



PRINCIPLES OF MANAGEMENT –UNIT 1

By

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AP/MECH

Topics

- Definition of Management
- **Science or Art**
- **Manager Vs Entrepreneur**
- **Types of managers managerial roles and skills**
- **Evolution of Management – Scientific, human relations , system and contingency approaches**
- **Types of Business organization - Sole proprietorship, partnership, company-public and private sector enterprises**
- Organization culture and Environment
- **Current trends and issues in Management.**

Management



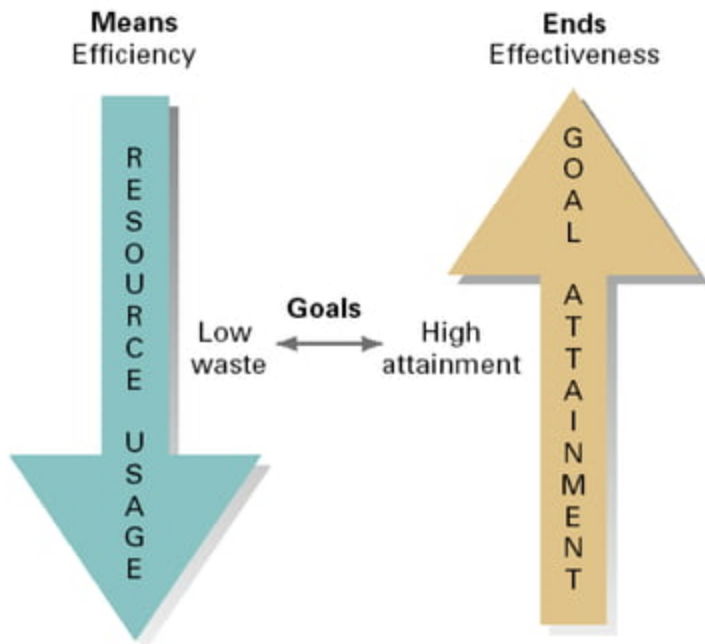
Management

- ▣ The process of getting things done, ***effectively and efficiently***, through and with other people

- ▣ **Efficiency**
 - Means doing the thing correctly

- ▣ **Effectiveness**
 - Means doing the right things

Efficiency and Effectiveness



Definition:

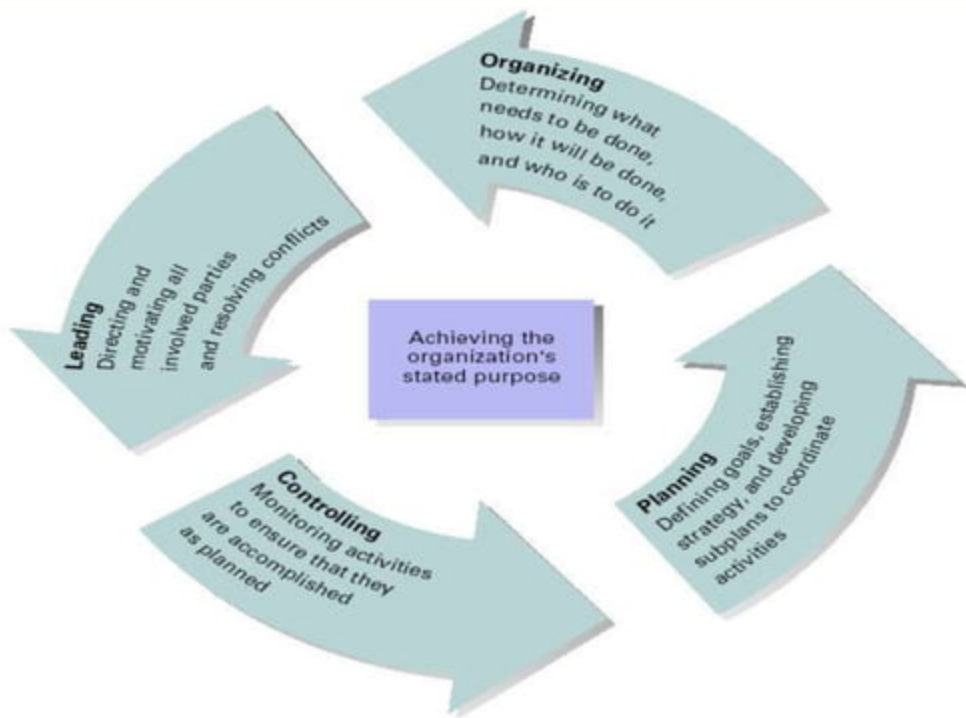
- *“Management is the art of getting things done through and with the people in formally organized groups” -Koontz*

- *“To manage is to forecast and plan to organize, to command, to co-ordinate and control”- Henry Fayol*

What Managers do ?



