

## Unit 1<sup>st</sup>

### **(Topic 1) PRINCIPLES OF MANAGEMENT – INTRODUCTION, NATURE, PROCESS, IMPORTANCE**

Management refers to a set of activities (planning, organising, decision making, controlling etc.) directed towards an organisation's resources (human, financial, physical and informational) with the aim of achieving organisation's goals in an efficient and effective manner.

"Management is what a Manager does" – A manager utilizes scarce resources of the organization in an efficient manner in order to achieve goals of an organization.

#### **Aims of Management**

- To increase efficiency in business operations
- To achieve individual, organizational and social goals
- To cope with changes in the dynamic business environment
- To work with and through other people
- To achieve organizational objectives effectively and efficiently

#### **Nature / Characteristics of Management**

- **Management is a human activity** – It is performed by and through people.
- **It is pervasive** i.e. it is needed at all levels in an organisation (Top, Middle, Bottom) though the nature and scope of tasks may vary.
- **It is universal** – It is applicable in business as well as other social and political organisations.
- **It is a social process** – It deals with people and aims at optimum utilization of resources for the benefit of society as a whole.
- **It is intangible** – It cannot be seen but can be felt in form of increase in production, sales or profit.

- **It is goal oriented** – Management aims at achieving various economic and non-economic goals.
- **It is a group activity** – Management involves getting things done through people in a formally organized group and aids in achieving individual as well as organisational goals.
- **It is a system of authority** – Authority is the right to give orders and the power to obtain obedience from employees. A manager gets things done by using authority over his/her subordinates.
- **It is a distinct activity and dynamic activity** – A manager visualizes the problems in a business and takes suitable steps to adapt the business with the changing [internal and external environment](#).
- **It is a science as well as an Art** – It is a systematic body of knowledge based on general principles which are universally applicable therefore it is a science. But a manager also requires various skills and creativity to solve complex problems and achieve results and hence it is also an art.
- **It is multi-disciplinary** – It borrows from psychology, sociology, anthropology, ecology, economics, statistics, operations research etc.
- **It is a process** which involves certain functions like planning, organising, staffing, directing and controlling.

### **Management – Science or Art ?**

It can be considered as science as:

- It is a systematic body of knowledge
- It is a Social Science i.e. it deals with human beings

- Managers carry out experiments
- Principles of Scientific Management are widely used

It can be considered an Art as:

- Managers diagnose and solve problems using sound knowledge, experience and creativity.
- It involves combination of human and non-human resources in a creative way.
- Every manager manages differently based on his knowledge and experience.
- It requires constant practice to become a successful manager.

Therefore, Management is considered a science as well as an art.

### **Management Process / Functions**

Management is dynamic process consisting of various elements and activities. The management process involves series of actions or operations that are performed in a sequence to achieve organizational goals and objectives.

The main functions of a management process are:

**1. Planning** – It is the process of forecasting future needs of the organisation and making decisions regarding future course of action required to accomplish goals. It is a thinking process concerned with determination of –

- what is to be done?

- how it must be done?
- when and where it must be done?
- who is to do it?
- how will results be evaluated?

It provides direction to the enterprise and helps in coping up with environmental changes.

**2. Organizing** – It is concerned with arrangement of an organisation's resources i.e. people, labour, materials, technology, finance etc. in order to achieve organisation objectives.

A manager takes decisions about division of work, allocation of authority and responsibility and coordination of tasks with an organization. Organizing involves division of work into convenient tasks or duties, grouping such duties and delegating authority in the form of posts to employees. It contributes towards the efficiency of an organization.

**3. Staffing** – It is an activity where people are recruited, selected, trained, developed, motivated and compensated for managing various positions. It involves movement of individuals into an organisation and movement of people within organisation (transfer, promotion, job rotation) and movement of people outside the organization (termination, retirement). It is essentially selecting the right man for the right job.

It involves –

- **Recruitment** – It is the process of attracting maximum number of applicants for a particular job.
- **Selection** – Screening the candidates and choosing the best one out of them.
- **Training & Development** – Imparting necessary knowledge and skills required for the performance of a particular job.
- **Compensation** – Price paid to workers for services they render to the organisation.

**4. Directing** – It is the function of guiding and supervising the activities of the subordinates. It involves the following activities –

- **Leading** – It includes motivating and communicating with people individually and in groups for the purpose of stimulating people to be high performers.
- **Influencing** – Guiding the activities of members of an organization in an appropriate direction.
- **Motivating** – It is the process of stimulating people to take a desired courses of action. A manager inspires and encourages employees to take required action.
- **Communicating** – It involves transfer of information from one person to another.

