Paper 9 – Operations Management & Strategic Management

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Full Marks : 100 **Time allowed: 3 hours**

The figures in the margin on the right side indicate full marks.
This question paper has two sections.
Both the sections are to be answered subject to instructions given against each.

Section – I : (Operations Management)

1. (a) Choose the most correct alternatives: **[1×10=10]**

(i) The starting point of Production cycle is:
(A) Product design,
(B) Production planning,
(C) Routing,
(D) Market research.

(ii) The act of assessing the future ad make provisions for it is known as:
(A) Planning,
(B) Assessment,
(C) Forecasting,
(D) Scheduling.

(iii) In Production by service, the product undergoes the changes in:
(a) Shape and size of the surface,
(b) Shape of the surface only,
(c) Size of the surface only,
(d) Chemical and Mechanical properties.

(iv) Which of the following aims at finding the best and most efficient way of using the available resources — men, materials, money and machinery?
(A) Method Study,
(B) Work Study,
(C) Time Study,
(D) Motion Study.

(v) Most suitable layout for continuous production is:
(a) Process layout,
(b) Line layout,
(c) Group Technology,
(d) Matrix layout.

(vi) Reliability and per unit cost of which of the following spares are less?

(a) Regular spares

(b) Insurance spares

(c) Capital spares

(d) Rotable spares

(vii) Issuing necessary orders, and taking necessary steps to ensure that the time targets set in the schedules are effectively achieved is known as:

(a) Routing,

(b) Dispatching,

(c) Scheduling,

(d) Inspection.

(viii) Preventive maintenance is useful in reducing:

(a) Inspection Cost,

(b) Shutdown Cost,

(c) Cost of pre-mature replacement,

(d) Set-up cost of machine

(ix) MRP stands for:

(a) Material Requirement Planning,

(b) Material Recording Planning,

(c) Material Requisition Procedure

(d) Material Recording Procedure.

(x) Which one of the following standards is associated with the "Quality Assurance in Design, Production, Installation and Servicing"?

(a) ISO 9001

(b) ISO 9002

(c) ISO 9003

(d) ISO 9004

(b) Match the terms in Column I with the relevant terms in Column II [1×6=6]

Column I	Column II
(A) Inventory Control	(i) Turbo-Alternator
(B) TQM focus	(ii) Network Analysis
(C) Aviation Fuel	(iii) Examination of Human work
(D) Hydro-electricity	(iv) Customer Satisfaction
(E) Work Study	(v) Refinery
(F) Systematic Quantitative structural approach to the problem of managing a project through to successful completion	(vi) Stock Level

(c) State whether the following statements are True or False? [1×6=6]

(i) A Productivity Index is a device of expressing the ratio between outputs and the inputs of the resources numerically. ( )

(ii) The Linear Programming problem has two basic parts: the objective function and the constraint set. ( )

(iii) Increase in productivity leads to retrenchment of work force. ( )

(iv) The term "aesthetics" which appeals to the human sense does not add value to the product. ( )

(v) PERT is designed for repetitive projects, whereas CPM is suitable for non-repetitive projects. ( )

(vi) Production planning and control is essentially concerned with the control of finished goods. ( )

Answer:

1. (a) (i) (d) Market Research

(ii) (c) Forecasting

(iii) (d) Chemical and Mechanical properties

(iv) (b) Work Study

(v) (b) Line layout

(vi) (a) Regular spares

(vii) (b) Dispatching

(viii) (b) Shutdown Cost

(ix) (a) Material Requirement Planning

(x) (a) ISO 9001

(b)

Column I	Column II
(A) Inventory Control	(vi) Stock Level
(B) TQM focus	(iv) Customer Satisfaction
(C) Aviation Fuel	(v) Refinery
(D) Hydro-electricity	(i) Turbo-Alternator
(E) Work Study	(iii) Examination of Human work
(F) Systematic Quantitative structural approach to the problem of managing a project through to successful completion	(ii) Network Analysis

(c) (i) (True)

(ii) (True)

(iii) (False)

(iv) (False)

(v) (False)

(vi) (False)

Answer any *three* questions form the following:

2. (a) What are the importance of a layout? [6]

(b) (i) A workshop operates on 2 shifts of 8 hours per day. It has 10 machines. It works for 5 days in a week. Machine utilization is 90% and the efficiency of the machines is 85%. Calculate the designed/rated capacity of the workshop in standard hours.

