

PRINCIPLES OF MANAGEMENT

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What is Management?

- **Management** is a universal phenomenon. It is a very popular and widely used term. All organizations - business, political, cultural or social are involved in management because it is the management which helps and directs the various efforts towards a definite purpose.

What is Management?

- **According to *Harold Koontz***, “Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals and can co-operate towards attainment of group goals”.
- **According to *F.W. Taylor***, “Management is an art of knowing what to do, when to do and see that it is done in the best and cheapest way”.

Characteristics of Management

- Management is getting things done through people
- Management is goal oriented process
- Management is Pervasive
- Management is Multidimensional (3 M's)
- Management is a continuous process
- Management is a group activity
- Management is a dynamic function
- Intangible

Need of management

- It helps in Achieving Group Goals
- Optimum Utilization of Resources
- Reduces Costs
- Establishes Sound Organization
- Establishes Equilibrium
- Helps in personal development
- Essentials for Prosperity of Society

Levels of management

- The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of authority & status enjoyed by any managerial position.
- The levels of management can be classified in three broad categories:
 - **Top level / Administrative level**
 - **Middle level / Executory**
 - **Low level / Supervisory / Operative / First-line managers**

Levels of management



Levels of Management

Top Level of Management

- The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.
- The role of the top management can be summarized as follows -
 - Top management **lays down the objectives and broad policies** of the enterprise.
 - It **issues necessary instructions** for preparation of department budgets, procedures, schedules etc.
 - It prepares **strategic plans & policies** for the enterprise.
 - It **appoints the executive** for middle level i.e. departmental managers.
 - It **controls & coordinates** the activities of all the departments.
 - It is also responsible for maintaining a **contact with the outside world**.
 - It provides **guidance and direction**.
 - The top management is also responsible **towards the shareholders** for the performance of the enterprise.

Middle Level of Management

- They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management.

Their role can be emphasized as -

- They **execute the plans** of the organization in accordance with the policies and directives of the top management.
- They make plans for the **sub-units** of the organization.
- They participate in **employment & training of lower level** management.
- **They interpret and explain policies** from top level management to lower level.
- They are responsible for **coordinating** the activities within the division or department.
- It also sends important reports and other important **data to top level** management.
- They **evaluate performance** of junior managers.
- They are also responsible for **inspiring lower level** managers towards better performance.

Lower Level of Management

- In other words, they are concerned with direction and controlling function of management. Their activities include -
 - **Assigning of jobs** and tasks to various workers.
 - They **guide and instruct workers** for day to day activities.
 - They are **responsible for the quality** as well as quantity of production.
 - They are also entrusted with the responsibility of maintaining **good relation in the organization.**
 - They **communicate workers problems, suggestions, and recommendatory appeals** etc to the higher level and higher level goals and objectives to the workers.
 - They help to **solve the grievances of the workers.**
 - They **supervise & guide the sub-ordinates.**
 - They are responsible for **providing training to the workers.**
 - They **arrange necessary materials, machines, tools** etc for getting the things done.
 - They prepare periodical reports about the performance of the workers.
 - They ensure discipline in the enterprise.
 - They motivate workers.
 - They are the image builders of the enterprise because they are in direct contact with the workers.

Managerial skills

- Technical skills
- Conceptual skills
- Human skills
- Problem solving skills

Managerial roles (Henry Mintzberg)

- Management expert Professor Henry Mintzberg has argued that a manager's work can be boiled down to ten common roles. According to Mintzberg, these roles, or expectations for a manager's behavior, fall into three categories:
 - informational (managing by information),
 - interpersonal (managing through people),
 - and decisional (managing through action).

Category

Role

Activity

Examples

Informational
(managing by
information)

Monitor

Seek and acquire
work-related
information

Scan/read trade
press, periodicals, reports;
attend seminars and
training; maintain personal
contacts

Disseminator

Communicate/
disseminate
information to
others within the
organization

Send memos and reports;
inform staffers and
subordinates of decisions

Spokesperson

Communicate/tra
nsmit information
to outsiders

Pass on memos, reports and
informational materials;
participate in
conferences/meetings and
report progress

Interpersonal (managing through people)	<i>Figurehead</i>	Perform social and legal duties, act as symbolic leader	Greet visitors, sign legal documents, attend ribbon cutting ceremonies, host receptions, etc.
<hr/>			
	<i>Leader</i>	Direct and motivate subordinates, select and train employees	Includes almost all interactions with subordinates
<hr/>			
	<i>Liaison</i>	Establish and maintain contacts within and outside the organization	Business correspondence, participation in meetings with representatives of other divisions or organizations.

Decisional (managing through action)	<i>Entrepreneur</i>	Identify new ideas and initiate improvement projects	Implement innovations; Plan for the future
	<i>Disturbance Handler</i>	Deals with disputes or problems and takes corrective action	Settle conflicts between subordinates; Choose strategic alternatives; Overcome crisis situations
	<i>Resource Allocator</i>	Decide where to apply resources	Draft and approve of plans, schedules, budgets; Set priorities
	<i>Negotiator</i>	Defends business interests	Participates in and directs negotiations within team, department, and organization

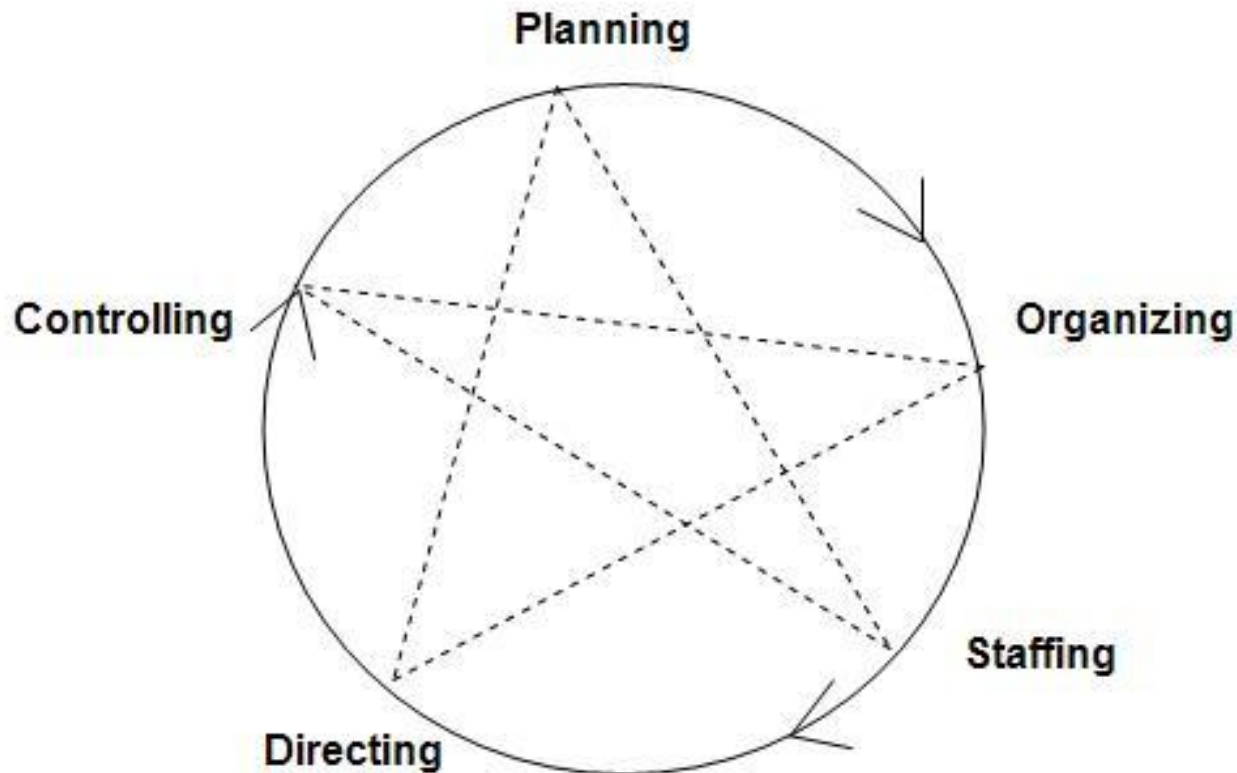
Functions of management

- According to Henry Fayol, “To manage is to forecast and plan, to organize, to command, & to control”.
- Whereas Luther Gullick has given a keyword '**POSDCORB**' where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O'DONNELL i.e. **Planning,**

POSDCORB- Luther Gulick

- P - Planning
- O - Organizing
- S - Staffing
- D - Directing
- CO - Controlling
- R - Reporting
- B - Budgeting

Functions of management by Henry Fayol



Functions of management by Luther Gulick

1. Planning

Planning is the first step of management function. It involves the determinants of what is to be done? How is to be done? It is a predetermine course of action. It helps managers to anticipate problems before they actually arise.

2. Organizing

Organizing is the process of assigning responsibilities and authorities to employees. Manager should identify the task and activities and allocate them in such a way so that there should be no discrepancies between work and employees, group of people or departments.

3. Staffing

Staffing includes the selection of proper personnel for proper job. It also includes the selection and recruitment, promotion, transfer and training of an employee. It also take care the requirement of manpower for future.

4. Directing

Directing includes the work guiding and supervising subordinates. Each and every manager is responsible for his / her department and he/ she should provide necessary guidelines to his/ her subordinates.

