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## Business Analysis and Judgement

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### I. Introduction

Proper analysis of information and judgement is required for the success of any organisation. Managers need to know how to effectively analyse data s and draw inferences and conclusions that help in better, timely, and incisive decision making. . Before taking any decision, a manager needs to understand the objective or purpose of taking that decision, the factors that directly and indirectly affect it and the assumptions made during the decision making process. He also needs to identify extraneous information that is peripheral or not relevant to the decision making process and eliminate it from consideration.

Questions on Business Analysis and Judgement have regularly appeared and form a sizeable portion of TANCET. They generally test your ability to classify data and parameters in terms of objectives, factors affecting those objectives, assumptions made and extraneous data.

### II. Question Format

Generally, questions on this topic are given in the form of a business case. The case describes a business situation with a large number of facts and figures given in the case. At the end of the case, a decision is to be taken by the protagonist concerned with the case. This decision is to be based only on the data given as part of the case. Note that prior knowledge or external information should not be used in these questions. Every such case is followed by a few statements that are to be classified into pre-defined categories. Though these categories are not mandatorily constant, there are 5 categories that are commonly used. Note that the actual categories given in the question may be different.

### III. Categories

Understand the different categories into which the decision items need to be classified with the help of the following case study.

#### **Example 1:**

*Smith Investments, which was started 10 years ago, owned a pair of car dealerships and an auto repair service. Last year, the management at Smith Investments was worried that the stalling economy due to the market conditions would send their new car sales screeching to a halt.*

*In order to prepare for the impending crisis, the company called a meeting of the board of directors. One group of the directors felt that if new designs were sold at lower prices, the sales would remain steady. But since the prices would be low, no extra features were to be added- only the look should change and efforts should be made to advertise the new product.*

*However, the other group of directors felt that to make up for the drop, there should be a greater focus on the repair shop, since frugal customers would spend less on new products and would want to fix up or maintain what they already own.*

*Presented with these two options, it was to be decided by the board as to which of the two would give more returns.*

#### **Statements:**

- 1. Save business*
- 2. Stalling economy*
- 3. Market conditions*

4. *Customers spending less on new products*

5. *The company's existence for 10 years*

### 1. Major Objective

It is **the aim or the purpose or the outcome desired** from the decision to be taken. It can generally be found by identifying what the person in the concern or the organization is trying to achieve. You can also ask “Why is the decision being taken?” to identify the Major Objective.

Question 1 in the above case study is a ‘Major Objective’. Here, since the company feels that its sales would come to a halt, its main objective is to ensure that business remains steady i.e. the objective is to save business.

### 2. Major Factor

It is the factor which **directly influences the decision** i.e. the ‘Major Objective’. The question to be asked in such a case is “Will this have a direct and decisive influence on the decision under consideration?” If the answer to this question is YES, the given statement is a major factor.

Question 2 in the above case study is a ‘Major Factor’. Here, it is because of the stalling economy that the company is worried about the decrease in sales.

### 3. Minor Factor

It is the factor which **indirectly influences the decision** or **directly affects the major factor** i.e. it is the second important factor. The question to be asked in such a case is again “Will this have a direct and decisive influence on the decision under consideration?” If the answer to this question is NO/MAYBE, the given statement is a minor factor. The question that can be asked is “Will this have a direct influence on some other factor?” If the answer to this question is YES, the given factor may be a minor factor.

Question 3 in the above case study is a ‘Minor Factor’. It is the cause of the stalling economy which is the ‘Major Factor’ i.e. it indirectly affects the ‘Major Objective’.

### 4. Major Assumption

It is an assumption made by the decision maker in order to arrive at the decision. It is generally **not supported by facts or data and is a belief or conviction** of the decision maker. Also, the outcome predicted by the assumption may or may not happen. The question that can be asked here is that “Is this statement given in the

passage?" If the answer to this question is NO, the given statement can be an assumption. The other question that can be asked is "Is this statement based on the feelings or beliefs or thoughts or conviction of a person?" If the answer to this question is YES, the given statement may again be an assumption.

Question 4 in the above case study is a 'Major Assumption'. Here, one of the groups of the board believes that the customers would spend less on new products. However, there is no data to substantiate this. Also, this may or may not happen.

## 5. Unimportant Issue

It is **not related** to the decision making process. Note that the statement may contain data given in the passage but this data may not be relevant in taking the final decision. The question to be asked here is "Is this data needed to take the final decision?" If the answer is NO, it may be an unimportant issue.

Question 5 in the above case study is an 'Unimportant Issue'. The company's existence for 10 years does not have any bearing on the decision.

### Note:

The classification needs to be done strictly on the basis of information given in the passage.

The direction for these questions is generally given as follows:

*Directions: After each passage, questions/statements consisting of items relating to the passage are given. Evaluate each item separately in terms of the respective passage and choose your answer as per the following guidelines:*

- 1. If the item is a MAJOR OBJECTIVE in making the decision; that is, the outcome or result sought by the decision maker.*
- 2. If the item is a MAJOR FACTOR in arriving at the decision; that is, an important consideration, explicitly mentioned in the passage that is basic in determining the decision.*
- 3. If the item is a MINOR FACTOR in making the decision; that is, a less important element bearing on or affecting a Major Factor, rather than a Major Objective directly.*
- 4. If the item is a MAJOR ASSUMPTION made deliberately; that is, a projection or supposition made by the decision maker before considering the factors and alternatives.*

5. *If the item is an UNIMPORTANT ISSUE in getting to the point; that is, a factor that is insignificant or not immediately relevant to the situation.*

**Note :**

It helps to read the instructions carefully before attempting the passage. The instructions may not always be given as shown above. The contents and order of the instructions may also be different.