(ii) The present layout is shown in the figure. The manager of the department is intending to interchange the departments C and F in the present layout. The handling frequencies between the departments is given. All the departments are of the same size and configuration. The material handling cost per unit length travel between departments is same. What will be the effect of interchange of departments C and F in the layout?

A	C	E
B	D	F

From / To	A	B	C	D	E	F
A	–	0	90	160	50	0
B	–	–	70	0	100	130
C	–	–		20	0	0
D	–	–	–	_	180	10
E		–	–	–	–	40
F	–	–	–	–	–	–

[10]

Answer:

2. (a) Importance of layout:

The importance of a layout can be described as under:

- ***Avoidance of Bottlenecks:*** Bottlenecks refer to any, place in a production process where materials tend to pile up or produced at rates of speed less rapid than the previous or subsequent operations. Bottlenecks are caused by inadequate machine capacity, inadequate storage space or low speed on the part of the operators. The results of bottlenecks are delays in production schedules, congestion, accidents and wastage of floor area. All these may be overcome with an efficient layout.
- ***Avoidance of Unnecessary and Costly Changes:*** *A* planned layout avoids frequent changes which are difficult and costly. The incorporation of flexibility elements in the layout would help in the avoidance of revisions.
- ***Better Production Control:*** Production control is concerned with the production of a product of the right type at the right time and at reasonable cost. A good plant layout is a requisite of good production control and provides the plant control officers with a systematic basis upon which to build organisation and procedures.

- ***Better Supervision:*** *A* good plant layout ensures better supervision in two ways: (a) Determining the number of workers to be handled by a supervisor and (b) Enabling the supervisor to get a full view of the entire plant at one glance. A good plant layout is, therefore, the first step in good supervision.
- ***Economies in Handling:*** Nearly 30 per cent to 40 per cent of the manufacturing costs are accounted for by materials handling. Every effort should, therefore, be made to cut down this cost. Long distance movements should be avoided and specific handling operations must he eliminated.
- ***Effective Use of Available Area:*** Every unit of the plant area is valuable, especially in urban areas. Efforts should therefore, be made to make use of the available area by planning the layout properly.
- ***Improved Employee Morale:*** Employee morale is achieved when workers are cheerful and confident. This state of mental condition is vital to the success of any organisation. Morale depends on better working conditions; better employee facilities; reduced number of accidents; and increased earnings.
- ***Improved Quality Control:*** Timely execution of orders will be meaningful when the quality of the output is not below expectations. To ensure quality, inspection should be conducted at different stages of manufacture. An ideal layout provides ample space to carryout inspection to ensure better quality control.
- ***Improved Utilisation of Labour:*** *A* good plant layout is one of the factors in effective utilisation of labour. It makes possible individual operations, the process and flow of materials handling in such a way that the time of each worker is effectively spent on productive operations.
- ***Minimisation of Production Delays:*** Repeat order and new customers will be the result of prompt execution of orders. Every management should try to keep to the delivery schedules by minimising delays in production.
- ***Minimum Equipment Investment:*** Investment on equipment can be minimised by planned machine balance and location, minimum handling distances, by the installation of general purpose machines and by planned machine loading. A good plant layout provides all these advantages.

(b) (i) Rated capacity of the workshop = No. of shifts × No. of hour's in each shift × No. of days / Week × No. of Machines × Utilization factor × Efficiency

= 2 × 8 × 5 × 10 × 0.90 × 0.85

= 612 standards hour per week.

