

Programme :	Master of Business Administration (MBA)	Session:	June / December 2026
Course Code:	MMPC-001	Medium:	English
Subject:	Management Functions and Organisational Processes	Max. Marks:	100

— SAMPLE PAGE — Full paper contains 25 to 30 important questions with fully solved answers —

Q.1 Explain the concept of Management by Objectives (MBO). What are its advantages and limitations?

[10 Marks]

Answer:

Introduction

Management by Objectives (MBO) is a result-oriented management philosophy introduced by Peter Drucker in his 1954 book *The Practice of Management*. It is a process in which managers and subordinates jointly set performance goals, define responsibilities, and use these goals as guides for managing and evaluating individual performance.

Key Features of MBO

- **Joint Goal Setting:** Superiors and subordinates together decide measurable objectives for a fixed period.
- **Specific and Time-Bound Targets:** Goals must be clear, achievable, and linked to a deadline.
- **Periodic Review:** Progress is assessed at regular intervals — monthly, quarterly, or annually.
- **Performance-Based Reward:** Appraisal and compensation are linked directly to target achievement.

Advantages of MBO

- **Clarity of Goals:** Every employee knows exactly what is expected, reducing ambiguity.
- **Improved Communication:** Regular discussions improve the quality of superior-subordinate feedback.
- **Objective Appraisal:** Results evaluated against pre-set targets reduce bias.
- **Employee Motivation:** Participation in goal-setting increases ownership and commitment.

Limitations of MBO

- **Time-Consuming:** Frequent goal-setting and review meetings reduce time for operational work.
- **Short-Term Focus:** Pressure to meet quantifiable targets can overshadow long-term planning.
- **Measurement Difficulty:** Qualitative roles such as HR or creative functions are harder to measure objectively.
- **Overemphasis on Numbers:** Employees may prioritise easy-to-measure targets over genuinely important tasks.

Conclusion

MBO is a powerful tool when implemented with commitment from both sides. Its success depends on the quality of goal-setting, regularity of reviews, and a genuine willingness to align individual and organisational objectives. Despite limitations, MBO remains widely practised across public and private organisations.

Q.2 Distinguish between Formal and Informal Organisations. What role does the informal organisation play?

[10 Marks]

Answer:

Introduction

Every organisation has two structures working simultaneously — the formal structure, officially designed and documented, and the informal structure, which emerges naturally from human interaction. Understanding both is essential for effective management.

Formal vs Informal Organisation

Basis	Formal Organisation	Informal Organisation
Origin	Deliberately created by management	Emerges spontaneously from social interaction
Structure	Defined hierarchy and roles	Fluid and flexible — no fixed structure
Communication	Follows official channels	Grapevine and personal networks
Focus	Organisational goals	Personal and social needs
Control	Rules, policies, authority	Group norms and peer pressure

Role of Informal Organisation in Management

- **Faster Communication:** The informal grapevine carries information faster than formal memos.
- **Emotional Support:** Informal groups provide belonging, reducing stress and improving morale.
- **Supplement to Formal Structure:** When formal processes are slow, informal coordination fills the gap.
- **Feedback Channel:** Management can gauge employee sentiment through informal networks.

Conclusion

A skilled manager neither ignores the informal organisation nor allows it to undermine formal authority. Recognising informal leaders, using the grapevine for positive communication, and aligning group norms with organisational goals converts this invisible structure into a powerful management resource.

This sample shows 2 of 25+ fully solved questions.

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