Functions of management by Luther Gulick

5. Controlling

Consist in verifying in whether everything in undertaking proceeds in conformity with the plans. Controlling include setting standards and comparing the actual performance with standards performance

6. Reporting

It is important element of control. It includes daily follow up of activities with help of reports which are submitted by subordinates to his/ her superior. Reporting keeps him/ her informed with day to day activities.

7. Budgeting

Budget is an estimate of future needs covering all the activities of an enterprise for a definite period of time. A budget is prepared for each separate activity of business. This is done to control the expenses of organizations within certain limit.

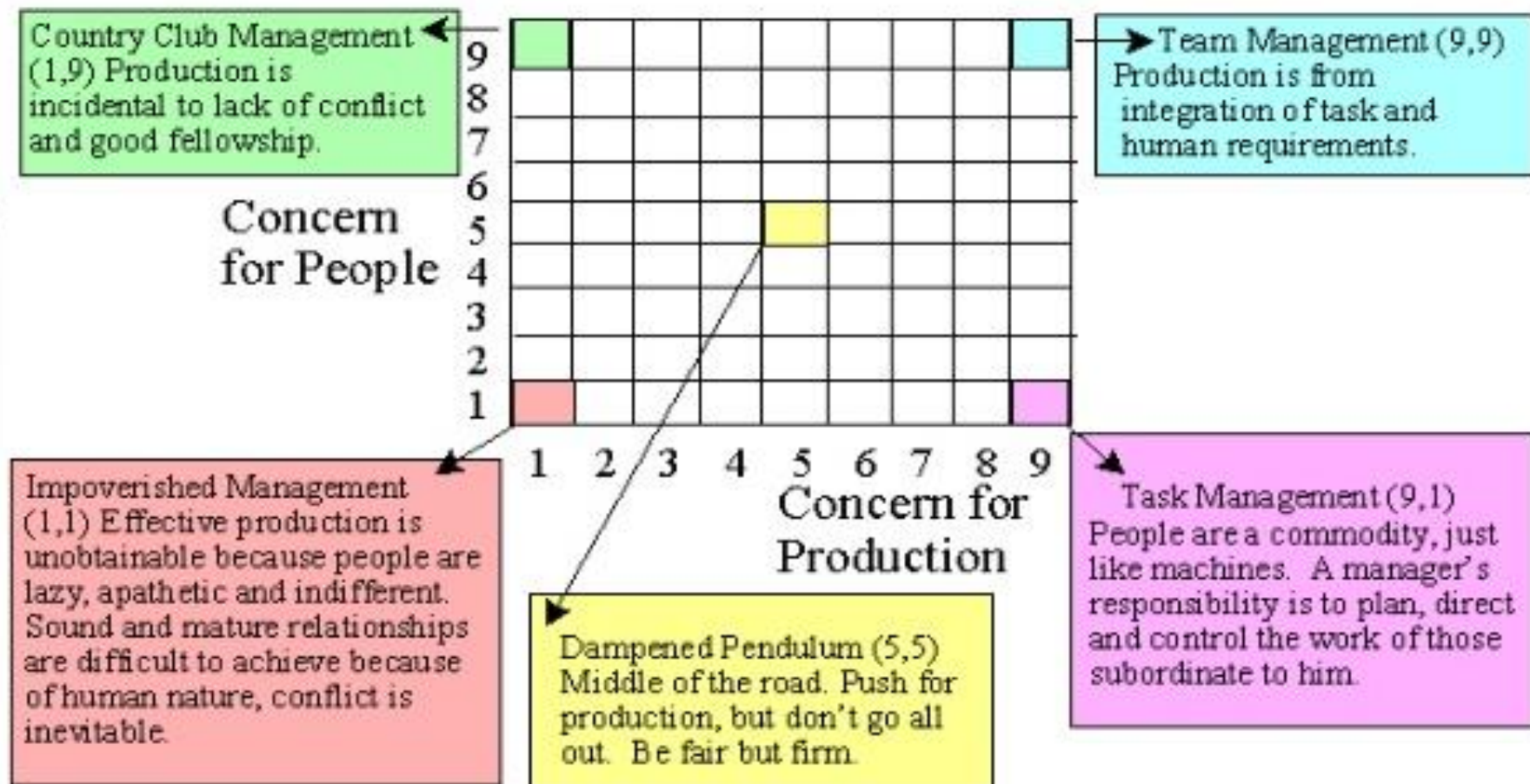
Managerial Grid

- the Managerial Grid, or Leadership Grid, it was developed in the early 1960s by management theorists Robert Blake and Jane Mouton.
- It plots a manager's or leader's degree of task-centeredness versus her person-centeredness, and identifies five different combinations of the two and the leadership styles they produce.

Managerial Grid

- The Blake Mouton Managerial Grid is based on two behavioral dimensions:
- **Concern for People:** this is the degree to which a leader considers team members' needs, interests and areas of personal development when deciding how best to accomplish a task.
- **Concern for Results:** this is the degree to which a leader emphasizes concrete objectives, organizational efficiency and high productivity when deciding how best to accomplish a task.

MANAGERIAL GRID*



* Adapted from Blake, R. R. and J. S. Moulton. 1962. The managerial grid. *Advanced Management Office Executive* 1(9).

Impoverished Management – Low Results/Low People

- The Impoverished or "indifferent" manager is mostly ineffective.
- With a low regard for creating systems that get the job done, and with little interest in creating a satisfying or motivating team environment , his results are inevitably disorganization, dissatisfaction and disharmony.

Produce-or-Perish Management – High Results/Low People

- Also known as "authoritarian" or "authority-compliance" managers, people in this category believe that their team members are simply a means to an end. The team's needs are always secondary to its productivity.
- This type of manager is autocratic, has strict work rules, policies and procedures, and can view punishment as an effective way of motivating team members.
- This approach can drive impressive production results at first, but low team morale and motivation will ultimately affect people's performance, and this type of leader will struggle to retain high performers.

Middle-of-the-Road Management – Medium Results/Medium People

- A Middle-of-the-Road tries to balance results and people, but this strategy is not as effective as it may sound.
- Through continual compromise, he fails to inspire high performance and also fails to meet people's needs fully.
- The result is that his team will likely deliver only mediocre performance.

Team Management – High Production/High People

- According to the Blake Mouton model, Team management is the most effective leadership style. It reflects a leader who is passionate about his work and who does the best he can for the people he works with.
- Team or "sound" managers commit to their organization's goals and mission, motivate the people who report to them, and work hard to get people to stretch themselves to deliver great results.

Country Club Management – High People/Low Results

- The Country Club or "accommodating" style of manager is most concerned about her team members' needs and feelings. She assumes that, as long as they are happy and secure, they will work hard.
- What tends to be the result is a work environment that is very relaxed and fun, but where productivity suffers because there is a lack of direction and control.

Evolution of Management Thoughts

Scientific Management

- **F.W. Taylor (Frederick Winslow Taylor)** is the father of scientific management. **Taylor's Scientific Management** attempts to boost productivity by enhancing efficiency and wages of the workers. F.W. Taylor carried out a variety of tests at his workplace to discover how humans could be made more efficient by standardizing the work and improve methods for accomplishing the work.

Scientific Management

- Scientific Management is *“knowing exactly what you want people to do and knowing that they do in the best and the cheapest way possible”*.
- According to Taylor, Scientific Management implies the application of two fold techniques. They are the following:
 1. *The discovery of the best method of performing a particular work under the existing conditions of knowledge and organizing ability.*
 2. *The fruitful method or the best method for meeting a given situation.*

Features of Scientific Management

- **Logical approach**
- **A specific plan**
- **Separating Planning and Doing:** F.W. Taylor stressed on the splitting up of planning part from actual doing of the work. Prior to scientific management, a personnel used to plan about how he had to work as well as what equipment were essential for that. The worker remained under the supervision of a gang boss. This actually created a number of problems, and Taylor emphasized that planning should be left to the supervisor and the worker needs to emphasize only operational work.
- Dispose of old methods
- **Functional Foremanship:** Separating planning from actual doing lead to development of supervision system that could take planning work effectively in addition to supervising workers. For this specific function, Taylor developed the thought of functional foremanship founded on specialization of functions.
- **Job Analysis:** Job analysis is carried out to uncover the best way of doing a task. The most effective way of performing a task is one, which usually demands least movements, as a result less time and expense. The best way of performing a task can be identified by taking up time-motion-fatigue studies. (a) Time study includes the determination of time. This assists in determining the fair work for a period. (b) Motion study includes the study of movements in parts, which are required in carrying out a task and thus getting rid of the inefficient movements and doing only essential movements. It minimizes the time consumed in doing a work and the exhaustion of employees. (c) Fatigue study reveals the amount and frequency of rest necessary in doing the task. After a certain interval, employees feel exhausted and can't work with 100 % capacity. For that reason, they need rest in between.

Features of Scientific Management

- **Scientific Selection and Training Feature:** Workers must be chosen on scientific basis considering their education, experience, skills, physical strength, etc. Employees should be offered work for which they are physically and technically perfect. Apart from selection, adequate importance needs to be given on the training of workers, which makes them more cost-effective and efficient.
- **Standardization:** Wherever possible, standardization must be maintained with respect to equipment and tools, duration of work, volume of work, working environments, cost of production, etc. These factors should really be predetermined based on a job analysis besides other factors of costs which go in carrying out a work.
- **Incentives:** Monetary Incentives can encourage individuals to put in their highest efforts. If terms exist to gain higher wages by putting in extra effort, workers are going to be motivated to earn more. Taylor personally utilized the technique of differential piece rate system, and it was highly motivating.
- **Mental Revolution:** Scientific management is dependent upon the co-operation among management and workers. It brings about a complete mental change in both parties. This is most crucial among *key features of scientific management theory by F W Taylor* because in its absence, no principle can be employed.
- **Economy:** Scientific and technical elements need to be considered while applying scientific management. Furthermore, enough thought should be given to economy and profit. To achieve economy, methods of cost estimates and control must be adopted. The economy and profit is achievable by making the resources more productive in addition to reducing wastage.