Management Process Activities



Management Functions

Planning

A process that includes defining goals, establishing strategy, and developing plans to coordinate activities.

Organizing

Determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are to be made.

Leading

A function that includes motivating employees, directing others, selecting the most effective communication channels, and resolving conflicts.

Controlling

Monitoring activities to ensure they are being accomplished as planned and correcting any significant deviations.

Features of Management

- Its a Group Activity
- Goal Oriented
- Factor of Production
- Invisible Force
- Process
- Social Process
- Perpetuity
- Universality
- Intellectual Exercise
- Science as well as Art
- Profession
- Integrative Process

Science or Art



Management –ART or SCIENCE ?




- Management, an Art:
- Art implies application of knowledge & skill to trying about desired results.
 - **Practical Knowledge**
 - **Personal Skill**
 - **Creativity**
 - **Perfection through practice**
 - **Goal-Oriented**
- Thus, we can say that management is an art therefore it requires application of certain principles and it deals with moulding the attitude and behaviour of people at work towards desired goals

Management –ART or SCIENCE ?

- Management, a Science:
- Science is a systematic body of knowledge
 - ▣ **Universally acceptance principles**
 - ▣ **Experimentation & Observation**
 - ▣ **Cause & Effect Relationship**
 - ▣ **Test of Validity & Predictability**

Management –ART or SCIENCE ?

- Management is both an art and a science. The above mentioned points clearly reveals that management combines features of both science as well as art.
- It is considered as a science because it has an organized body of knowledge which contains certain universal truth.
- It is called an art because managing requires certain skills which are personal possessions of managers.
- Science provides the knowledge & art deals with the application of knowledge and skills.

- 
- The old saying that “Manager are Born” has been rejected in favor of “Managers are Made”.
 - It has been aptly remarked that management is the oldest of art and youngest of science.
 - To conclude, we can say that science is the root and art is the fruit.

Manager Vs Entrepreneur



Entrepreneur Vs Manager

- An entrepreneur is the owner of the enterprise
- The main motive of an entrepreneur is to start a venture by setting up an enterprise.
- An entrepreneur, being the owner of the enterprise assumes all risks and uncertainty.
- A manager is just an employee in the enterprise of the entrepreneur.
- But the main aim of a manager is to render services to an entrepreneur.
- A manager as the servant does not share any risk involved in the enterprise.

Entrepreneur Vs Manager

- The reward of an entrepreneur is profit.
- All the policies and strategic decisions are taken by entrepreneur.
- An entrepreneur acts as an innovator to maximize the profits.
- The reward of a manager for rendering his services is salary.
- All the managerial and operational decision relating to day-to-day activities are taken by manager.
- A manager simply implements the policies prepared by entrepreneur and gives them practical shape.

Entrepreneur	Manager
Involved with start up process	Running the business over a long period of time
Assumes financial,material and psychological risks	Not to bear any risks
Driven by perception of opportunity	Driven by the resources he currently <i>possess</i>
Initiates change	Follows rules and procedures
His own boss	Hired employee
Gets uncertain rewards	Gets fixed rewards and salary

Types of managers managerial roles and skills

Who are Managers ?

- Someone who coordinates and oversees the work of other people so that the organizational goals can be accomplished.



