

Total No. of Pages-01  
FIFTH SEMESTER

## MID TERM EXAMINATION

Roll no. 24/1/MC/308

B.Tech.

SEPTEMBER-2023

COURSE CODE - MG-301

## COURSE TITLE – FUNDAMENTALS OF MANAGEMENT

Time: 1:30 Hours

Max. Marks : 25

Note: All question are compulsory. All questions carry equal marks.  
Assume suitable missing data, if any.

Total no. of Pages: 01

6<sup>th</sup> SEMESTER

B.Tech.

## MID TERM EXAMINATION

MAR-2023

## MG 302 Fundamental of Management

Time: 1:30 Hours

Max. Marks: 25

Note : All questions are compulsory.  
All questions carry equal marks.  
Assume suitable missing data, if any.

Total No. of Pages:01

Roll No. ....

B.Tech

SEP-2019

## MID SEMESTER EXAMINATION

## MG201 Fundamentals of Management

Max. Marks:25

Time: 1:30 Hours

Note: Question 1 is mandatory  
Answer any three of the remaining questions

Total no. of Pages \_One — 24/3

Roll No. ....

B.Tech (4<sup>th</sup> Semester)

## MID SEM Examination

March-2020

## MG-202 Fundamentals of Management

Time: 1.5 Hours

Max. Marks: 25

Total No. of Pages \_2

Roll No. ....

4th SEMESTER

B.Tech

## MID SEMESTER EXAMINATION

Mar-2019

## MG 202 Fundamentals of Management

Time: 1:30 Hours

Max. Marks:25

Note : Answer all questions  
All questions carry five marks.

Total No. of Pages 01

Roll No. ....

IV SEMESTER

B. Tech

## MID SEMESTER EXAMINATION

March 2018

MG202 Fundamentals of Management

Max. Marks: 25

Time: 1:30 Hours

Note: Question 1 and 2 are compulsory. Attempt any 1 from Question 3 and Question 4.Q1 and 2 carry 10 marks each and Question 3 and 4 carry 5 marks each .

Total no of pages:01

## MID-TERM EXAMINATION

B.Tech (Eve.)

## CMG 102 FUNDAMENTAL OF MANAGEMENT

Roll no. ....

March 2019

SEMESTER II

Time: 60 Minutes

Max Marks: 25

Instructions: All questions carry equal marks.

Total no. of Pages:1

Roll no. 24/2/1/MC/308

VI SEMESTER

B.Tech

## END TERM EXAMINATION

May-2023

## MG302 - Fundamental of Management

Max. Marks: 50

Time: 03:00 Hours

Note : All questions carry equal marks.  
Attempt any five questions  
Assume suitable missing data, if any.

Total No. of Pages \_02\_

Roll No. 24/2/1/EP/17

THIRD SEMESTER

MBA [odd]

## END SEMESTER EXAMINATION

Nov.-Dec.,2022

## MG301- FUNDAMENTALS OF MANAGEMENT

Max. Marks: 50

Time: 3:00 Hours

Note: Attempt any five questions. All questions carry equal marks.  
Assume suitable missing data, if any.

Total No. of Pages: 1

4th SEMESTER

## END SEMESTER EXAMINATION

MG 202

Time: 3:00 Hours

Note : Answer any five questions  
All questions carry ten marks.

Roll No. ....

B.Tech

May-2019

Fundamentals of Management

Max. Marks:50

Total No. of pages 1  
THIRD SEMESTER  
END SEMESTER  
SUPPLEMENTARY EXAMINATION  
Time: 3 Hours MG-201 FUNDAMENTALS OF MANAGEMENT  
Note: Answer all five questions

ROLL NO. ....  
B.TECH.  
(FEB-2018)

Total No. of Pages 3  
Third SEMESTER  
END- SEMESTER EXAMINATION  
MG201 Fundamentals of Management  
Time: 3:00 Hours Max. Marks: 50  
Note: Case Study is compulsory. Answer any four out of the rest questions.  
Assume suitable missing data, if any. All Questions carry equal marks.

Roll No. ....  
B.Tech (ODD Sem)  
Nov/Dec -2018

D 1. Write short notes on  
Total No. of Pages 2.  
SECOND SEMESTER Roll No. ....  
END SEMESTER EXAMINATION B.Tech. (Evel TIME/EE/EC /CE)  
CHU-102 Fundamentals of Management  
Time: 3:00 Hours Max. Marks : 50  
Note : Answer all question by Selecting any two parts from each  
questions.  
All questions carry equal marks.  
Assume suitable missing data, if any.

Total No. of Pages 1  
4th SEMESTER Roll No. ....  
Supplementary Examination B.Tech  
September-2019 MG 202 Fundamentals of Management  
Time: 3:00 Hours Max. Marks:50  
Note : Answer any five questions  
All questions carry ten marks.

Total no. of pages: 1 Roll No. ....  
**FOURTH SEMESTER** B. Tech.  
**SUPPLEMENTARY EXAMINATION** August- 2018  
**MG 202 FUNDAMENTALS OF MANAGEMENT**  
**TIME: 3 Hours** Marks: 50

**Instructions:** Attempt any 5 questions . All questions carry equal marks.

**Note: Attempt any 5 questions.**  
**Each question carries equal marks.**

Total no. of Pages 02 Roll no. ....  
V SEMESTER B.Tech.  
MID TERM EXAMINATION Sept-2022  
MG 301 FUNDAMENTALS OF MANAGEMENT  
Time: 1:30 Hours Max. Marks: 25  
Note : All questions are compulsory.  
All questions carry equal marks.  
Assume suitable missing data, if any.

Total No. of Pages 01 Roll No. ....  
Third SEMESTER B.Tech (ODD Sem)  
SUPPLEMENTARY EXAMINATION Feb. -2019  
MG-201 Fundamentals of Management  
Time: 3:00 Hours Max. Marks: 50  
Note: Answer any five questions. Assume suitable missing data, if any. All Questions carry equal marks.

Total No. of Pages 1 Roll no. ....  
VI SEMESTER B.Tech.  
MID TERM EXAMINATION March-2024  
COURSE CODE: FOM (MG302) COURSE TITLE Fundamentals of management  
Time: 1:00 Hour Max. Marks: 25  
Note: All question are compulsory.

Total No. of pages: 1 Roll No. ....  
THIRD SEMESTER B.TECH.  
END SEMESTER (FEB-2018)  
SUPPLEMENTARY EXAMINATION MG-201 FUNDAMENTALS OF MANAGEMENT  
Time: 3 Hours Max.Marks: 50  
Note: Answer all five questions

B.Tech  
MID TERM EXAMINATION March-2024  
COURSE CODE: MG302  
COURSE TITLE: Fundamentals of Management  
Time: 1:00 Hour Max. Marks: 25  
Note: All question are compulsory.

VI SEMESTER B.Tech  
MID TERM EXAMINATION March 2024  
COURSE CODE: MG-302  
COURSE TITLE: FUNDAMENTALS OF MANAGEMENT  
Time: 1 Hour Max. Marks: 25  
Note: All questions are compulsory.  
Assume suitable missing data, if any.

Total No. of Pages 2 Roll no. ....  
VI SEMESTER B.Tech  
MID TERM EXAMINATION March 2024  
COURSE CODE: MG-302  
COURSE TITLE: FUNDAMENTALS OF MANAGEMENT  
Time: 1 Hour Max. Marks: 25  
Note: All questions are compulsory.  
Assume suitable missing data, if any.

# HU301/302 Fundamentals of Management

## Unit 1

### **1. Definition and Nature of Management:**

#### **Q) What is Management?**

“To manage is to forecast and to plan, to organise, to command, to co-ordinate and to control.”

-Henri Fayol

“Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims.”

-Harold Koontz and Heinz Weihrich

“Management is defined as the process of planning, organizing, actuating and controlling an organization's operations in order to achieve coordination of the human and material resources essential in the effective and efficient attainment of objectives.”

-Robert L. Trewelly and M. Gene Newport

“Management is the art of getting things done through people.”

-Mary Parker Follett

#### **Q) Are classical concepts of management relevant and applicable to the digital world? Examine with suitable examples.**

Classical management concepts hold some, but not all, of their relevance in the digital world. Here's a breakdown:

##### **Relevancy:**

- **Focus on Efficiency:** Frederick Winslow Taylor's Scientific Management principles, emphasizing efficient work processes, are still applicable. Digital tools for project management, communication, and automation can streamline workflows, just like Taylor envisioned for physical tasks.
- **Division of Labor and Specialization:** Similarly, Adam Smith's ideas on division of labor hold true. Digital teams can be structured with specialists like web developers, content creators, and data analysts, collaborating effectively.
- **Formal Structure and Hierarchy:** Max Weber's concept of bureaucracy, with clear hierarchies and defined roles, can provide stability in some digital organizations. This is especially true for large companies with complex operations.

##### **Limitations:**

- **Focus on Tangible Resources:** Classical theories often viewed physical assets like factories as key resources. In the digital world, intangible assets like data and intellectual property are more crucial.
- **Limited Consideration for Motivation:** Early management theories didn't delve deep into employee motivation. However, in the digital age, attracting and retaining top talent requires a focus on fostering creativity, offering flexible work arrangements, and recognizing achievements.

##### **Example:**

**Ridesharing App:** A ridesharing app like Uber leverages classical efficiency principles by using algorithms to optimize driver allocation and route planning. However, it also employs a more modern, digital approach to work, with a flexible driver workforce and data-driven decision making.

#### **Q) Management is concerned with ideas, things and people." Comment.**

The statement "**Management is concerned with ideas, things, and people**" highlights the three key aspects that managers must consider when carrying out their responsibilities.

### **Explanation of Management is concerned with Ideas, Things and People:**

**Ideas** refer to the concepts, plans, and strategies that managers create to achieve organizational goals. In other words, managers must have a vision for the future and develop a plan to achieve it.

**Things** refer to the physical resources that organizations use to accomplish their objectives, such as raw materials, equipment, and technology. Managers must ensure that these resources are effectively managed, utilized, and maintained to support the organization's operations.

**People** refer to the employees and stakeholders who contribute to the organization's success. Managers must manage and motivate people to perform effectively and efficiently, establish effective communication channels, and create a positive organizational culture.

In summary, managers must effectively manage ideas, things, and people to achieve organizational success. This requires a broad set of skills, including strategic thinking, resource management, communication, and leadership. This is the meaning of "**Management is concerned with ideas, things, and people**".

## **2. CHARACTERISTICS OF MANAGEMENT**

**Q) What do you mean by Management? How management practices are vital for success of business enterprises?**

Management practices are vital for the success of business enterprises because they enable:

1. Strategic planning and goal setting to align resources and efforts effectively.
2. Efficient organization of resources, roles, and processes for optimal productivity.
3. Effective leadership, motivation, and talent development of employees.
4. Streamlined operations, logistics, and supply chain management.
5. Proactive risk identification and mitigation strategies.
6. Innovation and adaptability to changing market conditions and opportunities.

Essentially, sound management practices provide the framework for utilizing resources efficiently, driving productivity, fostering innovation, and achieving long-term growth and profitability, which are crucial for business success in a competitive landscape.

**Q) Discuss the main characteristics of management, explain briefly, any four characteristics of Management.**

1. Continuous and never-ending process

Management is a process. It includes four main functions, viz., Planning, Organizing, Directing, and Controlling. The manager has to Plan and Organize all the activities. He had to give proper Directions to his subordinates. He also has to Control all the activities. The manager has to perform these functions continuously. Therefore, management is a continuous and never-ending process.

2. Getting things done through people

The managers do not do the work themselves. They get the work done through the workers. The workers should not be treated like slaves. They should not be tricked, threatened, or forced to do the work. A favorable work environment should be created and maintained.

3. Result-oriented

Management is result-oriented because it gives a lot of importance to "Results". Examples of Results like an increase in market share, increase in profits, etc. Management always wants to get the best results at all times.

4. Multidisciplinary in nature

Management has to get the work done through people. It has to manage people. This is a very difficult job because different people have different emotions, feelings, aspirations, etc. Similarly, the same person may have different emotions at different times. So, management is a very complex job. Therefore, management uses

knowledge from many different subjects such as Economics, Information Technology, Psychology, Sociology, etc. Therefore, it is multidisciplinary in nature.

#### 5. A group and not an individual activity

Management is not an individual activity. It is a group activity. It uses group (employees) efforts to achieve group (owners) objectives. It tries to satisfy the needs and wants of a group (consumers). Nowadays, importance is given to the team (group) and not to individuals.

#### 6. Follows established principles or rules

Management follows established principles, such as division of work, discipline, unity of command, etc. These principles help to prevent and solve the problems in the organization.

#### 7. Aided but not replaced by computers

Nowadays, all managers use computers. Computers help the managers to take accurate decisions. However, computers can only help management. Computers cannot replace management. This is because management takes the final responsibility. Thus Management is aided (helped) but not replaced by computers.

#### 8. Situational in nature

Management makes plans, policies, and decisions according to the situation. It changes its style according to the situation. It uses different plans, policies, decisions, and styles for different situations. The manager first studies the full present situation. Then he draws conclusions about the situation. Then he makes plans, decisions, etc., which are best for the present situation. This is called Situational Management.

#### 9. Need not be an ownership

In small organizations, management and ownership are one and the same. However, in large organizations, management is separate from ownership. The managers are highly qualified professionals who are hired from outside. The owners are the shareholders of the company.

#### 10. Both an art and science

Management is result-oriented. Therefore, it is an Art. Management conducts continuous research. Thus, it is also a Science.

#### 11. Management is all-pervasive

Management is necessary for running a business. It is also essential for educational, charitable, and religious institutions. Management is a must for all activities, and therefore, it is all-pervasive.

#### 12. Management is intangible

Management is intangible, i.e., it cannot be seen and touched, but it can be felt and realized by its results. The success or failure of management can be judged only by its results. If there is good discipline, good productivity, good profits, etc., then the management is successful and vice-versa.

#### 13. Uses a professional approach in work

Managers use a professional approach for getting the work done from their subordinates. They delegate (i.e. give) authority to their subordinates. They ask their subordinates to give suggestions for improving their work. They also encourage subordinates to take the initiative. Initiative means to do the right thing at the right time without being guided or helped by the superior.

#### 14. Dynamic in nature

Management is dynamic in nature. That is, management is creative and innovative. An organization will survive and succeed only if it is dynamic. It must continuously bring in new and creative ideas, new products, new product features, new ads, new marketing techniques, etc.

**Q) How you will differentiate management with administration?**

The main difference between administration and management is that management is a systematic way of managing people and things within the organization. In contrast, administration is defined as overseeing the entire organization by a group of people. Management is a broad term that encompasses several functions, while administration is an action that involves implementing rules and policies set by management.

**Q) Shiv Nadar, chairman and CEO of HCL attributes the success of the group to its management team and their entrepreneurial spirit which together have enabled it to handle rapid changes in the environment and technologies. At HCL management believes that happy, satisfied and self-motivated employees help in reducing costs and increase productivity. It also has a strong sense of social responsibility and has set up educational institutions in the field of management, engineering, computers etc.**

**Identify and explain briefly the significance of understanding management by quoting relevant lines from the case study.**

Understanding management is significant as it enables organizations like HCL to navigate rapid changes and seize opportunities effectively. According to the case study, Shiv Nadar, Chairman and CEO of HCL, emphasizes the importance of the management team and their entrepreneurial spirit in handling environmental and technological shifts. He states, "The success of the group... together have enabled it to handle rapid changes in environments and technologies, and to transform threats into opportunities." This underscores how effective management is crucial for steering organizations through challenges and leveraging them into advantages.

### **3. Functions of Management:**

**Q) State/ Explain and Discuss/Describe the five primary various important functions of Management explained with suitable relevant examples.**

The five primary functions of management are Planning, Organizing, Staffing, Directing, and Controlling.

- 1. Planning:** Planning involves determining organizational goals and developing strategies to achieve them efficiently and effectively. It's about deciding in advance what needs to be done and how it will be accomplished. For instance, Suhasini, in her organization focused on traditional Indian handloom and handicraft items, must plan the quantities, variety, color, and texture of the products to be procured or developed in-house. Planning also involves foreseeing potential problems and preparing contingency plans. For example, if there's a shortage of a particular fabric, Suhasini needs to plan for alternative suppliers or materials.

**Q) What is Organising function of management?**

- 2. Organizing:** Organizing involves structuring the organization's resources and activities to accomplish the planned goals. It includes assigning tasks, establishing authority, grouping activities into manageable departments or work units, and defining reporting relationships. For instance, Suhasini needs to organize her design team to ensure that they focus on developing products that align with the organization's goals. Additionally, she must establish clear roles and responsibilities within her team to streamline the design process.

Organising involves a series of steps that need to be taken in order to achieve the desired goal.

- (i) Identification and division of work:** The first step in the process of organising involves identifying and dividing the work that has to be done in accordance with previously determined plans. The work is divided into manageable activities so that duplication can be avoided and the burden of work can be shared among the employees.

(ii) **Departmentalisation:** Once work has been divided into small and manageable activities then those activities which are similar in nature are grouped together. Such sets facilitate specialisation. This grouping process is called departmentalisation. Departments can be created using several criteria as a basis. Examples of some of the most popularly used basis are territory (north, south, west etc.) and products (appliances, clothes, cosmetics etc).

(iii) **Assignment of duties:** It is necessary to define the work of different job positions and accordingly allocate work to various employees. Once departments have been formed, each of them is placed under the charge of an individual. Jobs are then allocated to the members of each department in accordance to their skills and competencies. It is essential for effective performance that a proper match is made between the nature of a job and the ability of an individual. The work must be assigned to those who are best fitted to perform it well.

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

3. **Staffing:** Staffing entails finding, selecting, training, and retaining the right people for the right jobs within the organization. It ensures that the organization has a skilled and motivated workforce to achieve its objectives. For example, Suhasini needs to recruit designers and craftspeople who have expertise in traditional Indian fabrics and designs. She also needs to provide training to her staff to enhance their skills and capabilities.
4. **Directing:** Directing involves leading, influencing, and motivating employees to perform their assigned tasks effectively. It includes creating a positive work environment, providing guidance and feedback, and inspiring employees to achieve their best. For example, Suhasini provides constructive feedback to her design team and motivates them to create products that cater to the needs and preferences of their target customers.
5. **Controlling:** Controlling is the process of monitoring organizational performance, comparing it with established standards, and taking corrective action if necessary. It ensures that the organization's activities are aligned with its goals and objectives. For instance, Suhasini monitors the production costs of her products and takes corrective action if the expenses exceed the budget. If the silk bedcovers turn out to be too expensive, she decides to switch to cotton fabric to control costs.

**Q) Alliance Ltd is engaged in manufacturing plastic buckets. The objective of the company is to manufacture 100 buckets a day. To achieve this, the efforts of all departments are coordinated and interlinked, and authority-responsibility relationship is established among various job positions. There is clarity on who is to report to whom.**

**a) Name the function of management discussed above.**

The function of management which is described in the given paragraph is 'organising'. This is because all departments of Alliance Ltd. are interlinked and coordinated. Also, there is clarity on who is to report to whom.

**b) Also Discuss the First two steps of the Function of Management identified in (a) above.**

The following are the steps involved in a successful process of organising.

(i) **Identifying and Dividing the Work:** Under organising, the very first step deals with identifying the activities and dividing them according to the defined plans. The actions are divided as per the objectives. A clear division of work is done so as to avoid any duplicity.

(ii) **Creating Departments:** Herein, the divided actions are further grouped into units based on the similarity in nature. That is, similar activities are grouped together. Such departmentalisation promotes specialisation. Each department specialises in a particular task. Departments can be formed on the basis of several criteria such as working profiles, regions, product, etc.

(iii) Assigning Duties: The third step under organising deals with assigning the roles and responsibilities to the personnel. Under each department work is allocated to different members as per their skill and ability. While assigning the duties it must be ensured that the best suited and proficient person is selected for the work.

(iv) Establishing the Relationships: Any organisation needs a proper hierarchic structure to work efficiently. Every person should know whom he's working under and to whom he needs to report. Clear establishment of such relationships help in smooth functioning of an organisation.

#### **4. Role of Manager:**

**Q) Explain the various roles of a manager in an organization by Listing out the roles played by a manager in an organization with the support of illustrations.**

Managers play various roles within an organization, which can be categorized into three main categories: Interpersonal, Informational, and Decisional. Let's break down each category and its corresponding roles with illustrations:

##### **1. Interpersonal Category:**

- **Figurehead:** Managers act as symbolic leaders and representatives of the organization. They inspire and motivate others through their actions and words. For example, a CEO delivering a keynote speech at a company event inspires employees and reinforces organizational values.
- **Leader:** Managers provide direction and guidance to their teams. They set goals, allocate resources, and ensure tasks are completed efficiently. An illustration could be a team leader organizing a brainstorming session to encourage creativity and collaboration among team members.
- **Liaison:** Managers establish and maintain communication channels both within the organization and with external stakeholders. They build networks and foster relationships to promote organizational interests. For instance, a marketing manager liaises with advertising agencies to coordinate promotional campaigns effectively.

##### **2. Informational Category:**

- **Monitor:** Managers continuously gather information about the internal and external environment. They stay updated on industry trends, competitor strategies, and internal team dynamics. For example, a project manager monitors team progress by reviewing weekly reports and conducting status meetings.
- **Disseminator:** Managers share relevant information with their teams and colleagues. They ensure that everyone has access to necessary data and knowledge. An illustration could be a department head distributing a memo outlining new company policies and procedures.
- **Spokesperson:** Managers represent the organization to external stakeholders. They communicate the company's vision, mission, and goals to investors, customers, and the public. For instance, a PR manager conducts press interviews to promote positive public relations and manage the company's image.

##### **3. Decisional Category:**

- **Entrepreneur:** Managers drive innovation and change within the organization. They identify opportunities, develop strategies, and implement new initiatives. An example could be a product manager launching a new feature based on market research and customer feedback.
- **Disturbance Handler:** Managers address conflicts and crises as they arise. They make quick decisions to resolve issues and minimize disruptions to operations. For instance, a department manager intervenes to resolve a conflict between team members before it escalates.

Category	Roles
Interpersonal	Figurehead Leader Liaison
Informational	Monitor Disseminator Spokesperson
Decisional	Entrepreneur Disturbance Handler Resource Allocator Negotiator

- **Resource Allocator:** Managers allocate resources such as budget, manpower, and equipment to achieve organizational objectives. They prioritize projects and investments based on strategic goals and resource availability. An illustration might involve a finance manager allocating funds to different departments based on their budget proposals.
- **Negotiator:** Managers engage in negotiations to resolve disputes, secure deals, or form partnerships. They advocate for the organization's interests while finding mutually beneficial solutions. For example, a procurement manager negotiates with vendors to secure favorable contracts for supplies and services.

By effectively fulfilling these roles, managers contribute to the overall success and sustainability of the organization.

## 5. Management Principles:

## 6. Authority, Responsibility, and Accountability:

**Q) Explain the concepts of Accountability, Authority, and Responsibility and their relation with each other. (5 Marks)**

Accountability refers to the obligation of an individual to report formally to their superior about the work they have done to fulfill their responsibilities. It involves being answerable for the performance of assigned duties. Authority is the power or right to give orders, make decisions, and enforce obedience. It is delegated from higher levels of the organization to lower levels to empower individuals to carry out their responsibilities effectively. Responsibility is the duty or obligation to perform a task or function. It involves being entrusted with a specific role or assignment and carrying it out to the best of one's ability.

These concepts are interrelated:

- Authority enables individuals to carry out their responsibilities effectively by giving them the power to make decisions and take action.
- Responsibility is the duty or obligation to perform tasks that come with the authority granted.
- Accountability ensures that individuals are held responsible for the outcomes of their actions and are required to report back to their superiors on their performance.

In summary, authority enables individuals to carry out responsibilities, responsibility is the duty to perform tasks, and accountability ensures individuals are held responsible for their actions and performance.

## 7. Management Theories: (Theory X, Y)

**Q) Explain the difference between McGregor's Theory X and Theory Y? Explain Douglas McGregor's Theory X and Theory Y Managers and their characteristics.**

Douglas McGregor: Theory X & Theory Y: Two Types of Managers

Douglas McGregor was heavily influenced by both the Hawthorne studies and Maslow. He believed that two basic kinds of managers exist. One type, the Theory X manager, has a negative view of employees and assumes that they are lazy, untrustworthy, and incapable of assuming responsibility. On the other hand, the Theory Y manager assumes that employees are not only trustworthy and capable of assuming responsibility, but also have high levels of motivation.

McGregor proposed that there were two types of managers: ones who assumed a negative view of their employees, also known as the Theory X managers, and others who assumed a positive view of workers, or the Theory Y managers. So grab your bomb repellent while we explore these two different types of managers by discussing the assumptions of each.

**Theory X** Xavier is a Theory X manager. When I say X, I don't mean the type that marks a treasure - in fact, quite the opposite is true. As a Theory X manager, Xavier believes that his workers:

1. Hate the idea of having to go to work and do so only to earn a paycheck and the security that it offers.

2. Are inherently lazy, lack ambition and prefer to be directed on what to do rather than assume responsibility on their own.
3. Are self-centered and care only about themselves and not the organization (or its goals), making it necessary for the manager to coerce, control, direct or threaten with punishment in order to get them to work towards organizational goals.
4. They also dislike change and tend to resist it at all costs.

Xavier assumes that his employees show up for work for their paycheck and the security that a regular, paying job offers. As soon as that need is satisfied, the employees have no additional motivation for coming to work. Therefore, Xavier believes his role as a manager is to coerce and control his employees to work towards organizational goals.

The typical characteristics of a Theory X manager are:

Results-driven and deadline-driven, to the exclusion of everything else, intolerant, issues deadlines and ultimatums, distant and detached, aloof and arrogant, elitist, short temper, shouts, issues instructions, directions, edicts, issues threats to make people follow instructions, demands, never asks, does not participate, does not team-build, unconcerned about staff welfare, or morale, proud, sometimes to the point of self-destruction, one-way communicator, poor listener, fundamentally insecure and possibly neurotic, anti-social, vengeful and recriminatory, does not thank or praise, withholds rewards, and suppresses pay and remunerations levels, scrutinises expenditure to the point of false economy, seeks culprits for failures or shortfalls, seeks to apportion blame instead of focusing on learning from the experience and preventing recurrence, does not invite or welcome suggestions, takes criticism badly and likely to retaliate if from below or peer group, poor at proper delegating - but believes they delegate well, thinks giving orders is delegating, holds on to responsibility but shifts accountability to subordinates, relatively unconcerned with investing in anything to gain future improvements and unhappy.

