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# **BUS 221 PRINCIPLES OF MANAGEMENT 11 TUTORIAL**

## **QUESTIONS**

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1. Discuss the concept and theory of management.
2. What are the major functions of management? Illustrate your answer with examples.
3. Examine what you understand by principles of management
4. What do you understand by the term decision making in management? List and discuss the process involved in decision making.
5. Identify and discuss the steps in creative thinking
6. Do you agree that “planning is a bridge between the present and the future”? if so, why?
7. Identify and examine the six P’s of planning
8. Explain in detail the concept of “policies, procedures and rules”
9. Explain some of the reasons for planning. Are there “good plans” and “bad plans”?  
Describe some of the characteristics of good planning.
10. What are the basic requirements and characteristics for an effective control system
11. What are some of the problems encountered in the process of planning? Which of these problems generally contribute heavily towards failure of some plans?
12. What part should the employees play in setting up the requirements for an effective control system?
13. Resistance to change is considered to be one of the major problems in implementing any innovative plans. What are the possible causes for this resistance and how can these be remedied?
14. What are some of the symptoms of inadequate control? Are all these symptoms traceable to certain well defined causes? Explain
15. Explain the basic meaning and necessity for control.
16. Is the upward communication and improvement or a hindrance to effective organisational operations? List and explain some general guidelines that will help improve general

communication.

17. Discuss the various classifications that may result from the uses of different concepts of control.
18. In what way does the horizontal communication help in creating team spirit and organisational integration?
19. What is communication grapevine?
20. Should staffing be considered as the most important function of management, since the other factors are automatically taken care of, if we hire the right people? Explain.

## MARKING GUIDE FOR TUTORIAL QUESTIONS ODD NUMBERS

### **Q1. Concept and Theory of Management**

Concepts are abstractions formed from generalizations. Concepts are the corner stone for the development of principles and theory. In reality, a concept is a commonly agreed upon definition of an object, event or process. The importance of concept can be illustrated by the fact that

unless a concept is very clear to those who must use them, knowledge cannot be effectively transferred to another person. The same word must mean the same thing to all the people. The words "management" and "organization" are typical examples. They do not appear to imply the same phenomena among various persons.

A scholarly grouping of concepts and principles creates a theory. A theory presents a framework of principles and concepts for the clarification of a theory. A theory presents in a formal manner

interrelated principles. Thus the theory of management is the synthesis of the concepts and principles of management. We have as a result of this systematic synthesis many theories – organization theory, theories of leadership, theories X and Y, Graicunas theory and the like.

Management theory attempts to present in a concerted manner loose facts about human behaviour in organisation.

### **Q.3. Principles of Management**

Principles are best seen as fundamental or general truth on which other truths depend. This implies a dependent and independent relationship. It is either descriptive, prescriptive or normative. Thus, a principle describes a relationship or what should be done if something else happens.

It is often difficult to formulate principles in management because of the difficulty in conducting controlled experiments. One of the most important variables – people, is not easy to control.

Most of the principles of management in use today were developed by observation and deduction. The major reason being that management principles are subject to change and interpretation than are the laws in the physical sciences. One of the principles of management, "unity of command," states that "each subordinate should be accountable to one, and only one superior." Sometimes this principle is violated especially when an organization has established well-defined superior – subordinate relationships. There is a need for principles of management. It helps to increase efficiency since the manager uses established guidelines to help solve his everyday problems.

Principles of management help in subordinate development. Without these principles, development would depend on trial and error. A Course in management development stresses the time tested principles formulated over the years by experience and experimentation. Fayol, after more than 40 years of practical business experience drew up his principles of management. The same is true of Taylor, Chester Barnard and Alvin Brown. Without principles, the understanding and development of management would be an arduous task.

One of the most important impacts of principles is that it has helped to promote research in management. Management is not 'an exact science; it deals with people whose behaviour is unpredictable and complex.

#### **Q5. Steps in Creative Thinking**

Studies have shown that certain steps are necessary in creative thinking.

