TS-3 Tourism Management
Guess Paper 1

Q. What do you mean by managerial roles?

Ans.

A number of times various scholars have conducted studies and surveys to understand managerial roles. The most accepted among these are the findings of Henry Mintzberg which include :

A) **Interpersonal roles :** These are the relations a manager has with others inside and outside the organisation. These include :

1) **Figure Head :** This takes into account the role as symbolic head of the organisation. For example, welcoming official visitors and duties of a legal nature.

2) **Leader :** The manager guides, directs and motivates subordinates and is accountable for their actions.

3) **Liaison :** The manager has to establish linkages, relationships and networks, both inside and outside the organisation which would be useful in achieving organisational goals.

B) **Informational roles : An** important aspect of the Manager's job is receiving and communicating information. This further includes :

1) **Monitor :** The manager constantly searches for relevant information internally as well as outside the organisation. This enables the manager to keep up with new trends and ideas.

2) **Disseminator :** The transmission of information received from outside to internal members and subordinates is another role.

3) **Spokesperson :** A manager also speaks on behalf of his/her Unit or Organisation.

C) **Decision Making Roles :** A manager has four decision making roles :

1) **Entrepreneur :** A manager performs the role of an entrepreneur by initiating change.

2) **Disturbance handler :** A manager is expected to solve problems and handle disturbances in the organisation.

3) **Resource allocator :** The resources of an organisation are always limited. A manager makes best use of them to achieve the stated goals and accordingly allocates them.

4) **Negotiator :** A manager negotiates with both insiders as well as outsiders.

It is possible that a number of roles may be evident in a given situation. However, the characteristics of an effective manager are the:

- ability to recognise the appropriate role in each situation, and
- flexibility to change roles readily.

Q. What do you mean by entrepreneurial process?

Ans.

In the entrepreneurial function both the individual as well as the environment are equally important. For example, a person may be fully qualified, the idea excellent and the new product or service offered. But in case the conditions are wrong or the context inappropriate, the possibilities will remain largely underdeveloped. Hence, the four components under the four C's theory of Entrepreneurship include :

- Characteristics i.e. psychological traits
- Competencies i.e. Skills
- Condition i.e. in family, firm or community
- Context i.e. environmental factors

It is not just that these components be present but it is their simultaneous interaction also that needs to be looked into, to gauge the levels of entrepreneurial activity. If the placement of these components is towards the positive side, the level of activity will be higher whereas a negative placement would keep the level on the lower side. You must also remember here that getting an idea for a new business is not just enough. It has to be pursued and this pursuance, besides the personal attributes, depends on a variety of factors that can be termed as environmental variables. These could be economic factors or social factors or both.

- economic factors include **market incentives** and **sufficient stock of capital**
- social factors take into account **customs, cultural values, family environment,** etc.

Besides these, the **government policies, rules and regulations** also have a bearing on the environmental process.

In the subsequent Sections we discuss the relevant stages for establishing a small scale enterprise.

Q. Explain advantages and disadvantages of Sole Proprietorship.

Ans. Advantages

As compared to other business forms, sole proprietorship has several advantages :

1) **It is very easy to set up and dissolve.** The person wishing to set up a business does not have to go through complex legal and bureaucratic procedures. Usually sole proprietorship requires less capital than other business forms to set up, since its scale of operation is lower. Similarly, the business can be dissolved quickly as there are no partners or shareholders or directors whose permission is required.

2) **For decision making the owner enjoys independence and flexibility.** The owner can decide or change decisions quickly as per ones own wishes. Hence, the time lag between desire for a decision and implementing the decision can be very small.

3) **Retentions of all the profits acts as an incentive towards effort and efficiency.**

4) The sole proprietor can **respond to changes in market conditions and consumer needs quickly.** Suppose you run a souvenir shop and find that tourists have lately shown a lower preference for one kind of item and a higher preference for some other, you can quickly stop storing that item for which the demand has fallen and increase the quantity of that item for which the demand has gone up.

5) **In sole proprietorship business confidentiality can be maintained more successfully.**

Disadvantages

Sole proprietorship as a business form is not without disadvantages.. Some of the disadvantages are :

1) Since it has unlimited liability, this may inhibit **risk-taking** and lead to overcautious decision making. The sole proprietor should not forget that in case of a huge loss, personal assets also can be attached in order to fulfill obligations to creditors.