(ii) The distance matrix of the present layout:

From / To	A	B	C	D	E	F
A		1	1	2	2	3
B			2	1	3	2
C				1	1	2
D					2	1
E						1
F						–

Computation of total cost matrix (combining the inter departmental material handling frequencies and distance matrix.

From / To	A	B	C	D	E	F	Total
A		0	90	320	100	0	510
B			140	0	300	260	700
C				20	0	0	20
D					360	10	370
E						40	40
F							–
Total							1,640

If the departments are interchanged, the layout will be represented as shown below.

A	F	E
B	D	C

The distance matrix and the cost matrix are represented as shown.

From / To	A	B	C	D	E	F
A		1	3	2	2	1
B			2	1	3	2
C				1	1	2
D					2	1
E						1
F						

Total cost matrix for the modified layout.

From / To	A	B	C	D	E	F	Total
A	–	0	270	320	100	0	690
B			140	0	300	260	700
C				20	0	0	20
D					360	10	370
E						40	40
F							–
Total							1,820

The interchange of departments C and F increases the total material handling cost. Thus, it is not a desirable modification.

3. (a) Linear Programming tools can be used in Management Application - Explain. [6]

(b) After observing heavy congestion of customers over a period of time in a petrol station, Mr. Petro has decided to set up a petrol pump facility on his own in a nearby site. He has compiled statistics relating to the potential customer arrival pattern and service pattern as given below. He has also decided to evaluate the operations by the using the simulation technique.

Arrivals		Service	
Inter-arrival time (minutes)	**Probability**	**Service time (minutes)**	**Probability**
2	**0-22**	**4**	**0-28**
4	**0-30**	**4**	**0-40**
6	**0-24**	**8**	**0-22**
8	**0-24**	**10**	**0-10**

[10]

Assume:

(i) The clock starts at 8 : 0 hours.

(ii) Only one pump is set up.

(iii) The following 12 Random Numbers are to be used to depict the customer arrival pattern: 78, 26, 94, 08, 46, 63, 18, 35, 59, 12, 97 and 82

(iv) The following 12 Random Numbers are to be used to depict the service pattern: 44, 21, 73, 96, 63, 35, 57, 31, 84, 24, 05 and 37

You are required to find out the

(i) probability of the pump being idle, and

(ii) average time spent by a customer waiting in queue.

Answer:

3. (a) Management Application of Linear Programming Tools

(a) Portfolio Selection.

(b) Financial Mix Strategy.

(c) Profit Planning.

(d) Media Selection.

(e) Travelling Salesmen Problem.

(f) Determination of equitable salaries.

(g) Staffing problem.

(b)

	Inter -arrival lime				Service time		
Minutes	**Probability**	**Cumulative probability**	**Range**	**Minutes**	**Probability**	**Cumulative probability**	**Range**
2	0.22	0.22	00-21	4	0.28	0.28	00-17
4	0.30	0.52	22-51	6	0.40	0.68	28-67
6	0.24	0.76	52-75	8	0.22	0.90	68-89
8	0.24	1.00	76-99	10	0.10	1.00	90-99

Sl. No	Random No. for inter arrival	Inter arrival time	Entry lime in queue	Service start time	Random no for service	Service lime	Service end time	Waiting Time of customer	Idle time
1	78	8	8.08	8.08	44	6	8.14	-	8
2	26	4	8.12	8.14	21	4	8.18	2	-9
3	94	8	8.20	8.22	73	8	8.30	-	-
4	08	2	8.22	8.30	96	10	8.40	8	-
5	46	4	8.26	8.40	63	6	8.46	14	-
6	63	6	8.32	8.46	35	6	8.52	14	-
7	18	2	8.34	8.52	57	6	8.58	18	-
8	35	4	8.38	8.58	31	6	9.04	20	-
9	59	6	8.44	9.04	84	8	9.12	20	-
10	12	0	8.46	9.12	24	4	9.16	26	-
11	97	8	8.54	9.16	05	4	9.20	22	-
12	82	8	9.02	9.20	37	6	9.26	18	10
	Total time							162	10

