structure.

Functional Structure

Functional structure is set up so that each portion of the organization is grouped according to its purpose. In this type of organization, for example, there may be a marketing department, a sales department and a production department. The functional structure works very well for small businesses in which each department can rely on the talent and knowledge of its workers and support itself. However, one of the drawbacks to a functional structure is that the coordination and communication between departments can be restricted by the organizational boundaries of having the various departments working separately.

Divisional Structure

Divisional structure typically is used in larger companies that operate in a wide geographic area or that have separate smaller organizations within the umbrella group to cover different types of products or market areas. For example, the now-defunct Tecumseh Products Company was organized divisionally--with a small engine division, a compressor division, a parts division and divisions for each geographic area to handle specific needs.

The benefit of this structure is that needs can be met more rapidly and more specifically, as each division can operate more or less independently for the other divisions in the company. However, a divisional arrangement can also be cumbersome, as communication is inhibited because employees in different divisions are not working together. Divisional structure is costly because of its size and scope. Small businesses can use a divisional structure on a smaller scale, having different offices in different parts of the city, for example, or assigning different sales teams to handle different geographic areas.

Matrix Structure

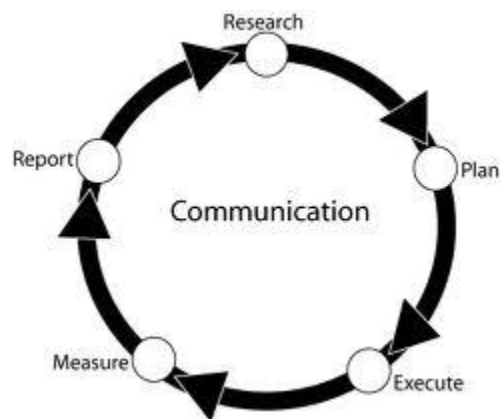
The third main type of organizational structure, called the matrix structure, is a hybrid of divisional and functional structure. Typically used in large multinational companies, the matrix structure allows for the benefits of functional and divisional structures to exist in one organization. This can create power struggles because most areas of the company will have a dual management--a functional manager and a product or divisional manager working at the same level and covering some of the same managerial territory.

7.b. List the importance of communication in an organization

Effective communication is important for the development of an organization. It is something which helps the managers to perform the basic functions of management- Planning, Organizing, Motivating and Controlling. Communication skills whether written or oral form the basis of any business activity.

Communication serves as the foundation of every facet of a business. Thus, it can be said that effective communication is the building block of an organization. Some of the benefits of effective communication skills are:

- Communication keeps the foundation of motivation. It helps the employer to know how a job is being performed and to improve performance if it is not up to the mark.
- Communication acts as a source of information and helps in the decision making process and helps in identifying the alternative course of action.
- Communication also helps in building people's attitude. A well informed person will always have better attitude than a less informed person. Different forms of communication like magazines, journals and meetings will help the employees to form different attitudes.
- In the current business scenario, no business can survive in isolation. Socializing is very important and communication is the tool that helps in socializing.



- Apart from the other functions of management, it also helps in the controlling process of management. It allows the managers to know about the grievances of the subordinates and helps the subordinates to know about the policies of the organization.

Communication is one of the basic features of management. It is instrumental in raising the morale of the employees. It is through communication, verbal or non-verbal, that people submit different feedback and requirements to the management.