Managerial Levels



Roles of Manager / Mintzberg's Managerial Roles

□ Interpersonal Role

- ▣ Involves People



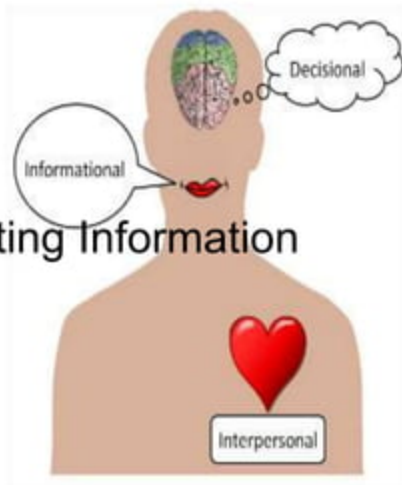
□ Informational Roles

- ▣ Gathering, Receiving & Disseminating Information



□ Decisional Roles

- ▣ Making Decisions & Choices



Interpersonal Roles

- *Figurehead role*: Outward relationship
- *Leader role*: Downward relation
- *Liaison role*: Horizontal relation


Informational Roles

- *Monitor Role*: Collects information about internal operations and external events



- *Disseminator Role*: Transforms information internally to everybody in organization (like a telephone switchboard)
- *Spokesman Role*: Public relations

Decisional Roles

- *Entrepreneurial Role*: Initiates changes, assumes risks, transforms ideas into useful products.
- *Disturbance Handler Role*: Deals with unforeseen problems and 
- *Resource Allocator Role*: Distributing resources
- *Negotiator Role*: Bargains with suppliers, customers etc. in favor of enterprise

Skills Managers need

Technical Skills

Knowledge and proficiency in a specific field

Human Skills

The ability to work with other people

Conceptual Skills

The ability to think and conceptualise about abstract and complex situations concerning the organization.

Skills needed at different Management Levels

Top
Managers

Middle
Managers

Lower-level
Managers



 Level of Importance

Evolution of Management



Evolution of Management

Theories of Management

Classical Theory
1880 - 1930

Neo-Classical
Theory
1920-1950

Modern
Theory

Quantitative
Approach

Scientific
Management

Bureaucratic
Model

Administrative
Theory

Human
Relations
Approach

Behavioural
Science
Approach

System
Approach

Contingency
Approach

The Pre-modern Era

- Ancient massive construction projects
 - Egyptian pyramids
 - Great Wall of China

Adam Smith's Wrote the *Wealth of Nations* (1776)

- Increased productivity by increasing each worker's skill and dexterity.
- Time saved that is commonly lost in changing tasks.
- The creation of labor-saving inventions and machinery.

Classical Theory

- ❖ Scientific Management
- ❖ Bureaucratic Model
- ❖ Administrative Theory

Core Ideas

- 1. Application of science to the practice of management.
- 2. Development of basic management functions.
- 3. Articulation and application of specific principles of management

Classical Theory

- Scientific Management
 - F.W.Taylor, Father of Scientific Management
 - Application of Scientific Methods of tackling management problems.
 - Detailed planning, Proper selection, Placement & Training, standard tools & equipment, Thorough change in the attitude of employers & employees are the essential elements of his philosophy.
 - On the basis of Time, Motion, Fatigue study etc., the best methods of doing task must be determined.

F.W.Taylor

- Proposed an objective and systematic method to identify “the one best way” to do a job using scientific selection and training methods;
- co-operation and clear division of responsibility between managers and workers;
- pay for performance

Gilberth's

- ▣ Frank Gilberth and Lillian Gilberth
- ▣ Emphasized on job standardization
- ▣ Psychology of management
- ▣ Monotony of work dissatisfaction but the lack of management interest in workers
- ▣ workers and their needs first

Frank & Lillian Gilbreth

- Their time and motion studies helped lay the foundations for Scientific Management – the best possible way for a worker to complete a job.
- The expected results are employee satisfaction, productivity and efficiency.

Henry L. Gantt

- Need for morale and incentive to boost productivity
- The task and bonus plan
- The use of Graphics method for controls
- He designed a project scheduling model for increasing the efficiency of project execution and completion.

Harrington Emerson

- Elimination of waste and attainment of maximum efficiency
- Efficiency means “Right thing done in the Right manner by the Right men at the Right place in the Right Time”

Bureaucratic Model

- Max Webber
- Bureaucracy is the efficient form
- Bureaucratic Organization helps out controlling over human resource

Features:

1. Hierarchy of Authority
2. System of Rules
3. System of Work Procedure
4. Division of Work
5. interpersonal Relations
6. Training of Employees



Max Webber

- A formalized and idealized view of organizations, comprising 6 major principles.
- 1. A formal hierarchical structure.
- 2. Management by rules.
- 3. Organization by task competency.
- 4. Impersonal relationships.
- 5. A focused mission.
- 6. Employment based on technical qualifications