Principles of Scientific Management

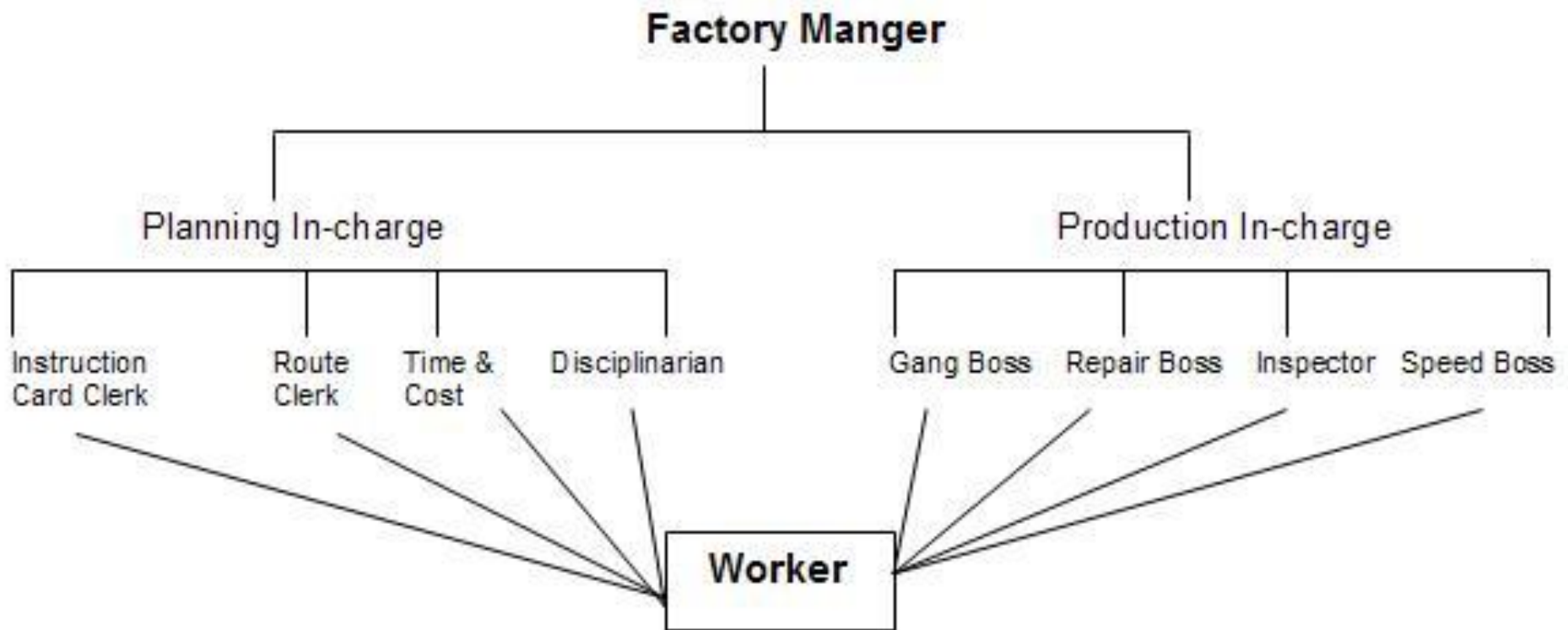
- Science, not rule of thumb
- Harmony, not discord
- Cooperation not individualism
- Development of each man to his greatest efficiency and prosperity

Techniques of Scientific Management

A. Functional foremanship:

- Each worker has to take orders from eight foremen in the process of production.
- Foremen should have intelligence, education, tact, judgement, special knowledge, energy, honesty etc.
- Taylor proposed eight specialists.

Functional foremanship



Functional foremanship

- ROLE OF FOREMEN UNDER PLANNING INCHARGE-
 - Instruction Card Clerk- Drafting instructions for workers.
 - Route Clerk- Specifying the route for production.
 - Time & Cost Clerk- Preparation of Time & Cost Sheet.
 - Disciplinarian- Ensuring Discipline.
- ROLE OF FOREMEN UNDER PRODUCTION INCHARGE-
 - Speed Boss- Timely & accurate completion of job.
 - Gang Boss- Keeping Machines & tools ready.
 - Repair Boss- Ensuring proper working conditions of machines.
 - Inspectors- Checking the quality of work.

Techniques of Scientific Management

B. STANDARDISATION & SIMPLIFICATION OF WORK

- **Standardization of work** refers to the process of setting standards for every business activity.
- **Simplification of Work** aims at eliminating unnecessary diversity of products. it results in saving cost of labour , machines & tools.

Techniques of Scientific Management

C. Scientific study of work:

- **METHOD STUDY-**

This study is done to know the best method of doing the job. It helps in reducing the distance travelled by materials, and brings improvements in handling, transporting, inspection & storage of raw materials & goods.

- **MOTION STUDY-**

It is the study of movement of an operator or a machine to eliminate useless motions & find out the best method of doing a job. The purpose of motion study is (i) to find & eliminate wasteful motions among the workers, (ii) to design best method of doing various jobs.

- **TIME STUDY-**

It refers to determine the standard time required to complete a particular activity. This study is conducted with the help of a stopwatch.

Techniques of Scientific Management

- **FATIGUE STUDY:**

Fatigue study helps in reducing fatigue among the workers. Fatigue is generally caused by long working hours without rest pauses, repetitive operations, excessive specialisation, and poor working conditions. The purpose of fatigue study is to maintain the operational efficiency of the workers.

Techniques of Scientific Management

E. Differential Piece-Rate Plan:

This plan was suggested by Taylor to attract highly efficient workers. Under this plan, there are two piece work rates, one is lower and another is higher. The standard of efficiency is determined in terms of number of units during a day or standard same. The worker who produces more than standard output within the standard time.

F. Mental revolution

14 Principles of Management (Henry Fayol)

1. Division of Work

- In practice, employees are specialized in different areas and they have different skills. According to Fayol specialization promotes efficiency of the workforce and increases productivity.
- In addition, the specialization of the workforce increases their accuracy and speed. This principle is applicable to both technical and managerial activities.

2. Authority and Responsibility

- In order to get things done in an organization, management has the authority to give orders to the employees. Of course with this authority comes responsibility.
- The accompanying power or authority gives the management the right to give orders to the subordinates. The responsibility can be traced back from performance and it is therefore necessary to make agreements about this. In other words, authority and responsibility go together.

3. Discipline

- This third principle is about obedience.
- It is often a part of the core values of a mission and vision in the form of good conduct and respectful interactions. This management principle is essential and is seen as the oil to make the engine of an organization run smoothly.

14 Principles of Management (Henry Fayol)

4. Unity of Command

- The management principle 'Unity of command' means that an individual employee should receive orders from one manager and that the employee is answerable to that manager.
- By using this principle, the responsibility for mistakes can be established more easily.

5. Unity of Direction

- This principle of management is all about focus and unity. All employees deliver the same activities that can be linked to the same objectives.
- All activities must be carried out by one group that forms a team. These activities must be described in a plan of action. The manager is ultimately responsible for this plan and he monitors the progress of the defined and planned activities.
- Focus areas are the efforts made by the employees and coordination.

6. Subordination of Individual Interest

- There are always all kinds of interests in an organization. Personal interests are subordinate to the interests of the organization (ethics). T
- The primary focus is on the organizational objectives and not on those of the individual. This applies to all levels of the entire organization, including the managers.

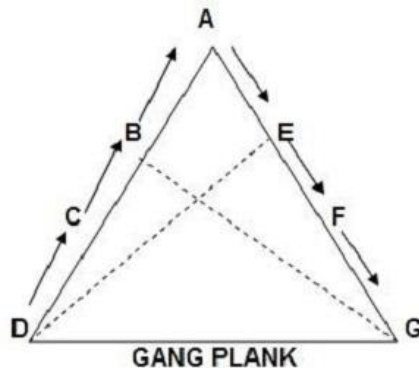
14 Principles of Management (Henry Fayol)

7. Remuneration

- This principle of management argues that the remuneration should be sufficient to keep employees motivated and productive.
- There are two types of remuneration namely non-monetary (a compliment, more responsibilities, credits) and monetary (compensation, bonus or other financial compensation). Ultimately, it is about rewarding the efforts that have been made.

8. The Degree of Centralization

9. Scalar Chain



10. Order

Employees in an organization must have the right resources at their disposal so that they can function properly in an organization. In addition to social order (responsibility of the managers) the work environment must be safe, clean and tidy.

14 Principles of Management (Henry Fayol)

11. Equity

Employees must be treated kindly and equally. Employees must be in the right place in the organization to do things right. Managers should supervise and monitor this process and they should treat employees fairly and impartially.

12. Stability of Tenure of Personnel

This principle represents deployment and managing of personnel and this should be in balance with the service that is provided from the organization. Management strives to minimize employee turnover and to have the right staff in the right place. Focus areas such as frequent change of position and sufficient development must be managed well.