**Theory Y** Yoko is a Theory Y manager, and when I say Y here, think 'why not.' Why not assume the best in people? As a Theory Y manager, Yoko believes her employees:

1. Accept work as a normal part of their day, and it's right next to recreation and rest.
2. They are not lazy at all. In fact, when the proper motivations and rewards are in place, employees are not only willing but purposely driven to seek out responsibility and challenges on their own.
3. They're full of potential, and it's through their own creativity, ingenuity and imagination that organizational goals are met.

Yoko assumes that her employees are full of potential and that it is her role as a manager to help develop that potential so that the employee can work towards a common organizational goal. Yoko must also try to harness the motivational energy of her employees through things such as giving them more autonomy, responsibility, power, trust and feedback and involving them in the decision-making process.

McGregor cautioned both types of managers against what he called self-fulfilling prophecies, whereby an employee will act just as the manager assumed he or she would due to the manager's own actions and behaviors. Essentially, if you hold people to a certain expectation - whether that's good or bad - your own actions as a manager will influence those employees to act accordingly. A manager's behavior and expectations are as contagious as the plague. As such, McGregor acknowledged both types of managers as being a legitimate means of motivating employees, but he felt that you would get much better results through the use of Theory Y rather than Theory X.

#### **Q) How does the Theory X and Theory Y management approach differ in employee motivation**

The Theory X management approach assumes that employees are inherently lazy, untrustworthy, and need to be coerced and controlled to work towards organizational goals. In contrast, the Theory Y management approach believes that employees are motivated, responsible, and seek out challenges willingly when given the

opportunity. Theory X relies on external controls and punishments, while Theory Y emphasizes intrinsic motivation and empowerment.

## **8. Scientific Principles of Management by F. W. Taylor:**

### **Q) Write the scientific principles of management given by F W Taylor.**

1. Replace working by "rule of thumb," or simple habit and common sense, and instead use the scientific method to study work and determine the most efficient way to perform specific tasks.
2. Rather than simply assign workers to just any job, match workers to their jobs based on capability and motivation, and train them to work at maximum efficiency.
3. Monitor worker performance, and provide instructions and supervision to ensure that they're using the most efficient ways of working.
4. Allocate the work between managers and workers so that the managers spend their time planning and training, allowing the workers to perform their tasks efficiently.

### **Q) Comment on the critiques of these principles.**

1. Taylor promoted the idea that there is "one right way" to do something. This approach is at odds with the current approaches. Taylor's approach promotes tightly controlled procedures and environment and provides no flexibility to the employees. Rigid, rules-driven organizations really struggle to adapt in rapidly changing environment.
2. Taylor breaks tasks down into tiny steps, and focuses on how each person can do his or her specific series of steps best. Modern methodologies prefer to examine work systems more holistically in order to evaluate efficiency and maximize productivity. The extreme specialization that Taylorism promotes is contrary to modern ideals of how to provide a motivating and satisfying workplace.
3. Taylor's approach separates manual from mental work, modern productivity enhancement practices seek to incorporate worker's ideas, experience and knowledge into best practice.
4. Scientific management in its pure form focuses too much on the mechanics, and fails to value the people side of work, whereby motivation and workplace satisfaction are key elements in an efficient and productive organization.

**Q) The production department of Alpha Ltd. was not performing well on detailed analysis; it was observed that the workers of that department were overburdened. They were forced to work for longer hours without any break. So the management planned to replace the production manager. They appointed Mr. Hari as the new Production Manager. He observed the average worker and noted down their times. He noted down the time they worked and the time they required to be fresh to join back the work. Based on this observation, he set the break intervals for workers. He gave small breaks to workers to recharge their energy.**

### **(a) Name and explain the technique of scientific management used by Mr. Hari.**

Fatigue study:

Fatigue study is to study to understand how fatigue affects productivity. Reducing fatigue at the workplace has been the key aim of every organization as it affects productivity adversely. Glaring light could affect fatigue in an employee.

### **(b) State the value which Mr. Hari wants to communicate to the society by allowing rest intervals to workers.**

The employee should be provided adequate rest so as to increase their efficiency.

### **Q) Explain any other 2 techniques of scientific management as given by F. W. Taylor.**

Taylor's principles of Scientific Management encompass:

#### **1. Scientific Task and Rate-Setting:**

- Work study: systematic examination to enhance efficiency.
  - Methods Study: optimize plant layout, tools, and operations.
  - Motion Study: eliminate useless motions.

- Time Study: determine optimal operation time.
  - Fatigue Study: regulate working hours and rest intervals.
  - Rate-setting: implement differential piece wage system.
2. **Planning the Task:**
    - Thorough production planning to prevent bottlenecks.
  3. **Selection and Training:**
    - Centralized personnel department for systematic selection and training.
  4. **Standardization:**
    - Uniformity in tools, equipment, speed, work conditions, and materials.
  5. **Specialization:**
    - Separate planning and execution functions.
    - Functional foremen for specific tasks like route planning, instruction, time management, discipline, machine maintenance, and quality control.
  6. **Mental Revolution:**
    - Aim for increased productivity to benefit both management and workers, fostering a collaborative mindset.

**Q) "Taylor's principles of management and Fayol's principles of management are mutually complementary.", "The work of Taylor and Fayol is essentially complementary." Do you agree? Briefly discuss both the principles and give any five reasons in support of your answer.**

**In the light of this statement, explain and compare Taylor's scientific management and Fayol's principles of management.**

Taylor's and Fayol's principles of management are complementary. Here's a breakdown of both and why they work well together:

#### **Taylor's Scientific Management:**

- Focuses on **task efficiency** through:
  - **Science, not rule of thumb:** Analyzing tasks to find the most efficient way to complete them.
  - **Selection and training of workers:** Matching workers to the right tasks and providing proper training.
  - **Cooperation between workers and management:** Working together to achieve optimal results.

#### **Fayol's Principles of Management:**

- Focuses on **overall organizational effectiveness** through:
  - **Division of work:** Specialization leads to increased efficiency.
  - **Unity of command:** Clear reporting structures avoid confusion.
  - **Unity of direction:** Everyone works towards the same goals.
  - **Discipline:** A balance between fairness and employee accountability.
  - **Remuneration:** Fair pay motivates and retains employees.

#### **Five reasons why they are complementary:**

1. **Efficiency leads to effectiveness:** Taylor's efficient tasks contribute to Fayol's overall organizational goals.
2. **Strong foundation, smooth operations:** Fayol's principles provide a framework for implementing Taylor's scientific methods.
3. **Focus on both workers and organization:** Together they address worker productivity (Taylor) and overall management practices (Fayol).
4. **Scientific approach with human considerations:** Taylor's scientific analysis is balanced by Fayol's emphasis on fairness and employee motivation.
5. **Applicable to different levels:** Taylor focuses on task-level efficiency, while Fayol addresses broader managerial functions.

In conclusion, Taylor's scientific management provides the tools to optimize individual tasks, while Fayol's principles create a framework for implementing those methods effectively within a larger organizational structure. They work together to achieve efficiency and effectiveness at all levels.

## **9. Henri Fayol's 14 Principles of Management:**

**Q) Management are vital for any firm's existence. Explain this statement with the help of Fayol's 14 management principles which are considered as foundation in the management of any business firm.**

**Q) Management principles are foundation for success and sustenance of any business. In the light of this statement List and explain any ten of the '14 Principles of Management' given by Henri Fayol.** Henri Fayol, a French mining engineer, developed his 14 Principles of Management based on his own management experience. These principles provide a framework for effective organizational management. Here is a list and explanation of each principle:

1. **Division of Work:** This principle suggests that work should be divided among individuals and groups to ensure that effort and attention are focused on specific tasks. Specialization can lead to increased efficiency and productivity as employees become more skilled in their assigned tasks.
2. **Authority:** Authority refers to the right to give orders and the power to exact obedience. Fayol emphasized that authority should be accompanied by responsibility, meaning that those who have the authority to give orders must also be accountable for the outcomes.
3. **Discipline:** A successful organization requires disciplined behavior from its employees. Fayol advocated for the judicious application of penalties to encourage adherence to organizational rules and goals.
4. **Unity of Command:** According to this principle, each employee should receive orders from only one manager. This helps to prevent confusion and ensures clear lines of communication and accountability within the organization.
5. **Unity of Direction:** All activities within the organization should be directed towards a common goal. Teams with similar objectives should work under the direction of a single manager to ensure coordination and alignment of efforts.
6. **Subordination of Individual Interests to the General Interest:** Fayol emphasized the importance of prioritizing the collective interests of the organization over the individual interests of employees. Managers should ensure that personal agendas do not detract from the overall goals of the organization.
7. **Remuneration:** Compensation for employees should be fair and take into account various factors such as cost of living, business conditions, and the success of the organization. Employee satisfaction depends on receiving adequate and equitable compensation.
8. **Centralization:** Centralization refers to the degree to which decision-making authority is concentrated within the organization. Fayol argued that the appropriate level of centralization depends on the specific needs and circumstances of the organization.
9. **Scalar Chain:** This principle establishes a hierarchical structure within the organization, with each manager possessing a certain level of authority. Clear lines of communication should exist between managers at different levels to ensure effective coordination and decision-making.
10. **Order:** Organization and cleanliness in the workplace are essential for efficiency and productivity. Everything should have its place, and facilities should be maintained to provide a safe and conducive working environment.
11. **Equity:** All employees should be treated fairly and impartially by management. This involves maintaining discipline when necessary while also showing kindness and respect towards employees.
12. **Stability of Tenure of Personnel:** Employee turnover should be minimized, and efforts should be made to retain productive employees. Stability in the workforce is essential for maintaining continuity and efficiency within the organization.
13. **Initiative:** Management should encourage and support employee initiative by providing opportunities for self-direction and innovation. Employees should be empowered to take on new challenges and contribute to the organization's success.
14. **Esprit de Corps:** Building a sense of unity and teamwork among employees is crucial for organizational success. Management should promote a positive work culture that fosters harmony, cooperation, and mutual respect among team members.

**Q) 'Great managers are made, not born'. Justify the maxim in the light of Fayol's 14 principles of management.**

The maxim "Great managers are made, not born" aligns well with Henri Fayol's 14 principles of management. Here's why:

- **Learnable Skills:** Fayol's principles outline specific functions of management, like planning, organizing, coordinating, commanding, and controlling. These are all learnable skills that can be developed through education, training, and experience.
- **Universal Application:** The 14 principles are designed to be universally applicable. They don't require inherent talent; anyone can learn and implement them to become a more effective manager.
- **Focus on Process:** Fayol emphasizes a systematic approach to management. By following these principles, individuals can improve their managerial abilities regardless of their natural charisma or leadership style.

While some innate qualities might benefit management, Fayol's principles demonstrate that effective management is a learned skill that can be honed through dedication and applying these core principles.

**Q) 'Aapka Vidyalaya' believes in holistic development of students and encourages a mix of curricular, co-curricular, and sports activities. On its founders' day, a stage performance had to be put up. A committee of ten prefects was constituted to plan different aspects of the function. They all decided to use recycled paper for decoration. There was a spirit of unity and harmony and all members supported each other. With mutual trust and belongingness, the programme was systematically planned and executed. Kartik, one of the prefects, realized that unknowingly the group had applied one of the principles of management while planning and executing the programme.**

**(a) Identify the principle of management applied for the success of the programme.**

Espirit de Corps: This principal forces on promoting team spirit of unity and harmony among employees.

**(b) State any two features of management highlighted in the above para.**

The features of management that are highlighted in the given paragraph are as follows:

- 1) Goal Oriented: Management is goal oriented, as it has a pre-defined set of goals towards which the organization works. In the given case, the school has a set of pre-defined goals such as development of students and encouragement of team building. Also, the goal was set for the perfect execution of the Founder's Day Programme.
- 2) Group Activity: Management is a group activity, as it involves the collective efforts of various individuals working in the group. In the given case, the efforts of all the students and prefects were pulled in with mutual trust and support.

**(c) Identify any two values which 'Aapka Vidyalaya' communicated to the society.**

The following values were communicated by 'Aapka Vidyalaya' to the society

- i. Environment protection and development by recycling paper.
- ii. Promotion of mutual trust and sense of belongingness among people.

**Q) Read the case and answer the questions below:**

**Nutan Tiffin Box service was started in Mumbai by Mumbai Dabbawallas. The Dabbawallas, who are the soul of entire Mumbai, aim to provide prompt and efficient services by providing tasty homemade tiffin to all office-goers at the right time and place. The service is uninterrupted even on the days of bad weather, political unrest, and social disturbances. Recently they have started an online booking system through their website**

'mydabbawalas.com'. Owing to their tremendous popularity amongst the happy and satisfied customers and members, the Dabbawallas were invited as guest lecturers by top business schools. The Dabbawallas operate in a group of 25-30 people along with a group leader. Each group teams up with other groups in order to deliver the tiffin on time. They are not transferred on a frequent basis as they have to remember the addresses of their customers. They follow certain rules while doing trade - No alcohol during working hours; No leave without permission; Wearing of white cap & carrying ID cards during business hours. Recently, on the suggestion of a few self-motivated fellow men, the Dabbawallas thought out and executed a plan of providing food left in tiffins by customers to slum children. They have instructed their customers to place a red sticker if food is left in the tiffin, to be fed to poor children later.

**a. Identify, State and explain the principles of management given by Fayol & characteristics of management mentioned in the above case.**

Principles of management (any one)

- Stability of Personnel
- Initiative
- Discipline
- Esprit de corps

Characteristic of management (any one)

- Goal oriented Dynamic
- Intangible Force Multi-Dimensional
- Group activity

**b. Give and discuss any two values which the Dabbawallas want to communicate to society.**

Values that have been communicated by the Dabbawallas

1. Fulfilling social responsibility;
2. Empathy towards disadvantaged children
3. Team work

**Q) Based on the following case, answer the questions**

**Fifteen new employees have started their career in Coca Cola. The employees are new to the environment of the organisation and are unfamiliar about the demanding jobs. The management has decided to give them three months of time to show their results.**

**a) Which principle of Fayol is followed here?**

a) The principle of Fayol being followed here is the "Principle of Tenure of Personnel" or "Stability of Personnel." By giving the new employees three months to show their results, the management is allowing them time to settle into their roles and adapt to the organizational environment before evaluating their performance.

**b) How does this principle help the organisation?**

b) This principle helps the organization by reducing employee turnover and promoting stability within the workforce. When employees are given a reasonable amount of time to adjust to their new roles and responsibilities, they are more likely to succeed and remain with the company. This stability leads to increased efficiency, as experienced employees are more productive and require less training and supervision.

**c) If the same employee is tasked with work by two different domain leaders, which principle stands violated here?**

c) If the same employee is tasked with work by two different domain leaders, it would violate the principle of "Unity of Command." This principle states that an employee should receive orders from only one superior or authority figure. Having multiple superiors issuing orders can lead to conflicts, confusion, and inefficiencies.

**d) Two employees working at the same level are paid differently. Which principle may be violated here?**

d) If two employees working at the same level are paid differently, it may violate the principle of "Fair Remuneration" or "Equity." This principle suggests that employees should be compensated fairly based on their responsibilities, qualifications, and performance. Paying different salaries to employees in the same position and with similar qualifications and experience can lead to resentment, demotivation, and a lack of morale.

**e) How can you encourage the principle of "esprit de corps" here?**

e) To encourage the principle of "Esprit de Corps" (team spirit or morale), the management can take the following steps:

- Foster a positive and supportive work environment where employees feel valued and respected.
- Encourage open communication and collaboration among team members.
- Celebrate team achievements and recognize individual contributions.
- Provide opportunities for team-building activities and social events.
- Ensure fair treatment and consistent application of policies and procedures.
- Promote a sense of shared goals and objectives among employees.
- Encourage a healthy work-life balance and support employee well-being initiatives.

By fostering a sense of unity, camaraderie, and shared purpose, the organization can cultivate a strong team spirit and promote a productive and motivated workforce.

**Q) Nobita is the owner of a printing press. The size of his organization has increased during the recent past. There are many employees who work in his organization. The organization is considered good and has earned a lot of reputation in the market. However, when it comes to making key decisions in the organization related to many things, he never considers the opinions of his subordinates. Even though the size of the organization has increased yet he tries to take all the key decisions on his own.**

**Which principle of Henri Fayol has been violated by Nobita?**

The principle of Henri Fayol that has been violated by Nobita is **Unity of Command**.

This principle states that an employee should receive orders from one superior only. In Nobita's case, by not considering the opinions of his subordinates and trying to make all decisions himself, he is creating a situation where employees might be unsure of who to follow or whose instructions take precedence. This can lead to confusion, inefficiency, and decreased morale among the employees.

**Q) ABC Limited is facing huge losses. First of all, there is no specific sharing of work and any time any employee is asked to do anything. This has led to wastage of efforts. Further due to negligence in proper work sharing there has been no specialization. development in the nature of the jobs done by the employees.**

**There are no clear and fair agreements between the workers and the management. This has led to a lot of frustration in the workers. Management has quite often been found to be ignorant of not fulfilling promises done by it. There are also no strict rules and regulations binding on the conduct of the workers.**

**The departmental heads who are the middle level managers in the company and hold key positions always favour their relatives. They quite often don't turn up for job on time. They are always looking for special relaxations from the top management. This has led to feeling of resentment among the employees who are also demanding special favours and threatening strike in the coming days.**

**Identify the three principles of Fayol violated in the above case and state reasons for the same.**

1. **Division of Work:** Unspecified work assignments and random tasking violate Fayol's principle, reducing efficiency.
2. **Discipline:** Lack of rules, lax enforcement, and tardiness create an undisciplined environment.
3. **Subordination of Individual Interests:** Favouritism and special treatment prioritize individual needs over the company's good, causing resentment.

**Q) Flavours Ltd. was engaged in the business of making handmade chocolates. Lately, the business was expanding due to good quality and reasonable prices. As the demand was increasing, Flavours Ltd. decided to explore bakery products as well. In order to make bakery products, the company directed its workforce to work overtime but this resulted in multiple problems. Due to increased pressure, the efficiency declined and the workers had to take orders from more than one superior. Workers were overburdened and their health**

was also affected. Gradually the quality of the products begins to decline and market share also went down. The company realized that they had implemented changes without waiting for the required infrastructure.

**Identify and explain the principles/technique of Taylor/Fayol referred to in the above para.**

- (i) **UNITY OF COMMAND** - According to Fayol there should be one and only one boss for every individual employee. If an employee gets orders from two superiors at the same time the principle of unity of command is violated. The principle of unity of command states that each participant in a formal organisation should receive orders from and be responsible to only one superior. Fayol gave a lot of importance to this principle.
- (ii) **FATIGUE STUDY** - A person is bound to feel tired physically and mentally if she/he does not rest while working. The rest intervals will help one to regain stamina and work again with the same capacity. This will result in increased productivity. Fatigue study seeks to determine the amount and frequency of rest intervals in completing a task.

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

**Identify and explain principles of management (as given by Henry Fayol) which were being violated, quoting the lines from the above case.**

(i) **Unity of Command:**

"Sometimes, the subordinates had to work for more than one superior."

According to this principle one subordinate should receive orders from one superior only.

(ii) **Discipline:**

"The workers were becoming indisciplined."

This principle focuses on the obedience to organizational rules and employment agreement which are necessary for the working of the organisation.

(iii) **Espirit de Corps:**

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

According to this principle there should be team spirit of unity and harmony among the employees.

**Q) Analyze the case given below and answer the following questions. Delicacies Ltd. were engaged in the business of food processing and selling its products under a popular brand. Lately the business was expanding due to good quality and reasonable prices. Also, with more people working, the market for processed food was increasing. New players were also coming to cash in on the new trend, in order to keep its market share in the short run the company directed its existing workforce to work overtime. But this resulted in many problems. Due to increased pressure of work the efficiency of the workers declined. Sometimes the subordinates had to work for more than one superior resulting in declining efficiency. The divisions that were previously working on one product were also made to work on two or more products. This resulted in a lot of overlapping and wastage. The workers were becoming undisciplined. The spirit of teamwork, which had characterized the company, previously was beginning to wane, Workers were feeling cheated and initiative was declining. The quality of the products was beginning to decline and market share was on the verge of decrease. The company had implemented changes without creating the required infrastructure.**

a) Identify all principles of management given by Fayol that are being violated here.

b) Briefly recommend the address the issues mentioned in solutions that the company should take to the case.

a)

i. **Quote 1:** Sometimes the subordinates had to work for more than one superior resulting in declining efficiency.

**Principle: Unity of command-** This is evident from the situation that the employees are made to work for more than one superior.

ii. **Quote 2:** The divisions that were previously working on one product were also made to work on two or more

products.

**Principle: Division of work-** In the given situation one division is made to work on more than one product which leads to wastages.

iii. **Quote 3:** The workers were becoming undisciplined.

**Principle: Discipline-** In the given instance, principle of discipline is not being followed as workers were becoming undisciplined.

iv. **Quote 4:** The spirit of teamwork, which had characterised the company, previously was beginning to wane.

**Principle: Esprit de corps-** It is given that the spirit of team work is declining in the company.

v. **Quote 5:** Workers were feeling cheated and initiative was declining.

**Principle: Initiative-** It is given in the situation that initiative is declining and employees are discouraged.

b) refer prev questions

## 10. MOTIVATION: Behavioural Approach to Management:

### Q) Define Motivation

### Q) What do you understand by Motivation? Write a Short Note about the concept of Motivation.

Motivation refers to the psychological forces that drive individuals to initiate, sustain, and direct their behaviour towards achieving specific goals or outcomes. It involves the internal and external factors that stimulate enthusiasm, persistence, and dedication in individuals to pursue their objectives.

Understanding motivation is crucial for managers as it directly impacts employee performance, productivity, and overall organizational success. Effective motivation strategies can lead to increased job satisfaction, higher levels of engagement, and better retention rates among employees. Motivation can be influenced by various factors, including individual needs, goals, values, expectations, and the environment in which individuals operate.

**Q) Miss X recently cleared a job interview in a law firm. She was sceptical in taking the job offer and thus before joining, she took feedback from various employees of the law firm in order to take the right decision. She got to know that the firm has good working conditions and basic amenities like retirement benefits, insurance policies etc. However, the firm lacks in offering the challenging job opportunities and projects which help an individual to grow. With the help of the suitable theory of motivation, explain if Miss X will be motivated to join the law firm?**

Miss X's situation can be analyzed using Abraham Maslow's Hierarchy of Needs. This theory proposes that individuals are motivated by a hierarchy of needs, starting with basic physiological needs and progressing towards self-actualization.

- **Lower-Level Needs Seem Met:** The law firm appears to fulfill Miss X's lower-level needs with good working conditions, basic amenities like retirement benefits, and insurance policies. These address her needs for security and safety.
- **Motivation for Higher-Level Needs Lacking:** However, the lack of challenging work opportunities suggests the firm might not fulfill Miss X's higher-level needs for growth, esteem, and self-actualization. These needs focus on personal development, achievement, and reaching one's full potential.

*Therefore, based on Maslow's theory, Miss X might not be highly motivated to join the law firm in the long run. While the firm meets her basic needs, it might not provide the intellectual stimulation and growth opportunities she might desire.*

**Q) You have been recently promoted to a team manager position in a tech startup. Your team members are highly skilled, but lack motivation. Describe your strategy to motivate and lead this team effectively, ensuring they meet project deadlines and deliver quality work.**

To motivate and effectively lead a highly skilled but unmotivated team, first understand the root causes through open discussions and anonymous surveys. Then, appeal to their intrinsic motivation by offering challenging growth opportunities, mentorship programs, and cross-functional collaboration. Empower them with autonomy

by delegating tasks aligned with their strengths, setting clear goals while allowing flexibility, and treating them as capable professionals. Implement positive reinforcement through public recognition of achievements and performance-based rewards. Finally, foster open communication through regular team meetings and an environment where concerns and suggestions can be voiced freely. This balanced approach, addressing both intrinsic and extrinsic motivators while promoting autonomy and open dialogue, can reignite their motivation to meet deadlines and deliver quality work.

**Q) Write a short note on Herzberg-Two Factor Motivation Theory.**

The Herzberg Two-Factor Motivation Theory, also known as the Motivation-Hygiene Theory, was developed by psychologist Frederick Herzberg in the 1950s. This theory suggests that workplace motivation is influenced by two distinct sets of factors:

1. **Motivating Factors (Satisfiers):** These factors are intrinsic to the job itself and contribute to job satisfaction and motivation. When these factors are present, they can increase an individual's motivation and job satisfaction. Motivating factors include:
  - Achievement
  - Recognition
  - The work itself
  - Responsibility
  - Advancement
  - Growth
2. **Hygiene Factors (Dissatisfiers):** These factors are extrinsic to the job and relate to the work environment and job context. Hygiene factors do not necessarily motivate employees, but their absence can lead to job dissatisfaction. Hygiene factors include:
  - Company policies
  - Supervision
  - Relationships with supervisors and peers
  - Work conditions
  - Salary and benefits
  - Job security

According to Herzberg, the absence of hygiene factors can cause dissatisfaction among employees, but their presence alone does not necessarily motivate individuals. On the other hand, the presence of motivating factors can lead to increased job satisfaction and motivation, but their absence does not necessarily cause dissatisfaction.

Herzberg's theory suggests that organizations should focus on improving both motivating and hygiene factors to create a motivating work environment. By addressing hygiene factors to prevent dissatisfaction and introducing motivating factors to foster job satisfaction and motivation, organizations can enhance employee performance and productivity.

**Q) Explain Herzberg two factor theory and how it is relevant in present working environment?**

Herzberg's Two-Factor Motivation Theory remains highly relevant in today's working environment. The theory highlights the importance of addressing both motivating factors (such as responsibility, achievement, and growth opportunities) and hygiene factors (like company policies, work conditions, and job security). By focusing on these factors, organizations can foster a more engaged and motivated workforce, which is crucial for attracting and retaining top talent in an increasingly competitive job market. Additionally, the emphasis on work-life balance and employee well-being aligns with contemporary workplace trends, making Herzberg's theory a valuable framework for understanding and enhancing employee motivation and job satisfaction in modern organizations.