Average waiting time spent by the customer = 162/12= 13.5 minutes Probability of idle time of petrol station = 10/86 = 0.1 163

4. (a) A captain of a cricket team has to allot five middle batting positions to five batsmen. The average runs scored by each batsman at these positions are as follows:

Batting Position						
		III	IV	V	VI	VII
Batsmen	A	40	40	35	25	50
	B	42	30	16	25	27
	C	50	48	40	60	50
	D	20	19	20	18	25
	E	58	60	59	55	53

Make the assignment so that the expected total average runs scored by these batsmen are maximum. [8]

(b) An airline is planning to open a satellite ticket desk in a new shopping plaza, staffed by one ticket agent. It is estimated that requests for tickets and information will average 15 per hour, and requests will have a Poisson distribution. Service time is assumed to be exponentially distributed. Previous experience with similar satellite operations suggests that mean service time should average about three minutes per request.
Determine each of the following:

a. System utilization.

b. Percentage of time the server (agent) will be idle.

c. The expected number of customers waiting to be served.

d. The average time customers will spend in the system.

[8]

Answer:

(a) This is a problem of Maximisation. To solve it using Assignment technique it has to be converted to a Minimisation problem by forming a Relative Loss Matrix.

	Batting Position				
Batsman	**III**	**IV**	**V**	**VI**	**VII**
A	40	40	35	25	50
B	42	30	16	25	27
C	50	48	40	60	50
D	20	19	20	18	25
E	58	60	59	55	53

Relative Loss Matrix*

	Batting Position				
Batsman	**III**	**IV**	**V**	**VI**	**VII**
A	20	20	25	35	10
B	18	30	44	35	33
C	10	12	20	0	10
D	40	41	40	42	35
E	2	0	1	5	7

***** This matrix is formed by subtracting all the elements of the given matrix from the highest element (60) of it.

Row Operation Matrix

	Batting Position				
Batsman	**III**	**IV**	**V**	**VI**	**VII**
A	10	10	15	25	0
B	0	12	26	17	15
C	10	12	20	0	10
D	5	6	5	7	0
E	2	0	1	5	7

Column Operation Matrix

Batting Position / Batsman	III	IV	V	VI	VII
A	10	10	14	25	0
B	0	12	25	17	15
C	10	12	19	0	10
D	5	6	4	7	0
E	2	0	0	5	7

Minimum no. of horizontal and vertical straight lines to cover all the zeros = 4 ≠ Order of the matrix(5). So the solution is non optimal.

Improved Matrix

	Batting Position				
Batsman	**III**	**IV**	**V**	**VI**	**VII**
A	10	6	10	25	0
B	0	8	21	17	15
C	10	8	15	0	10
D	5	2	0	7	~~0~~
E	6	0	~~0~~	9	11

Here minimum no. of horizontal and vertical straight lines to cover all the zeros = 5 = Order of the matrix.

So the solution is optimal.

Optimal Assignment

Batsman	Batting Position	Average runs scored
A	VII	50
B	III	42
C	VI	60
D	V	20
E	IV	60
	Total =	232

Expected maximum total runs = 232

(b) Arrival Rate = $\lambda = 15$ customers per hour

Service Rate = $\mu = \frac{1}{\text{Service time}} = \frac{1\,\text{customer}}{3\ \text{minutes}} \times 60$ minutes per hour = 20 customers per hour

a. System Utilisation = $\rho = \frac{\lambda}{M\,\mu} = \frac{15}{1(20)} = 0.75$

b. Percentage of time the server will be idle = 1 – ρ = 1– 0.75 = 0.25, or 25 percent

c. Expected no. of customers waiting to be served $L_q = \frac{\lambda}{\mu(\mu-\lambda)} = \frac{225}{20(20-15)} = \frac{225}{(20\times 5)} = \frac{225}{100} =$ 2.25 customers

d. Average time customers will spend in the system = $W_s = \frac{L_q}{\lambda} + \frac{1}{\mu} = \frac{2.25}{15} + \frac{1}{20}$ = 0.20 hours, or 12 minute

5. (a) Draw the network for the following activities and find critical path and total duration of the project.