13. Initiative

Employees should be allowed to express new ideas. This encourages interest and involvement and creates added value for the company. Employee initiatives are a source of strength for the organization.

14. Esprit de Corps

This stands for striving for the involvement and unity of the employees. Managers are responsible for the development of morale in the workplace; individually and in the area of communication. Esprit de corps contributes to the development of the culture and creates an atmosphere of mutual trust and understanding.

Contingency approach or situational approach

- A **contingency approach** to management is based on the theory that management effectiveness is contingent, or dependent, upon the interplay between the application of management behaviors and specific situations. In other words, the way you manage should change depending on the circumstances. One size does not fit all.

Functions of management

PLANNING

What is planning?

- Planning is the function of management that involves setting objectives and determining a course of action for achieving those objectives.
- ***" Planning is deciding in advance What to do , how to do it, when to do it, and who is to do it."*** - Koontz and o'Donnell

Nature of Planning

1. Planning is primary function of management:

The functions of management are broadly classified as planning, organization, direction and control. It is thus the first function of management at all levels. Since planning is involved at all managerial functions, it is rightly called as an essence of management.

2. Planning focuses on objectives:

Planning is a process to determine the objectives or goals of an enterprise. It lays down the means to achieve these objectives. The purpose of every plan is to contribute in the achievement of objectives of an enterprise.

3. Planning is a function of all managers:

Every manager must plan. A manager at a higher level has to devote more time to planning as compared to persons at the lower level. So the President or Managing director in a company devotes more time to planning than the supervisor.

4. Planning as an intellectual process:

Planning is a mental work basically concerned with thinking before doing. It is an intellectual process and involves creative thinking and imagination. Wherever planning is done, all activities are orderly undertaken as per plans rather than on the basis of guess work. Planning lays down a course of action to be followed on the basis of facts and considered estimates, keeping in view the objectives, goals and purpose of an enterprise.

Nature of Planning

5. Planning as a continuous process:

Planning is a continuous and permanent process and has no end. A manager makes new plans and also modifies the old plans in the light of information received from the persons who are concerned with the execution of plans. It is a never ending process.

6. Planning is dynamic (flexible):

Planning is a dynamic function in the sense that the changes and modifications are continuously done in the planned course of action on account of changes in business environment.

As factors affecting the business are not within the control of management, necessary changes are made as and when they take place. If modifications cannot be included in plans it is said to be bad planning.

7. Planning secures efficiency, economy and accuracy:

A pre-requisite of planning is that it should lead to the attainment of objectives at the least cost. It should also help in the optimum utilisation of available human and physical resources by securing efficiency, economy and accuracy in the business enterprises. Planning is also economical because it brings down the cost to the minimum.

Nature of Planning

8. Planning involves forecasting:

Planning largely depends upon accurate business forecasting. The scientific techniques of forecasting help in projecting the present trends into future. 'It is a kind of future picture wherein proximate events are outlined with some distinctness while remote events appear progressively less distinct.'

9. Planning and linking factors:

A plan should be formulated in the light of limiting factors which may be any one of five M's viz., men, money, machines, materials and management.

10. Planning is realistic:

A plan always outlines the results to be attained and as such it is realistic in nature.

Importance/Significance of Planning

- Planning provides Direction
- Planning Reduces the risk of uncertainties
- Planning reduces over lapping and wasteful activities
- Planning Promotes innovative ideas
- Planning Facilitates Decision Making
- Planning establishes standard for controlling
- Focuses attention on objectives of the company

Limitations of Planning

- Planning leads to rigidity
- Planning may not work in dynamic environment
- It reduces creativity
- Planning involves huge Cost
- It is a time consuming process
- Planning does not guarantee success
- Lack of accuracy

Steps in planning process

Determination of the goals

Collection and forecasting of information

Development of planning premises

Determining alternative course of action

Selection of best alternative

Formulating derivative plans

Communicating the plan

Follow up measures

Elements of planning

1. Objectives:

Objectives are the ends towards which the activities are directed. They are the end result of every activity. An objective:

- (a) Should be related to single activity;
- (b) Should be related to result and not to activity to be performed;
- (c) It should be measurable or must be measured in quantitative term;
- (d) It must have a time limit for achievement of objective;
- (e) It must be achievable or feasible.

For example, increase in sale by 10% or decrease in rejections by 2%.

Elements of planning

2. Strategy:

A strategy is a comprehensive plan to achieve the organisational objectives. The dimensions of strategy are:

- (i) Determining long term objectives.
- (ii) Adopting a particular course of action.
- (iii) Allocating resources for achieving the objectives.

Strategy formulation is the task of top level people and it is must to scan and understand clearly the business environment before framing the strategy.

For example, Choice of advertising media, sales promotion techniques, channels of distribution, etc.

Elements of planning

3. Policies:

Policy can be defined as organisation's general response to a particular problem or situation. In simple words, it is the organisation's own way of handling the problems. Policies are made at every level because the managers at every level need to decide or predetermine the way of handling a situation and policy acts as a guide to take decisions in unexpected situation.

“No credit sale policy”

Elements of planning

4. Procedures:

Procedures are required steps established in advance to handle future conditions. The sequence of steps to be followed by employees in different situations must be predetermined so that everyone follows same steps.

The procedure can be defined as the exact manner in which an activity has to be accomplished.

Elements of planning

5. Rules:

Rules spell out special actions or non-actions of the employees. There is no discretion allowed in rules, i.e., they must be followed strictly and if rules are not followed then strict actions can be taken against employees who are disobeying the rules.

Elements of planning

6. Programmes:

Programmes are the combination of goals, policies, procedures and rules. All these plans together form a program. The programmes are made to get a systematic working in the organisation. The programmes create relation between policies, procedures and goals. The programmes are also prepared at different levels. A primary programme is prepared by the top level and then to support the primary programme supportive programmes of different levels are prepared for smooth function of the company.

Elements of planning

7. Methods:

Methods can be defined as formalized or systematic way of doing routine or repetitive jobs. The managers decide in advance the common way of doing a job. So, that

- (a) There is no doubt in the minds of employees;
- (b) There can be uniformity in actions of the employees;
- (c) These help in applying the techniques of standardization and simplification;
- (d) Act as guide for employees.

8. Budget:

Budget is the statement of expected result expressed in numerical terms. In budgets the results are always measurable and most of the time these are financial in nature

Types of planning

- On the basis of time period
 - Long term
 - Medium term
 - Short term
- On the basis of scope
 - Corporate planning
 - Divisional planning
 - Departmental or unit planning

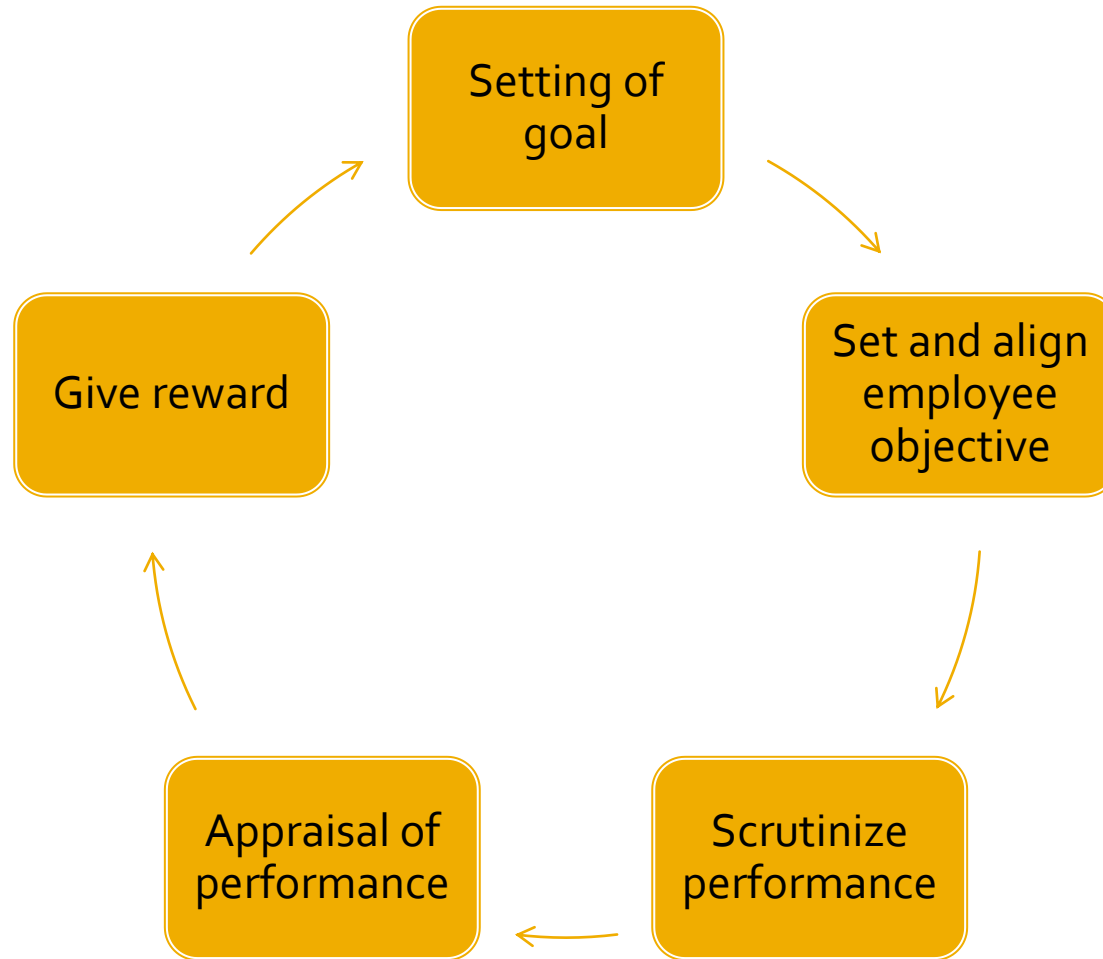
Management by objective (MBO)

- The term was first outlined by management guru Peter Drucker in 1954 in his book "The Practice of Management."
- Management by objectives (MBO) is a management model that aims to improve performance of an organization by clearly defining objectives that are agreed to by both management and employees.
- According to the theory, having a say in goal setting and action plans should ensure better participation and commitment among employees, as well as alignment of objectives across the organization.