### 10.1. Maslow's Need Hierarchy Theory:

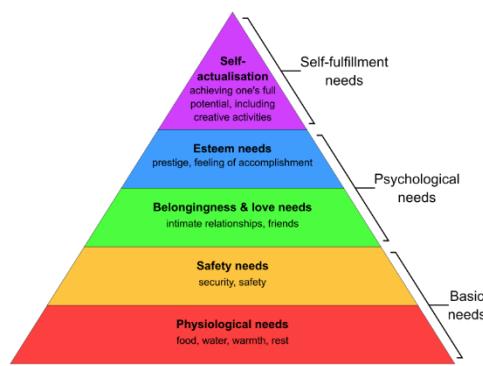
**Q) Discuss and explain Maslow's Need Hierarchy Theory of Motivation with examples and diagram.**

Maslow's Need Hierarchy theory provides an understanding of the complex phenomenon of motivation. According to Maslow, within each individual there exists a set of five needs that can be arranged in a hierarchy. Knowledge of these needs helps the manager in understanding the behaviour of employees. With identification of the needs of the employees, appropriate motivation can be provided to them.

#### Assumptions

Maslow's theory is based on the following assumptions.

- (i) People's need influences their behaviour.
- (ii) Needs of the individuals can be arranged in a hierarchical order.
- (iii) An individual can move to a higher level need only when the lower level need in the hierarchy is satisfied.
- (iv) Once a need is satisfied, an individual can be motivated only through the next higher level need.



**Q) Discuss the five basic human needs. According to the hierarchy of needs theory, what basic human needs must be satisfied for motivation to occur?**

1. **Physiological needs** are those needs required for human survival such as air, food, water, shelter, clothing, and sleep. As a manager, you can account for physiological needs of your employees by providing comfortable working conditions, reasonable work hours, and the necessary breaks to use the bathroom and eat and/or drink.
2. **Safety needs** include those needs that provide a person with a sense of security and well-being. Personal security, financial security, good health, and protection from accidents, harm, and their adverse effects are all included in safety needs. As a manager, you can account for the safety needs of your employees by providing safe working conditions, secure compensation (such as a salary), and job security, which is especially important in a bad economy.
3. **Social needs**, also called love and belonging, refer to the need to feel a sense of belonging and acceptance. Social needs are important to humans so that they do not feel alone, isolated, and depressed. Friendships, family, and intimacy all work to fulfill social needs. As a manager, you can account for the social needs of your employees by making sure each of your employees knows one another, encouraging cooperative teamwork, being an accessible and kind supervisor, and promoting a good work-life balance.
4. **Esteem needs** refer to the need for self-esteem and respect, with self-respect being slightly more important than gaining respect and admiration from others. As a manager, you can account for the esteem needs of your employees by offering praise and recognition when the employee does well and offering promotions and additional responsibility to reflect your belief that they are a valued employee.
5. **Self-actualization needs** describe a person's need to reach his or her full potential. The need to become what one is capable of is something that is highly personal. While I might have the need to be a good parent, you might have the need to hold an executive-level position within your organization. Because this need is individualized, as a manager, you can account for this need by providing challenging work, inviting employees to participate in decision-making, and giving them flexibility and autonomy in their jobs.

**Q) 'Maslow's need hierarchy is considered fundamental to understand motivation'. Explain the role of need hierarchy in motivation. Illustrate with an example, application of Maslow's hierarchy of needs.**

Maslow's hierarchy of needs serves as a fundamental framework for understanding motivation by outlining the different levels of needs that individuals strive to fulfill. It suggests that people are motivated to satisfy their basic needs first before moving on to higher-level needs.

For instance, consider an employee who is struggling financially and feels insecure about their job. Their primary focus would be on fulfilling their physiological and safety needs, such as earning enough money to afford basic necessities and ensuring job stability. Once these needs are met, they may start seeking social connections and recognition at work (social and esteem needs). Finally, as they feel more secure and fulfilled in their personal and professional life, they may strive for self-actualization by pursuing personal growth opportunities or striving for higher career goals.

By understanding Maslow's hierarchy of needs, managers can tailor their approaches to motivation and employee satisfaction. They can address each level of needs by providing a supportive work environment, opportunities for advancement, recognition, and autonomy, ultimately fostering greater motivation and engagement among their employees.

**Q) Understanding what motivates an employee is essential for any manager to successfully run an organization. In support of the above line, explain Maslow's Need Hierarchy Theory. How can you apply this motivation theory to an organisation?**

Understanding what motivates employees is crucial for managers to run an organization successfully. Maslow's Hierarchy of Needs Theory highlights that individuals have five levels of needs: physiological, safety, social, esteem, and self-actualization. Managers can apply this theory by ensuring that employees' needs are met at each level, from basic necessities to personal growth opportunities. By addressing these needs, managers can effectively motivate employees, leading to increased productivity and job satisfaction.

**Q) At present, apart from the basic pay and allowances as a part of compensation, the employees and employers contribute 12% of basic wages each towards Employees Provident Fund scheme and Employees Pension Fund scheme. A proposal to reduce the contribution by employers and employees to 10% of basic pay and dearness allowance was listed on the agenda for a recent meeting of Employees Provident Fund Organization held. The stakeholders expressed their reservations about it and they feel that it should be continued at 12%. Explain any two needs as suggested by Maslow's Need Hierarchy Theory, which will not be satisfied by the incentives discussed above.**

The following needs given as per Maslow's Need Hierarchy Theory will not be satisfied by the two incentives- Basic pay and allowances (satisfies basic needs) & Retirement Benefits (satisfy safety and security needs) discussed above:

- Affiliation /Belonging Needs:** These needs refer to affection, sense of belongingness, acceptance and friendship.
- Esteem Needs:** These include factors such as self-respect, autonomy status, recognition and attention.
- Self Actualization Needs:** It is the highest level of need in the hierarchy. It refers to the drive to become what one is capable of becoming

**Q) GreenTech Solutions is a small sustainability-focused startup specializing in eco-friendly product development. The company is experiencing challenges in motivating its employees to achieve their full potential and contribute effectively to the company's growth. To address this issue, the management team decides to apply Maslow's Need Hierarchy theory to understand and enhance employee motivation. As the manager in this scenario, how would you apply Maslow's Motivation Theory to motivate your employees?**

To apply Maslow's Motivation Theory as a manager at GreenTech Solutions, I would focus on the following:

- **Physiological Needs:** Ensure employees receive fair compensation and benefits to meet their basic needs.
- **Safety Needs:** Promote a safe and secure work environment, both physically and emotionally.

- Belongingness Needs: Foster a sense of community and teamwork through social events and collaborative projects.
- Esteem Needs: Recognize and appreciate employee contributions, provide opportunities for growth and development.
- Self-Actualization Needs: Align employees' roles with their passions, offer challenging and meaningful work that aligns with the company's eco-friendly mission.

By addressing these hierarchical needs, employees are more likely to feel motivated, engaged, and committed to achieving their full potential and contributing to the company's growth.

## 10.2 Hawthorne Experiment

### Q) Discuss the key findings of famous Hawthorne Experiments by Elton Mayo.

Elton Mayo's Hawthorne studies debunked classical management theories by revealing the importance of human relations in productivity. In experiments at the Hawthorne Works, productivity increased when workers received special privileges and attention from supervisors, rather than due to changes in lighting or other benefits. This led to the Hawthorne effect, where researchers' attention impacts study outcomes. The studies emphasized the significance of social needs in management, revolutionizing management theories and practices.

**Key Findings:**

- Workplace culture plays a significant role in productivity.
- Work conditions affect productivity, but pay is not the only stimulating factor.
- Management style and leadership affect productivity.
- Job satisfaction influences work output.
- Work is a social environment. Social and psychological factors like interaction, self-esteem, and cooperation are important for high productivity.

## 11. Contemporary Management Approaches:

### 12. Management by Objectives (MBO):

#### Q) "No organization can achieve its objectives without systematic planning." Do you agree with this statement? Give reasons in support of your answer.

Yes, the statement 'No enterprise can achieve its objectives without systematic planning' is right. Importance of Planning:

1. **Provides Directions:** Planning provides a roadmap for how work is to be done, offering clarity and direction for all actions.
2. **Reduces the Risk of Uncertainty:** By anticipating future events and preparing for them, planning helps organizations mitigate risks and face unexpected challenges with greater resilience.
3. **Reduces Wasteful Activities:** Planning serves as the foundation for coordinating the activities and efforts of different departments and individuals. This coordination helps eliminate useless and redundant activities, making operations more efficient.
4. **Promotes Innovative Ideas:** Planning involves thinking ahead, providing opportunities to explore better and different methods to achieve objectives. This fosters innovation within the organization.
5. **Facilitates Decision Making:** Planning involves evaluating various alternatives and selecting the best course of action. This structured approach to decision making streamlines the process and enhances the quality of decisions.
6. **Facilitates Control:** Planning provides a benchmark against which actual performance can be compared. By identifying deviations from the plan, organizations can take corrective action to ensure goals are met efficiently.

### 13. Organizational Structures:

**Q) What is the meaning of organization structure? Write a short note on Organizational Structure**

Organizational Structure refers to the framework or blueprint that outlines how activities, tasks, and roles are organized, controlled, and coordinated within an organization. It defines the hierarchy, reporting relationships, communication channels, and division of responsibilities within the organization. Essentially, it determines how various parts of the organization interact and work together to achieve common goals.

In simpler terms, organizational structure is like the skeleton of an organization, providing the basic framework upon which the organization operates. It establishes the formal lines of authority, clarifies who reports to whom, and delineates the flow of information and decision-making processes.

The significance of organizational structure lies in its ability to facilitate coordination, efficiency, and effectiveness within the organization. By clearly defining roles, responsibilities, and relationships, it helps minimize confusion and conflict, improves communication, and enhances overall productivity.

**Q) Any operating organization should have its own structure in order to operate efficiently. Explain the above statement.**

The statement suggests that for an organization to function effectively, it needs a defined structure outlining roles, responsibilities, and hierarchical relationships. This structure enables clear communication, efficient decision-making, and coordinated efforts towards achieving goals. Without it, there may be confusion, duplication of efforts, and inefficiencies within the organization.

**Q) "For every minute spent in organizing, an hour is earned." Examine the statement with examples and organization structures?**

This saying by Benjamin Franklin highlights the value of organization. Here's a breakdown:

- **Truth:** Spending time upfront to organize can save you much more time later.
- **Examples:**
  - A student spends 15 minutes organizing notes before studying (organizing). This helps them focus and recall information quicker, saving them an hour (earned) of overall study time.
  - A company implements a well-organized filing system (organizing). This saves employees time searching for documents (earned) throughout the day.
- **Structures:** Clear organization systems across various aspects – physical (workspaces), digital (files), and mental (planning) – contribute to overall efficiency.

In short, investing a little time in organization yields significant time savings in the long run.

**Q) Explain the different organisational structures with advantages and disadvantages.**

**Q) What is meant by 'functional structure' of an organization? State its advantages.**

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



All departments report to a coordinating head. For example, in a manufacturing concern division of work into key functions will include production, purchase, marketing, accounts and personnel. These departments may be further divided into sections. Thus, a functional structure is an organisational design that groups similar or related jobs together.

Advantages:

- (a) A functional structure leads to occupational specialisation since emphasis is placed on specific functions. This promotes efficiency in utilisation of manpower as employees perform similar tasks within a department and are able to improve performance.
- (b) It promotes control and coordination within a department because of similarity in the tasks being performed.
- (c) It helps in increasing managerial and operational efficiency and this results in increased profit.
- (d) It leads to lower costs.
- (e) It makes communication easier as the focus is only on a limited range of skills.
- (f) It ensures that different functions get due attention.

Disadvantages:

- a) A functional structure can lead to functional empires where the importance of a particular function may be overemphasised. Pursuing departmental interests at the cost of organisational interests can also hinder the interaction between two or more departments.
- b) It may lead to a lack of coordination and cooperation between different departments.
- c) A conflict of interests may arise when the interests of two or more departments are not compatible. For example, the sales department insisting on a customer-friendly design may cause difficulties in production. Such dissension can prove to be harmful in terms of the fulfilment of organisational interests. Inter-departmental conflicts can also arise in the absence of clear separation of responsibility.
- d) It may lead to functional heads being narrow-minded in appreciating any other point of view. Functional heads do not get training for top management positions because they are unable to gather experience in diverse areas.

**Q) Enumerate Line, Functional, and Line & Staff organizations with their respective diagrams, advantages, and disadvantages.****Line Structure**

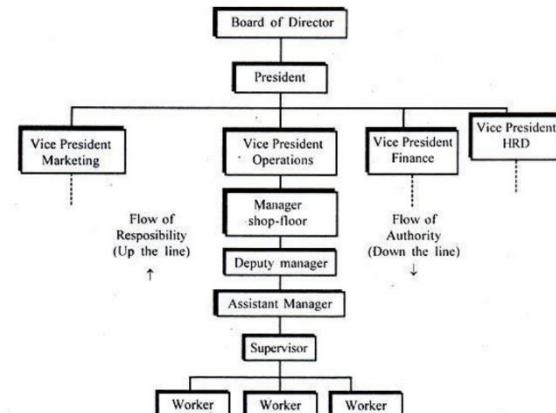
This is the kind of structure that has a specific line of command. The approvals and orders in this kind of structure come from top to bottom in a line. Hence it is known as a line structure. This kind of structure is suitable for smaller organizations like small accounting firms and law offices. This structure allows easy decision-making and is informal in nature.

**Merits**

- ✓ It is the simplest kind of organizational structure.
- ✓ Strict authority results in a stronger discipline.
- ✓ Prompt decisions result in quick and effective actions.
- ✓ There is clarity in the structures of authority and responsibility.
- ✓ As the control rests with one superior, it accords him the flexibility to adjust the department.
- ✓ There are good career advancement prospects for individuals who deliver quality work.

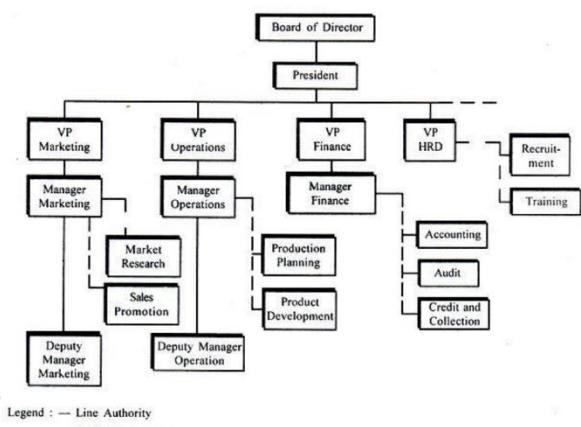
**Demerits**

- X There are chances of the department head being biased.
- X Lack of specialization is a persistent problem.
- X The department head may be burdened with lots of work.
- X Communication only happens from top to bottom.
- X Superiors with authority can misuse it for their benefit.
- X Decisions are taken by a single person and can go wrong.



**Q) Line and staff organization (short note). Discuss the concept and role of Line and Staff Organization? How can their relationships be made more collaborative and productive?**

Though a line structure is suitable for most organizations, especially the small ones, it is not effective for larger companies. This is where the line and staff organizational structure comes into play. Line and staff structure combines the line structure where information and approvals come from top to bottom, with staff departments for support and specialization. Line and staff organizational structures are more centralized. Managers of line and staff have authority over their subordinates, but staff managers have no authority over line managers and their subordinates. The decision-making process becomes slower in this type of organizational structure because of several layers and guidelines. Also, there is formality involved.



#### Merits

- ✓ It enables the employees to perform at a faster rate.
- ✓ It helps employees to accept responsible jobs and specialize in a particular area.
- ✓ It helps line managers to concentrate on the task at hand.
- ✓ Little or no resistance is met when organizational changes take place.
- ✓ It results in less operational wastage and increases productivity.
- ✓ Employees feel that they are given the due credit for their contribution.

#### Demerits

- ✗ Confusion may be created among employees.
- ✗ Employees lack operational knowledge to give result-oriented suggestions.
- ✗ There are too many levels of hierarchy.
- ✗ Employees may have differences of opinions and this may slow down the work.
- ✗ As staff specialists exist, it is costlier than a simple line organization.
- ✗ Decision-making may be time-consuming.

**Q) Compare Functional, Divisional, and Matrix organizational structures. (GPT)**

- **Authority and Responsibility:**
  - In a functional structure, authority and responsibility are clearly defined within each department.
  - In a divisional structure, authority is decentralized to divisional managers who have more autonomy.
  - In a matrix structure, authority is shared between functional and project managers, leading to potential conflicts.
- **Communication and Coordination:**
  - Functional structures have clear lines of communication vertically within departments.
  - Divisional structures emphasize communication within divisions but may lack coordination across divisions.
  - Matrix structures promote both vertical and horizontal communication channels to facilitate collaboration.
- **Flexibility and Adaptability:**
  - Functional structures are efficient but may lack flexibility to adapt to changes quickly.
  - Divisional structures offer more adaptability to diverse markets or customer needs but can be less efficient due to duplication of functions.

- Matrix structures provide flexibility by allowing employees to work across functions and projects but can be complex to manage.
- Resource Allocation:**
  - In functional structures, resources are allocated based on the needs of each department.
  - Divisional structures allocate resources to divisions based on their specific requirements.
  - Matrix structures require careful resource allocation to balance the needs of functional areas and projects.
- Decision-Making:**
  - Functional structures typically have centralized decision-making within each department.
  - Divisional structures allow for decentralized decision-making within divisions.
  - Matrix structures may involve both centralized and decentralized decision-making, depending on the nature of the project.

**Q) Explain, compare and differentiate the Functional and Divisional structures in an organization.**

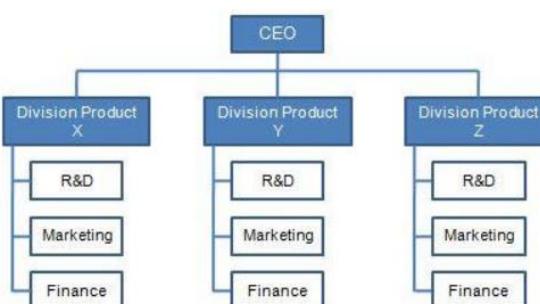
Basis	Functional Structure	Divisional Structure
Meaning	Grouping of jobs of similar nature under one department	Grouping of jobs related to one product under one department
Formation	Basis of function	Basis of product
Specialization	Leads to functional specialization	Leads to product specialization
Responsibility	Fixing responsibility for a particular department is difficult	Fixing responsibility for a particular department is easy
Managerial Development	Managers become specialized in one function only	Multiple functions are performed by managers making managerial development easier
Cost	Economical due to no duplication of work	Not economical as all resources are required by each department
Coordination	Difficult in multi-product companies	Easy as all functions related to a product are integrated
Suitability	Suitable for single product or small number of products	Suitable for organizations with varieties of products

**Q) Explain the merits and demerits of Functional and divisional structure.**

**Q) State the merits and demerits of such an organizational structure.**

#### 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. The benefit of this structure is that the needs can be met more rapidly and more specifically; however, 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. These are the kinds of structures that are based on different divisions in the organization. They group together employees based on the products, markets and geographical locations covered. Here is a detailed description of a divisional structure.

*Merits:*

- ✓ Encourages specialization within each division.
- ✓ Provides clear lines of authority within each division.
- ✓ Facilitates accountability for the performance of each division.
- ✓ Allows for greater flexibility and responsiveness to market changes or specific customer needs within each division.
- ✓ Promotes innovation and creativity within each division.
- ✓ Enhances focus on specific products, services, or geographic regions within each division.

*Demerits:*

- X Communication barriers may arise between divisions, hindering coordination and collaboration.
- X Risk of duplication of functions or resources across divisions, leading to inefficiencies.
- X Decisions made within each division may prioritize divisional goals over organizational goals.
- X Difficulty in integrating operations and standardizing processes across divisions.
- X Potential for conflicts or competition between divisions for resources or recognition.
- X Limited opportunities for employees to gain exposure to different areas of the organization outside their division.

**Q) What kind of organizational structure is generally found in an IT company? Justify your answer**

IT companies often utilize a **functional organizational structure**. Here's why:

(GPT 3.5)

- **Specialization:** Functional structures group employees by expertise (network security, software development, etc.). This fosters deep knowledge within teams.
- **Efficiency:** Clear lines of responsibility and reporting make it easy to manage projects and track tasks.
- **Scalability:** As the company grows, it can add more specialists within existing functions.

This structure is efficient for departmentalization and expertise but may limit collaboration across functions in some cases.

**Q) XYZ Pvt Ltd is in the business of producing formal shoes. Their Top management team has appointed a new general manager 'R' to handle their project of expanding into the sports shoe segment. R. holds a press conference to convey the future plans of XYZ. He hires a new project team and relays them with necessary requirements of the venture and various responsibilities. R organizes the resources needed for the new venture and negotiates with the top management team for adequate allocation. A separate marketing, finance, and HR team is appointed for the new division of shoes. He laid out the goals and targeted results that the division wants to achieve. To develop a successful product line, R decides to study the psychological change brought in by the fitness trend growing in the country. The project was finally initiated.**

**Based on the above case, attempt the following questions:**

- a. What are the various features of management referred to in the case? Name and briefly explain any three.
- b. Mention any three roles of the manager being performed in the case.
- c. Which organizational structure would best suit this type of expansion and give any two advantages of this structure? (GPT)

**a. Features of Management in the Case:**

1. **Planning:** R exemplifies planning by setting goals, allocating resources, and laying out a roadmap for the sports shoe venture.
2. **Organizing:** R demonstrates organizing by forming a new project team, appointing separate marketing, finance, and HR teams for the new division, and delegating responsibilities.
3. **Leading:** R exhibits leadership by motivating and guiding the project team, negotiating with the top management, and setting the overall direction for the venture.

**b. Roles of the Manager:**

1. **Decision Making:** R makes key decisions throughout the case. He chooses to enter the sports shoe market, hires the project team, negotiates for resources, and defines goals for the new division.
2. **Interpersonal Skills:** R interacts effectively with various stakeholders. He communicates plans at the press conference, hires and leads the project team, and negotiates with the top management.
3. **Problem-Solving:** R anticipates challenges by studying the fitness trend to develop a successful product line. He likely will encounter problems during the project and will need to solve them effectively.

#### c. Organizational Structure for Expansion:

A **Divisional Structure** would best suit this type of expansion. Here's why:

1. **Specialization:** The divisional structure allows for specialization in different product segments (formal shoes vs. sports shoes). Each division can have its own teams and focus, leading to better expertise.
2. **Autonomy:** The sports shoe division can operate with some level of autonomy under R's leadership. This allows for faster decision-making and adaptation to the specific needs of the sports shoe market.

#### Additional Advantages of a Divisional Structure:

- **Improved Market Responsiveness:** The company can be more responsive to changes in the sports shoe market due to the dedicated division.
- **Performance Evaluation:** The performance of the sports shoe division can be easily evaluated since it's a separate unit.

**Q) 'Steel India Ltd.'** decided to set up its steel manufacturing factory in the backward area of Orissa where very few job opportunities were available. People of that area welcomed this effort of 'Steel India Ltd.' To attract people to work in its factory, it also decided to provide many other facilities like schools, hospitals, markets, etc. in the factory premises.

'Steel India Ltd.' started earning huge profits. Another competing company asked its production manager 'Aslam' to investigate the reasons for earning huge profits by 'Steel India Ltd.' Aslam found that in both the companies, there was systematic coordination among the various activities to achieve organizational goals. Every employee knew who was responsible and accountable to whom. The only difference was that in his organization, communication took place only through the scalar chain, whereas 'Steel India Ltd.' was allowing the flow of communication in all directions as per the requirement which led to faster spread of information as well as quick feedback.

(i) Identify and explain the type of organization structure which permits 'Steel India Ltd.' the flow of communication in all directions.

'Informal Organisation' as it allows communication to flow in all directions.

(ii) Compare the advantages of the type of organization identified in (i) above, with any other type of organization structure usually adopted by companies.

Another advantage of informal organisation is that it allows employees to feel sociable, interactive and competitive. This results in better employee engagement and work culture. All these factors result in better productivity for the organisation by the employees.

## Unit 2

### **1. Dynamic Interaction and Context:**

### **2. Adaptation for Success:**

### **3. Business Environment:**

#### **Q) What is the business environment? Define Business Environment with a short note.**

The term ‘business environment’ connotes external forces, factors and institutions that are beyond the control of the business and they affect the functioning of a business enterprise. These include customers, competitors, suppliers, government, and the social, political, legal and technological factors etc. While some of these factors or forces may have direct influence over the business firm, others may operate indirectly. Thus, business environment may be defined as the total surroundings, which have a direct or indirect bearing on the functioning of business. It may also be defined as the set of external factors, such as economic factors, social factors, political and legal factors, demographic factors, technical factors etc., which are uncontrollable in nature and affects the business decisions of a firm.

#### **Definition**

1. Business Environment has been defined by Bayard O. Wheeler as “the total of all things external to firms and industries which affect their organization and operation”.
2. According to Arthur M. Weimer, business environment encompasses the ‘climate’ or set of conditions, economic, social, political or institutional in which business operations are conducted.
3. According to Glueck and Jauch, “The environment includes factors outside the firm which can lead to opportunities for or threats to the firm. Although there are many factors, the most important of the sectors are socio-economic, technological, supplier, competitors, and government.”
4. According to Barry M. Richman and Melvyn Copen “Environment consists of factors that are largely if not totally, external and beyond the control of individual industrial enterprise and their managements. These are essentially the ‘givers’ within which firms and their management must operate in a specific country and they vary, often greatly, from country to country”.

#### **Q) Discuss the concepts and features of business environment. What is the meaning of Business environment. Explain the factors affecting business environment and how these factors can be helpful for any enterprise which is operating in dynamic business environment?**

A business firm operates as an open system, interacting with its environment to acquire resources and provide goods/services. The environment comprises internal and external forces at national, regional, and international levels, offering opportunities and threats. While businesses cannot control external forces, they adapt their internal components to capitalize on opportunities and mitigate threats. Managers play a crucial role in analyzing the environment to formulate effective strategies for survival and success. Businesses obtain resources from society and adhere to governmental regulations, societal norms, cultural values, economic policies, and global treaties. As a result, businesses are dynamic entities operating within dynamic environments.

#### *Features of Business Environment*

On the basis of the above discussion the features of business environment can be summarized as follows.