Activity	Duration (months)
1-2	3
2-3	4
2-4	2
3-4	3
4-5	4
5-6	3
5-7	5
6-8	2
7-8	4
8-9	5

[3+2+3=8]

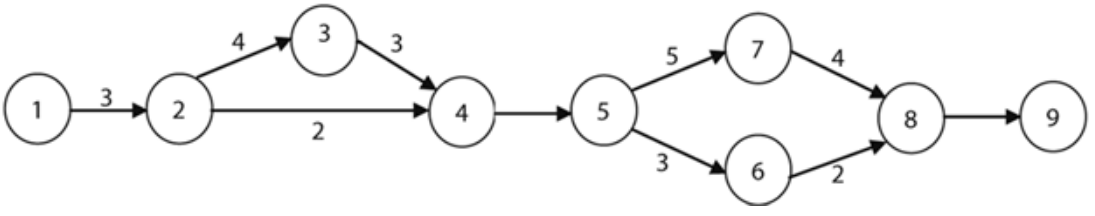
(b) PQR company has kept records of breakdowns of its machines for 300 days work year as shown below:

No. of breakdown	Frequency in days
0	40
1	150
2	70
3	30
4	10
	300

The firm estimates that each breakdown costs ₹ 650 and is considering adopting a preventive maintenance program which would cost ₹ 200 per day and limit the number of breakdown to an average of one per day. What is the expected annual savings from preventive maintenance program? [8]

Answer:

(a) Net work diagram



Paths	Duration (months)
1-2-3-4-5-7-8-0	3+4+3+4+5+4+5=28 (Critical Path)
1-2-3-4-5-6-8-9	3+4+3+4+3+2+5=24
1.2-4-5-7-8-9	3+2+4+5+4+5=23
1-2-4-5-6-8-9	3+2+4+3+2+5=19

(b) Step 1 : To determine the expected number of breakdowns per year:

No. of breakdowns (x)	Frequency of breakdowns in days i.e, f(x)	Probability distribution of breakdowns P(x)	Expected value of breakdowns X P(x)
0	40	40/300 = 0.133	Nil
1	150	150/300 = 0.500	0.500
2	70	70/300 = 0.233	0.466
3	30	30/300 = 0.100	0.300
4	10	10/300= 0.033	0.132
Total	300	1.000	1.400

Step 2 :

Total no. of breakdowns per day = 1.40

Cost of breakdown per day = 1.40 × 650 = ₹ 910

Cost of preventive maintenance programme per day = ₹ 200+ ₹ 650= ₹ 850

Expected annual savings from the preventive maintenance programme=(910-850)×300 days = 60×300 = ₹ 18,000

Section – II: (Strategic Management)

6. Choose the correct answer from the given alternatives: [1×6=6]

(i) For an entrepreneur

(A) mission is before the vision

(B) vision is before the mission

(C) both are developed simultaneously

(D) profitability is most crucial

(ii) Marketing Research Studies are undertaken:

(A) to understand product-price relationships.

(B) to measure brand loyalty of a class of consumers.

(C) to predict market potential of a product on a future date.

(D) All of the above.

(iii) For an actor in Bollywood, his outstanding performance would be a /an

(A) Asset

(B) Strategic Asset

(C) Core competency

(D) Capability.

(iv) Intensity of competition is _____ in low return industries

(A) low.

(B) non-existent.

(C) high.

(D) not important dependent on industry nature.

(v) A company's actual strategy is

(A) mostly hidden to outside view and is known only to top-level managers.

(B) partly proactive and partly reactive to changing circumstances.

(C) typically planned well in advance and usually deviates little from the planned set of actions and business approaches because of the risks of making on-the-spot changes.