Administrative Theory

- Henry fayol
- Classification of business activity
 - Production, Finance, Operation, HR, Marketing
- Functions of management
 - Planning, Organizing, Commanding, Directing, Controlling
- Managerial Quality & Training

- Managers need specific roles in order to manage work and workers.
- He enumerated 6 functions / roles of management.
 1. Forecasting
 2. Planning
 3. Organizing
 4. Commanding
 5. Coordinating
 6. Controlling

Fayol's 14 Principles of Management

- | | |
|--|-------------------------------------|
| 1. Division of work | 1. Remuneration |
| 2. Authority | 2. Centralization |
| 3. Discipline | 3. Scalar Chain |
| 4. Unity of Command | 4. Order |
| 5. Unity of Direction | 5. Equity |
| 6. Subordination of Individual interest to General interest. | 6. Stability of Tenure of personnel |
| 7. | 7. Initiative |
| | 8. Esprit de corps |

Summary: The Classical Theory

- **Scientific**

- Concern for precise work methods
- Best way for jobs to be done

- **Bureaucratic**

- Impersonal view of organizations
- Formal structure, legitimate authority and competence of management

- **Administrative**

- Development of managerial principles
- Best way to organize all jobs in a business

Neo-Classical Theory

1920-1950

Human Relations Approach

Behavioural Science Approach

Core Concepts

- Grew in reaction against the Scientific Theory of Management which emphasized standardization of jobs, processes and technologies to maximize economic return. Focus shifted to the human side of organizations.
- The best way to motivate, structure and support employees.
- The need for workers to find intrinsic value in their jobs.
- The positive impact of social relationships on worker productivity.

The Hawthorne Effect

- Productivity increases when workers believe that they are being observed closely.
- Employees perform better when managers and co-workers make them feel valued.
- Financial rewards are not necessarily conducive to increasing worker productivity.
- Workers care about self-fulfillment, autonomy, empowerment, social status and personal relationships with co-workers.

Human Relations Theory

- Elton Mayo
- People are social beings, motivated by social needs.
- A sense of identity is derived from inter-personal relationships.
- Workers are more receptive to social forces of peer groups than monetary incentives and management controls.
- Workers respond positively to attention from management, co-workers and customers.
- The psychological needs of individuals significantly impact group performance.

Chester Barnard

- Establish and maintain a communication system among employees.
- Establish the objectives of the organization and motivate employees.
- Proposes the acceptance theory of authority,
 - that organizational goals will be achieved and managerial authority will be accepted if workers believe that their individual needs are being met.

Behavioural Theory

- The fulfilment of emotional needs of workers is important in achieving economic goals.
- Employee satisfaction and working conditions are important in achieving worker productivity.
- Workers are intrinsically motivated to work when they feel a sense of belonging and participate in decision making.
- Workers desire diverse and challenging work.

Abraham Maslow Hierarchy



Douglas McGregor

Theory X and Theory Y (Douglas McGregor)

Theory X

The assumption that employees dislike work, are lazy, dislike responsibility, and must be coerced to perform.



Theory Y

The assumption that employees like work, are creative, seek responsibility, and can exercise self-direction.



Theory X Managers & Theory Y Managers

- Workers must be coerced and controlled to work towards organizational goals.
- Workers are self-centered and only care about themselves, not the organization.
- Workers are inherently lazy, lack ambition and prefer to be directed rather than take responsibilities.
- Workers dislike change and will resist it at all cost.
- Workers encouraged to develop their full potential will work towards achieving organizational goals.
- With appropriate incentives and support, workers will seek out and fulfill responsibilities on their own.
- Workers will apply their ingenuity, creativity and hard work to meet organizational goals.

McGregor's Theory X and Theory Y

Theory X	sphere	Theory Y
Dislike work, find it boring, will avoid if we can	ATTITUDE	Need to work, want to take an interest, we can enjoy it
Must be forced or coerced into compliance	DIRECTION	Direct ourselves towards an accepted target
Need to be directed, avoid responsibility	RESPONSIBILITY	Thrive on responsibility
Motivated by fear, lack of money, lack of job security	MOTIVATION	Motivated by the desire of self-development and to contribute to the world
Little creativity, except when getting around rules	CREATIVITY	Highly creative when given recognition and opportunity

Summary

- They are largely concerned with motivation of workers.
- Workers are diverse in their needs and want challenging work, participative decision-making, self-direction and control.
- Managers must help workers deal with situational constraints and social aspects of organizational and environmental changes.