1. Business environment is the sum total of all factors external to the business firm and that greatly influence their functioning.
2. It covers factors and forces like customers, competitors, suppliers, government, and the social, cultural, political, technological and legal conditions.
3. The business environment is dynamic in nature, that means, it keeps on changing.
4. The changes in business environment are unpredictable. It is very difficult to predict the exact nature of future happenings and the changes in economic and social environment.
5. Business Environment differs from place to place, region to region and country to country.

**Q) Why is the external environment of an enterprise important to all managers? Why is it important for a business to understand its business environment?**

### **Importance of Business Environment**

There is a close and continuous interaction between the business and its environment. This interaction helps in strengthening the business firm and using its resources more effectively. As stated above, the business environment is multifaceted, complex, and dynamic in nature and has a far-reaching impact on the survival and growth of the business. To be more specific, proper understanding of the social, political, legal, and economic environment helps the business in the following ways:

1. **Identifying Firm's Strength and Weakness:** Business environment helps to identify the individual strengths and weaknesses in view of the technological and global developments.
2. **Determining Opportunities and Threats:** The interaction between the business and its environment would identify opportunities for and threats to the business. It helps the business enterprises for meeting the challenges successfully.
3. **Giving Direction for Growth:** The interaction with the environment leads to opening up new frontiers of growth for the business firms. It enables the business to identify the areas for growth and expansion of their activities.
4. **Continuous Learning:** Environmental analysis makes the task of managers easier in dealing with business challenges. The managers are motivated to continuously update their knowledge, understanding, and skills to meet the predicted changes in the realm of business.
5. **Image Building:** Environmental understanding helps the business organizations in improving their image by showing their sensitivity to the environment within which they are working.
6. **Meeting Competition:** It helps the firms to analyse the competitors' strategies and formulate their own strategies accordingly.

**Q) Can any manager avoid being influenced by the external environment?**

Managers cannot entirely avoid being influenced by the external environment, as it encompasses various factors such as economic conditions, market trends, political dynamics, social changes, technological advancements, and legal regulations. While managers can employ strategies to mitigate the impact of external forces, complete insulation is unrealistic. Successful managers acknowledge the significance of understanding and adapting to the external environment to navigate challenges and capitalize on opportunities effectively. They must remain adaptable and responsive to changes in the external environment to ensure the long-term success and sustainability of their organizations.

**Q) Elucidate the various environments that influence a business. Explain the factors affecting the business environment. Explain the various dimensions of the business environment by giving examples for each dimension. Clearly state the various constituents of the same.**

**Q) Explain any two of the following aspects of the business environment and also give relevant examples with each.**

- (i) **Economic Environment**
- (ii) **Technological Environment**
- (iii) **Legal Environment**

The business environment encompasses various external factors that impact businesses, including demographic, economic, geographical, ecological, social, cultural, political, legal, and technological elements.

1. **Demographic Factors:** Population characteristics such as size, density, distribution, and socio-economic attributes influence consumer behaviour and market demand. Population density and lifestyle choices affect the viability of business ventures.
2. **Economic Factors:** Economic forces encompass both demand and competitive pressures. Consumer purchasing power, influenced by income, taxes, and savings, determines market demand. Competition drives firms to differentiate products, adjust pricing, and engage in marketing strategies to maintain market share.
3. **Geographical and Ecological Environment:** Geographical conditions shape industry preferences and consumer needs. Environmental factors like climate, terrain, and natural resources influence business location and operations. Ecological considerations emphasize sustainable practices and responsible resource management.
4. **Social and Cultural Environment:** Social attitudes, class structures, and cultural norms impact business practices and consumer behaviour. Businesses must align with societal values and adapt to cultural nuances to succeed in diverse markets.
5. **Political and Legal Environment:** Government policies, both long-term strategies and short-term changes, significantly impact business operations. Legal frameworks regulate business activities, and compliance is essential for sustainable operations. Regional factors and political dynamics can influence business strategies and decision-making.
6. **Technological Environment:** Advancements in technology shape societal behavior and business operations. Businesses must adapt to technological innovations to remain competitive and meet evolving consumer expectations.

**Q) How do economic factors impact the business environment, and what strategies can businesses use to mitigate these risks?**

The business enterprise is affected by various economic forces which cannot be controlled by the business. These economic forces can be divided into two categories, i.e., Demand Force and Competitive Force. For a business firm to survive and thrive, it should have adequate demand for its products. At the same time, the firm has to compete with the rival firm producing similar products or substitute products.

Economic forces affecting demand:

For customers to buy the commodity of the firm, they should have the ability to buy and willingness to buy. The ability to buy a commodity depends on the income of the customer, to be very precise, the disposable income of the customer. Out of the total income, the individual has to pay taxes due to the government and the disposable income will be less if the taxes are high. Secondly, if the individual wants to save more, the amount for spending will be less. Thus, the ability to buy a commodity depends on the:

- a) Total income earned out of the employment of the individual
- b) The taxes of the government
- c) The savings of the individual.

An increase in tax will reduce the demand for the commodity. The attitude of the individual towards 'Saving' will affect the demand. A change in 'Price' of the commodity will affect the demand. Expectation of a further change in price or change in taxes will also affect the demand.

*Mitigate Competitive forces:*

a) Price cutting: Price cutting or price reduction is a method which has to be adopted very cautiously, as it may ultimately lead to a price war between firms competing, resulting in a reduction of profits.

b) Advertisement: Advertisements in modern days have become a very powerful tool in persuading the consumers of a product to a particular brand. In monopolistic competition, a large share of the market is entrenched by firms making effective and aggressive advertisement.

c) Product differentiation: A firm tries to get competitive strength by differentiating its product from those of its rivals. By having special design, colour, packing and features, the firm tries to get competitive edges.

d) Marketing strategies and Consumer Service: Modern firms adopt various types of marketing strategies to create a market for their products. Instalment system, credit system, hire-purchase, etc., are the prominent ways by which firms try to cut through the poor segments of society and convert them to their customers. Besides customer service like free door delivery, quick service, after-sales service, guarantee from defects up to a certain period are adopted to have more and more demand for their commodities.

**Q) The Government of India has recently come up with an amendment to Section 6 of the Payment of Wages Act 1936, to allow employers of certain industries to make payment through various electronic modes of payments. The amendment will be applicable to all the public sector undertakings for wages disbursement using e-payment options. This is another milestone in the direction to further push to a cashless economy.**

**Identify and explain any two dimensions of the business environment which relate to the above-mentioned case.**

The various dimensions of business environment which relate to the above mentioned case are stated below:

(a) **Political Environment:** Political environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.

(b) **Legal Environment:** Legal environment includes various legislations passed by the Government administrative orders issued by government authorities, court judgments as well as the decisions rendered by various commissions and agencies at every level of the government centre, state or local. It is imperative for the management of every enterprise to obey the law of the land.

(c) **Technological Environment:** Technological environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.

**Q) Choose any company and explain the dimensions of the business environment that played a role in its success/failure. (Gemini)**

Let's take Blockbuster, the once-dominant video rental chain.

**Success factors:**

- **Economic:** Disposable income was rising in the 80s and 90s, fuelling demand for entertainment options like movie rentals.
- **Technological:** The rise of VCRs created a need for readily available movies. Blockbuster capitalized with a convenient rental model.

**Failure factors:**

- **Technological:** The rise of streaming services and DVD sales offered a more convenient and affordable alternative to Blockbuster's brick-and-mortar model.
- **Competitive:** Netflix's subscription model and focus on online delivery disrupted Blockbuster's traditional approach.

Blockbuster's story highlights how a business environment can evolve, and companies need to adapt to changing technologies and competition to survive.

**Q) Discuss the business environment and how is the study of the business environment relevant to business managers.**

The study of the business environment is highly relevant and crucial for business managers due to the following reasons:

1. **External Forces Understanding:** Managers must grasp economic conditions, legal frameworks, tech advancements, socio-cultural trends, and competition to foresee opportunities and threats.
2. **Adapting to Change:** Business environments are dynamic; studying them helps managers identify trends and shifts for strategic adaptation.
3. **Competitive Advantage:** Insight into competitors' strategies and weaknesses aids in differentiation and innovation for a sustainable edge.
4. **Risk Mitigation:** Analyzing PESTLE factors helps identify and mitigate potential risks, ensuring business continuity.
5. **Strategic Decision-Making:** Managers rely on business environment analysis for informed decisions on market strategies, product offerings, pricing, and resource allocation.
6. **Compliance and Regulatory Adherence:** Awareness of legal frameworks ensures adherence, avoiding legal issues and reputational harm.
7. **Stakeholder Management:** Understanding stakeholder needs enables effective engagement and management strategies.

**Q) Identify and explain the dimensions of the business environment that played a role in the success/failure of the following organizations:** (Gemini)

- a) Jet Airways
- b) Nokia
- c) Flipkart
- d) Indian Railways

Understanding the factors influencing the success or failure of organizations requires analysing various aspects of the business environment. Here's a breakdown for each company:

**a) Jet Airways:**

- **Economic factors:** Rising operational costs (fuel prices), economic slowdown impacting travel demand, and high debt burden.
- **Competitive factors:** Emergence of low-cost airlines, intense competition in the aviation industry.
- **Technological factors:** Failure to adapt to changing technological advancements in aviation (e.g., fuel-efficient aircraft).

**b) Nokia:**

- **Technological factors:** Underestimated the rise of smartphones (e.g., iPhone) and adherence to outdated Symbian operating system.
- **Competitive factors:** Lack of innovation to compete with Apple and Samsung in the touchscreen smartphone market.

**c) Flipkart:**

- **Economic factors:** Government regulations impacting foreign investments in the e-commerce sector.
- **Technological factors:** Importance of a robust logistics and supply chain infrastructure for efficient product delivery.
- **Competitive factors:** Intense competition from Amazon in the Indian e-commerce market.

**d) Indian Railways:**

- **Political factors:** Government policies regarding budget allocation, fare structures, and infrastructural development.
- **Economic factors:** Economic growth impacting freight and passenger traffic.
- **Technological factors:** Need for modernization of railway infrastructure, adoption of advanced technologies for improved safety and efficiency.

**Q) A recent rate cut in the interest on loans announced by the Banks encouraged Amit, a science student of Progressive School to take a loan from State Bank of India to experiment and develop cars to be powered by fuel produced from garbage. He developed such a car and exhibited it in the Science Fair organised by Directorate of Education. He was awarded first prize for his invention.**

**Identify and explain the dimensions of business environment discussed in the above case.**

*Economic Environment:* "A recent cut in interest on loans announced by banks."

*Technological Environment:* "Developed cars to be powered by fuel produced from garbage."

**Q) "Business environment offers both opportunities as well as threats." Do you agree with this statement. Support your answer with suitable example of a company of your choice. (limit your answer to 100 words)**

**(Claude)**

I agree with the statement. Business environments are dynamic, presenting both opportunities and threats. For example, Apple Inc. capitalized on the opportunity of rising demand for smartphones, positioning itself as a premium brand. However, it also faced threats like intense competition from Samsung and increasing labor costs in China. By continuously innovating and diversifying its product line, Apple mitigated these threats and sustained its growth. Businesses must remain vigilant, identifying and leveraging opportunities while proactively addressing threats to maintain a competitive edge.

#### **4. Business Firm as an Open System:**

#### **5. Levels of Environmental Forces:**

#### **6. Opportunities and Threats (SWOT Analysis)**

##### **SWOT Analysis**

SWOT Analysis is a strategic planning technique used to analyze an organization's strengths, weaknesses, opportunities, and threats. It provides a structured framework for evaluating internal and external factors that can impact a business or project. The term "SWOT" is an acronym that stands for:

1. **Strengths:** Characteristics or advantages that give the organization an edge over its competitors. Examples include abundant financial resources, a well-known brand name, lower costs, superior management talent, and committed employees.
2. **Weaknesses:** Characteristics or limitations that place the organization at a disadvantage relative to others. Weaknesses could include limited financial resources, narrow product lines, outdated technology, weak market image, or undertrained employees.
3. **Opportunities:** Favorable external factors or trends that the organization can capitalize on to gain a competitive advantage. Opportunities may arise from market growth, changing customer needs, new product discoveries, economic booms, or government deregulation.
4. **Threats:** External factors or potential problems that could negatively impact the organization's performance or profitability. Threats could include new competitors entering the market, the introduction of substitute products, changing customer preferences, increased government regulation, or economic downturns.



The SWOT analysis aims to help decision-makers share and compare ideas, bring a clearer common purpose and understanding of factors for success, organize important factors linked to success and failure, analyze issues that have led to failure in the past, and provide linearity to the decision-making process.

By identifying an organization's strengths, weaknesses, opportunities, and threats, SWOT analysis enables businesses to develop strategies that leverage their strengths, mitigate their weaknesses, capitalize on opportunities, and counter potential threats.

## **7. Features of Business Environment:**

## **8. Importance of Business Environment:**

## **9. Factors Affecting Business Environment (PESTLE Analysis):**

### **Q) What is Environmental Analysis and its need? Explain PESTLE Analysis.**

An environmental analysis helps organizations identify internal and external elements that can either negatively or positively impact their business. By looking at factors, such as the economy and technology, businesses can anticipate potential opportunities and threats. Learning about how to conduct an environmental analysis can help you prepare an effective marketing strategy for your business.

### **Q) What is PESTEL analysis? Write a short note.**

PESTEL analysis is a strategic tool used to evaluate the external macro-environment in which an organization operates. It provides a framework to identify and analyse the key factors that may impact the business from various external sources. PESTEL is an acronym that stands for:

- Political: This covers governmental policies, political stability, tax policies, trade regulations etc.
- Economic: Factors like economic growth, interest rates, inflation, disposable incomes etc.
- Social: Societal and demographic factors such as population analytics, cultural trends, lifestyle attitudes etc.
- Technological: This involves technological advancements, innovation, access to technology etc.
- Environmental: Ecological and environmental aspects like climate, weather, environmental regulations.
- Legal: Legal and regulatory frameworks, consumer protection laws, employment laws etc.

PESTEL analysis allows organizations to get a comprehensive overview of the different external forces and factors that could influence their business operations, objectives and strategies. By examining the macro-environment through the PESTEL lens, companies can identify potential opportunities and threats, and develop plans to mitigate risks or capitalize on opportunities ahead of time. It is an important tool for strategic business planning and decision making.

### **Q) Critically evaluate India as an Investment destination using the PESTLE technique. (Gemini)**

Critical evaluation of India as an investment destination using the PESTLE technique:

#### **Political Factors:**

- **Stable Government:** India has a stable democratic government, providing a predictable environment for businesses.
- **Policy Reforms:** The government has undertaken various reforms to improve the ease of doing business, attracting foreign investment.
- **Infrastructure Development:** Government initiatives are improving infrastructure, reducing transportation and logistics costs.

- **Geopolitical Tensions:** Border disputes and regional instability can pose challenges for certain industries.

#### **Economic Factors:**

- **Rapid Growth:** India is one of the fastest-growing economies globally, offering a large and expanding domestic market.
- **Inflation:** India experiences relatively high inflation compared to developed economies, impacting operational costs.
- **Foreign Exchange Fluctuations:** Fluctuations in the rupee's value can affect foreign investor returns.

#### **Social Factors:**

- **Large Workforce:** India has a young and growing population, providing a vast pool of skilled and affordable labor.
- **Rising Middle Class:** A growing middle class creates a significant demand for consumer goods and services.
- **Social Infrastructure:** Uneven distribution of wealth and limited access to quality education and healthcare can hinder growth.

#### **Technological Factors:**

- **Government Initiatives:** Government initiatives like Digital India promote technological adoption and innovation.
- **Skilled Workforce:** A growing pool of IT professionals strengthens India's position in the technological sector.
- **Technological Gap:** Bridging the gap between urban and rural areas in terms of internet access and digital literacy remains crucial.

#### **Legal Factors:**

- **Complex Regulatory Environment:** Navigating the legal and regulatory framework can be challenging for foreign investors.
- **Intellectual Property Protection:** Enhancing enforcement of intellectual property rights is crucial for attracting foreign investment in innovation-driven sectors.

#### **Environmental Factors:**

- **Climate Change:** India is vulnerable to the effects of climate change, impacting infrastructure and agricultural production.
- **Sustainability Concerns:** Focus on sustainable practices and environmental regulations can increase operational costs for businesses.

**Overall, India presents a promising investment destination with a large market, skilled workforce, and government initiatives promoting business growth. However, challenges like high inflation, complex regulations, and uneven infrastructural development require consideration.**

## **10. Corporate Social Responsibility (CSR):**

**Q) Explain/ Discuss the concept of Corporate Social Responsibility with a short note and relevant examples.**

Corporate Social Responsibility (CSR) is a concept that emphasizes the responsibility of businesses to contribute positively to society and the environment, beyond their primary goal of generating profits. It is based on the idea that companies have a moral obligation to consider the interests of various stakeholders, including employees, customers, local communities, and the environment, in their decision-making processes and operations.

CSR encompasses a wide range of practices and initiatives, which can be broadly categorized into the following areas:

1. Environmental Responsibility: Minimize environmental impact through energy-efficient measures, waste reduction, and sustainable practices (e.g., Patagonia, IKEA).
2. Philanthropy: Donate to charitable causes or adopt models like "one-for-one" donations (e.g., Toms Shoes, Warby Parker).
3. Ethical Labor: Ensure fair wages, safe conditions, diversity, and inclusion (e.g., Costco, Starbucks).
4. Community Engagement: Support local initiatives, events, and employee volunteering (e.g., Boeing, Walmart).
5. Corporate Governance: Uphold ethical standards, transparency, and accountability in operations and supply chains (e.g., Unilever, Patagonia).

By integrating CSR into their business strategies, companies can contribute to sustainable development, build positive relationships with stakeholders, enhance their reputation, and potentially gain a competitive advantage in the market. However, it is crucial for companies to ensure that their CSR efforts are genuine, well-implemented, and aligned with their core values and business objectives.

**Q) Explain/ Describe the key elements of Corporate Social Responsibility and its broad categories with suitable examples.**

1. **Corporate Governance:** This involves ensuring transparency, accountability, and adherence to laws and regulations within the organization. For example, having a diverse and independent board of directors, establishing clear policies on ethical conduct, and regularly auditing and reporting financial practices.
2. **Business Ethics:** This focuses on integrating core values such as honesty, trust, respect, and fairness into all business practices. For instance, adopting fair labor practices, ensuring transparency in business dealings, and refraining from engaging in corrupt activities.
3. **Workplace and Labor Relations:** CSR practices in this area aim to create a safe, inclusive, and supportive work environment for employees. Examples include providing equal employment opportunities, implementing health and safety measures, offering work-life balance initiatives, and fostering employee development programs.
4. **Affirmative Action/Good Practices:** This involves promoting diversity, equal opportunity, and ethical conduct within the organization. Examples include implementing policies to prevent discrimination and harassment, supporting employee volunteer programs, and providing training on diversity and inclusion.
5. **Supply Chain:** Companies are responsible for ensuring ethical and sustainable practices throughout their supply chain. This includes monitoring suppliers' adherence to labor standards, environmental regulations, and human rights principles. For example, a clothing company may audit its textile suppliers to ensure fair wages and safe working conditions for garment workers.
6. **Customers:** CSR practices related to customers focus on delivering products and services that meet ethical and environmental standards. Examples include using eco-friendly packaging, providing accurate product information, and offering fair pricing practices. Companies may also engage in cause-related marketing campaigns to support social or environmental causes.
7. **Environment:** CSR initiatives in this category aim to minimize the environmental impact of business operations and promote sustainability. Examples include implementing energy-efficient practices, reducing waste and emissions, investing in renewable energy sources, and supporting conservation efforts.
8. **Community:** Companies have a responsibility to contribute positively to the communities in which they operate. This can involve supporting local charities, sponsoring community events, or implementing community development projects. For example, a technology company may provide grants to schools for STEM education programs or offer free technology training for underserved communities.

**Q) What are the benefits of CSR program in an organization? Mention any six advantages of adopting a policy of CSR.**

**1. Company benefits:**

- Improved financial performance
- Lower operating costs
- Enhanced brand image and reputation
- Increased sales and customer loyalty
- Greater productivity and quality
- More ability to attract and retain employees
- Reduced regulatory oversight
- Access to capital
- Workforce diversity
- Product safety and decreased liability

**2. Benefits to the community and the general public:**

- Charitable contributions
- Employee volunteer programs
- Corporate involvement in community education, employment, and homelessness programs
- Product safety and quality

**3. Environmental benefits:**

- Greater material recyclability
- Better product durability and functionality
- Greater use of renewable resources
- Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labelling.

**Q) Organization's quest towards economic growth vis-a-vis mandatory CSR obligation is a zero-sum game. Evaluate the statement with the help of examples. (Gemini)**

The statement claiming an organization's economic growth and mandatory CSR obligations are a zero-sum game (where one gains at the expense of the other) is an oversimplification. While initial costs exist, CSR can contribute to long-term economic benefits. Here's a breakdown:

**Short-term challenges:**

- **Direct expenses:** Mandatory CSR translates to allocating funds towards social initiatives. This can be perceived as a financial burden, especially for short-term profit goals.

**Long-term potential:**

- **Enhanced brand image:** Consumers are increasingly drawn to brands with strong social responsibility. Effective CSR efforts can lead to positive brand perception, attracting a loyal customer base.
- **Improved employee morale and productivity:** Employees often feel a sense of purpose and satisfaction when working for a company committed to social good, potentially boosting morale and leading to increased productivity.
- **Reduced operational risks:** CSR practices like environmental sustainability can lead to cost savings in areas like resource management and waste disposal.

**Examples:**

- **Company A:** A clothing company implements mandatory CSR initiatives like using organic cotton and fair labour practices. While initial costs might increase, the brand attracts environmentally conscious consumers, leading to long-term growth.
- **Company B:** A manufacturing company invests in cleaner production methods to reduce pollution. This not only fulfils its CSR obligation but also minimizes waste disposal costs and potential environmental fines.

**Therefore, a well-designed CSR strategy can:**

- **Mitigate long-term risks:** By addressing social and environmental concerns, companies can prevent potential disruptions like protests or legal issues.
- **Attract investors:** Socially responsible businesses are increasingly favored by investors seeking sustainable investment opportunities.

### **Conclusion:**

While mandatory CSR might seem like a financial burden initially, it can be a strategic investment. By enhancing brand image, fostering a positive work environment, and potentially reducing operational costs, CSR can contribute to an organization's long-term economic success.

**Q) Describe the role of business in environmental sustainability. How can a company reduce its environmental footprint through CSR initiatives? (GPT 3.5)**

The role of businesses in environmental sustainability is crucial as they have a significant impact on the environment through their operations, production processes, and supply chains. Companies can reduce their environmental footprint through Corporate Social Responsibility (CSR) initiatives by implementing strategies such as:

1. Adopting sustainable practices in production and operations, such as reducing energy consumption, minimizing waste, and conserving water resources.
2. Investing in renewable energy sources and technologies to reduce greenhouse gas emissions.
3. Implementing recycling and waste management programs to minimize landfill waste.
4. Engaging in reforestation and conservation efforts to offset carbon emissions and protect ecosystems.
5. Partnering with suppliers and stakeholders to promote sustainable sourcing and responsible supply chain management.
6. Educating employees and consumers about environmental issues and encouraging sustainable behaviours.
7. Supporting environmental conservation organizations and initiatives through financial contributions or volunteerism.

By integrating these CSR initiatives into their business practices, companies can play a vital role in promoting environmental sustainability and mitigating their impact on the planet.

**Q) Explain the concept of Corporate Social Responsibility. discuss the significance of CSR initiative for companies and how these efforts can contribute towards firm's goodwill, customer loyalty and financial performance.**

CSR is an immense term that is used to explain the efforts of a company in order to improve society in a significant manner. Below reasons reflect why CSR is important:

- CSR improves the public image by publicising the efforts towards a better society and increasing their chance of becoming favourable in the eyes of consumers.
- CSR increases media coverage as media visibility throws a positive light on the organisation.
- CSR enhances the company's brand value by building a socially strong relationship with customers.
- CSR helps companies to stand out from the competition when companies are involved in any kind of community.

### **Corporate Social Responsibility Under Section 135 of Companies Act 2013**

Corporate Social Responsibility (CSR) implies a concept, whereby companies decide voluntarily to contribute to a better society and a cleaner environment – a concept, whereby the companies integrate social and other useful concerns in their business operations for the betterment of their stakeholders and society in general in a voluntary way.

However, Section 135 of the Companies Act, 2013 ("Act") provides that certain companies must mandatorily contribute a certain amount towards CSR activities. As per the Act, '**Corporate Social Responsibility**' means and includes but is not limited to:

- Projects or programs relating to activities specified in Schedule VII to The Act.
- Projects or programs relating to those activities which are undertaken by the Board of Directors of a company in ensuring the recommendation of the CSR Committee of the Board as per declared CSR Policy along with the conditions that such policy will cover subjects specified in Schedule VII of the Act.

### **CSR Applicability in India**

The provisions of **CSR applies to every company** fulfilling any of the following conditions in the preceding financial year:

- Net worth of more than Rs.500 crore
- Turnover of more than Rs.1000 crore
- Net profit of more than Rs.5 crore

The Board of Directors of every company for which the CSR provisions apply must ensure that the company spends in every financial year **at least 2% of its average net profits** made during the **immediately preceding three financial years** as per its CSR policy. If the company has not completed three financial years since its incorporation, it must spend 2% of its average net profits made during the immediately preceding financial years as per its CSR policy.

### **Q) What are the SEBI Act of 1992 and Clause 49, and how does it impact corporate governance in India?**

**SEBI Act, 1992:** Established the **Securities and Exchange Board of India (SEBI)**, a regulatory body overseeing the Indian securities market. It empowers SEBI to:

- Protect investor interests
- Promote orderly development of the market
- Regulate intermediaries like stockbrokers

**Clause 49:** A crucial provision within SEBI's listing agreement with stock exchanges. Listed companies **must comply** with its corporate governance norms.

#### **Impact on Corporate Governance:**

- **Board Composition:** Mandates a minimum number of independent directors (not affiliated with management) on the board, promoting **objectivity** in decision-making.
- **Transparency:** Requires **disclosure** of financial information and adherence to specific procedures for director compensation and stock options.
- **Accountability:** Encourages **responsible practices** by listed companies, fostering investor confidence.