Features of Management by Objective

- Philosophy or a system
- Combine goal setting
- Optimum use of resources
- Operational and functional
- Participation by superior and subordinate
- Collective decision making
- Multiple responsibilities
- All inclusive and complete

Process of MBO



Advantages and disadvantages of MBO

ADVANTAGES

- Optimum utilization of human resources
- Better communication
- Fixing of responsibility
- Increases employee morale and motivation
- Career development of the employees
- Make possible effective planning and control

DISADVANTAGES

- Insufficient support from management
- Insufficient integration
- Improper follow up
- Time consuming
- Reward punishment approach
- Lack of co-ordination

DECISION MAKING

Decision making

- *"A decision can be defined as a course of action consciously chosen from available alternatives for the purpose of the desired result" -J.L. Massie*
- It is a process of selection from a set of alternative courses of action.
- **Decision making** process is continuous and indispensable component of managing any organization or business activities.
- It embraces all the functions of management

Significance of decision making

- **Selecting the best alternative**
- **Proper utilization of resources**
- **Pervasive function**
- **Conflict resolution**
- **Promotes efficiency**
- **Indispensable element/ component**
- **Employees motivation**

Process of decision making



Programmed decision making technique

- Linear programming
- Decision tree
- Game theory
- Simulation
- Queuing theory
- Network techniques (CPM)
- Probability decision theory
- Pay off matrix

Non-Programmed decision making technique

- Brainstorming
- Nominal group techniques (ranking)
- Delphi technique
- Quality circles (same work area)
- Heuristic techniques (trial and error)
- Participative techniques (motivation)

DELEGATION & SPAN OF CONTROL

What is delegation???

- **Delegation** is the assignment of any responsibility or authority to another person (normally from a **manager** to a subordinate) to carry out specific activities.

Elements of delegation

- Authority: authority is the right to give controls, orders and get the things done.
- Responsibility: carrying out duty and to complete the allotted task.
- Accountability: giving explanations for not meeting the specified pre set standard.

Process of delegation

Handing over of duties to subordinates

Granting of authority

Acceptance of the assignment

Formation of accountability/ responsibility

Advantages and disadvantages of delegation

ADVANTAGES

- Effective and efficient management
- Employees development
- Motivation of employees
- Scope for business growth and expansion
- Improvement of job satisfaction
- Improved coordination

DISADVANTAGES

- Inadequate definition of the task
- Not enough record keeping
- Lack at confidence in subordinates
- Improper choice
- Reluctant to accept the task
- Failure to complete the work

Principles of delegation of authority

- Principle of functional definition: Every subordinate should **understand the nature and importance of his work.**
- Principle of delegation by **result expected**
- Principle of **absoluteness of responsibility**
- Principle of **unity of command**
- Parity between **authority and responsibility**
- Principle of **exception**

Centralization and decentralization

- The concentration of management and decision-making power at the top of an organization's hierarchy.
- The location of all or most main departments and managers at one facility.

- Decentralization is transfer of decision making power and assignment of accountability and responsibility for results.
- It is accompanied by delegation of authority to individuals or units at all levels of an organization even those far removed from headquarters or other centers of power.

Advantages and disadvantages of centralization

ADVANTAGES

- Tackle emergencies
- Impartial distribution of work
- Uniformity of activities
- Specialization
- Economy
- No repetition of work
- Rapid decision
- Better flexibility

DISADVANTAGES

- Delay in decision making and in work
- Low motivation
- Secrecy cannot be maintained

Advantages and disadvantages of decentralization

ADVANTAGES

- Lessen the burden of top executives
- Fast and sound decisions
- Motivation of subordinates
- Effective communication
- Executive development
- Effective supervision and control

DISADVANTAGES

- Costly affair
- Not suitable in emergency situations
- Absence of uniformity
- No specialization
- Unfair distribution of work

Factors affecting centralization and decentralization

- History of the organization
- Organization's size
- Nature of business
- Management by exception
- Degree of diversification of product lines
- Well organized control system
- Complication of jobs
- Availability of capable administrators
- Cost and significance of decisions

Span of management

- Span of control means the number of subordinates whom a superior (manager or administrator) can efficiently supervise.

Advantages of span of control

- Improved supervision and control
- Enhances efficiency
- Improves professional relations
- Team spirit
- Better coordination

Factors determining span control

- Capacity of manager
- Capacity of subordinates
- Nature of work performed by subordinates
- Extent of decentralization
- Degree of planning
- Communication system
- Level of management
- Geographic continuity

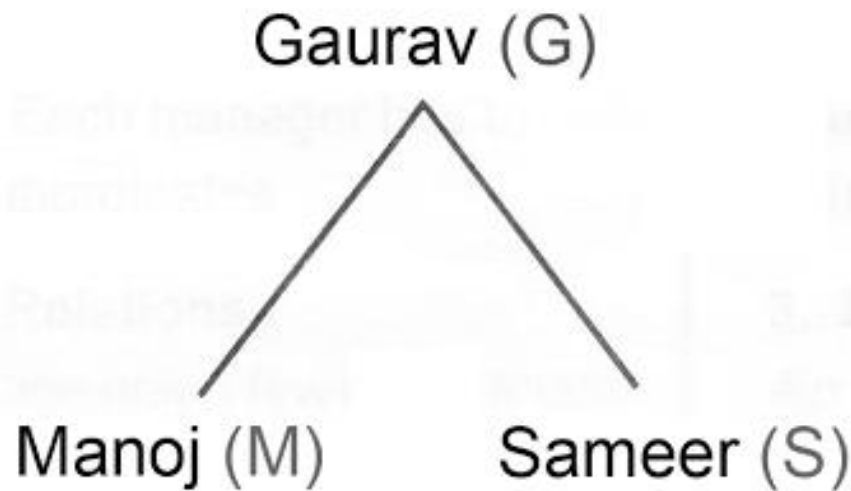
Graicunas Theory of Span of Control

- In **1933**, Graicunas published a paper called "*Relationship in Organisation.*" In this paper, he mentioned three types of Superior-Subordinate relationships, viz.,
 - Direct Single Relationships,
 - Direct Group Relationships, and
 - Cross Relationships.

Graicunas Theory of Span of Control

- According to V.A. Graicunas, as the number of subordinates increases arithmetically (like 1, 2, 3, 4, 5, 6, etc.) the number of relationships which the superior has to control also increases almost geometrically (like 1, 6, 18, 44, 100, 244, etc.).
- Therefore, a superior can only control a limited number of subordinates, and anything beyond this limit is very hard to control.

Graicunas Theory Formula



(a) Direct Single Relationships :-

G with M, and G with S, i.e. a total of 2 direct single relationships.

(b) Direct Group Relationship :-

G with M in presence of S, and G with S in presence of M, i.e. a total of 2 direct group relationships.

(c) Cross Relationships :-

M with S, and S with M, i.e. again a total of 2 cross relationships.

Therefore, total number of relationships which Gaurav (G) has to control are:- $2 + 2 + 2 = 6$ relationships.

Thus, when the number of subordinates is 2, the number of relationships, which the superior (boss) has to control is 6. Similarly, when the number of subordinates is 3, the number of relationships to control will be 18.

- e.g. If a superior has 5 subordinates ($n=5$) then the number of relationships (r) which he has to control..

$$r = n \left(\frac{2^n}{2} + (n-1) \right)$$

Here, r = number of relationships
 n = number of subordinates

ORGANISING & DEPARTMENTATION

Organizing

- Organising in a general sense means systematic arrangement of activities.
- *"To organize a business is to provide with everything useful to its functioning- raw materials, tools, capital, personnel."*
- It brings the manpower and material resources for the achievement of the objectives of the organization.