**5. Controlling** – It is the process of influencing actions of a person or group to attain desired objectives. It includes four activities –

- Setting standards of performance
- Measuring actual performance
- Comparing actual performance from planned performance on standards
- Taking corrective actions to ensure accomplishment of objectives

It is the process of visualizing deviations in the performance and taking corrective actions based on gap between actual and planned standards of performance.

## **IMPORTANCE OF MANAGEMENT**

Its importance lies in:

- **Optimum utilization of resources** – A manager eliminates wastage which leads to efficiency in all business operations.
- **Effective leadership and motivation** – It helps the employees to work in harmony and achieve goals in a coordinated manner. It provides effective leadership and motivation to employees to work harder.
- **Sound industrial relations** – A Manager maintains balance between the demands of employees and organisational requirements, thereby helps to minimize industrial disputes.
- **Achievement of goals** – It helps in realizing goals with maximum efficiency by reducing unnecessary deviations, overlapping efforts and waste motions.
- **Maintaining equilibrium** – It helps an organisation to survive in a dynamic environment. A manager anticipates changes in the business

environment and takes suitable steps in order to adapt the business constantly with the changing environment.

- **Improves standard of living** – It improves Standard of living of people by optimum utilization of scarce resources, ensuring survival of firm in the dynamic environment, exploiting new ideas for the benefit of the society, developing employees talents and capabilities.
- **Establishing Sound Organisation** – Managers help in establishing a sound organization through effective authority and responsibility relationships.
- **Reduces costs** – A manager uses cost effective techniques to reduce production costs and increase output.

## **(TOPIC 2) Managerial Skills and Roles**

### **Managerial Skills**

Managers at every level in the management hierarchy must exercise three basic types of skills: technical, human, and conceptual. All managers must acquire these skills in varying proportions, although the importance of each category of skill changes at different management levels.

**Following are the managerial skills:**

#### **(i) Technical Skill:**

It is knowledge of and proficiency in activities involving methods, processes, and procedures. Thus, it involves working with tools and specific techniques. For examples, mechanics work with tools, and their supervisor should have the ability to teach them how to use these tools. Similarly, accountants apply specific techniques in doing their job.

#### **(ii) Human Skill:**

It is the ability to work with people; it is cooperative efforts; it is teamwork; it is the creation of an environment in which people feel secure and free express their opinions.

#### **(iii) Conceptual Skill:**

It is the ability to see the 'big picture' to recognize significant elements in a situation, and to understand the relationships among the elements.

#### **(iv) Design Skill:**

It is the ability to solve problems in ways that will benefit the enterprise. To be effective, particularly at upper organizational levels, managers must be able to do more than see a problem. They must have, in addition, the skill of a good design engineer in working out a practical solution to a problem.

If managers merely see the problem and become 'problem watchers,' They will fail. Managers must also have that valuable skill of being able to design a workable solution to the problem in the light of the realities they face.

## **Role of a Manager:**

- **Interpersonal Roles:**

(1) The figure head role (performing ceremonial and social duties as the organisation's representative)

(2) The leader role and

(3) The liaison role (communicating particularly with outsiders).

- **Informational Roles:**

(1) The recipient role (receiving information about the operation of an enterprise)

(2) The disseminator role (passing information to subordinates) and

(3) The spokesperson role (transmitting information to those outside the organisation).

- **Decision Roles:**

(1) The entrepreneurial role.

(2) The disturbance handler role.

(3) The resource allocator role.

(4) The negotiator role

## **(Topic 3) Classical approach to management**

Classical management theory is based on the belief that workers only have physical and economic needs. It does not take into account social needs or job satisfaction, but instead advocates a specialization of labor, centralized [leadership and decision-making](#), and profit maximization.

Designed solely to streamline operations, increase productivity and enhance the bottom line, this idea arose in the late 19<sup>th</sup> century and gained prominence through the first half of the 20<sup>th</sup> century. While not widely subscribed to in modern times, this theory offers some principles that remain valid, to an extent, in small business settings in regards to manufacturing.

## **Concepts of the Ideal Workplace**

The theory outlines an ideal workplace as one that rests on three main concepts:



- **Hierarchical structure** – Under classical management theory, workplaces are divided under three distinct layers of management. At the very top are the owners, board of directors and executives that set the long-range objectives for a firm. Middle management takes on the responsibility of overseeing supervisors while setting goals at the department level to fit within the confines of the managers' budget. At the lowest level of the chain are supervisors, who manage day-to-day activities, address employee problems and provide training.
- **Specialization** – The classical management theory involves an assembly line view of the workplace in which large tasks are broken down into smaller ones that are easy to accomplish. Workers understand their roles and typically specialize in a single area. This helps increase productivity and efficiency while eliminating the need for employees to multi-task.
- **Incentives** – This theory believes that employees are motivated by financial rewards. It proposes that employees will work harder and be more productive if they are awarded incentives based on their work. Employers who can motivate their employees using this tactic may be able to achieve increased production, efficiency and profit.