### **Q) Case Study: Intel and Corporate Social Responsibility**

**Intel Corporation** is a semiconductor chip maker headquartered in Santa Clara, California. It is one of the world's largest semiconductor chip makers. Intel makes motherboards, network interface controllers, integrated circuits, flash memory, graphic chips, and processors. As a socially responsible corporation, Intel is actively involved in improving lives, the community, and the environment. It established the Intel Foundation in 1988 to fund educational and charitable endeavors. Intel is especially active in developing "conflict-free" mineral products. It supports various projects globally, such as Project Daniel and She Will Connect, to empower communities and address social issues. Intel's corporate culture emphasizes values for people, the environment, human rights, and empowering the next generation.

#### **a) Analyze why the company engages in social activities.**

The organization Intel engages in the social activities like empowering women, children education etc. An organization which is operating and gaining profits from the society holds some obligations towards it. It holds the responsibility or the commitment to act for the welfare of the society. The management of the organization Intel recognizes this factor and hence involves in the social activities.

- b) How does this company address sustainability? How does the focus on sustainability provide a strategic position for the company, if any?**

Sustainability is an essential factor for an organization for its successful business operations. The given case highlights the business operations of the organization Intel. This organization addresses sustainability through its corporate social responsibility. It identifies that through being socially responsible the organization can achieve good reputation, credibility and image in the market. Each organization which operates in the social is responsible for the society from which it is yielding profits. For achieving sustainability an organization should focus on many factors like good reputation, customer satisfaction, competitive advantage, ethics, corporate governance, corporate social responsibility etc. These factors when implemented effectively it shapes the organizational behaviour, credibility, trustworthiness etc of the organization. Hence the operations for achieving the sustainability can lead an organization to achieve a strategic position.

## **11. Corporate Governance:**

- Q) Define Corporate Governance of an organization. How it is beneficial for an organization? Explain.**

Corporate Governance of an organization can be defined as:

The way a corporation is governed, directed, and managed to balance the interests of various stakeholders, including shareholders, board of directors, and the company's management. It involves the techniques and mechanisms by which companies are governed to ensure transparency, accountability, and fair treatment of all stakeholders, while aligning individual and societal goals as well as economic and social goals.

Corporate Governance establishes the relationship and delineates the roles and responsibilities between the owners (shareholders) and managers of the organization. It provides the framework for effective strategic decision-making, typically vesting ultimate authority and responsibility with the Board of Directors. Good corporate governance practices aim to safeguard the rights and interests of all shareholders, promote ethical conduct, and create added value for stakeholders.

Benefits of Corporate Governance

1. Good corporate governance ensures corporate success and economic growth.
2. Strong corporate governance maintains investors' confidence, as a result of which, company can raise capital efficiently and effectively.
3. It lowers the capital cost.
4. There is a positive impact on the share price.
5. It provides proper inducement to the owners as well as managers to achieve objectives that are in interests of the shareholders and the organization.
6. Good corporate governance also minimizes wastages, corruption, risks and mismanagement.
7. It helps in brand formation and development.
8. It ensures organization is managed in a manner that fits the best interests of all.

## **12. Porter's Five Forces Model:**

- Q) Discuss and explain what is Michael Porter's Five Forces model with reference to any industry.**

Porter's Five Forces model is a framework that weighs the economic might of an industry. It depicts and scrutinizes five forces in an industry responsible for its performance or failure and asserts that these forces determine a market's competitive strength. The framework was developed in 1979 by Michael E. Porter, a theorist and economist at Harvard Business School. The five forces proposed by Porter are:

1. **Competitive Rivalry:** This force focuses on the number and capacity of potential competitors. Firms consider the number of rivals in the market and the quality of their products before deciding to enter an industry. The intensity of competitive rivalry significantly affects profitability and the industry's attractiveness to a company.
2. **Threat of New Entrants:** The more profitable a market is, the more it will attract new entrants, leading to an increase in suppliers. This threat of increasing new entrants into an industry can eat into the market share of existing companies, significantly affecting their profitability.

3. **Bargaining Power of Suppliers:** The ease of switching from one supplier to another and the number of available suppliers are pivotal in the profitability of an industry. An analysis of the quality of products from different suppliers is also essential. The more suppliers with quality products, the easier it is to gain discounts or switch suppliers, making it more profitable for companies.
4. **Bargaining Power of Customers:** This is evident in industries where the number of buyers is fewer than that of sellers. Firms must consider how easily buyers can purchase products from their rivals when setting prices. If there are fewer buyers than suppliers, charging higher prices could lead buyers to switch to cheaper products from competitors.
5. **Threat of Substitute Products:** The market's attractiveness is threatened and lowered by the possibility of cheaper substitutes. The power of suppliers weakens when a close substitute is introduced to the market, as customers are likely to switch to the more affordable substitute, reducing profitability.

**Q) Explain how today's organization applies Porter's Five Forces model with the support of suitable examples? (Claude)**

**Q) How can Porter's Five Forces model be used to analyse the competitive environment of an industry? How does Porter's Five Forces model help businesses analyze the competitive dynamics within their industry. Explain the concept with suitable examples**

Today's organizations apply Porter's Five Forces model to analyze their competitive environment and develop strategies to gain a competitive advantage. Here's how they apply each of the five forces:

**a. Competitive Rivalry:**

- i. Organizations closely monitor their direct competitors and their strategies.
- ii. They strive to differentiate their products/services through innovation, branding, and superior customer service.
- iii. Example: Apple and Samsung engage in intense rivalry in the smartphone market, continuously introducing new features and designs to gain an edge.

**b. Threat of New Entrants:**

- i. Organizations erect barriers to entry, such as building brand loyalty, securing patents, and achieving economies of scale.
- ii. They also monitor potential new entrants and respond quickly to any disruptive threats.
- iii. Example: Established pharmaceutical companies carefully guard their intellectual property to deter new entrants from introducing generic versions of their drugs.

**c. Bargaining Power of Suppliers:**

- i. Organizations aim to diversify their supplier base to reduce dependence on a single supplier.
- ii. They also engage in long-term contracts, vertical integration, or backward integration to gain more control over their supply chain.
- iii. Example: Automakers like Toyota and Honda have established robust relationships with their suppliers to ensure a steady supply of components at reasonable prices.

**d. Bargaining Power of Customers:**

- i. Organizations focus on customer satisfaction, loyalty programs, and value-added services to retain customers.
- ii. They also segment their customer base and tailor their offerings to different segments.
- iii. Example: Airlines offer frequent flyer programs and premium amenities to retain their high-value customers.

**e. Threat of Substitute Products:**

- i. Organizations continuously innovate and differentiate their products/services to reduce the threat of substitutes.

- ii. They also monitor changes in consumer preferences and technological advancements that could lead to substitutes.
- iii. Example: Online streaming services like Netflix and Hulu disrupted the traditional cable TV industry by offering a substitute for consuming video content.

By analyzing these five forces, organizations can identify potential threats and opportunities, and develop strategies to maintain or improve their competitive position in the market. This analysis helps them make informed decisions about pricing, product development, marketing, and operational strategies.

**Q) Discuss the Porter's five forces model of competitive analysis with respect to the shoe/footwear industry in India. (Gemini)**

**Porter's Five Forces Analysis of the Indian Footwear Industry:**

**1. Threat of New Entrants (Moderate):**

- **Low barriers to entry:** Setting up a footwear business requires moderate capital compared to other industries.
- **Established brands hold distribution channels:** Gaining access to prime retail space can be challenging for newcomers.
- **Brand loyalty:** Customers may be hesitant to switch from trusted brands.

**2. Bargaining Power of Suppliers (Moderate):**

- **Multiple raw material suppliers:** Leather, rubber, and textiles have a good number of suppliers in India.
- **Limited control over established brands:** Large brands have the power to negotiate prices with suppliers.
- **Rise of synthetic materials:** Growing use of synthetics reduces dependence on specific suppliers.

**3. Bargaining Power of Buyers (Moderate to High):**

- **Price sensitivity:** A large portion of Indian consumers are cost-conscious.
- **Large unorganized market:** Presence of numerous local and small-scale producers offering competitive prices.
- **Growing online retail:** Provides buyers with easy price comparisons and access to diverse brands.

**4. Threat of Substitutes (Moderate):**

- **Sandals and slippers:** Widely used as comfortable and affordable alternatives to shoes in warmer climates.
- **Barefoot walking:** A cultural preference in some parts of India.
- **Increased focus on multi-functionality:** Shoes designed for various purposes can act as substitutes for specific types of footwear.

**5. Competitive Rivalry (High):**

- **Fragmented market:** Numerous domestic and international brands compete across various segments (sports, casual, formal).
- **Established players:** Bata, Liberty, Relaxedo, etc., hold a significant market share.
- **Growing presence of global brands:** Nike, Adidas, Puma actively compete with established players.

**Overall, the Indian footwear industry presents a moderately competitive landscape. While new entrants can emerge, established brands, price-conscious consumers, and the threat of substitutes create a challenging environment.**

**Q) Using the example of Apple, explain Porter's Five Force Analysis with a diagram.**

Porter's Five Forces Analysis for Apple:

1. Industry Rivalry (High)

- Intense competition from rivals like Samsung, Google, Amazon, Microsoft, etc.
- Low product differentiation and low switching costs for consumers.

2. Bargaining Power of Suppliers (Low)

- Apple has diverse global suppliers for components.
- Suppliers have low bargaining power due to Apple's large scale.

3. Bargaining Power of Buyers (High)

- Low switching costs for consumers to change brands.
- Availability of information empowers buyers.

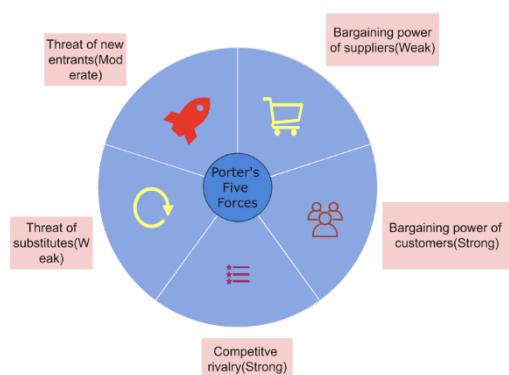
4. Threat of Substitutes (Low)

- Limited capabilities of substitute products like cameras, laptops, etc.
- Apple's ecosystem and operating system create high switching costs.

5. Threat of New Entrants (Moderate)

- High capital requirements and brand loyalty act as barriers.
- Potential threat from large tech firms like Google, Amazon, etc.

Porter's Five Forces



**LEFTOVERS**

**Q) "Planning and controlling are linked with each other". Explain the various functions of Management in light of the same.**

Planning and controlling are indeed linked with each other as they are two core functions of management that work in tandem. Planning involves setting objectives, defining strategies, and formulating action plans, while controlling ensures that these plans are executed effectively and that deviations are identified and corrected. The various functions of management in light of this linkage are:

1. Planning: Establishing goals, objectives, policies, procedures, and strategies for the organization.
2. Organizing: Structuring the organization, allocating resources, and assigning responsibilities to achieve the planned objectives.
3. Staffing: Recruiting, training, and developing the human resources required to execute the plans.
4. Directing: Providing leadership, motivating, and guiding employees to perform their tasks effectively.
5. Controlling: Monitoring progress, evaluating performance, and taking corrective actions to ensure that the plans are being implemented as intended.

**Q) "An analysis of the business environment helps to identify strength, weakness, opportunities & threats. Analysis is very necessary for the survival and growth of the business enterprise." Comment.**

An analysis of the business environment is crucial for the survival and growth of a business enterprise. By identifying strengths, weaknesses, opportunities, and threats (SWOT), an organization can develop strategies to leverage its strengths, mitigate weaknesses, capitalize on opportunities, and address potential threats. Environmental analysis helps businesses stay ahead of competitors, adapt to changes, and make informed decisions. It is a continuous process that enables organizations to align their resources and capabilities with the external environment, ensuring long-term sustainability and growth.

**Q) A good strategist always keeps an eye on development in the environment. Comment.**

A good strategist must constantly monitor and analyze developments in the environment to formulate effective strategies. The business environment is dynamic, and factors such as market trends, technological advancements, regulatory changes, and competitor actions can significantly impact an organization's performance. By keeping a watchful eye on environmental changes, a strategist can identify emerging opportunities, anticipate potential threats, and make proactive decisions to maintain a competitive edge. Regularly scanning the environment enables strategists to adapt their strategies accordingly, ensuring that the organization remains agile and responsive to changing conditions.

**Q) Distinguish between delegation and decentralization.**

Delegation refers to the process of assigning authority and responsibility for certain tasks or decisions to subordinates. It involves the transfer of decision-making power from a superior to a lower-level employee. Delegation is a vertical process, where authority flows from higher levels to lower levels within the organizational hierarchy.

Decentralization, on the other hand, is the systematic dispersal of decision-making authority throughout the organization. It involves the distribution of power and authority away from the central point or top management to lower levels of the organizational structure. Decentralization is a horizontal process, where decision-making power is distributed across various departments, divisions, or geographical locations.

The main distinction is that delegation is a specific act of transferring authority and responsibility to an individual, while decentralization is a broader organizational design principle that distributes decision-making power across multiple levels or units within the organization.

# Unit 3

## **1. Objectives and importance of financial management**

### **Q) What is financial management? Explain the concept of financial management.**

Financial management encompasses the strategic and tactical decisions made by financial managers within a business firm. It involves the efficient and effective utilization of capital funds, with the overarching goal of maximizing shareholder wealth.

Various experts have defined financial management from different perspectives:

- Solomon defines it as the efficient use of capital funds, highlighting the importance of utilizing financial resources effectively.
- Howard and Upton view financial management as the application of general managerial principles to financial decision-making, emphasizing the role of management in guiding financial strategies.
- Weston and Brigham describe it as the harmonization of individual motives with enterprise goals, emphasizing the need to align financial decisions with the overall objectives of the organization.
- Joseph and Massie see it as the operational activity responsible for obtaining and effectively utilizing funds for efficient operations, emphasizing the practical aspects of managing finances within a business.

### **Q) What are the major functions and key decisions of a finance manager?**

#### **Q) Explain the functions of a financial manager.**

The role of a financial manager has evolved significantly over time, expanding beyond mere procurement of funds to encompass a broader set of responsibilities. The functions of a financial manager are:

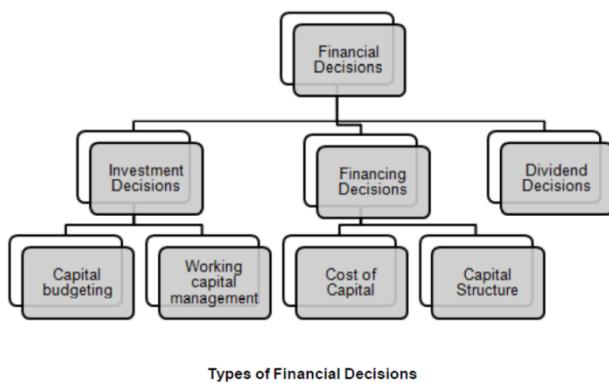
1. **Overall Financial Planning and Control:** The financial manager is responsible for devising comprehensive financial plans and ensuring effective control over financial resources within the organization.
2. **Raising Funds from Different Sources:** Procuring the necessary funds as and when required, while striving to minimize costs, is a key function. This involves sourcing funds from various avenues available in the capital market.
3. **Selection of Fixed Assets:** Making strategic decisions regarding the acquisition and management of fixed assets to optimize profitability and support the organization's operations.
4. **Management of Working Capital:** Efficiently managing the day-to-day liquidity and operational needs of the organization by overseeing the management of working capital, including cash, inventory, and accounts receivable.
5. **Handling Any Other Financial Events:** Addressing any financial matters or events that arise within the organization, ensuring they are managed effectively and in alignment with the organization's financial objectives.
6. **Acting as an Intermediary:** Serving as a bridge between the firm's operations and the capital market, the financial manager facilitates two-way cash flows between the organization and investors. This involves raising funds from investors and distributing profits back to them, thus safeguarding the interests of both parties.

**Q) Explain the three major decisions the financial manager has to take for an organization.**

**Q) Financial management is based on three broad financial decisions. What are these and also explain in brief the importance of these?**

The three major decisions that a financial manager has to make for an organization are:

1. Investment Decisions
2. Financing Decisions
3. Dividend Decisions



### **1. Investment Decisions:**

Investment decisions involve decisions regarding the optimal allocation of funds to various investment opportunities or assets that will yield the highest possible returns. It includes two important areas:

- a) Capital Budgeting: This refers to long-term planning for proposed capital outlays and their financing. It involves evaluating and selecting long-term investment proposals that will increase the firm's value.
- b) Working Capital Management: This involves decisions regarding the appropriate levels of current assets and current liabilities to ensure efficient day-to-day operations.

Investment decisions are crucial because they involve substantial expenditures, have long-term implications, are often irreversible, and can be complex due to the difficulty in estimating future benefits and costs accurately.

### **2. Financing Decisions:**

Financing decisions relate to determining the optimal mix of sources for raising funds to finance the selected investment opportunities. It involves two key areas:

- a) Capital Structure Decisions: This involves determining the ideal proportion of equity and debt in the capital structure that maximizes the firm's value while maintaining an acceptable risk level.
- b) Cost of Capital: Estimating the cost of various sources of finance is essential for evaluating investment proposals and determining the optimal capital structure.

Financing decisions are important because they influence the firm's risk, cost of capital, and control over the business.

### **3. Dividend Decisions:**

Dividend decisions involve determining the optimal dividend payout ratio, i.e., the portion of profits to be distributed as dividends and the portion to be retained for reinvestment in the firm. It also includes decisions related to bonus issues and interim dividends.

Dividend decisions are significant because they influence the market value of the firm's shares, the cost of capital, and the availability of funds for reinvestment and growth.

### **Q) What are the objectives of financial management? What is its Importance.**

The objectives of financial management encompass various goals aimed at ensuring the efficient utilization of resources and maximizing value for stakeholders. Two primary objectives often discussed are profit maximization and shareholders' wealth maximization.

#### **1. Profit Maximization:**

- Profit maximization focuses on increasing the total accounting profit available to shareholders. It is often considered an implicit objective for firms due to its association with economic efficiency.
- Advocates argue that maximizing profits leads to optimal resource allocation, benefiting both the firm and society.

- However, profit maximization has several drawbacks:
  - It ignores risk, potentially leading to risky investment decisions.
  - It overlooks the financing aspect and the time value of money.
  - The objective can be ambiguous regarding the timing and nature of profits.
  - Profit maximization may prioritize short-term gains over long-term sustainability.

## 2. Shareholders' Wealth Maximization:

- Shareholders' wealth maximization aims to increase the value of a firm's shares, representing the present value of expected future cash flows.
- This objective is based on economic value rather than accounting profit, considering the timing of cash flows and associated risk.
- Shareholders' wealth maximization aligns the interests of shareholders with management, encouraging decisions that enhance firm value.
- It emphasizes a long-term perspective, considering the impact of decisions on the market price of shares.
- Despite its practicality, challenges exist, including assumptions about efficient capital markets and external influences on share prices.

### **Q) Profit maximization is not the goal of financial management. Discuss.**

Profit maximisation is basically a single-period or, at the most, a short-term goal. It is usually interpreted to mean the maximisation of profits within a given period of time. A firm may maximise its short-term profits at the expense of its long-term profitability and still realise this goal.

In contrast, shareholder wealth maximisation is a long-term goal and shareholders are interested in future as well as present profits.

### **Q) Explain and differentiate between profit maximization and wealth maximization approaches to financial management. The two major goals of a financial manager are 'Profit Maximization' and 'Wealth Maximization.' Differentiate between the two and recommend which goal should be prioritized according to you.**

The key difference between Wealth and Profit Maximization is that:

Wealth maximization is the long-term objective of the company to increase the value of the stock of the company thereby increasing shareholders wealth to attain the leadership position in the market,

Whereas, profit maximization is to increase the capability of earning profits in the short run to make the company survive and grow in the existing competitive market.

**Profit Maximisation Vs. Shareholder Wealth Maximisation**

<b>Goal</b>	<b>Objective</b>	<b>Advantages</b>	<b>Disadvantages</b>
Profit maximisation	Large amount of profits	1. Easy to calculate profits 2. Easy to determine the link between financial decisions and profits	1. Emphasizes the short term 2. Ignores risk or uncertainty 3. Ignores the timing of returns 4. Requires immediate resources
Shareholder wealth maximisation	Highest market value of common stock	1. Emphasizes the long term 2. Recognizes risk or uncertainty 3. Recognizes the timing of returns 4. Considers return	1. Offers no clear relationship between financial decisions and stock price 2. Can lead to management anxiety and frustration

Wealth maximisation is generally preferred because it considers

1. wealth for the long-term,
2. risk or uncertainty,
3. the timing of returns, and
4. the shareholders' return.

#### **Q) Short note on Financial Accounting Vs Managerial Accounting**

#### **2. Basics of capital budgeting**

#### **Q) Short note on Capital Budgeting. Define capital budgeting. What is Capital Budgeting?**

Capital budgeting is the process used by businesses to assess the feasibility of long-term investments. It involves evaluating potential projects or acquisitions that require significant upfront capital expenditures. The goal is to ensure these investments align with the company's strategic objectives and will generate positive returns over time.

The basic features of capital budgeting decisions are:

- current funds are exchanged for future benefits
- there is an investment in long-term activities
- the future benefits will occur to the firm over series of years.

#### **Q) Explain any 2 techniques of capital budgeting.**

##### **TYPES OF CAPITAL INVESTMENT DECISIONS:**

###### **On the basis of firm's existence:**

###### **(i) Replacement and Modernisation decisions:**

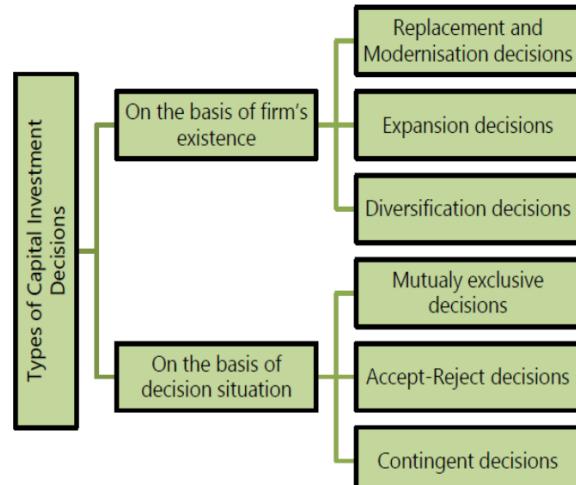
- Replacement decisions involve replacing plant or machinery either due to the end of its economic life or technological obsolescence.
- Modernisation decisions involve updating technology or processes to improve operating efficiency and reduce costs.

###### **(ii) Expansion decisions:**

- Firms experiencing growth may need to expand production facilities to meet increased demand.

###### **(iii) Diversification decisions:**

- Evaluation of proposals to enter new product lines or markets to reduce the risk of failure by operating in diverse areas.



###### **On the basis of decision situation:**

###### **(i) Mutually exclusive decisions:**

- Alternatives where the acceptance of one proposal excludes the acceptance of others, e.g., choosing between different levels of automation for machinery.

###### **(ii) Accept-reject decisions:**

- Independent proposals evaluated based on a minimum desired return on investment. Proposals meeting or exceeding the desired return are accepted, others are rejected.

###### **(iii) Contingent decisions:**

- Investments in one proposal depend on investments in other related proposals, e.g., setting up a factory in a remote area may require additional investment in infrastructure like roads and employee housing.

**Q) Capital Budgeting/Long term investment decisions could be critical for an organization's survival. Explain the statement with suitable examples.**

Capital budgeting decisions are critical for an organization's survival because they allocate resources to projects with the highest potential for long-term returns and growth. For instance, investing in new technology, expanding into new markets, or upgrading infrastructure can enhance competitiveness, manage risks, and drive profitability. Making effective capital budgeting decisions ensures strategic alignment, resource optimization, and sustained financial performance, crucial for navigating competitive landscapes and ensuring organizational viability.

**Q) How are capital budgeting decisions different from working capital decisions?**

Aspect	Capital Budgeting Decisions	Working Capital Decisions
Definition	Decisions related to the selection of long-term assets or projects that require significant capital investment	Decisions related to the management of current assets and current liabilities, which are typically short-term in nature
Time Horizon	Long-term (typically more than one year)	Short-term (typically less than one year)
Investment Type	Fixed assets (e.g., machinery, equipment, buildings) and long-term projects	Current assets (e.g., cash, inventories, accounts receivable) and current liabilities (e.g., accounts payable, short-term loans)
Objective	Maximize the long-term profitability and value of the firm	Ensure adequate liquidity and efficient use of working capital
Evaluation Criteria	Net Present Value (NPV), Internal Rate of Return (IRR), Payback Period, Profitability Index	Cash Conversion Cycle, Current Ratio, Quick Ratio, Inventory Turnover Ratio
Risk Considerations	Higher risk due to longer time horizons and uncertainty associated with future cash flows	Lower risk due to shorter time horizons and more predictable cash flows
Impact on Firm	Strategic and long-term impact on the firm's growth, profitability, and competitive position	Operational and short-term impact on the firm's liquidity, efficiency, and day-to-day operations
Financing Sources	Long-term sources such as equity, long-term debt, and retained earnings	Short-term sources such as trade credit, bank loans, and cash management techniques

**Q) Define capital structure.**

Capital structure is the combination of capitals from different sources of finance. The capital of a company consists of equity shareholders' fund, preference share capital, and long-term external debts. The source and quantum of capital are decided keeping in mind the following factors:

1. Control: Capital structure should be designed in such a manner that existing shareholders continue to hold the majority stack.
2. Risk: Capital structure should be designed in such a manner that the financial risk of the company does not increase beyond the tolerable limit.
3. Cost: The overall cost of capital remains minimum.

Practically, it is difficult to achieve all of the above three goals together; hence, a finance manager has to make a balance among these three objectives. However, the objective of a company is to maximize the value of the company, and it is the prime objective while deciding the optimal capital structure. Capital structure decision refers to deciding the forms of financing (which sources to be tapped); their actual requirements (amount to be funded); and their relative proportions (mix) in total capitalization.

### **3. Cost of capital**

**Q) What do you mean by the cost of capital? What factors affect the firm's cost of capital?**

Cost of capital is the return expected by the providers of capital (i.e. shareholders, lenders and the debt-holders) to the business as a compensation for their contribution to the total capital. When an entity (corporate or others) procured finances from either sources as listed above, it has to pay some additional amount of money besides the principal amount. The additional money paid to these financiers may be either one off payment or regular payment at specified intervals. This additional money paid is said to be the cost of using the capital and it is called the cost of capital. This cost of capital expressed in rate is used to discount/compound the cashflow or stream of cashflows. Cost of capital is also known as 'cut-off' rate, 'hurdle rate', 'minimum rate of return' etc.