2) Financial capital resources are limited to the owner's money. Borrowing is there but that would be against an asset or repaying capacity (which would depend on the income or assets). This means that the scale of capital mobilised may pot be of a very high order and hence hinder the required rate of expansion in a competitive market. For example, suppose a person runs a restaurant at which tourist coaches often stop. Suppose the attraction or demand for the destination increases and more tourists visit the site. The number of tourist coaches taking a halt also increases. This demands an increase in the

capacity of the restaurant (add chairs, tables, waiters, foodstuffs, fuel, etc.) to cater to the increased demand. But if current profits and income is not sufficient to make the necessary investment, the opportunity to increase sales or expand would be lost.

3) There is only the owner to provide managerial skills and this may not be adequate as the business grows. New ideas and methods may be required. Although, the sole proprietor may 'change with the times', he may still find the going rough in the absence of managerial and business skill inputs from others.

4) Sole proprietorship has another disadvantage i.e. physical illness or absence from work of the owner could adversely affect the business. Moreover, one person cannot always do everything.

Q. Define company and its types.

Ans.

The Joint Stock Company is historically the latest of the business ownership forms and is the most significant. It is by far the dominant form of business throughout the world. This holds true in tourism industry also. Airlines like Air India, Lufthansa, Tourism firms in India and India Tourism Development Corporation (ITDC) or Finance Companies like Tourism Finance Corporation of India (TFCI) are all Companies. The size of the business of a Joint Stock Company is much bigger than sole proprietorship and partnership.

FEATURES

These include:

1) As a business firm, it is in itself a legal entity. Although partnerships have to function under a legal Act called the Partnership Act, a partnership is a separate legal entity only in name. The partners are jointly described as a "firm" but a partnership does not have a legal entity independent of its partners. A corporation on the other hand, is a legal entity independent of shareholders. The company is autonomous and requires incorporation.

2) The company is related to the share capital that is raised and the way the division of the share capital occurs.

3) A company is characterised by perpetual succession. The life of a company is not affected by the death, retirement, or insolvency of directors or shareholders. It must be noted here that there are certain differences between partnerships and companies:

i) As has been mentioned more than once, a company is incorporated. A partnership, on the other hand has no legal entity of its own. Partners are jointly called firms only for convenience.

ii) A company and its members have limited liability while a partnership has unlimited liability.

iii) The share or interest of a partner in the business is not transferable without the consent of all co-partners. Company shares by contrast are freely transferable at the option of the shareholders.

iv) Partnerships are governed by the Partnerships Act, while c o m p e s are governed by the Companies Act, 1956.

Let us understand the different types of Companies.

- Private Limited Company

In a private limited company, the business is held and owned by shareholders, who must not be less than two in number. It acquires a legal entity which takes formal shape when it is set up in the Memorandum of Association and Articles of Association, a legal requirement. It has a limited liability. Shares in the company can be bought and sold but not to the general public. The company cannot seek a quotation on the stock exchange. Even though there is limited liability, there are limits to the conduct and behaviour of the directors, who have to take responsibility.

- Public Limited Company

A public limited company must not be confused with a public sector company which means a company owned by the government. A public limited company basically means a company which is in the private sector, but the shares of which are open to the general public. In the case of a public limited company, members of the general public are free to buy and sell shares of the company. Hence the company can raise finance from numerous and diverse sources. Some companies, through the strength of their size are able to justify and get a stock exchange listing. This further increases their ability to raise capital.

What are the advantages of a public limited company? Its shareholders have limited liabiity. There is long term continuity and ease of ownership transfer. Moreover, the company can utilize specialised management skills and large capital resources. However, the public limited company has certain disadvantages:

- Such companies are difficult and expensive to set up.
- There may be some inflexibility arising from problems of size, and this may lead to organisational problems.
- Motivational problems may arise from a separation of ownership and control.
- Ownership rests with numerous shareholders while control in functioning is exercised by paid managers who take decisions.