Features of organising

- Organising is a managerial function
- A group activity
- Chain of relationships
- Common objectives or goals
- Group of individuals
- Division of work
- Coordination
- Authority

Process of organizing

- Determining the goals of the organization
- Locating activities
- Grouping the similar activities
- Assignment of duties
- Delegating of authority
- Defining authority relationship
- Allocation of resources
- coordination

Importance of organisation

- Facilitates administration
- Facilitates growth and diversification
- **Ensures optimum use of resources**
- Stimulates creativity
- **Facilitates continuity of the organization**
- **Reduces employee turnover**
- **Reduces duplication of activities**
- Helps in coordination

Principles of organization

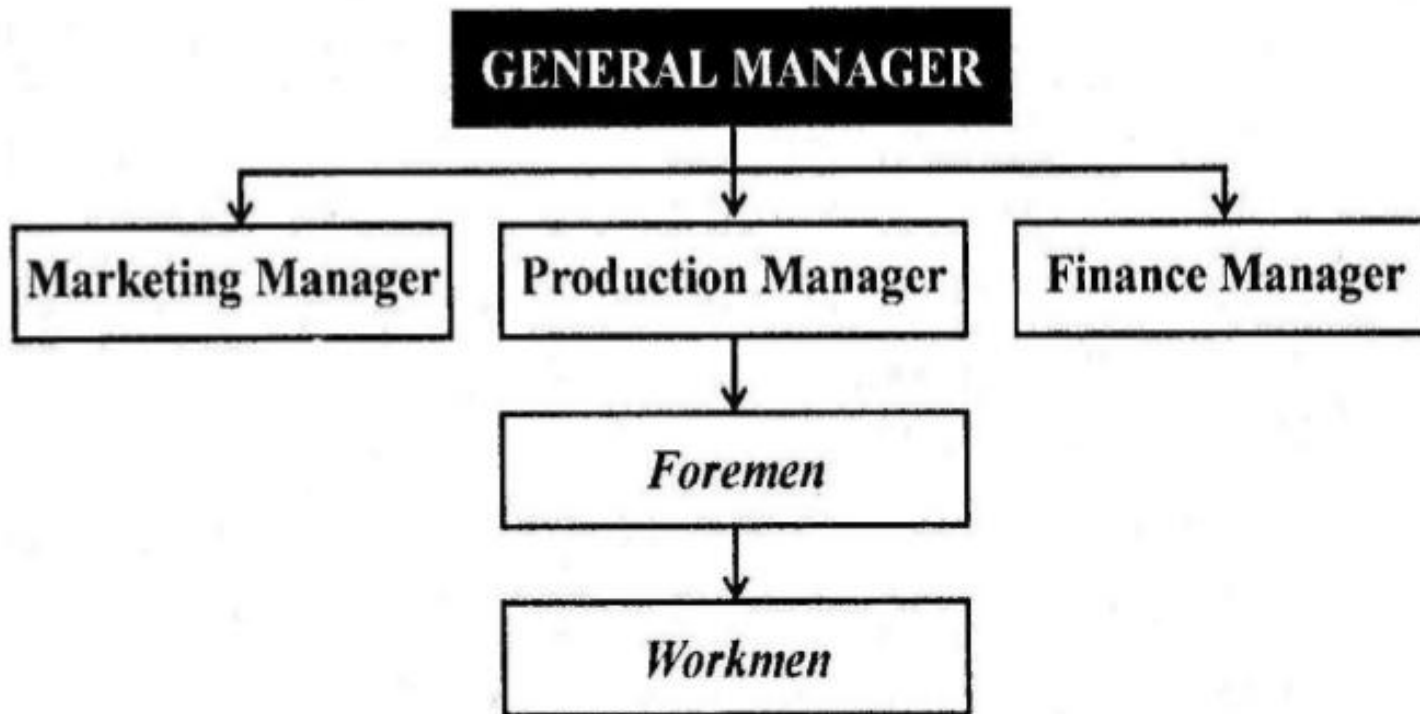
- Unity of purpose
- Authority and responsibility
- Scalar principle
- Span of control
- Division of work
- Coordination of effort
- Functional definition
- Principle of exception
- Simplicity
- Flexibility

Types of departmentation

- Department by function (production, marketing etc)
- Geographical departmentation (local, regional etc)
- Department by process (spinning, weaving, dyeing etc)
- Department by customers (retailers, govt., foreigners)
- Department by products (housing loan, personal loan etc)

Organization structure

- Line organization



Features of Line organization

- The most oldest and simplest method of administrative organization.
- The authority flows from top to bottom in a concern. The line of command is carried out from top to bottom.
- This is the reason for calling this organization as **scalar organization**.
- Unified control by the line officers can be maintained since they can independently take decisions in their areas and spheres.
- This kind of organization always helps in bringing **efficiency in communication** and bringing stability to a concern.

Merits of Line Organization

- **Simplest-** It is the most simple and oldest method of administration.
- **Unity of Command-** In these organizations, superior-subordinate relationship is maintained and scalar chain of command flows from top to bottom.
- **Better discipline-** The control is unified and concentrates on one person and therefore, he can independently make decisions of his own. Unified control ensures better discipline.
- **Fixed responsibility-** In this type of organization, every line executive has got fixed authority, power and fixed responsibility attached to every authority.
- **Flexibility-** There is a co-ordination between the top most authority and bottom line authority. Since the authority relationships are clear, line officials are independent and can flexibly take the decision. This flexibility gives satisfaction of line executives.
- **Prompt decision-** Due to the factors of fixed responsibility and unity of command, the officials can take prompt decision.

Demerits of Line Organization

- **Over reliance**
- **Lack of specialization**
- **Authority leadership**
- **Suitability**

Functional Organization

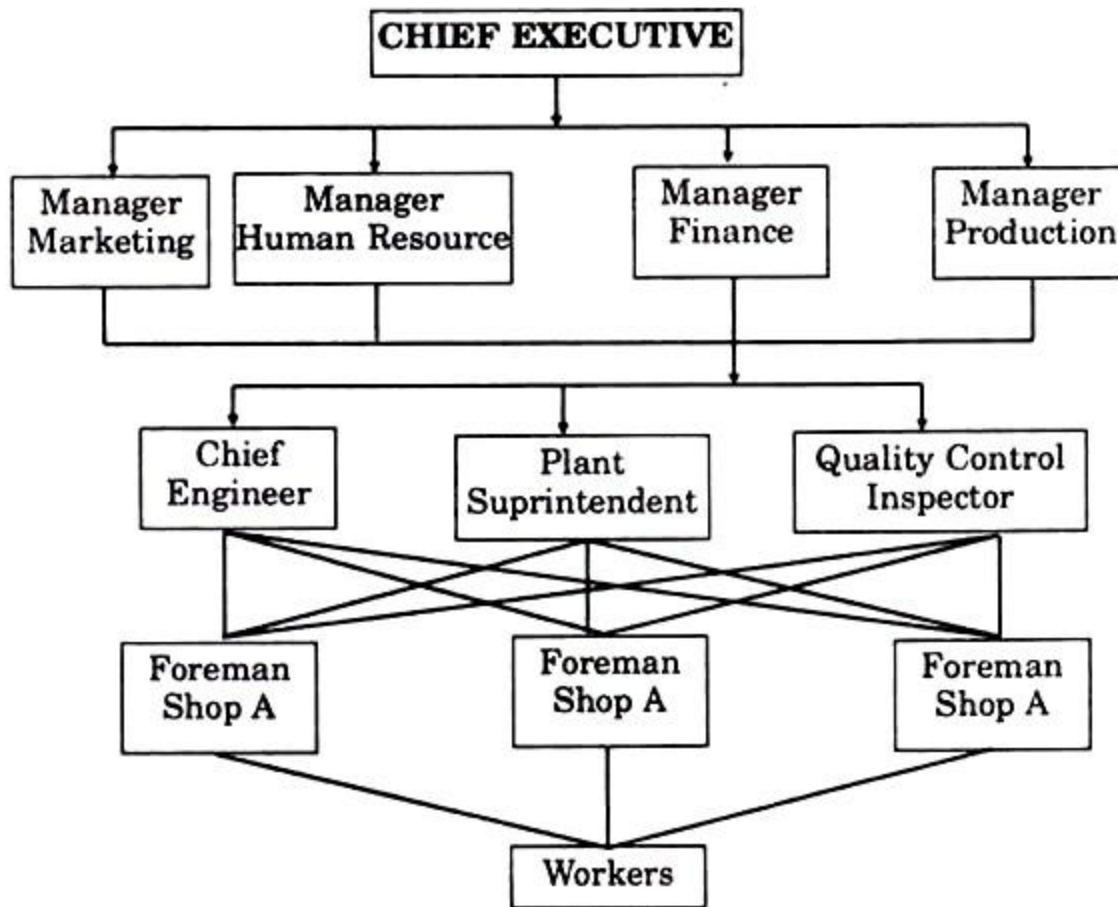


Fig. 6.14. Functional Organisation.

Features of functional organization

- The entire organizational activities are divided into specific functions such as operations, finance, marketing and personal relations.
- **Complex form** of administrative organization.
- Three authorities exist- Line, staff and function.
- Each functional area is put under the charge of functional specialists and he has got the authority to give all decisions regarding the function whenever the function is performed throughout the enterprise.