It is used as a benchmark for:

- Framing debt policy of a firm.
- Taking Capital budgeting decisions.

The cost of capital is important to arrive at correct amount and helps the management or an investor to take an appropriate decision. The correct cost of capital helps in the following decision making:

1. *Investment Evaluation*: It helps in assessing investment options by converting future benefits into present value using the relevant cost of capital.
2. *Financing Decision*: Enables comparison of costs between different sources of finance to choose the most economical option, considering financial risk and control.
3. *Credit Policy Design*: Helps in determining optimal credit periods by comparing the cost of providing credit against the benefits received, using the cost of capital to calculate present values.

#### **Q) Short note on NPV**

Net Present Value (NPV) is a fundamental concept in finance, representing the increase in wealth generated by a financial decision. It is determined by comparing the present value of future cash flows associated with an investment or activity against the costs required to undertake it. In essence, NPV reflects the difference between the present value of expected cash inflows and the present value of costs or investments. Therefore, maximizing shareholder wealth entails maximizing the NPV of a chosen course of action, ensuring that the present value of future cash inflows exceeds the present value of costs. In summary, NPV serves as a crucial metric for evaluating the profitability and desirability of various financial decisions, guiding organizations and investors towards choices that enhance wealth creation.

$$\text{Net present value (NPV)}/ \text{Increase in wealth} = \text{Present value of Future Cash Inflows} - \text{Present value of costs}$$

#### **Q) Short note on IRR**

IRR, or internal rate of return, is a metric used in financial analysis to estimate the profitability of potential investments. IRR is a discount rate that makes the net present value (NPV) of all cash flows equal to zero in a discounted cash flow analysis.

IRR calculations rely on the same formula as NPV does. Keep in mind that IRR is not the actual dollar value of the project. It is the annual return that makes the NPV equal to zero.

$$0 = \text{NPV} = \sum_{t=1}^T \frac{C_t}{(1 + IRR)^t} - C_0$$

**where:**

$C_t$  = Net cash inflow during the period t

$C_0$  = Total initial investment costs

$IRR$  = The internal rate of return

$t$  = The number of time periods

#### 4. Emerging sources of funds for new projects

##### Q) Short note on Mutual Funds

Mutual funds are investment vehicles that pool money from multiple investors and invest the pooled funds in a diversified portfolio of stocks, bonds, or other securities indirectly. Here's a short note on mutual funds:

A mutual fund is an investment company that allows investors to invest in a professionally managed portfolio of securities. It is managed by a fund manager who is responsible for making investment decisions based on the fund's investment objectives and strategy.

Key features of mutual funds:

1. Professional Management: Mutual funds are managed by experienced professionals who have expertise in analyzing and selecting securities for the fund's portfolio.
2. Diversification: Mutual funds provide diversification by investing in a broad range of securities, which helps to reduce overall risk.
3. Liquidity: Investors can easily buy or sell mutual fund units, providing liquidity for their investments.
4. Economies of Scale: By pooling money from many investors, mutual funds can benefit from economies of scale, potentially leading to lower transaction costs and better investment opportunities.
5. Regulation: Mutual funds are regulated by financial authorities, such as the Securities and Exchange Commission (SEC) in the United States, ensuring transparency and protecting investors' interests.
6. Different Types: Mutual funds come in various types, including equity funds, bond funds, money market funds, balanced funds, and more, catering to different investment objectives and risk profiles.

Investors can participate in mutual funds by purchasing units or shares, which represent their ownership in the fund's portfolio. The value of these units or shares fluctuates based on the performance of the underlying securities in the fund's portfolio. Mutual funds can provide exposure to a wide range of asset classes and investment strategies, **making them a popular choice for both individual and institutional investors.**

##### Q) How does the firm decide the gearing ratio?

The best known examples of gearing ratios include:

$$\text{Debt-to-Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

$$\text{Times Interest Earned}^* = \frac{\text{EBIT}}{\text{Total Interest}}$$

$$\text{Equity Ratio} = \frac{\text{Equity}}{\text{Assets}}$$

$$\text{Debt Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

The firm decides its gearing ratio by balancing factors such as the cost of capital, risk tolerance, tax implications, market conditions, industry standards, and growth needs. It aims to optimize its capital structure to minimize costs, manage risk, and maximize shareholder value.

##### Q) Differentiate between debt and equity sources of capital.

Aspect	Debt Capital	Equity Capital
Definition	Debt Capital is the borrowing of funds from individuals and organisations for a fixed tenure.	Equity capital is the funds raised by the company in exchange for ownership rights for the investors.
Role	Debt Capital is a liability for the company that they have to pay back within a fixed tenure.	Equity Capital is an asset for the company that they show in the books as the entity's funds.
Duration	Debt Capital is a short term loan for the organisation.	Equity Capital is a relatively longer-term fund for the company.

Aspect	Debt Capital	Equity Capital
Status of the Lender	A debt financier is a creditor for the organisation.	A shareholder is the owner of the company.
Types	Debt Capital is of three types: Term Loans, Debentures, Bonds.	Equity Capital is of two types: Equity Shares, Preference Shares.
Risk of the Investor	Debt Capital is a low-risk investment.	Equity Capital is a high-risk investment.
Payoff	The lender of Debt Capital gets interest income along with the principal amount.	Shareholders get dividends/profits on their shares.
Security	Debt Capital is either secured (against the surety of an asset) or unsecured.	Equity Capital is unsecured since the shareholders get ownership rights.

**Q) Briefly explain the meaning and importance of working capital for any business?**

**Q) Working Capital requirement can vary significantly across businesses. Identify and explain the factors for such variation.**

The following is a list of factors that influence a company's working capital.

- Policy on Credit: If a corporation extends easy credit terms to its consumers, it invests in long-term accounts receivable
- Tightening the lending rules can lower this investment, but some consumers may be turned away
- Rate of Change: Fast-expanding companies tend to increase their investments in accounts receivable and inventories
- Working capital will continue to rise until the company's revenues are large, making it impossible to pay for these receivables and inventories
- A company's working capital needs will decrease when its revenue declines; this frees up cash
- Terms of Payment for Payables: A corporation can save money on working capital by receiving a free loan from its suppliers by negotiating longer payment terms
- Working capital measures how much money a company has available to spend
- Flowchart of the Manufacturing Process: Inventories tend to balloon when companies overestimate their production requirements and underestimate actual demand
- A just-in-time system, on the other hand, only manufactures things when they are ordered, reducing the need for inventory
- Seasonality: An inventory asset may be necessary if a firm sells most of its products in one year
- Outsourcing labour or paying more for items to be manufactured at the last minute might lessen this investment in inventory
-

## 5. Introduction to stock market

### Q) Discuss the functions of Financial Markets? What is the function of financial markets?

A financial market refers to the market where the creation and exchange of financial assets such as shares and debentures takes place.

### Q) Financial market plays an important role in the allocation of scarce resources in an economy by performing various functions. Explain any two functions of the financial market?

The following are the functions of a financial market.

a. *Transfer of Savings and Alternatives for Investment*

A financial market acts as a link between the savers and the investors. It provides a platform for the transfer of savings from the households to the investors. It also provides savers with various alternatives for investment and thereby, directs the funds to the most productive investment.

b. *Establishes the Price*

Similar to a commodity, the price of a financial asset is established through the forces of demand and supply for funds. Financial market provides a platform for the interaction of the demand of the funds (represented by the business firms) and the supply of funds (represented by the households). Thereby, it helps in determining the price of the asset being traded.

c. *Facilitates Liquidity*

An asset or a security can be easily purchased and sold in a financial market. This renders liquidity to the assets. That is, through trading in the financial market assets can be easily converted into cash or cash equivalents.

d. *Reduced Cost of Transaction*

By rendering information regarding the securities being traded, their price, availability, etc., a financial market helps in reducing the cost of transaction in terms of effort, money and time.

### Q) Explain primary market and secondary market in reference to Indian stock market.

The primary market is where new securities, like stocks and bonds, are issued and sold for the first time, usually through initial public offerings (IPOs). The issuer receives the proceeds from the sale. The secondary market is where investors buy and sell securities that have already been issued.

In the primary market, the company transfers shares to the investor. In the secondary market, investors freely buy and sell shares of a company through a stock exchange, like the National Stock Exchange (NSE) or the Bombay Stock Exchange (BSE). The issuing entity does not participate in the secondary market.

The primary market directs funds to entrepreneurs who want to start a new business or expand an existing one. Corporations, institutions, investment banks, and public accounting companies are the main participants in the primary market.

### Q) Explain the difference between Primary market and secondary Market?

	Primary Market	Secondary Market
Definition	A primary market is a marketplace where corporations imbibe a fresh issue of shares for being contributed by the public for soliciting capital to meet their necessary long-term funds like extending the current trade or buying a	A secondary market is a prototype of the capital market where debentures, current shares, options, bonds, treasury bills, commercial papers, etc., of the enterprises are patronised amongst the

	<b>Primary Market</b>	<b>Secondary Market</b>
	unique entity.	investors.
<b>Also known as</b>	New issue market (NIM)	Aftermarket
<b>Purchasing type</b>	Direct purchase	Indirect purchase
<b>Parties of buying and selling</b>	Buying and selling takes place between the company and the investors.	Buying and selling takes place between the investors.
<b>To whom it provides financing</b>	It provides financing to the existing companies for facilitating growth and expansion.	It does not provide any kind of financing.
<b>Intermediaries involved</b>	Underwriters	Brokers
<b>Price levels</b>	Remain fixed	Price level varies with variations in demand and supply

**Q) Discuss the role of stock market.**

Following are some of the most important functions that are performed by stock exchange:

1. **Role of an Economic Barometer:** Stock exchange serves as an economic barometer that is indicative of the state of the economy. It records all the major and minor changes in the share prices. It is rightly said to be the pulse of the economy, which reflects the state of the economy.
2. **Valuation of Securities:** Stock market helps in the valuation of securities based on the factors of supply and demand. The securities offered by companies that are profitable and growth-oriented tend to be valued higher. Valuation of securities helps creditors, investors and government in performing their respective functions.
3. **Transactional Safety:** Transactional safety is ensured as the securities that are traded in the stock exchange are listed, and the listing of securities is done after verifying the company's position. All companies listed have to adhere to the rules and regulations as laid out by the governing body.
4. **Contributor to Economic Growth:** Stock exchange offers a platform for trading of securities of the various companies. This process of trading involves continuous disinvestment and reinvestment, which offers opportunities for capital formation and subsequently, growth of the economy.
5. **Making the public aware of equity investment:** Stock exchange helps in providing information about investing in equity markets and by rolling out new issues to encourage people to invest in securities.
6. **Offers scope for speculation:** By permitting healthy speculation of the traded securities, the stock exchange ensures demand and supply of securities and liquidity.
7. **Facilitates liquidity:** The most important role of the stock exchange is in ensuring a ready platform for the sale and purchase of securities. This gives investors the confidence that the existing investments can be converted into cash, or in other words, stock exchange offers liquidity in terms of investment.
8. **Better Capital Allocation:** Profit-making companies will have their shares traded actively, and so such companies are able to raise fresh capital from the equity market. Stock market helps in better allocation of capital for the investors so that maximum profit can be earned.
9. **Encourages investment and savings:** Stock market serves as an important source of investment in various securities which offer greater returns. Investing in the stock market makes for a better investment option than gold and silver.

### **Q) Explain the key financial instruments traded in the stock market.**

The key financial instruments traded in the stock market (i.e. the secondary market) are:

1. Equity shares or stocks - These represent ownership in a company. Investors who own shares of a company are called shareholders and have a claim on the company's assets and profits.
2. Bonds or debentures - These are debt instruments issued by companies or governments to raise capital. Bondholders receive periodic interest payments and the principal amount is repaid at maturity.
3. Derivatives - These are financial contracts whose value is derived from an underlying asset like stocks, bonds, commodities etc. Examples include futures contracts, options contracts, and swaps.
4. Exchange Traded Funds (ETFs) - These are investment funds that hold a basket of securities like stocks or bonds and trade on an exchange like individual stocks.
5. Mutual Funds - These are investment vehicles that pool money from many investors to invest in a portfolio of securities like stocks, bonds etc. Their units are traded on stock exchanges.
6. Government Securities - These include treasury bills, bonds and other debt instruments issued by governments to meet their borrowing requirements.
7. Corporate Commercial Papers - These are short-term unsecured debt instruments issued by companies to raise funds for working capital needs.

The key stock exchanges where these instruments are traded in the secondary market in India are the BSE (Bombay Stock Exchange) and NSE (National Stock Exchange).

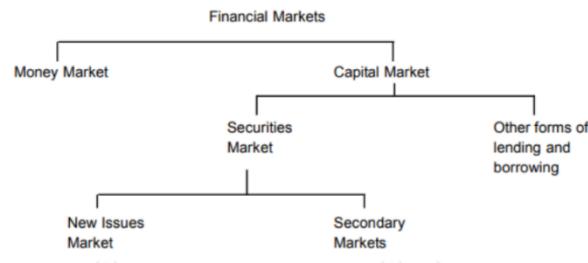
### **Q) Briefly explain different types of markets and financial instruments available in those markets?**

There are two main types of financial markets:

#### **Money Market**

The money market refers to the market where borrowers and lenders exchange short-term funds to solve their liquidity needs. The key money market instruments are:

- Call/Notice Money: Funds lent/borrowed by banks for very short periods (overnight to 14 days)
- Treasury Bills: Short-term promissory notes issued by the government at a discount
- Commercial Bills: Bills of exchange arising from credit transactions in trade
- Commercial Paper: Unsecured short-term instruments issued by corporates



#### **Capital Market**

The capital market is for trading long-term debt or equity-backed securities. It has two segments:

- A. Primary Market
  - Where new securities are issued to the public for the first time
  - Includes public issues (IPOs and FPOs), rights issues, bonus issues, private placements etc.
- B. Secondary Market
  - Where existing securities are traded
  - Has two components: Over-the-counter (OTC) markets and exchange-traded markets like stock exchanges

The main capital market instruments traded are shares/stocks, bonds, debentures, derivatives like options and futures.

**Q) Reliance Agro Ltd. is in the business of transporting fruits and vegetables. It has a good reputation in the market for delivering quality products at the right time and place. State the reason whether the working capital requirement would be high or low?**

The working capital requirement of Reliable Transport Services Ltd. will be low. This is because fruits and vegetables are perishable in nature and thus there is no need of maintaining a large amount of stock.

# Unit 4

## 1. Functions of marketing

### **Q) Define the term "Marketing".**

Marketing is a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others. In a narrower business context, marketing involves building profitable, value-laden exchange relationships with customers.

It goes beyond just selling and advertising to encompass understanding customer needs, developing products that provide superior value, and managing pricing, distribution, and promotion activities.

Hence, we define marketing as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.

- Marketing is the process of discovering and translating consumer needs and wants into products and services, creating demand for these products and services and then in turn expanding this demand. (H.L. Hansen.)
- Marketing is the business process by which products are matched with markets and through which transfer of ownership are affected. (Edward W. Cundiff)
- Marketing consists of the performance of business activities that direct the flow of goods and services from producers or suppliers to consumers or end-users. (American Marketing Association)

### **Q) Explain in detail the various functions of Marketing.**

### **Q) What are the various functions performed by a Marketing Manager?**

The functions of marketing encompass a wide array of activities aimed at facilitating the exchange of goods and services between producers and consumers while maximizing customer satisfaction. Let's delve into each function:

1. **Gathering and Analyzing Market Information:** This function involves systematically collecting, processing, and interpreting relevant data about the market, including consumer preferences, competitor actions, economic trends, and technological advancements. Analysis of this information helps in identifying opportunities and threats, understanding customer needs, and making informed decisions regarding product development, pricing, distribution, and promotion strategies.
2. **Marketing Planning:** Marketing planning involves developing comprehensive strategies and action plans to achieve the organization's marketing objectives. It includes setting specific goals, identifying target markets, allocating resources effectively, and outlining the steps needed to implement marketing initiatives successfully. A well-crafted marketing plan provides a roadmap for achieving competitive advantage and sustaining business growth.
3. **Product Designing and Development:** This function entails conceptualizing, designing, and enhancing products or services to meet customer needs and preferences effectively. Product design plays a crucial role in shaping consumer perceptions, differentiation from competitors, and ensuring functional efficiency and aesthetic appeal. Continuous innovation and adaptation are essential for staying relevant in dynamic markets.
4. **Standardization and Grading:** Standardization involves manufacturing products according to predetermined specifications to ensure uniform quality, consistency, and reliability. Grading involves classifying products into different categories based on specific attributes such as quality, size, or grade. Standardization and grading contribute to quality assurance, customer confidence, and market competitiveness.
5. **Packaging and Labeling:** Packaging involves designing and creating containers or wrappers for products to protect, preserve, and promote them effectively. Labeling involves designing and affixing

informative tags or stickers on product packages to provide essential details such as ingredients, usage instructions, and safety warnings. Packaging and labeling serve as critical marketing tools to attract consumers, convey brand identity, and differentiate products on store shelves.

6. **Branding:** Branding refers to creating and managing distinctive identities for products or services to establish emotional connections, foster brand loyalty, and differentiate offerings from competitors. Branding decisions encompass choosing brand names, logos, symbols, and slogans, as well as developing brand positioning and communication strategies. Strong brands command premium prices, enhance customer loyalty, and drive long-term business success.
7. **Customer Support Services:** This function involves providing a range of services to customers before, during, and after the purchase to ensure satisfaction, build trust, and foster loyalty. Customer support services may include after-sales assistance, warranty services, technical support, complaint resolution, and product education. Exceptional customer service enhances brand reputation, encourages repeat purchases, and generates positive word-of-mouth recommendations.
8. **Pricing of Product:** Pricing involves determining the monetary value of products or services based on factors such as production costs, demand, competition, and perceived customer value. Pricing decisions influence consumer perceptions, purchase behavior, and market positioning. Effective pricing strategies aim to maximize profitability, achieve sales objectives, and maintain competitiveness while meeting customer expectations.
9. **Promotion:** Promotion encompasses various activities aimed at communicating product benefits, stimulating demand, and persuading target audiences to purchase. Common promotional methods include advertising, personal selling, sales promotion, and public relations. Promotional decisions involve setting promotional objectives, selecting appropriate channels and messages, allocating budgets, and evaluating campaign effectiveness.
10. **Physical Distribution:** Physical distribution involves managing the movement and storage of products from production facilities to end-users efficiently. This function includes decisions related to distribution channels, inventory management, warehousing, transportation, and order processing. Effective physical distribution ensures timely availability of products, minimizes distribution costs, and enhances customer satisfaction.
11. **Transportation:** Transportation involves the physical movement of goods from production sites to distribution centers or directly to customers. Decisions regarding transportation modes, routes, carriers, and logistics optimization are critical for ensuring timely delivery, minimizing transit costs, and maintaining supply chain efficiency.
12. **Storage or Warehousing:** Warehousing involves storing and managing inventory in designated facilities to facilitate smooth production and distribution operations. Proper storage ensures adequate stock availability, protects goods from damage or theft, and enables efficient order fulfillment. Warehousing decisions include location selection, inventory control, space utilization, and safety measures.

#### **Q) Explain the concept of marketing mix.**

The Marketing mix is a set of four decisions which needs to be taken before launching any new product. These variables are also known as the 4 P's of marketing. These four variables help the firm in making strategic decisions necessary for the smooth running of any product / organization.

The two types of marketing mix are product marketing mix and service marketing mix. Product marketing mix focuses on tangible goods, while service marketing mix includes additional variables for intangible services. The concept was coined by Neil H. Borden in 1964 and is crucial for a successful marketing plan, with its four variables—product, price, place, and promotion—being subject to change over time.

**Q) Briefly explain the different elements of the marketing mix? Discuss the 4 P's of marketing. Explain the elements of the marketing mix using suitable examples.**

The marketing mix, often referred to as the 4 P's of marketing, encompasses the various elements that a business can control to influence consumers' purchasing decisions. These elements are Product, Price, Place, and Promotion.

**1. Product:**

- This element represents the actual goods or services offered by a business to satisfy the needs or wants of consumers. It includes not only the physical product but also aspects like packaging, branding, warranties, and after-sales service.
- The three levels of a product are:
  - Core Benefit: The fundamental need or want that the product fulfills.
  - Actual Product: The physical attributes of the product, such as design, features, quality, and brand name.
  - Augmented Product: Additional benefits or services that enhance the value of the product, such as customer support, warranties, or delivery options.
- Key considerations when making product decisions include identifying the target market, understanding consumer needs, assessing competition, and differentiating the product from alternatives.

**2. Price:**

- Price refers to the amount of money that customers must pay to acquire the product or service. It plays a crucial role in shaping consumer perceptions of value and affordability.
- Pricing strategies can vary based on factors such as production costs, competitor pricing, market demand, and perceived product value.
- Pricing decisions should align with the overall marketing objectives of the business and consider factors like profit margins, sales volume, and long-term sustainability.
- Pricing strategies can include penetration pricing, premium pricing, discount pricing, psychological pricing, and value-based pricing, among others.

**3. Place (Distribution):**

- Place refers to the distribution channels and locations through which products are made available to customers. It involves decisions about how products are stored, transported, and sold to end-users.
- Distribution channels can include wholesalers, retailers, online platforms, direct sales, and intermediaries.
- The choice of distribution channels depends on factors such as target market preferences, product characteristics, geographic reach, and competitive landscape.
- Efficient distribution is essential for ensuring that products reach customers in a timely and cost-effective manner, thereby maximizing sales and customer satisfaction.

**4. Promotion:**

- Promotion encompasses all the activities undertaken to communicate the benefits and value of the product to the target audience and persuade them to make a purchase.
- It includes advertising, sales promotions, public relations, personal selling, and direct marketing efforts.
- The goal of promotion is to create awareness, generate interest, stimulate demand, and ultimately drive sales.
- Effective promotional strategies consider factors such as the stage of the product lifecycle, target market characteristics, competitive environment, and available budget.
- Integrated marketing communications (IMC) involves coordinating various promotional activities to deliver a consistent and compelling message to consumers across multiple channels.

By effectively managing the elements of the marketing mix, businesses can develop comprehensive marketing strategies that address the needs of their target market and achieve their organizational objectives.

The extended 7 Ps:

**Q) State and explain with examples the 7 Ps of Marketing Mix. Explain the additional 3 P's in the case of services.**

**5. People:**

- All companies are reliant on the people who run them from front line Sales staff to the Managing Director. Having the right people is essential because they are as much a part of your business offering as the products/services you are offering.

**6. Processes:**

- The delivery of your service is usually done with the customer present so how the service is delivered is once again part of what the consumer is paying for.

**7. Physical Evidence:**

- Almost all services include some physical elements even if the bulk of what the consumer is paying for is intangible. Your consumer should always receive something physical to validate their purchase. Consider how braces give you straight teeth, hairdressers give you a new look, and receipts are proof of a purchase. People like to receive something that evokes their senses to confirm that they have gotten a product or service, even if it is just the receipt. This tangible item validates the experience of purchasing and fosters a sense of value from that purchase.
- Consider for example, a hair salon would provide their client with a completed hairdo and an insurance company would give their customers some form of printed material. Even if the material is not physically printed (in the case of PDFs) they are still receiving a "physical product" by this definition.

**Q) Discuss how technology is reshaping the marketing mix.**

Product - Technology enables mass customization, modifying product forms (e.g. e-books, digital products), and enhancing product features through software/digital integration.

Price - The internet provides transparency on competitor pricing, forcing companies to be more strategic with their pricing strategies. Dynamic pricing models are becoming more common.

Place (Distribution) - E-commerce expands geographical reach and lowers distribution costs. Customers expect fast delivery and easy returns with online ordering.

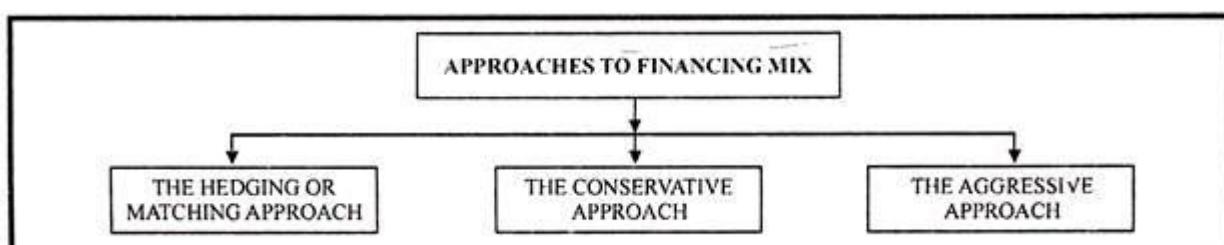
Promotion - Digital marketing like social media, influencers, interactive ads are replacing traditional mass media promotion. Two-way communication with customers is enabled.

People - Chatbots, social media teams provide new touchpoints for customer service and promotion by company representatives.

Physical Evidence - Websites, reviews, and influencers replace physical evidence for online businesses. Website design/UX is critical.

Processes - Technology optimizes processes like checkout flows, order tracking, user journeys on websites/apps to enhance the customer experience.

**Q) Explain the three approaches for determining an appropriate finance mix for an organization. Which is the most suitable?**



The three approaches for determining an appropriate finance mix for an organization are:

1. **The Hedging or Matching Approach:** This approach advocates matching the maturity of sources of funds with the maturity of financial needs. Permanent working capital is financed with long-term sources, while temporary or seasonal working capital is financed with short-term funds.
2. **The Conservative Approach:** This approach suggests financing the entire estimated investments in current assets from long-term sources, reserving short-term funds only for emergencies. It prioritizes liquidity and risk minimization over cost efficiency.
3. **The Aggressive Approach:** This approach recommends financing the entire estimated requirements of current assets from short-term sources, even considering funding a portion of fixed asset investments with short-term funds. It prioritizes cost efficiency and profitability but entails higher risk.

The most suitable approach depends on various factors such as the organization's risk appetite, financial stability, market conditions, and specific needs. A balanced approach that considers both cost efficiency and risk management, such as a trade-off between the hedging and conservative approaches, may often be the most appropriate.