**Example 2:**

Mahesh owned a cashewnut processing unit in Andhra Pradesh. Since, it was a small scale unit, the raw material was purchased either from traders or farmers, and later processed and sold to the brokers. Also, it was the only cashewnut processing unit in its area, due to which it did not face any competition. The unit had around 60 workers and majority of them were skilled women, paid on a daily basis.

The process carried out in the units included:

1. Cleaning the raw nuts carrying foreign matter consisting of sand, stones etc.
2. Soaking the nuts in water to avoid scorching them during the roasting operation.
3. Roasting the nut in an open pan to release the nut shell liquid and make the shell brittle to facilitate the extraction of the kernel when breaking the shell open.
4. Shelling to produce, clean, whole kernel free of cracks. This operation is done manually wherein the nuts are placed on a flat stone and cracked with a wooden mallet.
5. Finally, the shell pieces and kernels are separated; the cashews are graded and then packed.

But two months ago, a processing unit was set up in the same area by Harish. This new unit was well equipped with roasters, shellers etc. The roasters consumed less fuel and enabled greater control on the roasting time. The manual shelling was also replaced by mechanical shelling which improved the quality of the nuts. Since, the workers did not have to work very hard due to the presence of machines, they preferred working in this new unit. Their daily

wages were more than what they received in the previous unit. Due to this, the workers left Mahesh's unit and started working for Harish. Being a part of a labour intensive industry, Mahesh had to face the problem of labour shortage. Even the quality of his product was not as good as that of Harish's unit. This resulted in Mahesh losing out on new assignments.

Following this, Mahesh called for a meeting of his assistants. The topic of discussion was to prevent such losses in future. This could be done by improving the quality of the nuts and also by preventing workers from leaving their unit. One of his assistants felt that the unit required good machines and that all the processes, if carried out mechanically, would give better results and this would eliminate the need to recruit many workers. In this way, they would even meet their deadlines and get more assignments.

On the other hand, the other assistant felt that the machines would be very expensive and that they may not be able to bear the cost. Also, the machines would require frequent maintenance, which would add to the costs. Instead, he felt that they should advertise in the local newspapers and even go to neighbouring villages and recruit workers. The advertisements would garner more applications. The wages of the workers should be increased and they should be given a bonus after every assignment. This will ensure that the workers stay with the unit atleast till the current assignment is over. He was also of the opinion that the quality would not suffer since the workers were skilled enough.

Now it was left to Mahesh to decide in favour of one of the options or discard both.

## Questions

1. Recruitment of skilled workers.

### Solution:

Mahesh wants to prevent losses i.e. not to lose out on assignments. To do so, he needs to improve the quality of his product. Hence, the major objectives are to improve quality and reduce losses. If he can recruit skilled workers in required numbers, he can complete assignments and reduce losses. Also, if the first option is chosen, the workers are not required. Hence, this cannot be a Major Objective. Hence, recruitment of skilled workers is a Major Factor.

Hence, option 1.

2. Offering of bonus to ensure that the workers stay till the end of an

assignment.

**Solution:**

One of Mahesh's assistants felt that offering bonus to the workers will ensure they stay till the end of an assignment. There is no data to suggest that the bonus will make the workers stay till the end of the assignment. Hence, it is a Major Assumption.

Hence, option 4.

3. Increasing daily wages.

**Solution:**

One of the Major Objectives here is to reduce losses and improve quality. To do so, Mahesh needs to prevent workers from leaving the unit. The attrition of workers is a major factor that affects the decision. Increasing the daily wages can help reduce attrition. However, it may not benefit if the workers leave due to the better machines. Hence, this affects the major factor directly, but not the major objective directly. Hence, it is a Minor Factor.

It is not an assumption because the passage clearly states that lower wages partly led to the exodus of workers to the new unit from Mahesh's unit. The idea of 'increasing daily wages' has been already stated in the passage- there is nothing left to assume.

Hence, option 2.

4. The unit being situated in Andhra Pradesh.

**Solution:**

This does not affect the main problem in any way as the passage does not mention that such a problem is specific to Andhra Pradesh. Hence, it is an Unimportant Issue.

Hence, option 5.

5. Roasters enabling greater control on roasting time.

**Solution:**

Due to greater control, the quality of the output was better than that obtained using open pan. This is a Minor Factor which affects the quality of nuts which is the major Factor. The inferior quality of nuts in Mahesh's factory was also

responsible for the losses. Hence, the quality of nuts is a major factor.

Hence, option 3.

6. Cost of the machines.

**Solution:**

The high cost of the machines forces Mahesh to weigh the two options against each other. Consequently, it becomes an important factor in deciding which option to select. Hence, it is a Major Factor.

Hence, option 2.

7. Advertisement in local newspapers enabling an increase in the total number of applications.

**Solution:**

One of Mahesh's assistants suggested that advertisements in local newspapers should be put up. He believes that the advertisements will get more applications. However, there is no data given to suggest that this will happen. Hence, it is a Major Assumption.

Hence, option 4.

8. Use of high quality machines in Harish's unit.

**Solution:**

The use of machines in Harish's unit was a major reason why Mahesh lost out. The efficacy of these machines caused Mahesh to think about implementing them in his unit as well. This would directly affect his final decision. Hence, it is a Major Factor.

Hence, option 2.

9. Soaking the nuts in water

**Solution:**

This is a step involved in processing and does not affect the main problem in any way. Hence, it is an Unimportant Issue.

Hence, option 5.

10. Trying to improve the quality of the product.



**Solution:**

It is given that the losses were partially due to the inferior quality of Mahesh's products. Thus, improving the quality of the product is required to improve the sales and hence reduce the losses. Hence, it is a Major Objective.

Hence, option 1.

\*\*\*\*\* **End of Lesson** \*\*\*\*\*