Quantitative Approach

Management Science

TQM

Management Science

- Combines classical management theory and behavioural science through the use of statistical models and simulations.
- Evolved from Mathematical & Statistical solutions developed for military problems in World War II.
- Whiz Kids, joined (1940s) Ford Motor Company used this to improve Decision Making.

What is ?

- Applying statistics , optimization models, information models ,computer stimulations etc to management activities.
- Example : Linear Programming → Resource Allocation Decisions.
- Critical Path Scheduling → Work Allocation

Total Quality Management

- W.Edward Deming & Joseph M.Juran
- Japan manufacturers beat the US by quality comparisons.


Total
Quality
Management

- TQM is a management philosophy devoted to continual improvement responding to customer needs and expectations.

What is?

- Intense focus on customers.
- Concern for continual improvement.
- Process focussed.
- Improvement in the quality of everything.
- Accurate measurement.
- Employee empowerment.

Modern Theory

Systems Theory

Contingency Approach

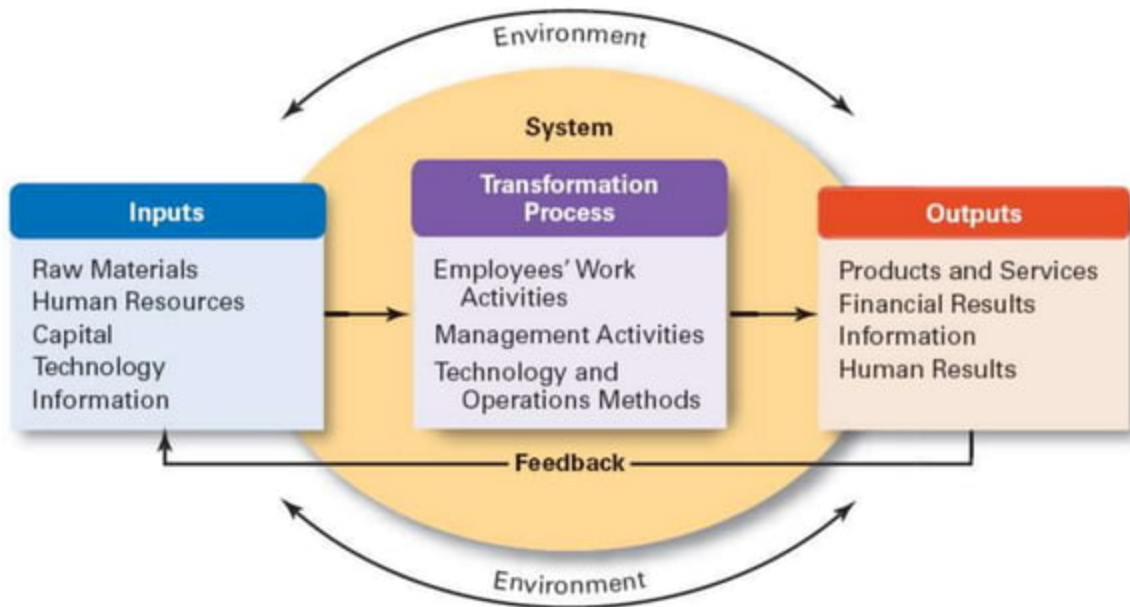
Contemporary Approach

- Early approaches focussed more about the managers' concern inside the organization.
- From 1960, began to look what's happening in the external environment.
 - ▣ Systems Approach
 - ▣ Contingency Approach

Systems Approach

- Basic theory in the physical science.
- Chester Bernard, in his book mentioned organization functioned as a cooperative system.
- A system is a set of interrelated and interdependent parts arranged in a manner that produces an unified result.
- Closed System –Not influenced and do not interact with the environment.
- Open System –influenced and dointeract with the environment.

Open System



Example

- Pizza hut
- Shift Manager
 - ▣ Coordinates the waiters orders
 - ▣ The delivery
 - ▣ Unloading of the supplies
 - ▣ Manage billing system
 - ▣ Addressing the customer

Contingency Approach

- also called situational approach, says the organizations are different , faces different situation and requires different ways of managing.
- Popular contingency variable: (100)
 1. organization size
 2. task / technology
 3. Environmental uncertainty
 4. Individual differences

Summary

- Classical
 - ▣ Process.
- Neo-Classical
 - ▣ People.
- Modern
 - ▣ Integrative People, Process, Environment.