These can be summarised as follows:

- (1) Problem identification
- (2) Investigation
- (3) Incubation
- (4) Illumination
- (5) Verification

#### **Problem Identification**

The first step in creative thinking is the perception that a problem exists. This could be in production, sales, customer relations or advertising. The discovery of this problem launches the creative individual immediately to seek for suitable solution. No creative work has been achieved without dissatisfaction with the existing situation which forces the "genius" to seek new ways.

#### **Investigation**

Investigation is the second step in creative thinking. In this step, the individual examines the problem and analyses old ways of performing the task. This could call for intensive research into existing knowledge on the subject. There could be an exploration into all the possible avenues that will lead to the discovery of such things as the interrelationships, and associations. This step

involves the accumulation of facts and figures that bear on the subject. A thorough examination which helps the individual to saturate himself with facts and figures on the problem will help to develop a creative solution.

### **Incubation**

This is a very important stage in the process. Here, the entire mind reflects on the problem. Sometimes, a creative solution is not easily available and the individual leaves the subject for more reflection.

Creative thinking is not a choice of alternatives as in decision making. It is a process of mulling the problem over. It may involve the use of the unconscious mind. The creative person is at this time in a special state of mental “stress”, and detaches himself from things around him.

He could go around the circles with a real solution arising and he could at this stage leave the problems for a while to avoid mental fatigue. This period is characterized by frustration and helplessness. This is often referred to as the gestation period. Rest is recommended. The rest period would refresh the mind.

### **Illumination**

An ideal brainstorming session highlights the importance of new ideas. The rules for successful brainstorming session include:

- (1) Criticism of ideas must be withheld until after the session;
- (2) The group must welcome free-wheeling and encourage the wildest of ideas;
- (3) Developing a greater quality of ideas increases the likelihood of having one really useful idea;
- (4) Each member of the group should improve and relate his own ideas to the ideas of others.<sup>7</sup>

### **Verification**

Some of the major criticisms of brainstorming are that it is time consuming. Many man-hours are spent in generating ideas and also in crystallizing them. It also produces many superficial ideas.

Nevertheless, its usefulness in creative thinking can hardly be overstated. In many organizations, it is indispensable in determining the name of a new product and determining a new advertising slogan. Political parties in Nigeria use it very extensively.

## **Q7. The Six P's of Planning**

They are as follows:

**1. Purpose.** An effective planning system requires a clear understanding of the organisation's purpose. What are the reasons for the organisation's existence? Is it to increase profit or

increase market share or generate more employment or introduce more products, etc? This purpose must be clear and elaborate.

**2. Philosophy.** Philosophy incorporates the fundamental beliefs as to how the organisation's purpose is to be achieved. For longterm survival and growth, a philosophy of ethical conduct

must be adopted. For example, General Motor's philosophy is based upon profitability through quality, service and ethical behaviour. IBM's philosophy was to elevate the level of the salesman to an executive, etc.

**3. Premise.** This involves the strengths and weaknesses of the organisation and its knowledge and assumptions about its environment. By forecasting and other methods, the management

can make some conclusions about the environment trends and by knowing its own strengths and weaknesses it can deal with the changing environment in a more intelligent way.

**4. Policies.** Policies are general guidelines or constraints that aid in managerial thinking and action. In a typical organisation, there are production policies, financial policies, accounting policies, marketing policies, personnel policies, than the philosophy and form a basis for planning and necessary operational actions.

**5. Plans.** Plans represent specific objectives and action statements.

Objectives are the goals to be met and the action statements are the means to achieve these ends. These plans guide us step by step as to how to reach the objectives and also at what stage the progress is at a given time.

**6. Priorities.** A particular organisational goal must be given a particular priority. Limited resources of time, finances, materials, etc. must be proportionally allotted to goals of priority. The priorities will determine an appropriate allocation of resources.