**Q) A multinational FMCG company known for its confectionary products, is planning to launch a new brand of chocolate in India markets. The Chocolate would be available nationwide. Design a suitable marketing mix for the above product, specifying for all 4 P's of marketing. Assume your own brand name and clearly specify the target market.**

Marketing mix for launching a new brand of chocolate by a multinational FMCG company in the Indian market:

**Product:** Brand Name: Choco Bliss Target Market: Urban youth (age 15-30 years) and families Product: Premium milk chocolate with crunchy nuts/raisins, available in 50g and 100g pack sizes

**Price:** Pricing Strategy: Premium pricing slightly above competitors like Cadbury Dairy Milk Suggested MRP: Rs 50 for 50g pack, Rs 90 for 100g pack

**Place (Distribution):** Nationwide distribution across all major cities/towns Available at supermarkets, grocery stores, chemist outlets and online grocery platforms

**Promotion:** Launch promotional campaigns on social media, YouTube targeting youth Celebrity endorsements and TV ads to build brand awareness Sampling activities at malls, multiplexes Special introductory offers/discounts to induce trial

The product is positioned as a premium indulgent chocolate targeting urban affluent consumers. The pricing, distribution and promotions strategy aims to reinforce this premium positioning while ensuring widespread availability.

**Q) 'Hayaram' is a famous chain selling a large variety of products in the Indian market. Their products include chips, biscuits, sweets, and squashes. It charges a comparatively higher price than its competitors as it sells quality products. Besides, it offers regular discounts to its customers and easy credit terms to its retailers. It has five of its retail shops. It also sells its products through various grocery stores so that the products are made available to customers at the right place, in the right quantity, and at the right time. It regularly uses different communication tools to increase its sales. The above para describes the combination of variables used by Hayaran to prepare its market offering. Identify and explain the variables.**

The variables that are discussed in the question are as follows:

(i) **Product:** Product refers to anything of value that is offered to the market for sale. Product mix deals with all decisions related to product such as decisions related to features, quality, size and brand, packaging, labelling of the product. The concept of product also includes the extended product or what is offered to the customers by way of after sale services, handling complaints, availability of spare parts etc.

"Their products include chips, biscuits, sweets and squashes".

(ii) Price: Price is the amount of money, which the customers have to pay to the seller in lieu of the product or service provided. Price mix refers to important decision relating to the price charged for a product, service or idea like objectives of price setting, factors, discount policy, credit terms, etc.

"It charges a comparatively higher price than its competitors....".

OR "It offers regular discounts to its customers and easy credit terms to its retailers."

(iii) Place/Physical Distribution: Place or physical distribution mix includes activities that are involved in transferring the ownership to customers and to make the product available at the right place at the right time. It involves decision regarding modes of transportation, channels of distribution and inventory maintenance.

"It has five of its own retail ships".

OR "It also sells its products through various grocery stores"

(iv) Promotion: This element deals with informing and persuading the customers regarding the products. Promotion mix refers to the decisions relating to persuading customers to buy the product. Advertising, personal selling, sales promotion and public relation are different tools of promotion.

"It regularly uses different communication tools to increase its sales."

**Q) Which of the 4 Ps of marketing is most crucial for the business? Critically examine.**

Charo hi hote hai

## 2. Marketing vs sales

**Q) What are the differences between marketing and selling? Elaborate on the difference between 'Marketing' and 'Selling.' Explain key differences between selling and marketing.**

Marketing and selling are often used interchangeably, but they represent distinct concepts in business. Selling primarily focuses on moving products by persuading customers to buy, often with short-term goals of achieving market share and maximizing profits through sales. It's producer-driven and emphasizes closing transactions, sometimes overlooking long-term brand building and customer loyalty. In contrast, marketing encompasses a broader range of activities aimed at understanding and satisfying consumer needs. It involves product planning, pricing, promotion, and distribution, guided by consumer preferences. Marketing aims to create value-satisfying goods and services that consumers want, focusing on generating interest, creating leads, and building brand awareness for sustainable revenue growth. While selling is transactional, marketing is relational, prioritizing customer satisfaction and long-term relationships over immediate sales.

Selling	Marketing
1. Emphasis is on the product	1. Emphasis on consumer needs wants.
2. Company Manufactures the product first.	2. Company first determines customers' needs and wants and then decides how to deliver a product to satisfy these wants.
3. Management is sales volume oriented.	3. Management is profit oriented.
4. Planning is short-run-oriented in terms of today's products and markets.	4. Planning is long-run-oriented in terms of new products, tomorrow's markets and future growth.
5. Stresses needs of seller.	5. Stresses needs and wants of buyers.
6. Views business as a good producing process.	6. Views business as consumer producing process satisfying process.

Selling	Marketing
7. Emphasis on staying with existing technology and reducing costs.	7. Emphasis on innovation on every existing technology and reducing every sphere, on providing better costs value to the customer by adopting a superior technology.
8. Different departments work as in highly separate water tight compartments.	8. All departments of the business integrated manner, the sole purpose being generation of consumer satisfaction.
9. Cost determines Price.	9. Consumer determines price, price determines cost.
10. Selling views customer as a last link in business.	10. Marketing views the customer last link in business as the very purpose of the business.

**Q) How does a sales-oriented company differ from a marketing-oriented company? What are the characteristics and implications of marketing orientation?**

A sales-oriented company typically prioritizes short-term sales targets and focuses on aggressive selling tactics to move products quickly. The company's primary goal is to maximize immediate profits through transactions, often at the expense of long-term customer relationships and brand loyalty. Sales-oriented companies may overlook consumer needs and preferences in favor of pushing their products onto customers.

In contrast, a marketing-oriented company places a strong emphasis on understanding and satisfying consumer needs. It conducts extensive market research to identify customer preferences and market trends, then tailors its products, pricing, promotion, and distribution strategies accordingly. Marketing-oriented companies prioritize building long-term relationships with customers, aiming to create value and customer satisfaction to drive repeat business and foster brand loyalty. They recognize that profitability comes not only from sales but also from customer loyalty and satisfaction, leading to sustained revenue growth over time. Overall, a marketing orientation encourages a customer-centric approach, innovation, and a focus on long-term value creation rather than short-term sales targets.

**Q) Explain five characteristics of a good salesman?**

1. Persuasive: Able to influence others effectively.
2. Empathetic: Understands and connects with customers' needs.
3. Knowledgeable: Has thorough product/service knowledge.
4. Persistent: Doesn't give up easily, pursues leads diligently.
5. Adaptability: Can adjust approach based on customer and situation.

**Q) A salesman approaches you to promote the sales of a water purifier. Which communication tool is the marketer using by sending him to your doorstep?**

Personal selling

Personal selling involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales. It is a personal form of communication. Companies appoint salespersons to contact prospective buyers and create awareness about the product and develop product preferences with the aim of making sale.

### 3. Interface of marketing with other departments

#### 4. Customer lifetime value

**Q) What do you understand by "Customer Life Time Value"? How it is measured for a company?**

Customer Lifetime Value (CLV) is a crucial metric for businesses, representing the total amount of money a customer is expected to spend on a company's products or services over the duration of their relationship. It's a projection that estimates the monetary worth of a customer to a business, factoring in the value of the relationship over time.

Measuring CLV involves several steps and considerations:

1. **Customer Expenditures:** This includes the total amount spent by the customer on purchases from the company. This can be tracked through sales data or transaction records.
2. **Purchase Frequency:** How often a customer makes purchases from the company is another key factor. This helps in estimating how frequently revenue can be generated from the customer.
3. **Purchase Volume:** The amount spent by the customer on each purchase or transaction is also important. Customers who make larger purchases contribute more to the CLV.
4. **Costs:** The cost of acquiring and serving a customer needs to be factored in. This includes marketing expenses, customer service costs, and any other expenses directly related to serving the customer.
5. **Time Frame:** CLV is calculated over the entire duration of the customer relationship. This means considering how long a customer is likely to remain with the company and continue making purchases.
6. **Average Customer Value:** CLV can be further analyzed by breaking it down into averages per week, month, year, etc., to gain insights into customer behavior and spending patterns over time.

##### Customer Lifetime Value Examples

The best way to understand CLV is through examples. Here are examples from three very different industries to better demonstrate how customer lifetime value may impact your company:

**Coffee shop:** A coffee shop is a perfect starting example for CLV, as it is easy to understand even if you don't have an extensive business background. Let's say a local coffee chain with three locations has an average sale of \$4. The typical customer is a local worker who visits two times per week, 50 weeks per year, over an average of five years.

$$\text{CLV} = \$4 \text{ (average sale)} \times 100 \text{ (annual visits)} \times 5 \text{ (years)} = \$2,000$$

**Car dealership:** A car dealership has a much higher average sale amount with a lower purchase volume. In this example, we'll assume someone buys a new car every five years for \$30,000. Customers are loyal to this brand and tend to keep buying from it for 15 years.

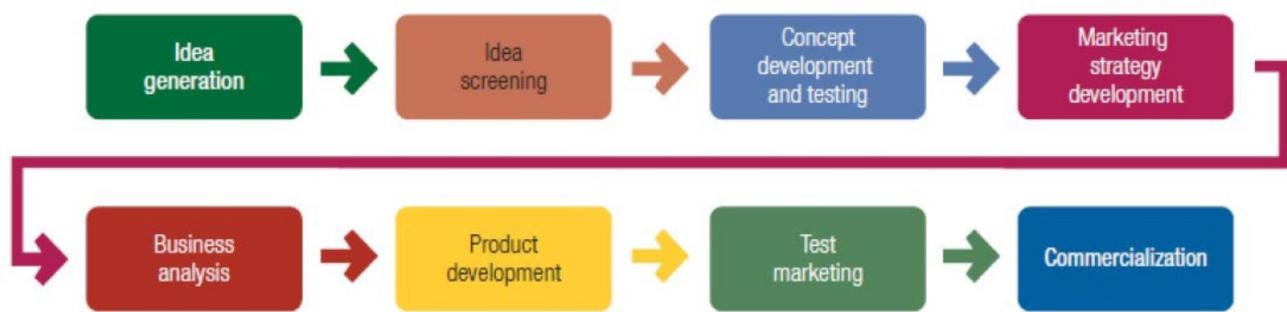
$$\text{CLV} = \$30,000 \text{ (average sale)} \times .2 \text{ (annual purchases)} \times 15 \text{ (years)} = \$90,000$$

#### 5. New product development

**Q) What do you understand by New Product Development? Give suitable illustration for the same.**

New product development is a task taken by the company to introduce newer products in the market. Regularly there will arise a need in the business for new product development. Your existing products may be technologically outdated, you have different segments to target or you want to cannibalize an existing product.

In such cases, New product development is the answer for the company. There are 8 stages of new product development and they are as follows.



**Q) Explain in detail the various steps involved in the process of New Product Development with appropriate examples. Describe the seven stages of new product development for the introduction of new products in the market.**

### **1. Idea Generation**

Idea generation involves a systematic search for new product ideas. Companies utilize various sources such as internal teams, customers, competitors, distributors, and suppliers to generate ideas. Methods like incentive programs, customer feedback, and crowdsourcing are commonly employed. For instance, Procter & Gamble uses crowdsourcing through its Connect + Develop process.

### **2. Idea Screening**

Idea screening is the process of evaluating and selecting the most promising ideas generated. This involves assessing each idea against predetermined criteria to determine its viability and fit with the company's capabilities.

### **3. Concept Development and Testing**

Concept development involves refining an attractive idea into a detailed product concept. Concepts are then tested with consumers to gauge their appeal and potential market response. Concept testing may involve presenting consumers with prototypes or descriptions of the product.

### **4. Marketing Strategy Development**

The marketing strategy outlines the target market, product positioning, sales goals, pricing, distribution, and marketing budget. It also includes long-term sales and profit goals along with the marketing mix strategy.

### **5. Business Analysis**

Business analysis involves evaluating projected sales, costs, and profits to assess the proposal's attractiveness and alignment with company objectives. This step helps in estimating potential risks and assessing the financial viability of the new product.

### **6. Product Development**

Product development is the process of turning the product concept into a physical product. This phase involves significant investment in research and development to ensure the product's functionality, safety, and effectiveness. Testing is conducted rigorously during this stage.

### **7. Test Marketing**

Test marketing involves introducing the product and marketing program into realistic market settings to assess their performance. It allows the company to gather feedback and make necessary adjustments before full-scale introduction.

## 8. Commercialization

Commercialization is the final step where the product is fully launched into the market. This involves heavy investment in advertising, promotion, manufacturing, and distribution. Companies must decide on the timing, location, and approach to market entry. Many companies now adopt simultaneous development approaches to increase speed and flexibility.

**Q) What role does New Product Development play in an organization? Explain with the support of suitable examples?**

New Product Development (NPD) plays a crucial role in an organization by driving innovation, sustaining competitiveness, and fueling growth. For instance, Apple's continuous NPD efforts, such as the iPhone series, have kept it at the forefront of the smartphone market. Similarly, Tesla's introduction of electric vehicles demonstrates the impact of NPD in transforming industries and meeting evolving consumer needs.

**Q) Why is it essential for a firm's growth to continually modify its existing products and introduce new products?**

Continually modifying existing products and introducing new ones is essential for a firm's growth because it helps maintain relevance in the market, sustain competitiveness, and capture evolving consumer preferences. It enables the company to stay ahead of competitors, adapt to changing market dynamics, and capitalize on emerging trends. Additionally, it expands the company's product portfolio, attracts new customers, and fosters innovation, leading to increased market share and revenue generation.

**Q) A company is contemplating to launch a new toothpaste. Describe the stages of developing this new product.**

**Q) An Apparel Manufacturer has recently decided to launch a new product in the market. Briefly describe the steps the manufacturer needs to undertake to develop and launch the product.**

For both scenarios, the stages of developing and launching a new product typically follow a similar process:

1. **Idea Generation:** This involves brainstorming and researching potential ideas for the new toothpaste or apparel product. Ideas can come from internal sources, market research, customer feedback, or industry trends.
2. **Idea Screening:** The company evaluates and filters the generated ideas to identify the most promising ones based on criteria like market potential, feasibility, and alignment with company goals.
3. **Concept Development and Testing:** The selected ideas are further developed into detailed concepts or prototypes. These concepts are then tested with target consumers to gather feedback and assess market acceptance.
4. **Marketing Strategy Development:** A comprehensive marketing strategy is formulated, including target market identification, positioning, pricing, distribution channels, promotional activities, and sales forecasts.
5. **Business Analysis:** The company conducts a thorough analysis of the potential financial viability of the new product, considering projected sales, costs, profits, and risks.
6. **Product Development:** The chosen concept moves into the development phase, where the product is designed, manufactured, and tested to ensure quality, functionality, and safety.
7. **Test Marketing:** A small-scale launch of the product is conducted in select markets to evaluate its performance, gather feedback, and fine-tune marketing strategies before a full-scale rollout.
8. **Commercialization:** The final stage involves the full-scale introduction of the product into the market. This includes extensive marketing and promotional efforts, distribution logistics, and monitoring of sales performance.

By following these stages systematically, the company can effectively develop and launch a new toothpaste or apparel product, maximizing its chances of success in the market.

## 6. Unethical issues in marketing

### Q) Short note on ethics.

Ethics are the moral principles that guide individuals and organizations in determining what is right or wrong. They provide a framework for decision-making and behaviour, ensuring fairness, integrity, and respect for others. In business, ethics are crucial for maintaining trust, reputation, and sustainable relationships with stakeholders.

### Q) Explain the ethical issues and concerns in Marketing.

### Q) Explain any five unethical marketing practices.

### Q) Discuss various unethical issues in marketing.

#### Ten Common Examples of Unethical Marketing Practices:

1. **Making false, exaggerated, or unverified claims:** In a desperate bid to compel potential and existing customers to buy their products or services, some marketers use false statements, exaggerated benefits, or make unverifiable claims about their offers. This is common in the weight loss industry, where marketers convince potential buyers that a particular product can help them shed so-and-so pounds within two weeks without exercise or dieting!
2. **Distortion of facts to mislead or confuse potential buyers:** This is another common unethical marketing practice. A typical example is when a food processing company claims that its products are sugar-free or calorie-free when indeed they contain sugar or calories. Such a company is only trying to mislead potential buyers, since they are unlikely to buy the products if it is made known that they contain sugar or calories.
3. **Concealing dark sides or side effects of products or services:** This unethical marketing practice is rife in the natural remedies industry, where most manufacturers deceive potential buyers that their products have no side effects because they are “made from natural products”. But in reality, most of these products have been found to have side effects, especially when used over a long period. In fact, there’s no product without side effects—it’s just that the side effects might be unknown. It’s better to say, “There are no known side effects” than to say “there are no side effects”.
4. **Bad-mouthing rival products:** Emphasizing the dark sides of your rival’s products in a bid to turn potential customers towards your own products is another common but unethical marketing practice. Rather than resort to this bad strategy, you should emphasize on those aspects that make your offer stand out from the rest of the pack. That’s professional and ethical.
5. **Using women as sex symbols for advertising:** The rate at which even reputable brands are resorting to this unethical marketing practice is quite alarming. If you observe TV, billboard, and magazine adverts, there’s something common to most of them; a half-naked lady is used to attract attention to the product or service being advertised. While it might be intuitive to use models in adverts for beauty products and cosmetics, having half-naked models in adverts for generators, heavy machinery, smartphones, and other products not strongly related to women is both nonsensical and unethical.
6. **Using fear tactics:** This is another common unethical marketing practice among snake oil salespersons. You will hear them saying something like: “This price is a limited-time offer. If you don’t buy now, you might have to pay much more to buy it later because the offer will end up in two days time, and the price will go up.” The only motive behind those statements is to prompt the potential buyer to make a decision on the spot. And that’s wrong. Why subject someone to undue pressure because you want to make money off him or her?
7. **Plagiarism of marketing messages:** Though uncommon, some business owners and salespersons engage in using the exact marketing messages of their competitors to market their own products or services. Creativity is a huge part of marketing, and using other businesses’ marketing messages just passes you off as being creatively bankrupt and fraudulent.

8. **Exploitation:** This is charging for much more than the actual value of a product or service. For marketing efforts to remain within ethical limits; the prices of your offers must be equal to or less than the value they give the buyer. If the value is less than the cost, it's unethical.
9. **Demeaning references to races, age, sex, or religion:** Ethical marketing must be devoid of all forms of discrimination. If your marketing messages contain lines that place people of certain age range, sex, religion, nationality, or race at a higher level than others, then you are crossing the bounds of ethical marketing.
10. **Spamming:** Spamming is when you send unsolicited emails to potential customers, encouraging them to buy your products or services. This is the commonest unethical marketing practice done online. The number of time you send such emails doesn't matter. Whether you send them once, or on occasions, or frequently, you remain a spammer.

# Unit 5

## 1. Introduction to knowledge management

### **Q) Explain data, information, and knowledge. Provide suitable examples.**

"Data are facts, observations, or measures that have been recorded but not put into meaningful context. A single musical note is data." Then data becomes information as soon as it is put into a context, and linked to an object. Data can be thought of as raw facts or observations without any specific context. For instance, a single musical note played on a piano is data—it's just a sound with no inherent meaning on its own.

Data that has been arranged in a systematic way to yield order and meaning. A series of notes arranged into a tune is information. Information, on the other hand, is what data becomes when it's organized and given context. When those musical notes are arranged into a recognizable melody, they become information. Now, the sequence of notes forms a coherent piece of music that conveys meaning to the listener.

Knowledge is a mix of framed experience, values, contextual information, expert insight and intuition that provides an environment and framework for evaluating and incorporating new experiences and information. It originates in individuals' minds but is often embedded in organizational routines, processes, practices, systems, software and norms. Knowledge goes beyond mere information. It encompasses not only organized information but also personal experience, values, insights, and intuition. It's the framework through which we interpret and make sense of the world. For example, a musician not only knows how to play a melody but also understands the theory behind it, the emotions it evokes, and how it fits into the broader context of music. Knowledge isn't just individual; it can also be institutionalized within organizations, shaping their routines, processes, and norms.

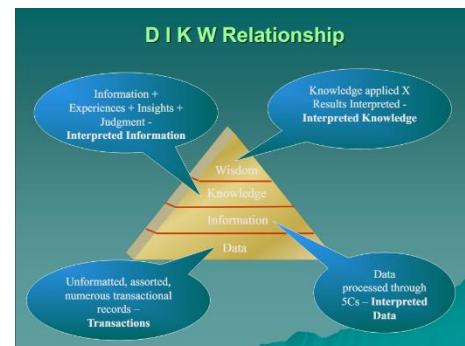
### **Q) Discuss DIKW model.**

The term DIKW is derived from the field of "data science and big data analytics". The DIKW model is used for data enrichment. The DIKW model consists of four stages. The full form of every alphabet in the word DIKW has its own meaning. In DIKW, D stands for "Data", I stands for "Information", K stands for "Knowledge" and W stands for "Wisdom". The flow of the DIKW pyramid starts from bottom to up and also with increasing values such as hindsight, insight, and foresight.

#### *DIKW Pyramid*

The DIKW pyramid is a hierarchical model that represents the relationship between different levels of information processing, from raw data to knowledge and wisdom. It is often used in the context of data science and big data analytics to illustrate the transformation of data into actionable insights.

The four levels of the DIKW pyramid are:



1. Data: This is the raw, unprocessed facts and figures that are collected from various sources. Data can be structured or unstructured and may include text, numbers, images, audio, and video.
2. Information: Data becomes information when it is organized, processed, and interpreted in a meaningful way. The information provides context and relevance to data and enables decision-making and action.
3. Knowledge: Knowledge is the understanding gained from information, through analysis, interpretation, and synthesis. Knowledge is often based on experience, expertise, and intuition, and enables more complex decision-making and problem-solving.
4. Wisdom: Wisdom is the highest level of the DIKW pyramid, representing the ability to apply knowledge and experience to make sound judgments and decisions. Wisdom requires reflection, insight, and foresight, and is often based on a deep understanding of the broader context and implications of decisions.

### **Q) Short note on Knowledge Management**

Knowledge Management (KM) is the creation, distribution and exploitation of knowledge to create and retain greater value of core business competencies.

KM addresses business problems particular to your business – whether it is creating and delivering innovative products or services; managing and enhancing relationships with customers, partners and suppliers; or improving work processes.

Primary goal : To facilitate opportunistic application of fragmented knowledge through integration.

⦿ KM is a newly emerging, interdisciplinary business model dealing with all aspects of knowledge within the context of the firm, including knowledge creation, codification, sharing, and how these activities promote learning and innovation. In practice, KM encompasses both technological tools and organizational routines in overlapping parts.

### **Q) What is Knowledge management and why is it important for a business organization?**

#### **Q) Explain the need for knowledge management in an organization.**

Knowledge management is essential for businesses to remain competitive and innovative in today's rapidly changing business environment. Here are some key reasons why knowledge management is crucial for organizations:

1. Leveraging organizational knowledge: Organizations possess a wealth of knowledge residing in their employees, processes, systems, and documented information. Effective knowledge management helps capture, organize, and disseminate this knowledge, enabling organizations to leverage their collective expertise, avoid reinventing the wheel, and make better-informed decisions.
2. Retaining organizational memory: Knowledge management helps organizations retain and transfer knowledge when employees leave or retire. This ensures that valuable knowledge is not lost and can be accessed by new employees, minimizing disruptions and preserving organizational memory.
3. Fostering innovation and collaboration: By facilitating the sharing and exchange of knowledge within the organization, knowledge management encourages collaboration, cross-pollination of ideas, and the generation of new insights. This fosters innovation and helps organizations stay ahead of the curve.
4. Improving operational efficiency: Knowledge management can streamline processes by providing employees with easy access to relevant information, best practices, and lessons learned. This reduces redundant efforts, minimizes errors, and improves overall operational efficiency.
5. Enhancing decision-making: Knowledge management ensures that decision-makers have access to the latest and most relevant information, enabling them to make well-informed and data-driven decisions that align with organizational goals and strategies.

### **Q) Discuss the driving forces, and various issues in knowledge management.**

Driving forces and various issues in knowledge management:

1. Globalization and increased competition: With businesses operating globally and facing intense competition, the need to leverage knowledge effectively has become critical for maintaining a competitive edge.
2. Rapid technological advancements: The proliferation of digital technologies, such as collaboration tools, knowledge repositories, and artificial intelligence, has enabled more efficient knowledge capture, storage, and dissemination.
3. Workforce mobility and knowledge retention: With the increasing mobility of the workforce and the risk of knowledge loss due to employee turnover, organizations recognize the importance of capturing and retaining institutional knowledge.
4. Regulatory compliance and risk management: Knowledge management can help organizations comply with regulatory requirements, manage risks, and maintain corporate governance by ensuring access to relevant information and documentation.

5. Cultural and organizational barriers: Fostering a knowledge-sharing culture, overcoming organizational silos, and encouraging employees to actively contribute and utilize knowledge resources can be challenging.
6. Technology integration and interoperability: Integrating knowledge management systems with existing systems and ensuring interoperability across different platforms and applications can pose technical challenges.
7. Knowledge security and intellectual property protection: Organizations must balance the need for knowledge sharing with the protection of sensitive information and intellectual property rights.
8. Knowledge measurement and valuation: Quantifying the value of knowledge assets and measuring the return on investment in knowledge management initiatives can be difficult.

**Q) "Your success as a manager will depend in part on your mindset concerning knowledge and the way it is handled". Comment.**

A manager's success greatly depends on their mindset and approach towards managing the organization's knowledge assets effectively. Key aspects include:

- Recognizing knowledge as a valuable resource and source of competitive advantage
- Fostering a culture that encourages knowledge sharing and continuous learning
- Understanding different knowledge types (explicit and tacit) and enabling their flow
- Embedding knowledge management practices into core organizational processes and goals
- Facilitating mechanisms for effective knowledge creation, transfer and utilization

Having the right knowledge management mindset empowers employees, drives innovation, and enhances overall performance - making it crucial for managerial success.