Types

- **Sole Proprietorship**
- **Partnership**
- **Company-Public**
- **Private sector enterpris**



Sole proprietorship

- A sole proprietorship is a business owned and operated by one individual.
- The shops or stores which you see in your locality — the grocery store, the vegetable store, the sweets shop, the chemist shop, the paanwala, the stationery store, the STD/ISD telephone booths etc. come under sole proprietorship.



Sole proprietorship

□ Advantages

- *Easy to start*
- *No registration*
- *No profit sharing*
- *Easy decision-making*
- *Easy to windup*
- *Secrets (information about business techniques)*
- *No corporate taxes*

□ Disadvantages

- *Unlimited liability*
- *Employee benefits i-e Medical insurance premiums not deductible(taxes)*
- *Raising funds*
- *Limited Life*
- *Loss in absence*

Sole proprietorship

- For business where capital required is small and risk involvement is not heavy, this type of firm is suitable.
- It is also considered suitable for the production of goods which involve manual skill e.g. handicrafts, filigree works, jeweler, tailoring, haircutting, etc

Partnership



- A Partnership is a legal relationship formed by the agreement between two or more individuals to carry on a business as co-owners.
- These firms are governed by the Indian Partnership Act, 1932.
- Each member of such a group is individually known as 'partner' and collectively the members are known as a 'partnership firm'.

Partnership

□ Advantages

- *Relatively easy to start*
- *The ability to raise funds*
- *More skilled persons*
- *Loss sharing*
- *No Loss in absence*

□ Disadvantages

- *Unlimited liability*
- *Profit sharing*
- *Conflicts*
- *Limited life*
- *Transferability is difficult*

Partnership

- Have to share profits
- Less control of business for individual
- Disputes over workload
- Problems if partners disagree over of direction of business

Partnership

- HP
- Google
- Microsoft
- Mc Donald's
- Apple Inc
- Twitter

Company

- A 'Company' is an association of persons, incorporated under The Indian Companies Act, 1956.



- Business owned by shareholders
- Run by directors (who may also be shareholders)
- Liability is limited (important)

Public Limited Company


- A Public Limited Company or PLC is a joint stock company formed and registered under The Indian Companies Act, 1956.
- The company can invite the public for the subscription of shares or debentures and that is why the term 'Public limited' gets added to its name.

Examples

- Powergrid Corporation of India Limited (PGCIL)
- Bharat Heavy Electricals Limited (BHEL)
- Bharat Electronics Limited (BEL)
- Bharat Petroleum Corporation Limited (BPCL)
- Gas Authority of India Limited (GAIL)
- Hindustan Aeronautics Limited (HAL)
- Hindustan Machine Tools Limited (HMT)
- Hindustan Petroleum Corporation Limited (HPCL)
- Indian Oil Corporation (IOC)
- National Thermal Power Corporation (NTPC)
- Oil and Natural Gas Corporation (ONGC)
- Oil India Limited (OIL)
- Steel Authority of India Limited (SAIL)
- National Fertilisers Limited (NFL)
- Neyveli Lignite Corporation (NLC)
- Cochin Shipyard Limited (CSL)
- Engineers India Limited (EIL)
- Indian Airlines
- Air India

Private sector enterprises

- The private sector encompasses all for-profit businesses that are not owned or operated by the government.
- A Private Limited Company is a joint stock company, incorporated under The Indian Companies Act, 1956.
- The company restricts the transfer of shares and prohibits invitation to the public for the subscription of shares and debentures. It uses the term 'private limited' at the end of its name.

- 
- A private company can be a corporation, a limited liability company, a partnership, or a sole proprietorship, as long as the shares are privately held and not traded publicly.