An important type of company is the multinational company, which as the name suggests, operates in several countries although it may be based in one country. In case of tourism, international hotel chains are a prime example of multinational companies.

- The' Franchise

This is yet another form of business which exists in the tourism sector. The franchise is characterised by an agreement, called a franchising agreement, between two parties, a franchiser and franchisee. Under a franchising agreement, the franchisee agrees to pay the franchiser a royalty or commission apart from a flat fee, in exchange for the use of a national or international brand name and, where appropriate, other help such as building plants and site selection, as well as sometimes production methods, management and accounting procedures. Establishing and running the business while buying into a franchise involves high cost, but risks are considerably reduced. Franchising is quite prevalent in the restaurant business and food industry.

Q. What do you understand by controlling?

Ans. If we use the term control only in relation to controlling the employees and putting them under regulations, we are applying the term in a very limited sense and this is bound to create negative impressions. Let us address ourselves to the question as to why control is needed.

Well, objectives, plans and programmes are essential components of effective management. After a task has been assigned to a manager, the next step is to decide the objectives of the task. Then, through planning, a strategy is evolved to accomplish the desired objectives. In the process of accomplishing the pre-determined objectives comes the role of monitoring and controlling. Hence, **management control can be defined as a process which ensures that the progress of the assigned work is according to the plan.** If there is any deviation the concerned manager has to take corrective actions. So control mechanism **adjusts operations to pre-determined standards on the basis of the information or feedback it gets.** Control is associated with planning and has been accepted as a basic managerial function to ensure the pace of an activity and its quality. Its **basic concern is to monitor the outcome of activities, review feedback information about this outcome and if necessary, to take corrective action.** Besides, control helps the managers in certain other aspects. For example it helps managers in :

- **monitoring** environmental changes and their impact on the organisation,
- **developing** mechanisms for speedy delivery of products and **services** to customers,
- **anticipating** or managing threats, problems or opportunities,
- **adding value** to their products,
- **maintaining** quality,
- **facilitating** team work and delegation, and
- **checking** wastage or leakage. etc.

Here it must be kept in mind that controlling is existent at all managerial levels and a good plan is one which incorporates the needed controls. Further controls and monitoring are applied in every area of operations like production, sales, finances, quality, human resources, etc. In tourism management their role is very crucial in every segment and in the activities related to that segment.

TYPES OF CONTROL

Control is generally classified into the following types:

- **Pre - action controls,**
- **Feedfomard,**
- **Concurrent,** and
- **Feedback control.**

1) **Pre-action controls:** These are preventive measures aimed to check problems before their emergence. They are also known as pre-controls. Financial budgets and schedules are forms of pre- action control. This is because when you know your **financial** resources, working within them will be a control. The same applies for schedules.

2) **Feedforward control (also called Preliminary control):** In this system problems or deviations are anticipated before the operation of the task starts. Hence it has a close relationship with planning. In this control mechanism, managers identify the issues and the prospective action plans to meet the anticipated problems. For example, you are a tour operator. You ought to know in a year which particular season would have more tourist inflow and during which season the inflow would be less for the particular destination that you are packaging and selling. In anticipating the problems you may come across during the peak period, you would develop a proper mechanism to meet any anticipated problems. **Feedfomard control is essentially to alert managers about the probable hurdles that may affect the accomplishment of predetermined targets.**

3) **Concurrent control (also known as Steering control):** This is an approach to **control the work while it is being performed.** Concurrent control system ensures the accomplishment of work according to a laid down plan and takes necessary corrective steps before any major damage is done or in case there are deviations. For example, each evening a floor supervisor in a restaurant, moves from the customer area, to the kitchen, to the cashier area. He monitors all activities in order to ensure customer satisfaction and takes necessary steps as and when required. For the effectiveness of steering control a manager must obtain the information on time and it should be accurate. Generally, steering control methods are most widely used because they provide tools for corrective action while the work is in progress.

4) **Feedbackcontrol (also called Post action control):** After the completion of a task, review is made to see whether the desired result has been achieved or not. **Feedback control provides information about whether the goals of the organisation are met or not.** This information can be used for deciding the future action plan of an organisation. It is often **used as a basis for evaluating and rewarding employees also.**

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