Goal priorities would determine what is relatively more important. A goal of higher priority would receive more attention and more resources. For example, a research-oriented organisation will get different priorities and resources than a profit-oriented organisation. The priorities of goals would be established on the basis of philosophy and premises of the organisation as well as social, political, and economic measures and value conflicts. In any case, such priorities would affect the planning process.

## **Q9. Reasons for Planning**

The reasons for planning are itemised below:

**1. Planning is essential in modern business.** The growing complexity of the modern business with rapid technological changes, rapid changes in consumer tastes and growing tough competition necessitates orderly operations not only in the current environment but also in the future environment. Since planning takes a future outlook, it takes into account the possible future developments.

**2. Planning is related to performance.** It can be expected and there is evidence to support the hypothesis that companies that engage in formal planning consistently performed better than those with no formal planning, and improved their own performance over a period of time. The performance was measured by such factors as return on investment, sales volume, growth in earnings per share, etc. (Thune et. al. 1972).

**3. Planning puts a focus on objectives.** The effectiveness of formal planning is primarily based upon clarity and specificity of objectives. Objectives provide a direction and all planning decisions are directed towards achievement of these objectives. This ensures maximum utility of managerial time and efforts.

**4. Planning anticipates problems and helps in the smooth flow of operations.** Since planning is involved in forecasting the future, it needs of the organisation are anticipated in advance, the proper acquisition and allocation of resources can be planned thus minimizing wastage ensuring optimal utility of these resources.

**5. Planning is necessary to facilitate control.** Since plans are made to achieve objectives, periodic reviews of operations can determine whether the plans are being implemented correctly.

Well developed plans can aid the process of control in the following ways (Boone et. al 1981):

(a) Establish advanced warning of possible deviations from the expected performance. The deviations in production, sales, profits, etc. may come to light during periodic investigations and remedial action can be taken.

(b) Provide quantitative data. There may be provision in plans to compare the actual performance, in quantitative terms, concerning production of sales, with industry statistics or market forecasts.

**6. Planning helps in the process of decision-making.** Since planning specifies the actions and steps to be taken in order to accomplish organisational objectives, it serves as a basis for decision-making about future activities. It also helps managers to make routine decisions about current activities since the objectives, plans, policies, schedules, etc. are clearly laid down (Asthana and Misra, 1983).

### **Characteristics of Good Planning**

A good plan can be identified by certain characteristics. Some of these characteristics are given below:

1. A good plan is based upon clear, well-defined and easily understood objectives. General objectives like improving morale or increasing profits are ambiguous in nature and do not lend to specific steps and plans. If possible, objectives must be quantified for the sake of simplicity.

2. A good plan must be simple and comprehensive. It should be simple so that all employees can grasp its significance and it can be easily put into operation. It should be detailed enough so that it covers all aspects of the operations that are necessary to achieve objectives.

3. It should be well-balanced, but flexible. A good plan should be well-balanced so that the existing resources are properly utilized for all functions and that short-term gains are not at the cost of long-term gains and vice-versa. Similarly, it should be flexible enough to incorporate any changes in these resources, if necessary. Additionally, it should be responsive to changed

conditions so that if future events do not follow the anticipation, the same plan can be modified.

4. Every plan should be time-bound. Even though planning is an attempt to anticipate the future, the time period allowed for achieving goals should be reasonable. Long-range planning has more uncertainties built into it due to difficulty in correctly anticipating events for a longer period of time. Hence, the time period covered should be reasonable and reasonably stable.

5. The plans should involve participation by subordinates. Planning should not be an exclusive responsibility of top management. Subordinates will not be responsible if a plan is imposed upon them. Also, subordinate participation generally ensures the sincere and serious effort on their part to make the plan successful.

6. Characteristics of unity, planning is initiated by different managers of different divisions at different times. It is necessary that a good plan should incorporate all these departments, maintaining consistency, and unity of purpose at all times and focusing on the overall objective.

A good plan strives for optimal utility of physical as well as human resources in unison and harmony. According to David W. Ewing (1967), “planning is a two-sided affair. Planners may think only of the formal, economic, physical and technical resources side when they

develop a program. But if the human side is not attended to properly, then chances are that the planning will not be successful”.