(D) mostly a function of the strategies being used by rival companies (particularly those companies that are industry leaders).

(vi) Blue Ocean Strategy is concerned with

(A) moving into new market with new products

(B) creating a new market places where there is no competition

(C) developments of products and markets in order to ensure survival

(D) making the product unique in terms of attributes

Answer:

6. (i) (B)

(ii) (D)

(iii) (C)

(iv) (C)

(v) (B)

(vi) (B)

Answer any *two* question form the following:

7. (a) Enlist the advantage of strategic Management

(b) In SWOT analysis, list the threats that may occur in business. What step is necessary if a threat does arise? [6+6]

Answer:

(a) The Advantages of Strategic Management

- Discharges Board Responsibility The first reason that most organizations state for having a strategic management process is that it discharges the responsibility of the Board of Directors.

- Forces an Objective Assessment
  Strategic management provides a discipline that enables the board and senior management to actually take a step back from the day-to-day business to think about the future of the organization. Without this discipline, the organization can become solely consumed with working through the next issue or problem without consideration of the larger picture.

- Provides a Framework for Decision-Making
  Strategy provides a framework within which all staff can make day-to-day operational decisions and understand that those decisions are all moving the organization in a single direction.

- Supports Understanding & Buy-In
  Allowing the board and staff participation in the strategic discussion enables them to better understand the direction, why that direction was chosen, and the associated benefits. For some people simply knowing is enough; for many people, to gain their full support requires them to understand.

- Enables Measurement of Progress
  A strategic management process forces an organization to set objectives and measures of success. The setting of measures of success requires that the organization first determine what is critical to its ongoing success and then forces the establishment of objectives and keeps these critical measures in front of the board and senior management.

(b) Threats:

(i) Globalisation

(ii) Competition

(iii) Price cutting war

(iv) Free imports

(v) Industrial unrest

(vi) Political instability

(vii) Quality thrusts

(viii) High and adverse debt equity ratio

(ix) Increase in financing cost

(x) Economic slowdown due to international recession impact

Each and every threat of the SWOT would be analysed critically to find out a best alternative out of various alternatives available.

Each such threat as and when arises must be examined and necessary action taken to be free from these or to solve these prudently so that loss to the organisation may be minimum.

8. (a) Discuss the approaches in Strategic Planning.

(b) Discuss about "Types of Strategic Control System". [6+6]

Answer:

(a) Approaches in Strategic Planning

It is important to operate a planning process which will not only produce realistic and potentially rewarding plans but will also secure the support of all those involved in implementing them. There are three approaches that can be adopted to strategic planning:

(i) A top-down process, in which managers are given targets to achieve which they pass on down the line.

(ii) A bottom-up process, in which functional and line managers in conjunction with their staff submit plans, targets and budgets for approval by higher authority.

(iii) An iterative process, which involves both the top-down and bottom-up setting of targets. There is a to-and-from movement between different levels until agreement is reached. However, this agreement will have to be consistent with the overall mission, objectives and priorities and will have to be made within the context of the financial resources available to the organization. The iterative approach, which involves the maximum number of people, is the one most likely to deliver worthwhile and acceptable strategic plans.

(b) Types of Strategic Control Systems:

- **Personal Control**
  It is the desire to shape and influence the behaviour of a person in a face to face interaction in order to achieve the organisation's goals. Direct supervision is the most common form of personal control as it helps in identifying the problems faced by subordinates and better man management. Personal control may also come from group of peers when people work in teams. Here personal control is all about possibility of learning to occur and competencies to develop.

- **Output control**
  This system involves the estimation and forecasting of appropriate performance goals for each unit/division, department and employees and then measure the actual performance relative to these goals. It is often observed that the organisation's reward system is linked to performance on these goals. It can therefore be concluded that the output control system also provides an incentive structure for motivating employees at all levels of the organisation.