### **Merits of the Theory**

While not typically used in today's workplaces, the classical management theory does have some strong points. They include:

- A clear structure for management, its functions and operations
- The division of labor that can make tasks easier and more efficient to accomplish, which can enhance productivity
- Clear definition of employee roles and tasks with little left to guesswork

### **Demerits**

- By attempting to predict and control human behavior, this theory overlooks the importance of human relations and creativity.
- In essence, this theory views workers almost as machines, but fails to take into account what job satisfaction, employee input and morale can bring to the workplace.
- The reliance on prior experience and the ability to apply it almost solely to manufacturing settings is another drawback of this theory.

## **(Topic 4) Behavioral approach to management**

The **Behavioral approach to management** evolved mainly because the practicing managers discovered that adopting the ideas of the classical approach failed to achieve total efficiency and workplace harmony. The behavioral approach to management highlighted what the classical advocates overlooked – the human aspect. The classical theorists looked at the organization from a production perspective, the behavioral advocates viewed it from the individual's viewpoint. The behavioral approach to management highlighted individual behavior & group processes, and acknowledged the importance of behavioral processes at work. The Hawthorne studies in the late 1920 and early 1930 helped to lend credence to the behavioral approach.

Some of the more important elements or concepts of Behavioural approach may be outlined as follows:

### **1. Individual Behaviour**

Individual behaviour is closely linked with the behaviour of the group to which he belongs. The group dictates changes in his behaviour. Individuals observe those work standards which are prescribed by the group.

### **2. Informal Leadership**

Informal leadership, rather than formal authority of managers is more important for setting and enforcing group standards of performance. As a leader, a manager may be more effective and acceptable to subordinates, if he adopts the democratic style of leadership.

### **3. Participation**

If the subordinates are encouraged and allowed to participate in establishing goals, there will be positive effect on their attitude towards work. If employees are involved in planning, designing the jobs and decision-making, there will be least resistance to changes effected in technology and work methods.

### **4. Motivation by Self-Control and Self-Development**

Behavioural scientists maintain that by nature most people enjoy work and are motivated by self-control and self-development. Managers should try to identify and provide necessary conditions conducive to the proper and sufficient use of human potential. The managers attitude towards human behaviour should be positive.

## **5. Informal Organization**

Behaviouralists particularly Bernard, consider informal organization as an essential part of the formal organization. Informal organization must always be taken into account while determining managerial behaviour.

### **Assumption of Behavioral approach**

- 1. Organization is socio-technical system involving people and technology as their primary components.**
- 2. The behaviour of the members of an organization clearly affect both its structure and its functioning, as well as the principles on which it can be managed.**
- 3. Individual's behaviour is closely linked with a greatly influenced by the behaviour of the group to which he belongs.**
- 4. A wide range of factors influences work and interpersonal behaviour of people in the organization.**
- 5. Congruence (agreement) between organizational goals and individual goals organizations members would be established.**
- 6. Several individual differences in perceptions, aspirations, needs, feelings, abilities and values of people exist in the organization, such difference along with their changing nature over periods of time have to be recognized.**
- 7. Informal leadership rather than the formal authority of supervisors is more important for increase in employee performance**

### **Advantage**

- Improved usage of teams to achieve organizational goals.**
- Emphasis on training and development of staff**
- Use of innovative reward and incentive techniques.**
- Furthermore the main focus on modern management theory led to empowering employees via shared information.**

## **Limitations**

Challenges for managers in difficult situations and the reality that human behavior is complex. This complicated the problem for managers attempting to use insights from the behavioral sciences that regularly changed when different behavioral scientists offered distinct alternatives.

## **(TOPIC 5) System Approach**

A system may be defined as a set of interrelated and interdependent parts forming an organized unit or entity. These parts are known as sub-systems which interact with each other and are subject to change. They are interrelated as well as interdependent. Hence, changes in any sub-system lead to changes in others.

Any working organisation may be said to have three sub-systems as follows:

### **1. Technical Sub-System**

It represents the formal relationships among the members of an organisation.

### **2. Social Sub-System**

It provides social satisfaction to members through informal group relations.

### **3. Power Sub-System**

It reflects the exercise of power or influence by individuals and groups.

## **Features or Concepts of Systems Approach:**

Drawing on the work from many fields including biology, the systems approach analysis the functions of the total enterprises in terms of systems – inputs, processing, and outputs – with a view to improving their operations.

The significant features or concepts of systems approach may be outlined as follows:

### **1. Sub-Systems**

They are the parts that make up the whole. Each system may also be a sub-system of still larger whole. For example an electronic goods company is a system, but it becomes a sub-system of the electronic goods industry, which is a larger whole.