#### **Q11. Problems and Limitations in Planning**

There are situations in which sometimes even well-designed plans fail to bring the desired results. There are some established reasons as to why plans fail. Some of these reasons are based upon K.A. Ringbakk (1970).

These are:

**1. Corporate planning is not integrated into the total management system.** The top management fails to identify and associate properly the formal planning with the central concept of the organisation’s mission.

**2. There is a lack of understanding of the different steps of the planning process.** The management may not be knowledgeable or skilled in understanding all steps of the planning requirements.

**3. Management at different levels in the organisation has not properly contributed to planning activities.** Since all strategic planning is generally formulated and conducted at top management level, the middle management and lower management which is closer to the operations may not understand all aspects of planning and thus may not be able to contribute some necessary key factors as inputs.

**4. Poor information and inadequate inputs may have formed the basis for planning.** Since reliable data and information is the backbone of formal planning, such information may not be

available or procurable. Poor information may also be due to faulty forecasting or poor judgements.

**5. In starting formal planning, too much is attempted at once.** Due to excitement and emotional expectations, the plans may be implanted too quickly and with too high expectations.

**6. The management is not always willing to cancel or modify poor plans.** A poor plan may adversely reflect on management's ability and understanding, and hence they may be unwilling to accept that the plan was poorly formulated, thus their unwillingness to modify it.

**7. Management fails to operate by the plans.** This may be because of lack of full understanding of all the aspects of the plan or it may be due to some inherent resistance to the plan, or it could be due to some effect of unforeseen events and circumstances which could disrupt the effectiveness of the plans.

**8. Resistance to change by organisational members.**

**9. Lack of contingency plans.**

While all these factors contribute to the failure of otherwise welldeveloped plans, the *resistance to change* by the management and the *absence of contingency plans* contribute heavily and hence require further *abortions*.

### Q13. Resistance to Change

Even though planning and plans are so important to organizational success, a study in the 1970's revealed that about 50 percent of the line managers were very reluctant to actively participate in the planning process (Martin, 1979). Sometimes, even top managers show lukewarm support for the process thus serving as poor role models for the junior management.

Resistance to change is often emotionally based and is not easily overcome by rational argument. The resistance may be based upon such feelings as loss of status, implied

criticism of present competence, fear of failure in the new situation, annoyance at not being consulted, lack of understanding of need for change or insecurity in changing from well-known and fixed methods.

Since most of the resistance is emotionally oriented, it is necessary to take steps that would build confidence in the management's ability to work as a team under a participative management system. Renato Targiuri (1979) has suggested some steps which would inspire that

confidence in the management. These steps are:

1. All managers must be made aware of the benefits derived both at individual as well as the organisational level.
2. Communication lines among all level managers and any staff specialists should be kept open and accessible.
3. Set up a system of recognition and rewards to encourage all to participate in the planning process and contribute uniquely to its success.

4. Perhaps, a seminar and a lecture by a trained industrial psychologist in an informal, small group session would assist in positive thinking.
5. An honest discussion among the participants about the reasons for resistance and suggestions to overcome it, would be helpful.
6. The lower management should not be left to implement the plan, but should be encouraged to join in the design of the plan as well.
7. All managers should be trained in the mechanics and techniques of planning.

### Q15. Managerial Control

The best known definition of management control is given by Anthony (1965) who says:

“It is the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organisation’s objectives”. Basically, the definition stresses that the function of control is to accomplish organisational goals by implementing previously determined strategies and policies so that whatever needs to be done, is done

properly. In other words, control maintains an equilibrium between means and ends or between efforts and output. It makes sure that the actual performance is in conformity with the intended and planned performance leading towards achievement of objectives. The process of

controlling ensures that right things happen at the right time in the right way and by the right people.

The importance of control function cannot be overemphasised. Its significance is heightened specially because of the following factors which are common to all organisational situations:

**1. Size of business:** As the organisations grow in size and diversity, they become increasingly complex to manage and hence the need for an efficient system of controls which is required to coordinate activities and accomplish integration.