## 2. Knowledge society and knowledge economy

**Q) Explain SECI model for sharing and creation of knowledge in an organization.**

The SECI (Socialization, Externalization, Combination, Internalization) model, proposed by Ikujiro Nonaka and Hirotaka Takeuchi, explains how knowledge is created, shared, and utilized within an organization through continuous interactions between tacit and explicit knowledge. Here's a brief explanation of the four modes of the SECI model:

1. Socialization (tacit to tacit): This involves sharing and creating tacit knowledge through direct experiences, observations, and interactions between individuals. Examples include apprenticeships, on-the-job training, and informal meetings where people share experiences, mental models, and technical skills.
2. Externalization (tacit to explicit): In this mode, tacit knowledge is articulated into explicit forms such as documents, manuals, metaphors, or models. Techniques like dialogue, storytelling, and conceptualization help convert tacit insights into explicit knowledge.
3. Combination (explicit to explicit): This involves combining, editing, and processing different forms of explicit knowledge to create new explicit knowledge. Activities like meetings, documentation, database operations, and communication networks facilitate the exchange and reconfiguration of existing explicit knowledge.
4. Internalization (explicit to tacit): This mode refers to the process of individuals internalizing explicit knowledge and translating it into tacit knowledge through learning, practice, and experience. Methods like on-the-job training, simulations, and exercises help individuals acquire new tacit knowledge from explicit sources.

The SECI model emphasizes the continuous spiral of knowledge creation and sharing through these four modes, enabling organizations to leverage both tacit and explicit knowledge effectively.

### **3. Building knowledge assets**

**Q) How can organizations facilitate increased use of knowledge management by their workforce?**

### **4. Sources of knowledge**

**Q) In light of the concepts of explicit and tacit knowledge, explain the various sources of knowledge.**

**Q) Differentiate between tacit and explicit knowledge.**

**Q) Discuss the difference between explicit and tacit knowledge with suitable examples.**

**Q) Knowledge management is much more difficult for tacit knowledge vs explicit knowledge. Explain.**

Sources of Knowledge:

Knowledge can be derived from various sources, including:

1. Experience: Personal experiences, observations, and hands-on learning contribute significantly to tacit knowledge.
2. Education and Training: Formal education, training programs, and workshops provide explicit knowledge through structured curricula, manuals, and coursework.
3. Research and Development: Scientific studies, experiments, and investigations generate new explicit knowledge through documented findings and publications.
4. Collaboration and Networking: Sharing ideas, insights, and best practices through social interactions and professional networks can facilitate the exchange of both explicit and tacit knowledge.
5. Information Systems: Databases, knowledge repositories, and other information management systems store and disseminate explicit knowledge in structured forms.

Differentiating Tacit and Explicit Knowledge:

**Tacit Knowledge:**

- Highly personal and context-specific
- Difficult to articulate or codify
- Acquired through experience and practice
- Involves intuition, insights, and "know-how"
- Examples: Riding a bicycle, interpreting subtle body language, cooking skills

**Explicit Knowledge:**

- Codified and documented
- Easy to articulate, share, and transfer
- Can be stored and retrieved from databases or documents
- Follows formal structures and rules
- Examples: Instruction manuals, best practices, research findings, software code

Difference between Explicit and Tacit Knowledge with Examples:

**Explicit Knowledge Example:** A recipe book or a software user manual provides explicit knowledge about how to cook a particular dish or operate a computer program. This knowledge is documented, structured, and can be easily shared and learned.

**Tacit Knowledge Example:** A skilled chef or an experienced software developer possesses tacit knowledge about their respective domains. They have developed intuition, insights, and problem-solving abilities through years of practice that cannot be fully captured in written form.

## Knowledge Management Challenges:

Knowledge management is generally more challenging for tacit knowledge compared to explicit knowledge due to the following reasons:

1. Articulation: Tacit knowledge is inherently difficult to articulate and codify, making it harder to capture and share effectively within organizations.
2. Context Dependence: Tacit knowledge is deeply rooted in personal experiences and contexts, making it challenging to transfer to others without the same contextual background.
3. Personalization: Tacit knowledge is highly personalized and can be influenced by individual biases, preferences, and thought processes, making it difficult to standardize or replicate across different individuals.
4. Transfer Mechanisms: While explicit knowledge can be transferred through documentation, databases, and formal training programs, tacit knowledge often requires more personal and interactive approaches, such as mentoring, apprenticeships, or communities of practice.
5. Retention and Loss: Tacit knowledge can be lost when experienced individuals leave an organization, making it crucial to implement effective knowledge transfer and retention strategies.

In summary, while explicit knowledge can be more easily managed through structured information systems and documentation, tacit knowledge requires more intensive efforts to capture, share, and sustain within organizations, often relying on personal interactions, trust-building, and experience-sharing initiatives.

## 5. Technology innovation process

## 6. E-governance: definition, objectives, and significance

### Q) What is e-governance?

E-governance refers to the use of information and communication technologies (ICTs) to improve the ability of government to address the needs of society. It goes beyond just providing online services and covers the use of IT for strategic planning and reaching development goals of the government.

The key points about e-governance are:

1. It involves the use of ICTs to modernize the state and create data repositories for management information systems and computerization of records (e-administration).
2. It includes the provision of online services to bring the state closer to citizens (e-services).
3. It involves the use of IT to improve government's ability to address societal needs, including publishing policy and program information, enabling transactions with citizens, strategic planning, and reaching development goals.
4. It extends beyond just e-government (online service delivery) by facilitating direct participation of citizens in government activities through means like online disclosure policies, grievance redressal forums, and e-referendums (e-democracy).
5. The strategic objective of e-governance is to support and simplify governance for all parties - government, citizens, and businesses - by connecting them and supporting processes and activities through electronic means.

**Q) Discuss the relevance of e-governance with examples from projects run by the government of India.**

E-governance has become increasingly relevant in India, with the government initiating various projects and initiatives to leverage information and communication technologies (ICTs) for improving governance and public service delivery. Here are some key points highlighting the relevance of e-governance in India with examples:

1. Improved Service Delivery and Citizen-Centric Approach: Several e-governance projects in India aim to provide efficient and transparent delivery of public services to citizens. For example:
  - e-Seva in Andhra Pradesh offers over 200 services like payment of utility bills, certificates, licences etc. through integrated service delivery points.
  - FRIENDS (Fast, Reliable, Instant, Efficient Network for Disbursement of Services) in Kerala enables citizens to pay taxes and utilities from a single window.
2. Enhancing Accountability and Transparency: E-governance initiatives help increase accountability and transparency in government functioning. Projects like:
  - Bhoomi in Karnataka digitized and made land records available online, reducing scope for corruption.
  - Jan Mitra in Rajasthan provided a single window for information and services related to revenue, land and social welfare programs.
3. Bridging the Rural-Urban Divide: Many projects focused on taking e-governance to rural areas, bridging the digital divide. Examples include:
  - Gyandoot in Madhya Pradesh set up low-cost information kiosks in rural areas for online access to information and services.
  - Community Information Centers in Arunachal Pradesh provided internet access and e-services in remote areas.
4. Enabling Participatory Governance: E-governance opens up channels for citizen participation and engagement with the government. The Nai Disha project in Haryana enabled online public grievance redressal.
5. Improving Administrative Efficiency: Automation and computerization of government processes through e-governance reduces red tape and improves efficiency. Projects like RajSWIFT in Rajasthan facilitated online fund transfers between state and districts.
6. Sectoral Applications: E-governance found applications across sectors like transport (Automatic Vehicle Tracking in Delhi), land records (Dharani in Goa), education (MIS for Education in Delhi) and more.

While initial efforts focused on automating backend operations, India has progressively moved towards citizen-centric integrated services, rural outreach, and participative governance models through e-governance, making it highly relevant in the Indian context.

**Q) Explain the importance of e-governance in an organization with the support of suitable example?**

E-governance is important for organizations as it leverages information and communication technologies (ICTs) to streamline processes, enhance transparency, and improve service delivery. For example, implementing an online portal for a government department issuing licenses and permits can enable citizens to apply and track applications digitally, reducing bureaucracy and increasing efficiency while promoting transparency and accountability.

**Q) What are the challenges associated with regulating Online Marketing Practices, particularly with respect to ensuring Transparency, Accountability, and Consumer Protection in the digital space?**

Regulating online marketing practices can be challenging for a number of reasons, including:

- Data security

As businesses rely more on technology for communication, concerns about data security grow.

- Ad fraud

Some estimates suggest that up to 20% of digital ad impressions are fraudulent.

- Lack of transparency

A lack of transparency can lead to mistrust, which can cause people to seek information from unreliable sources.

- Weak legal and regulatory frameworks

There are weak legal and regulatory frameworks, including for online consumer protection.

- Limited awareness

Policymakers, consumers, and businesses may have limited awareness of the relevance of e-commerce.

- Inadequate education

Education for the digital economy may be inadequate.

- Consumer trust

It can be challenging for e-businesses to gain consumer trust and develop relationships.

## 7. Challenges in the Indian context

**Q) Write the short notes on the "cashless economy" initiatives by government of India and its role in governance.**

A cashless economy is one where cash flow is almost non-existent, and all transactions occur through electronic channels.

These channels include direct debit, credit cards, debit cards, electronic clearing, and payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT), and Real-Time Gross Settlement (RTGS) in India.

### Advantages of a Cashless Economy in India:

- **Cost Savings:** Reduced production of paper currency and coins leads to significant cost savings.
- **Efficient Data Transfer:** Cashless transactions generate data that can help the government plan for future expenses (e.g., housing, energy management) based on data transmission patterns.
- **Time-Saving:** Cashless transactions are faster and more convenient than handling physical cash.
- **Efficient Funds:** Companies and governments benefit from efficient fund management.

### Government Initiatives for a Cashless Economy in India:

- **Digital India:** A flagship initiative aimed at transforming India into a digitally empowered society and knowledge economy.
- **Unified Payments Interface (UPI):** Launched to facilitate cashless transactions, UPI has seen rapid growth in India.
- **Bharat Interface for Money (BHIM) App:** Introduced by the government to promote cashless transactions.

### Challenges Ahead for a Cashless Economy in India:

- **Infrastructure:** Ensuring widespread access to digital infrastructure (internet connectivity, smartphones, etc.).
- **Financial Literacy:** Educating citizens about digital payment methods.
- **Security Concerns:** Addressing cybersecurity risks associated with digital transactions.
- **Inclusion:** Ensuring that all sections of society can participate in the cashless economy.

## 8. Digital India programme

### Q) Short note on Digital India Programme

**Q) What are the objectives of Digital India programme? Enumerate any digital transformation story and highlight what you would have done differently.**

Minister Narendra Modi launched the much ambitious 'Digital India' programme in 2015 at the Indira Gandhi Indoor Stadium in the national capital. Top industrialists like RIL Chairman and Managing Director Mukesh Ambani, Tata Group chairman Cyrus Mistry, Wipro Chairman Azim Premji and many others, were among the business honchos who shared their ideas of taking digital revolution to the masses.

With the launch of Digital India programme, the government is taking a big step forward to transform the country into a digitally empowered knowledge economy. Includes various schemes worth over Rs 1 lakh crore like Digital Locker, e-education, e-health, e-sign and national scholarship portal. BharatNet in 11 states and Next Generation Network (NGN), are also a part of Digital India campaign. The programme includes projects that aim to ensure that government services are available to citizens electronically and people get benefit of the latest information and communication technology. The Ministry of Communications and IT is the nodal agency to implement the programme.

### Apps for Digital India

Digital India Portal, MyGov Mobile App, Swachh Bharat Mission App and Aadhaar Mobile Update App.

### Vision Of Digital India

- $\Sigma$  Digital Infrastructure as a Utility to Every Citizen
- $\Sigma$  Governance & Services on Demand
- $\Sigma$  Digital Empowerment of Citizens
- $\Sigma$  Pillars Of Digital India
- $\Sigma$  Broadband Highways
- $\Sigma$  Universal Access to Phones
- $\Sigma$  Public Internet Access Programme
- $\Sigma$  e-Governance - Reforming government through Technology
- $\Sigma$  e-Kranti - Electronic delivery of services
- $\Sigma$  Information for All
- $\Sigma$  Electronics Manufacturing - Target NET ZERO Imports
- $\Sigma$  IT for Jobs
- $\Sigma$  Early Harvest Programmes

### Impact of Digital India by 2019

- $\Sigma$  Broadband in 2.5 lakh villages, universal phone connectivity
- $\Sigma$  Net Zero Imports by 2020
- $\Sigma$  400,000 Public Internet Access Points
- $\Sigma$  Wi-fi in 2.5 lakh schools, all universities; Public wi-fi hotspots for citizens
- $\Sigma$  Digital Inclusion: 1.7 Cr trained for IT, Telecom and Electronics Jobs
- $\Sigma$  Job creation: Direct 1.7 Cr. and Indirect at least 8.5 Cr.
- $\Sigma$  e-Governance & e-Services: Across government
- $\Sigma$  India to be leader in IT use in services - health, education, banking
- $\Sigma$  Digitally empowered citizens - public cloud, internet access

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SEMESTER .....

**B.Tech**

**MID TERM EXAMINATION**

**March-2024**

**COURSE CODE: FOM (MG302)**

**COURSE TITLE Fundamentals  
of management**

**Time: 1:00 Hour**

**Max. Marks: 25**

**Note:** All questions are compulsory.  
Assume suitable missing data, if any.

**Q.1 Explain Maslow's need hierarchy motivation theory with suitable diagram and example.**

**[5]**

**Q.2 Management principles are foundation for success and sustenance of any business. In the light of this statement explain any 10 principles of Fayol.**

**[10]**

**Q.3 How does Porter's Five Forces model help businesses analyze the competitive dynamics within their industry. Explain the concept with suitable examples**

**[10]**

**B.Tech**

**MID TERM EXAMINATION**

**March-2024**

**COURSE CODE: MG302**

**COURSE TITLE:  
Fundamentals of Management**

*Time: 1:00 Hour*

*Max. Marks: 25*

**Note:** All question are compulsory.

- Q.1 Define Motivation. Explain Maslow Need Hierarchy theory with suitable diagram and example. (5)
- Q.2 Management are vital for any firm's existence. Explain this statement with the help of Fayol's 14 management principles which are considered as foundation in the management of any business firm. (10)
- Q.3 Explain the concept of Corporate Social Responsibility. discuss the significance of CSR initiative for companies and how these efforts can contribute towards firm's goodwill, customer loyalty and financial performance. (10)

**MID TERM EXAMINATION (Group A1 and A2, CO)****COURSE CODE: MG-302****March 2024****COURSE TITLE: Fundamentals of Management****Time: 1 Hour****Max. Marks: 25****Note: All questions are compulsory.****Assume suitable missing data, if any.**

**Q.1 Explain the various management functions. Also elucidate the role and importance of planning in the complete process with the help of suitable examples. [12.5] [CO1]**

**Q.2 Discuss the role of Corporate Governance in today's context highlighting the cases where the companies compromised the same. [7.5] [CO2]**

**Q.3 Briefly describe the importance of Business Environment in today's Global Business with the support of illustrations? [5] [CO2]**

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**VI SEMESTER****B.Tech****MID-TERM EXAMINATION****March-2024****COURSE CODE: MG-302****COURSE TITLE: Fundamentals of Management****Time: 1 Hour****Max. Marks: 25****Note: All questions are compulsory.****Assume suitable missing data, if any.**

- Q.1** ABC Construction Company is experiencing delays in project completion and cost overruns. There is a lack of coordination among project teams, leading to conflicts and misunderstandings. As a consultant, how would you address these issues using Henri Fayol's principles of management? [10, CO2]

- Q.2** Define corporate social responsibility (CSR) and explain its importance in modern business practices. [10, CO2]

- Q.3** Explain Maslow's Need Hierarchy theory. [5, CO1]

Total No. of Pages - 2

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VI SEMESTER

B.Tech

MID-TERM EXAMINATION

March-2024

COURSE CODE: MG-302

COURSE TITLE: Fundamentals of Management

COE Branch

Time: 1.5 Hour

Max. Marks: 25

**Note:** All questions are compulsory.

Assume suitable missing data, if any.

Q.1 Read the following case and answer the following questions on the basis of the same:  
 Walt Disney Company was established in 1923 by Walter Elias Disney and his brother. The Walt Disney Organisation (including its subsidiaries), is a globally diversified conglomerate having business operations in following segments: Themed Products, Theme Parks, Media Networking, Experiences, Studio Entertainment (Marvel, Lucasfilm), Live Action Films, Animated Movies, Television Shows, Cruise Lines and Direct-to-Consumer & International (DTCI).

Since the 90s, Disney has been receiving a lot of backlashes from all over the world for exploitation of its workers regarding work hours, wage rates, working conditions, etc. Many human rights organisations have also alleged that the products manufactured and sold by the company has been manipulated that are created in sweatshops in China, Bangladesh, and Haiti.

The National Labor Committee (NLC) revealed in a January 1996 report that Disney's "Mickey Mouse" and "Pocahontas" pyjamas were manufactured in a Haitian factory that was paying its workers 12 cents per hour (which was too low as compared to the minimum wage level prevailing in the country). After the exposure of this news, the factory owners raised the wages to around 28 cents an hour (this wage level was in compliance with minimum wage rate defined). However, a follow-up investigation revealed that employees were still living "on the verge of despair," because the plant owners were still underpaying them. The employees were shocked when they found that the Pocahontas outfits were sold in the United States markets for around \$10.97 (which was almost equivalent to nearly five days' pay). All of above has resulted in high rate of employee turnover at Disney.

(a) In the above case "The National Labor Committee (NLC) revealed in a January 1996 report that Disney's "Mickey Mouse" and "Pocahontas" pyjamas were manufactured in a Haitian factory that was paying its workers 12 cents per hour (which was too low as compared to the minimum wage level prevailing in the country)". Identify and explain the two Fayol's principles of management that are being violated in the above case. Explain. (5 marks)

(b) In the above case "All of above has resulted in high rate of employee turnover at Disney." Identify the Fayol's principle of management that is being highlighted in the above case. Explain its importance. (1 mark)

(c) Planning is looking ahead and controlling is looking back. True/False. Explain in brief. (3 mark)

(d) According to Herzberg, pay, status, job security, working conditions, and quality of leadership are \_\_\_\_\_ factors while achievement, recognition, advancement, responsibility, the work itself, and personal growth possibilities are \_\_\_\_\_ factors. (1 mark) [10, CO1]

Q.2 Delco Ltd. is a leading player in the automotive industry. However, it has recently witnessed a decline in its market share and profitability. As a consultant, you have been assigned to conduct a competitive analysis using Michael Porter's Five Forces framework. Apply Michael Porter's Five Forces framework to assess the competitive dynamics within the automotive industry and evaluate their impact on the attractiveness and competitiveness of the industry. Identify and explain each of the five forces and their significance in shaping the industry's dynamics.

[5, CO2]

Q.3 Explain four pillars of Corporate Governance. [5, CO2]

Q.4 Explain theory X and Y with examples. [5, CO1]

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**VIth SEMESTER**

**B.Tech. (Computer Science & Engineering)**

**MID-TERM EXAMINATION**

**March-2024**

**MG302 Fundamentals of Management**

**Time: 1 hour**

**Max. Marks: 25**

**Note: All questions are compulsory.**

**Assume suitable missing data, if any.**

**Q.1 What is Meant by Management? Explain its Functions**

**[05][CO1]**

**Q.2 Explain Henry Fayol's principle of management. (Any 10)**

**[10][CO2]**

**Q.3 Explain PESTEL Analysis with Example.**

**[10][CO1]**

VIII SEMESTER

B.Tech.

MID TERM EXAMINATION

March-2024

**MG302 Fundamentals of Management**

*Time: 1 Hour*

*Max. Marks : 25*

**Note :** All question are compulsory.

Assume suitable missing data, if any.

Q.1 Explain Henry Fayol's principle of management. (Any 10) [10][CO1]

Q.2 Explain different type of managerial roles. [10][CO1]

Q.3 Explain SWOT analysis with examples. [5][CO]

10<sup>th</sup> Sem  
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Total No. of Pages - 1

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**VI SEMESTER****B.Tech****MID TERM EXAMINATION****March 2024****COURSE CODE: MG-302****COURSE TITLE: FUNDAMENTALS OF MANAGEMENT****Time: 1 Hour****Max. Marks: 25**

**Note:** All questions are compulsory.  
Assume suitable missing data, if any.

**Q.1** Analyze the case given below and answer the question:

"Busy Bees" is a popular clothing manufacturing company known for its high-quality products. However, the company has recently faced challenges with low worker morale, declining productivity, and inconsistent product quality. John, the owner, believes in a strong work ethic and expects employees to work long hours to meet production quotas. He personally determines work methods for each task, leaving little room for employee input. Additionally, John rarely provides training opportunities for employees to learn new skills or improve their existing skill sets. Analyze the situation at Busy Bees, identifying at least **3** of Taylor's principles of scientific management that are neglected and explain how neglecting these principles have contributed to the current challenges. [10][CO1]

**Q.2** As a strategic analyst newly appointed to the Starbucks team, you have been tasked with conducting a Michael Porter's Five Forces analysis to assess the competitive dynamics within the coffee industry and identify potential strategic opportunities and threats for Starbucks. [10][CO2]

**Q.3** Briefly explain the concept of Corporate Social Responsibility (CSR) and its applicability in India as per Companies Act, 2013. [5][CO3]

**VI SEMESTER**  
**B.Tech**  
**MID TERM EXAMINATION**

**March 2024**

**COURSE CODE: MG-302**

**COURSE TITLE: FUNDAMENTALS OF MANAGEMENT**

**Time: 1 Hour**

**Max. Marks: 25**

**Note:** All questions are compulsory.  
Assume suitable missing data, if any.

- Q.1** Using the example of Apple, explain Porter's Five Force Analysis with [10][CO1]
- Q.2** Explain Maslow's Hierarchy of Needs. How can you apply this motivation theory to an organisation? [10][CO2]
- Q.3** Based on the following case, answer the questions – [5][CO3]  
Fifteen new employees have started their career in Coca Cola. The employees are new to the environment of the organisation and are unfamiliar about the demanding jobs. The management has decided to give them three months of time to show their results.
- a) Which principle of Fayol is followed here?
  - b) How does this principle help the organisation?
  - c) If the same employee is tasked work by two different domain leaders, which principle stands violated here?
  - d) Two employees working at the same level are paid differently. Which principle may be violated here?
  - e) How can you encourage the principle of “esprit de corps” here?

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SEMESTER

B.Tech.

**MID TERM EXAMINATION****March-2024****COURSE CODE MG302****COURSE TITLE \_\_\_\_\_****Time: 1:00 Hour****Max. Marks: 25****Note: All question are compulsory.****All questions carry equal marks.****Assume suitable missing data, if any.**

**Q.1 What is Organising function of management? Explain the different organisational structures with advantages and disadvantages.**

**[10]**

**Q.2 Write a short note on Herzberg-Two Factor Motivation Theory.**

**[5]**

**Q.3 What is Environmental Analysis and its need? Explain PESTLE Analysis.**

**[10]**

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**VI SEMESTER****B.Tech.****MID TERM EXAMINATION****March-2024****COURSE CODE: MG-302****COURSE TITLE:****Fundamentals of Management****Time: 1:00 Hour****Max. Marks: 25****Note: All questions are compulsory.**

**Q.1** What do you mean by Management? How management practices are vital for success of business enterprises? (5)

**Q.2** Write about the concept of Motivation. Explain Herzberg two factor theory and how it is relevant in present working environment? (10)

**Q.3** What is the meaning of Business environment. Explain the factors affecting business environment and how these factors can be helpful for any enterprise which is operating in dynamic business environment? (10)

**SEMESTER****B.Tech.****MID TERM EXAMINATION****MAR-2024****COURSE CODE MG 302****COURSE TITLE Fundamental of Management****Time: 1:00 Hours****Max. Marks: 25****Note : All questions are compulsory.****All questions carry equal marks.****Assume suitable missing data, if any.**

**Q.1** How do the Theory X and Theory Y management approaches differ in employee motivation? [5 Marks][CO#1]

**Q.2** Explain, with an example, Maslow's hierarchy of needs. [10 Marks][CO#2]

**Q.3** What is Porter's Five Forces model? Discuss with an example how it can be used to analyze the competitive environment of an industry. [10 Marks][CO#2-3]

No. of Pages - 2

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**VI SEMESTER**  
**B.Tech**

**MID TERM EXAMINATION****March 2024****COURSE CODE: MG-302****COURSE TITLE: FUNDAMENTALS OF MANAGEMENT****Time: 1 Hour****Max. Marks: 25****Note: All questions are compulsory.****Assume suitable missing data, if any.**

**Q.1** Analyze the case given below and answer the following questions.

Delicacies Ltd. were engaged in the business of food processing and selling its products under a popular brand. Lately the business was expanding due to good quality and reasonable prices. Also, with more people working, the market for processed food was increasing. New players were also coming to cash in on the new trend, in order to keep its market share in the short run the company directed its existing workforce to work overtime. But this resulted in many problems. Due to increased pressure of work the efficiency of the workers declined. Sometimes the subordinates had to work for more than one superior resulting in declining efficiency. The divisions that were previously working on one product were also made to work on two or more products. This resulted in a lot of overlapping and wastage. The workers were becoming undisciplined. The spirit of teamwork, which had characterized the company, previously was beginning to wane. Workers were feeling cheated and initiative was declining. The quality of the products was beginning to decline and market share was on the verge of decrease. The company had implemented changes without creating the required infrastructure.

[2x5=10](CO1)

a) Identify all principles of management given by Fayol that are being violated here.

b) Briefly recommend the solutions that the company should take to address the issues mentioned in the case.

Q.2 GreenTech Solutions is a small sustainability-focused startup specializing in eco-friendly product development. The company is experiencing challenges in motivating its employees to achieve their full potential and contribute effectively to the company's growth. To address this issue, the management team decides to apply Maslow's Need Hierarchy theory to understand and enhance employee motivation. As the manager in this scenario, how would you apply Maslow's Motivation Theory to motivate your employees? [10][CO2]

Q.3 Briefly explain the concept of organizational structure and its importance. [5][CO3]

Total no. of Pages:1

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VI SEMESTER

BTECH

END TERM EXAMINATION

May-2024

### **MG-302 Fundamentals of Management**

*Time: 03:00 Hours*

*Max. Marks: 50*

**Note:** All questions carry equal marks.  
Assume suitable missing data, if any.

- Q.1 Using suitable examples, explain five of the unethical issues in Marketing [10 Marks][CO#3]
- Q.2 Differentiate between Tacit and explicit knowledge. Discuss the DIKW model. [10 Marks][CO#3]
- Q.3 Explain briefly the financial instruments traded in the stock market. [10 Marks][CO#2]
- Q.4 What is dividend, and what key factors should a financial manager consider when making a dividend decision? [10 Marks][CO#1]
- Q.5 Explain the theories X, Y, and Z. [10 Marks][CO#1]