Merits and demerits of Functional Organization

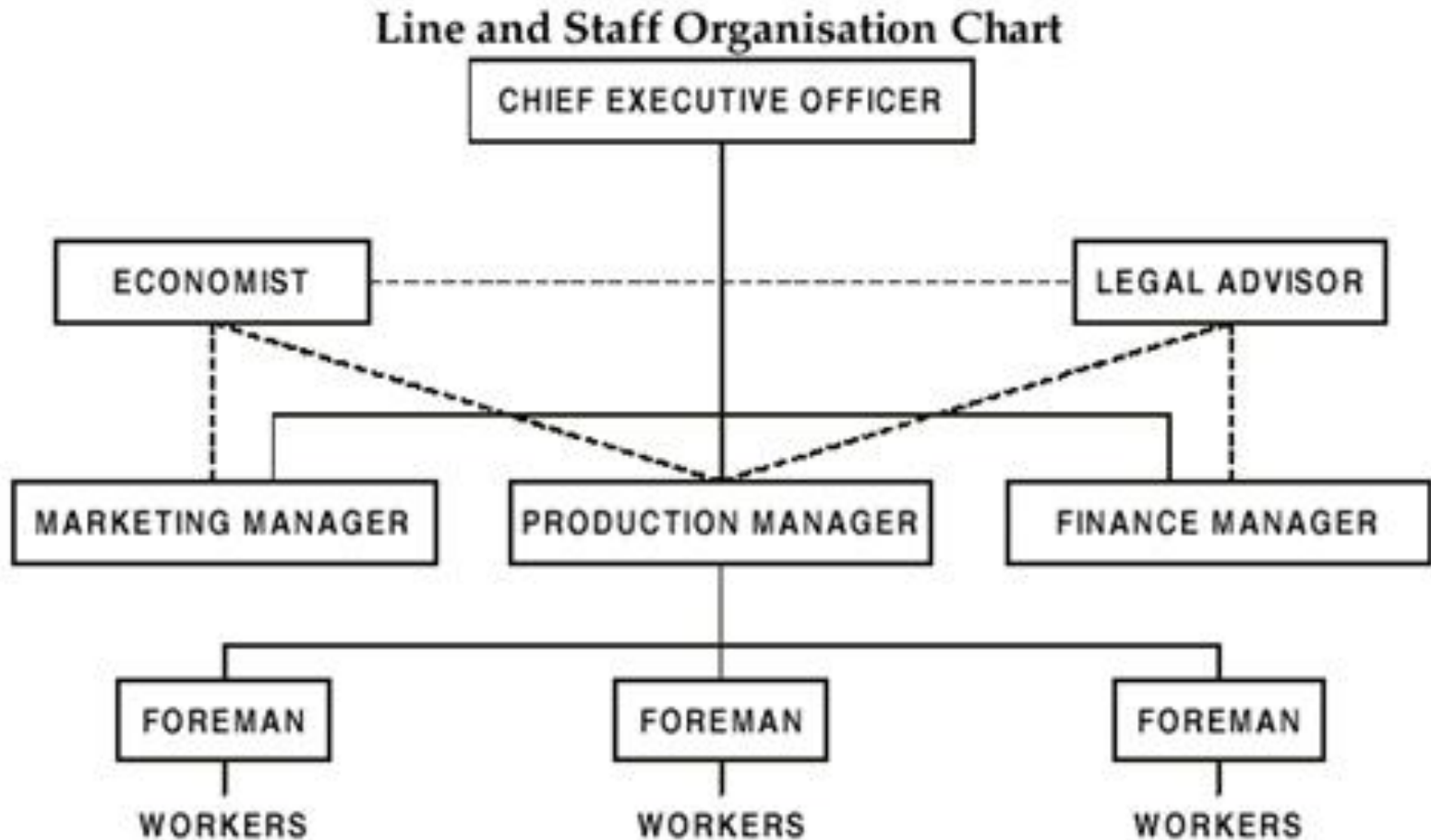
MERITS

- **Specialization**
- **Effective Control**
- **Efficiency**
- **Economy**

DEMERITS

- **Confusion**
- **Lack of Co-ordination-**
Disciplinary control becomes weak as a worker is commanded not by one person but a large number of people. Thus, there is no unity of command.
- **Difficulty in fixing responsibility-**
Because of multiple authority, it is difficult to fix responsibility.
- **Conflicts-** There may be conflicts among the supervisory staff of equal ranks. They may not agree on certain issues.
- **Costly**

Line and Staff Organization



Note: Straight lines represent line and broken lines represent staff.

Merits and demerits of Line and Staff Organization

MERITS

- Relief to line of executives
- Expert advice
- Benefit of Specialization
- Better co-ordination
- Benefits of Research and Development
- Training
- Balanced decisions
- Unity of action

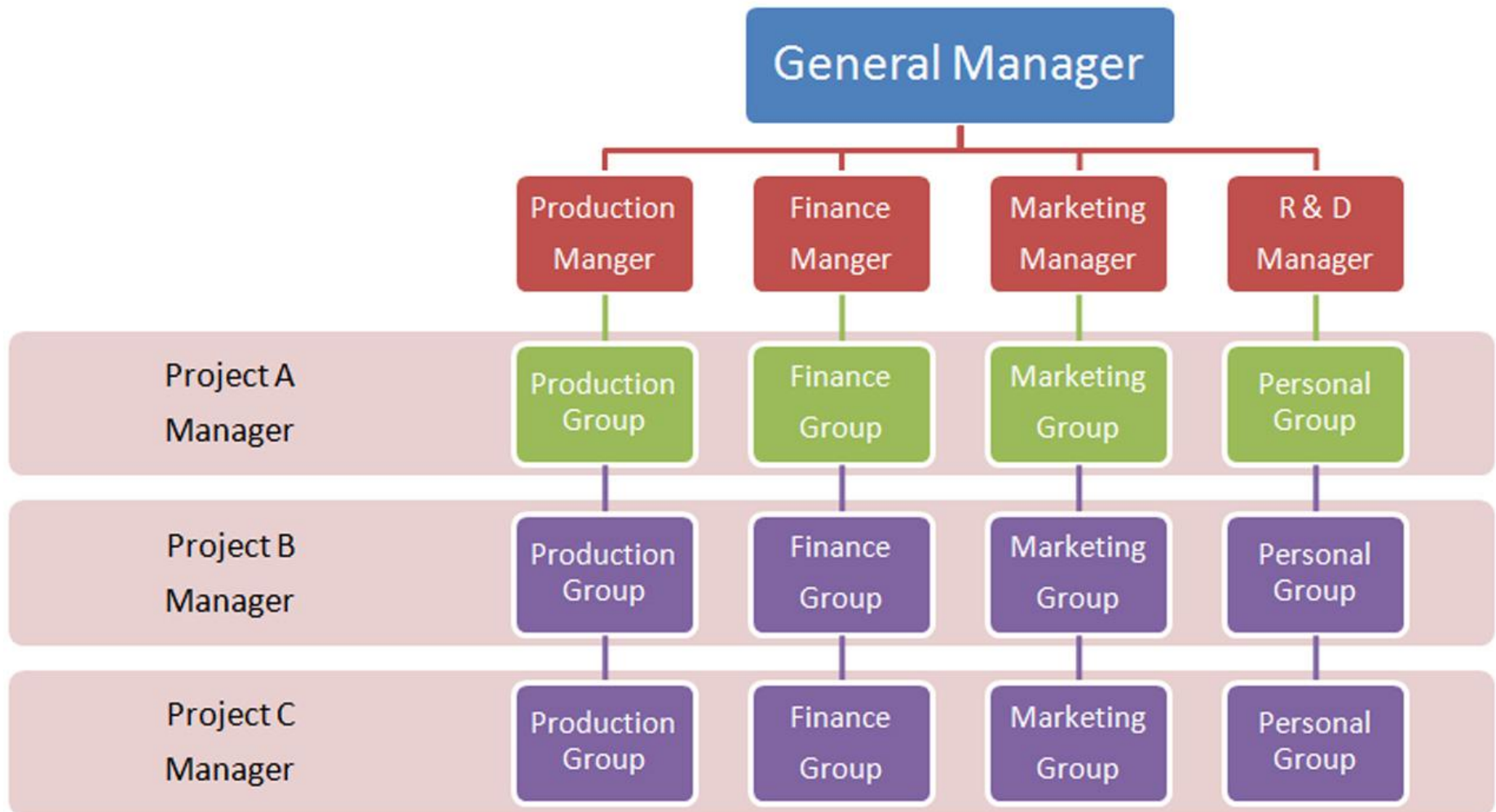
DEMERITS

- Lack of understanding
- Lack of sound advice
- Line and staff conflicts
- Costly
- Assumption of authority-
The power of concern is with the line official but the staff dislikes it as they are the one more in mental work.

Matrix organization structure

- A **matrix organizational structure** is a company structure in which the reporting relationships are set up as a grid, or matrix, rather than in the traditional hierarchy.
- In other words, employees have dual reporting relationships - generally to both a functional manager and a product manager.

Matrix organization structure



Formal organization structure

- Formal organisation is a well-defined structure of authority and responsibility that defines delegation of authority and relationships amongst various organisational members.
- It works along pre-defined sets of policies, plans, procedures, schedules and programmes.
- Most of the decisions in a formal organisation are based on pre-determined policies.
- Formal organisation is a deliberately designed structure with formal authority, responsibility, rules, regulations and channels of communication.

Informal organization structure

- Informal organizational structure includes personal relations, relations and interactions of people in the organization, created naturally, informally and unofficially.
- They take place in an informal way outside the framework of formal organizational structure, respectively, the informal organizational structure crosses it horizontally, vertically and diagonally.

DIRECTING

What is directing?

- “Directing is the inter personnel aspect of managing by which subordinates are led to understand and contribute effectively and efficiently to the attainment of enterprise objectives.” – Koontz and O’Donnell.

Characteristics of directing

- Initiates action
- Performed at every level of management
- Directing is a never ending process
- Directing flows from top to bottom
- Indivisible from other functions
- Goals oriented

Process of directing

- Outlining the goals
- Framing course of action and instruction
- Decision on the assistants to be directed
- Issuing orders and instructions
- Motivation
- Leading
- Supervision
- Feedback and follow up

Nature of leadership

- Implies existence of followers
- It's a permanent process
- Encouraging
- Process of persuading
- Function of motivation

Qualities of good leader

- Personality
- Knowledgeable
- Communication skills
- Integrity and honesty
- Motivator
- Confidence
- Emotional stability
- Social skills

Leadership styles

- Autocratic or task management leadership
- Participative or democratic leadership
- Laissez Faire or free rein (Delegate)
- Paternalistic leadership
- Bureaucratic (applying a system/ fixing duties under hierarchy)
- Situational
- Charismatic
- People oriented
- Servant leadership

Controlling

What is controlling??