**2. Uncertainty:** Control forms a basis for future action. Today’s world of rapid and sometimes unpredictable changes makes the future very uncertain. This makes planning very difficult. Hence control points are necessary to check the progress of activities and plans and make the necessary and constructive adjustments so as to accommodate any environmental changes.

**3. Decentralization trends:** The current trends in decentralization have brought the decision making authority at lower level management while accountability for results remains with the upper management. Controls serve the purpose of monitoring and ensuring performance results while delegating authority to subordinates.

**4. Control is vital for morale.** Workers are happier when things are under control. People make mistakes. Intuitive decisions can result in errors of judgement, especially when there are so many variables involved. Such wrong decisions can result in lowering of morale. Control techniques reduce the chances of errors in judgement thus making the organisational environment more stable which is morale-boosting.

## Q17. Types of Managerial Controls

The following classifications may result from the different uses of the concepts of control:

**(1) Controls used to standardise performance in order to increase efficiency, lower costs and optimize performance.**

The standards for performance can be set by using time and motion studies. This would standardise the time utilised for a particular operation and the best method of completing that operation with minimum number of movements.

**(2) Controls devised to safeguard company assets.** These are partly performance controls which reduce losses due to waste and misuse of raw materials. Some controls may be exercised to reduce losses due to thefts. This would require strong supervisory and accounting procedures.

**(3) Controls used to standardise quality.** The quality of products may be in terms of size, weight, colour, finish or ingredients. These must be as prescribed. Statistical quality control methods can be used for testing purposes. Some characteristics may be judged by visual observations and inspections.

**(4) Controls designed to set limits for the delegated authority.** Some decisions and actions must be taken by the central management and some operational decisions can be delegated to

lower management levels. However, the extent of the use of this authority must be fully described and communicated. These limits are specified through directions and policy manuals.

**(5) Controls designed to measure the worker performance.** This is to ensure that the workers are performing according to standardised performance. Performance standards set may be

output per hour or output per employee and these standards may be evaluated against set quotas of production.

**(6) Controls designed to measure and enhance worker attitudes.**

Some of the areas considered are absenteeism, labour turnover and safety records. The contentment of workers can be gauged by using attitude surveys and close friendly supervision and participative management wherever possible.

**(7) Controls used to monitor total performance and operations.**

Some of the factors included are sales and production forecasts, profitability and market position, personnel development and work environment, etc.

**(8) Controls designed to synchronise all operational activities of the enterprise.** This would allow the central management to keep a balance among various aspects of the company. This could be achieved by prescribing and using master plans, organizational manuals and procedures

### **Types of Control Methods**

Most methods of control can be grouped into four basic types which may be applied individually or in combination with each other. These are:

**1. Pre-controls.** These are sometimes called “Feed-forward” controls and are preventive in nature. They are designed to eliminate the cause of any deviation that might occur later and are

established before the activity takes place. For example, if a student is doing poorly in a course at the beginning of the semester, he should not wait until the end of the term to make

changes in his study habits. He must make adjustments before it is too late. These controls are meant to make sure that performance objectives are clear and all resources are available,

at the time when needed, to attain these objectives. Most often, deviations occur because proper planning was not initiated and enforced and proper resources were not available. An example of “feed-forward” controls would be the use of capital budgeting techniques for evaluating capital investments.

**2. Steering controls.** The key feature of this control is the capability to take corrective action when the deviation has taken place but the task has not been completed. Some of the examples are in-flight corrections of off-course airplanes and guided missiles or steering the car into the lane when it is off the lane.