- **Behaviour control**
  The establishment of a comprehensive system of rules and procedures to direct the actions or behaviour of divisions, functions and individuals is called behaviour control. The main purpose of having behaviour control is not to specify goals but to standardise the way of reaching them. It is felt that if rules are standardised then outcomes are predictable. It is of utmost importance that the management reviews behaviour controls over time. The rules that have been established tend to increase over time leading to inflexibility to react to the changing environment thereby adversely affecting the organisation's competitive advantage.

9. Write short notes on any three of the following four questions: [4×3=12]

(a) Related Diversification;

(b) Mc Kinsey's 7 –s Frame work;

(c) Importance of Strategic Management

(d) Theory X and Theory Y.

Answer:

(a) Related Diversification

Related diversification

Here there is some relationship, and therefore potential synergy, between the firm's existing business and the new product/market space:

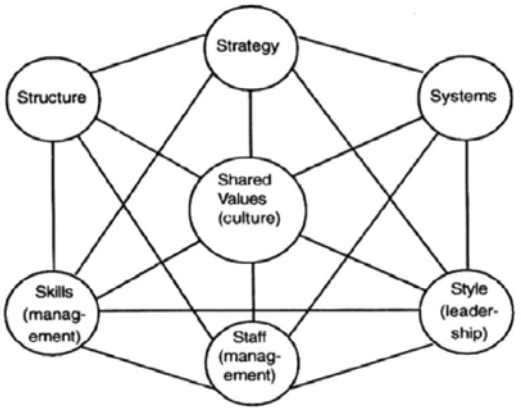
(i) Concentric divers ideation means that there is a technological similarity between the industries which means that the firm is able to leverage its technical know-how to gain some advantage.

(ii) Vertical integration means that the firm is moving along the value system of its existing industry towards tits customers (forward vertical integration) or towards its sup pilers (backward vertical integration). 1 he benefits of this are assumed to be:

- Taking over the profit margin presently enjoyed buy suppliers or distributors;
- Securing a demand for the product or a supply of key inputs;
- Better synchronization of the value system;
- Reduction in buyer or supplier power.

(b) Mc Kinsey's 7 –s Frame work;

Strategy is dependent on many variables – Internal as well as external. All factors are interrelated.



The Mckinsey Company, a well known management consultancy firm in the United States, towards the end of 1970s was asked to find a solution to this knotty issue. The researchers Peters and Waterman found after examining America's best run companies that the problem in strategy lay in its implementation and structure was only one lever in the hands of management. The other levers were systems, staff, style, skills and super ordinate goals.

A strategy is usually successful when the other S's in the 7-S framework fit into or support the strategy.

Strategy: A set of decisions and actions aimed at gaining a sustainable competitive advantage

- Structure: The organisation chart and associated information that shows who reports to whom and how tasks are both divided and integrated.
- Systems: The flow of activities involved in the daily operation of a business, including its core processes and its support systems.
- Style: How managers collectively spend their time and attention and how they use symbolic behaviour. How management acts is more important than what management says.
- Staff: How companies develop employees and shape basic values.

(c) Importance of Strategic Management:

(i) Discover organisation strengths and weaknesses

(ii) Identify the available opportunities and possible threats

(iii) Discover the objectives and goals in line with organisations strengths and available opportunities

(iv) Implement changes to overcome weaknesses and manage the threats.

(v) Provide vision/mission or direction to future of organisations

(vi) Build a dynamic and strong organisation

(v) Help to achieve growing and stable organisation.

(d) Theory X and Theory Y: Another motivation strategy involves manager's assumptions about the nature of people. Douglas McGregor identified two sets of assumptions. According to him, Theory X involves negative assumptions that managers often use as the basis for dealing with people. Theory Y represents positive assumptions which managers strive to use. The basic rationale for using Theory Y rather than Theory X in most situations is that managerial activities reflect Theory X assumptions. As such, the activities based on Theory Y assumptions generally are more successful in motivating organisation people than those based on Theory X assumptions.