- “Controlling is checking performance against predetermined standards contained in the plans with a view to ensuring adequate progress and satisfactory performance.”

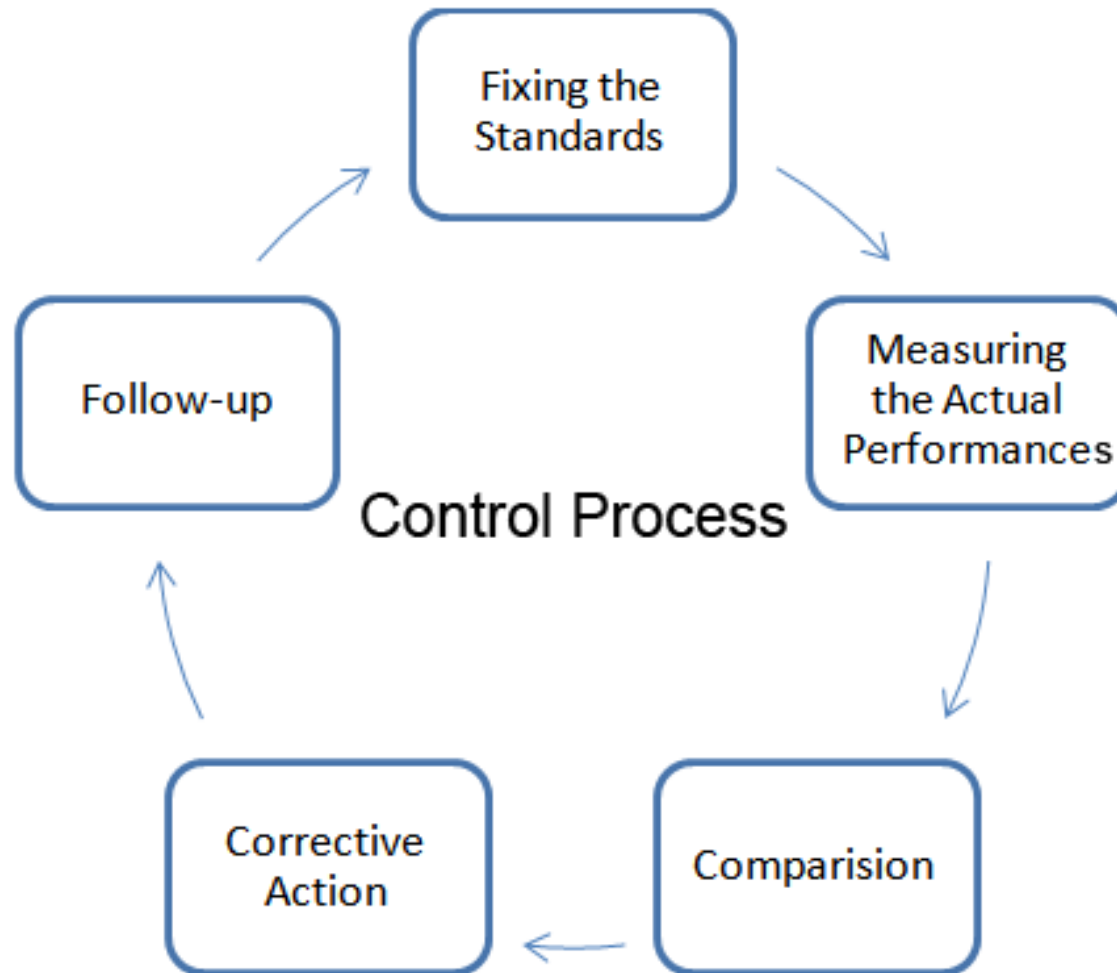
Nature of controlling

- Controlling is the last function
- Universal
- Future oriented
- It's a continuous process
- It implies taking corrective actions

Principles of controlling

- Principle of guarantee to objective
- Principle of efficiency of controls (cost effective)
- Principle of control accountability
- Principle of standards (accurate standards)
- Principle of critical activity
- Principle of action

Controlling process



Techniques of managerial control

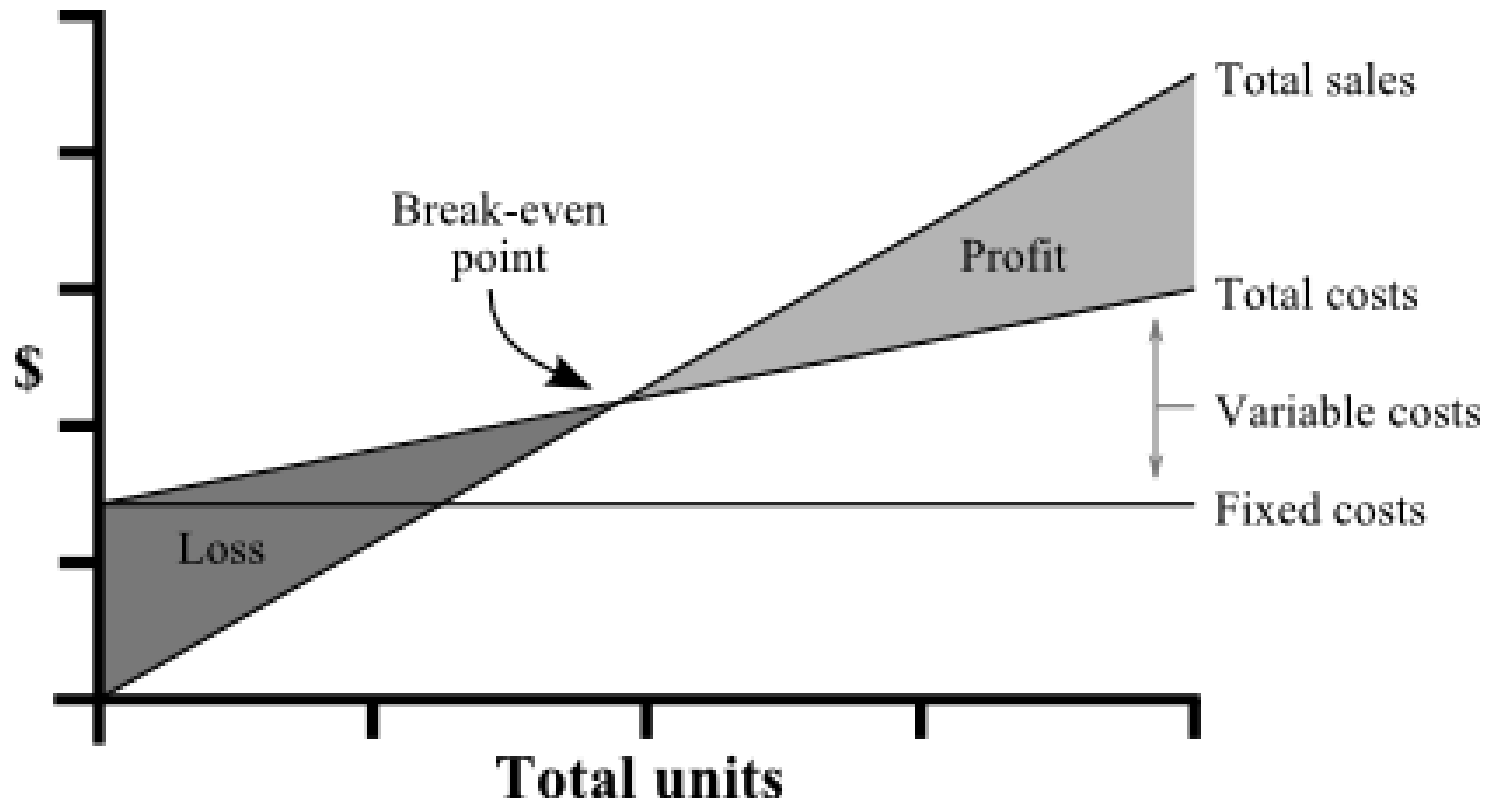
TRADITIONAL TECHNIQUES

- Personal observation
- Statistical data
- Special reports and analysis
- Breakeven analysis
- Budgetary control

MODERN TECHNIQUES

- ROI
- Ratio analysis
- Managerial audit
- CPM
- MIS

Break even



Corporate governance and CSR

Corporate Governance

- The term governance refers to the act of managing an entity.
- Corporate governance is the system of rules, practices and processes by which a company is directed and controlled.
- Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as
 - shareholders,
 - management,
 - customers,
 - suppliers,
 - financiers,
 - government and the community.

CSR

“A commitment to improve community well-being through discretionary business practices and contributions of corporate resources”.

■ **CSR is the sum of:**

Economic Responsibilities (*Make a profit*)

Legal Responsibilities (*Obey the law*)

Ethical Responsibilities (*Be ethical*)

Philanthropic Responsibilities (*Good corporate citizen*)

CSR

Benefits of CSR

- Strengthened brand positioning
- Enhanced corporate image
- Sense of involvement to all
- Communities as suppliers
- Increased ability to attract, motivate, and retain employees
- Increased sales and market share
- Increased appeal to investors and financial analysts

Green Management



Need for green management

- Reduce costs
- Brand image
- Attracts investors
- Brand differentiation
- Protection of environment
- CSR

THANK YOU!

All the best