Examples

- Reliance Industries Limited
- Tata Consultancy Services (TCS)
- Infosys Technologies Ltd
- Wipro Limited
- Bharti Tele-Ventures Limited
- ITC Limited
- Hindustan Lever Limited
- ICICI Bank Limited
- Larsen & Toubro Limited (L&T)

Differences

BASIS FOR COMPARISON	PUBLIC COMPANY	PRIVATE COMPANY
Meaning	A public company is a company which is owned and traded publicly	A private company is a company which is owned and traded privately.
Minimum members	7	2
Minimum Directors	3	2
Minimum paid up capital	5,00,000	1,00,000
Term used at the end of name	Limited	Private Limited
Maximum members	Unlimited	50

Ctnd.,

- The scope of a Private Ltd. Company is limited, as it is limited up to a few number of people, and enjoys less legal restrictions.
- On the other hand the scope of a public Ltd. company is vast, the owners of the company can raise capital from the general public and has to abide by several legal restrictions.

Cooperative Societies

- Any ten persons can form a co-operative society. It functions under the Cooperative Societies Act, 1912 and other State Co-operative Societies Acts.
- The main objectives of co-operative society are:
 - (a) rendering service rather than earning profit,
 - (b) mutual help instead of competition, and
 - (c) self help in place of dependence.

Co-operative

- Markfed Andhra Pradesh
- AMUL
- Aavin
- Adarsh Co-operative Bank
- Horticultural Producers' Cooperative Marketing and Processing Society
- Indian Coffee House
- Indian Farmers Fertiliser Cooperative Limited

Organization culture and Environment



Organization

- ▣ A systematic arrangement of people brought together to accomplish some specific purpose; applies to all organizations—for-profit as well as not-for-profit organizations.
- ▣ Where managers work (manage)

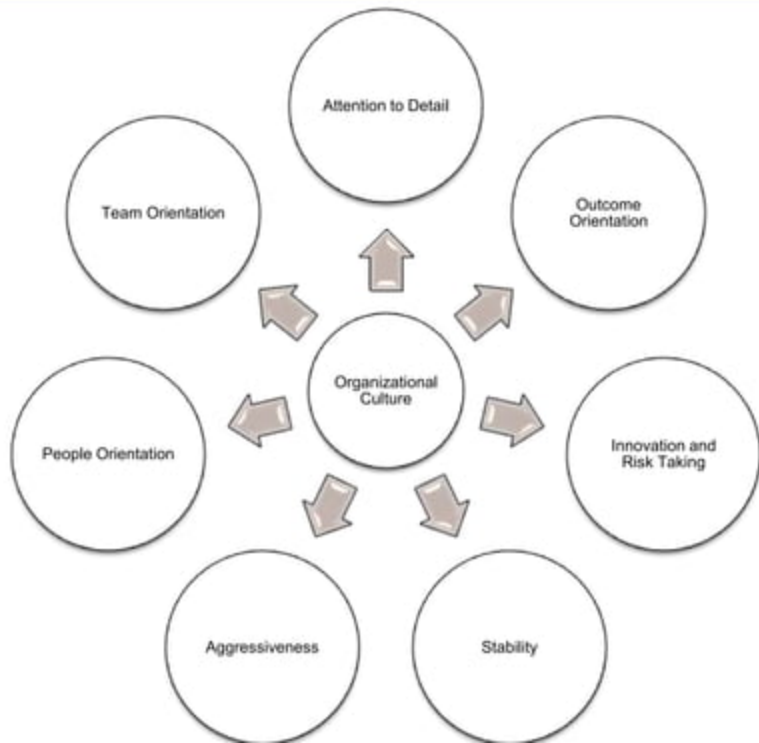
Organizational Culture

- A system of shared meanings and common beliefs held by organizational members that determines, in a large degree, how they act towards each other.
- Organizational culture has been described as the shared values, principles, traditions, and ways of doing things that influence the way organizational members act.
- “The way we do things around here.”
 - Values, symbols, rituals, myths, and practices

Culture implies

- First, *culture is a perception*. It's not something that can be physically touched or seen, but employees perceive it on the basis of what they experience within the organization.
- Second, *organizational culture is descriptive*. It's concerned with how members perceive the culture and describe it, not with whether they like it.
- Finally, even though individuals may have different backgrounds or work at different organizational levels, they tend to describe the organization's culture in similar terms. That's the *shared* aspect of culture.

Dimensions of OC



Example

- Sony Corporation - product innovation (innovation and risk taking).
- Southwest Airlines has made its employees a central part of its culture (people orientation).