## **2. Interrelatedness of Sub Systems**

It is probably the distinguishing characteristics of a system, which means that a manager cannot change on sub-system without affecting the rest because the sub-systems interact with each other and therefore are dependent on each other.

## **3. Synergy**

It means that the whole is greater than the sum of its part. In other words, systems approach results in synergic effect which means that 2 + 2 = More than 4.

## **4. Open System**

Open system means that which interacts with its environment and closed system is that which does not interact with its environment being self-sustained. The emphasis of systems approach is an open system. It believes that most of the organizations are open systems because they depend for their inputs (i.e., money, materials, men, information etc.) on the society.

## **5. System Boundary**

Each system has its boundary that separates it from the environment

## **6. Environment**

All systems operate, within an environment, which, for an organisation, might include customers or clients, competitors, suppliers, investors, government and regulatory government agencies, unions etc. Environment includes things that are significant to the organisation, but are largely beyond its control.

## **7. Flows**

A system has flows of information, methods and energy including human energy. These enter the system as inputs, undergo transformation process and exit as outputs.

## **8. Feedback**

It is the assessment of work done, identification of deviations and taking of corrective action.

## **A) Advantages**

Systems theory has made the following contributions.

- 1.** It provides a manager a way of thinking about the job of managing and unfolds an opportunity to him for looking at the organization as a whole and for achieving overall effectiveness.
- 2.** It provides a unified focus to organizational efforts – a direction towards which people should strive.
- 3.** It draws attention of managers to an important factor and that is the environment in which an organization works. The interaction with the environment is dynamic.
- 4.** It includes within its focus both micro and macro aspects of the organizations. Hence it serves a multi-level and multi-dimensional approach.
- 5.** It implies that the modern manager should have analytical orientation and should be expert in motivating to achieve goals and open-minded to receive and respect new ideas, i.e. creativity and innovation.
- 6.** It also implies that management education must seek to develop the ability to work with and motivate others.
- 7.** The feedback mechanism provides an opportunity to rearrange organizations part according to the change in the environment.

## **B) Limitations**

The system theories have been criticized on the following grounds.

- 1.** Systems theory is not a complete explanation of the whole organizational system. It does not explain how the sub-system of the specific organization is uniquely related in a given environment.
- 2.** The conceptual framework for understanding organization provided by system theory is too abstract.
- 3.** It does not really offer any new thing. Managers do understand interrelationship between different parts and the influence of environment on organization and its sub-systems.

## **(Topic 6) contingency approaches**

The contingency approach to management suggests that *there is no particular best way to manage*. The management activities such as planning, controlling, leadership, or organization are completely dependent on the circumstances and the environment.

According to the contingency approach, the managers generally pay attention to the current situations and then make strategies based on their knowledge and experience.

This approach is quite advantageous for the organizations as it allows them to learn from specific circumstances and change their policies accordingly in the future if the same situation arises.

### **Features**

- The contingency approach focuses on the variable nature of businesses and organizations. The managers choose a Framework for finding solutions to a problem rather than sticking to a particular strategy for solving the problems.
- The contingency approach to management generally depends upon the complexity of a problem. It depicts that management is circumstantial. There are no Universal principles of management and there is no one best way to manage.
- It is also called the if-then approach to management. If this happens then we would take this action. The if section represents an independent variable or a particular problem or a situation.
- The contingency theory definition depends upon both the internal as well as external factors of an organization.

## **Advantage**

- The approach is adaptive. This means that it allows organizations to stay flexible and transform their policies and strategies according to the changing environment.
- The managers can consider the entire factors, analyze situations thoroughly and then make the appropriate decision. This means that they can consider every factor variables and circumstances that may affect their solutions in the present and the future as well.
- Due to this approach the scope of leadership has widened. This approach gives importance to the managers understanding, knowledge, and leadership styles and lets them take different decisions depending upon the different situations.
- The contingency approach allows an organization to choose different leaders as per their leadership styles in various contexts. The theory does not expect that all the leaders are efficient in dealing with all types of situations in an organization.

## **Limitations**

- Despite the lucrative features and advantages that the contingency management theory has to offer to the organizations it is not completely liberated from criticism. There is no single optimal solution to a problem which means that managers can iterate as much as they want in search of solutions. This can sometimes lead to wastage of resources, time and money.
- The contingency approach definition is quite straightforward that not all management situations can be dealt with in a specific manner. But when we apply the same in real-life scenarios things do get a little complex.
- It is not always feasible for the managers to consider every factor and determine all the variables involved in their decision-making process.
- The contingency approach might be complex to implement as it is not fixed. It is situational.