The great advantage of steering control is that corrective actions can be taken early. An early start with steering controls increases the chances that we will achieve a favourable outcome. The sooner the failing student gets tutoring in his course, the better are his chances of passing

the course. Steering a course in business is like steering an ocean-liner where

several adjustments enroute are necessary. These steering controls are based on forecasts about where one course of action will land as compared to another course of action. The corrective actions are based on the prediction of results. Of course, the longer the time span between

action and results and higher the volatility of the environment, the more uncertain these predictions can be. Since effective steering controls require prediction of outcomes, it is

necessary to find some indicators that will assist in correctly predicting the results. Some of the indicators are:

**(a) Input indicators.** The level of some key inputs may predict the response to them. For example, inquiries from customers can result in actual orders to a predictable degree. Similarly, orders received would be a good indicator of future shipments.

**(b) Success of early steps.** The early attempts and successful results of those attempts can indicate the degree of success of the final project. For example, early receptions of a new product give strong clues to the long run success of the product. Same idea goes for early reviews of a new book or a new play.

**(c) The skill and sophistication of the process.** The skill and precision with which an operation is completed can predict the success of the outcome. For that reason, a Rolls Royce car lasts much longer than other mass produced assembly line cars. Similarly, the number of good contacts an insurance agent makes is an indication of how many policies he will sell later etc.

**(d) Symptoms.** Some symptoms are clear indications of necessity for steering. For example tardiness and absenteeism is a good indicator of low morale which could affect labour efficiency and hence requires some steering to be done. Similarly, traffic conditions are good symptoms of whether you will reach your destination on time or not.

**(e) Unexpected events.** Most processes and expectations of results are based upon certain key assumptions about the environment such as economic conditions, social environment, governmental actions etc. These factors should be carefully monitored so that any unexpected changes can be dealt with carefully and in time.

**3. Yes/No controls.** These controls are designed to check at each checkpoint whether the activity should be allowed to proceed further or not. These controls are necessary and useful where a product passes sequentially from one point to another with improvements added at each step, along the way. These controls stop errors from being compounded. Quality control checkpoints where inspection would determine whether the activity should continue or not is an example. Safety checks and legal approvals of contracts before they are immediately noticeable and traceable so that immediate and effective remedial action can be undertaken. There are other types of symptoms that reflect the inadequacy of control process which requires indepth analysis and reorganisation and re-evaluation of the system. These symptoms of inadequate control are generally due to organisational defects, rather than mechanical defects and can be traced to morale problems.

### **Q19. Communication Grapevines**

While it is necessary to have a formal organisational structure for communication channels, since an effective network and flow of communication may, “regulate behaviour, encourage innovation, integrate or coordinate activities and inform or instruct employees,

(Leavitt, 1951), it is also very beneficial to attend to informal channels of communication, commonly known as grapevine which can communicate important operational matters to the management, that would not be feasible through formal channels.

This type of communication is more lateral in nature and is built around the social relationship and social interaction among the members of the organisation. This informal communication can be considered as a beneficial safety valve capable of carrying important information

quickly and accurately. It can also be considered as destructive, focusing on its capacity to spread rumours, destroy morale, misinform and create interpersonal problems. Such consideration will depend upon the type of climate that exists in the organisation (Davis, 1953).

There are some problems with the hierarchical channels of communication that can be minimised through informal channels of communication. According to Mazumdar (1970), such problems are as follows: 1. The mass of information that is generated every day, if communicated through formal channels, will create a bottleneck in the speedy flow of information at any level in the hierarchical structure.

2. Due to several levels in the hierarchical process, much of the information is lost or distorted at each step, since each person at each level may perceive the information in a different perspective. According to Nichols (1962), “There is a tremendous loss of

information – 37 percent between the Board of Directors and the Vice Presidential level. General supervisors got 56 percent of the information, plant managers and general foremen received only 30 percent of what had been transmitted downward to them. An average of only 20 percent of the communication sent downwards through the five levels of management finally gets to the worker

level”.

3. There can be some distortion in information to be communicated in what is known as “protective screening”. A subordinate is likely to report to his superior only that portion of the information which is favourable and either ignores or distorts the information that is unfavourable to him. Keth Davis (1960) has suggested that grapevine channel of information should complement the formal channel of communication so that they both have a synergetic effect for the benefit of the organisation.