Strong Vs. Weak Culutre

- Values widely shared
 - Culture conveys consistent messages about what's important
 - Most employees can tell stories about company history or heroes.
 - Employees strongly identify with culture.
 - Strong connection between shared values and behaviours
- Values limited to a few people—usually top management.
 - Culture sends contradictory messages about what's important
 - Employees have little knowledge of company history or heroes
 - Employees have little identification with culture
 - Little connection between shared values and behaviours

Socialization

- a process that helps new employees learn the organization's way of doing things.



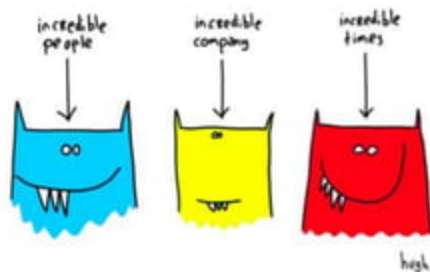
How Employees Learn Culture?

- The most common are
 - ▣ stories,
 - ▣ rituals,
 - ▣ material symbols, and
 - ▣ language.



Stories

- narrative of significant events or people including such things as the organization's founders, rule breaking, reactions to past mistakes.



- Swoosh
- Computing Tabulating Recor
- Adolf Adi Dassier
- Research in Motion

Rituals

- Corporate rituals are repetitive sequences of activities that express and reinforce the important values and goals of the organization.



MATERIAL ARTIFACTS AND SYMBOLS

- You get a “feel” for what type of work environment it is—formal, casual, fun, serious, and so forth?
- These reactions demonstrate the power of material symbols or artifacts in creating an organization’s personality
- The layout of an organization’s facilities, how employees dress, the types of automobiles provided to top executives,, the elegance of furnishings, executive “perks” (extra benefits provided to managers such as health club memberships employee fitness centres or on-site dining facilities, and reserved parking spaces for certain employee.

LANGUAGE

- Many organizations and units within organizations use language as a way to identify and unite members of a culture.

- Example
- Chiff
- Strive for Five



Managerial Decisions Affected by Culture

Planning

- Whether plans should be developed by individuals or teams

Organizing

- Whether tasks should be done by individuals or in teams

Leading

- What leadership styles are appropriate

Controlling

- What criteria should be emphasized in employee performance evaluations

Establishing and Maintaining Culture



Environment



Stakeholders

- Any constituencies in the organization's environment that are affected by the organization's decisions and actions
- Why Manage Stakeholder Relationships?
 - It can lead to improved organizational performance.
 - It's the "right" thing to do given the interdependence of the organization and its external stakeholders.

Organizational Stakeholders



Current trends and issues in Management.



Employees

Management



Changing Organizational Perspective



Globalization of Business



Quality assurance and productivity



Ethics and social responsibility



Corporate governance



Innovation and change



Workforce diversity



Empowerment



Technology



Relationship Management



Workplace Spirituality



Knowledge Management

What are?

- Globalization
- Ethics /Corporate Social Responsibility
- Workforce Diversity
- Entrepreneurship
- E-business
- Knowledge Management
- Learning Organizations
- Quality Management

Globalization

- Political Environment/Legal
- Economic Environment
 - ▣ Free Market
 - ▣ Planned
- Cultural Environment



Ethics /Corporate Social Responsibility

- Going beyond profit making.
- Social Obligation
 - To meet legal & economic responsibilities
- Social Responsiveness
 - In response to some social needs.

Green Management:

MRF-Tubeless Tyres

Bajaji –wind power generation units

E-Business (Electronic Business)

- The work performed by an organization using electronic linkages to its key constituencies
- E-commerce: the sales and marketing component of an e-business

Knowledge Management

- The cultivation of a learning culture where organizational members systematically gather and share knowledge with others in order to achieve better performance



Learning Organization

- An organization that has developed the capacity to continuously learn, adapt, and change.



Quality Management

- ▣ driven by continual improvement in the quality of work processes and responding to customer needs and expectations
- ▣ Inspired by the total quality management (TQM) ideas of Deming and Juran
- ▣ Quality is not directly related to cost.

Globalisation

- Globalisation means the internationalization of trade.
- Particularly product transaction and the integrating of economic and capital markets throughout the world.
- The integration takes place when trade exists freely among the different countries, thus the world economy becomes a single market or single economy.
- In globalization there is no restriction of quota, license, tariff and other administrative barrier for trade.