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PRINCIPLES OF BUSINESS MANAGEMENT

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❖ **Introduction:**

➤ Your own understanding of management

➤ From the word to **manage**:

**“TO TAKE CHARGE OR CARE OF” or
“TO BE IN CHARGE (OF);
ADMINISTER”.**

❖ **Who and what do you manage?**

➤ **Human Resources-people**

➤ **Inanimate Resources-processes,
finances, systems, assets, etc.**

❖ Why do we manage?

➤ **ULTIMATE AIM:** To meet set goals. This cuts across; being it personal or an organization.

■ **THE ULTIMATE SET GOALS OF EVERY BUSINESS:**

- ☐ To make profits and create value for its shareholders
- ☐ To continue to exist by expanding the business, as well as the customer base.
- ☐ To continue to satisfy its customers with quality and yet affordable goods and services.

- ❑ To recruit and maintain quality staff
- ❑ To affect the society it operates, and sometimes beyond (CSR)
- ❑ ETC.

❖ **Dimensions of Management**

- **Personal:** time, money, stress, body, home, etc.....

➤ **Organization:**

- ✓ **human beings**-their attitudes, behaviours, expectations, values, cultures, aspirations, etc.....

Falls under: Organizational behaviour and HRM

- ✓ **Process**- various operational processes, administrative processes, etc.....

Falls under: process management and HRM

✓ **Finances: OPEX(operational expenditure), CAPEX(capital expenditure)**

Falls under: Financial management, operations management, and supply chain management.

✓ **Raw materials:** Buying and stocking of raw materials.

Falls under: materials management, inventory management, and operations management in general.

✓ **Systems:** Management of Equipment, IT systems, and information systems.

Falls under: IS, IT, and Equipment management

✓ **Sales:** sale of goods and services, advertising, distribution, promotions, etc...

Falls under: Marketing management and inventory management.

✓ **Projects:** All forms of projects that the organization undertakes
Falls under: **project management and supply chain management.**

✓ **Strategy:** Any plan of action intended to achieve a major or overall aim and also beat the competition.
Falls under: **strategic management**

❖ What then is management?

- ❑ **Harold Koontz:** Management is an art of getting things done through and with people in formally organized groups. It is an art of creating an environment in which people can perform and individuals can co-operate towards attainment of group goals.

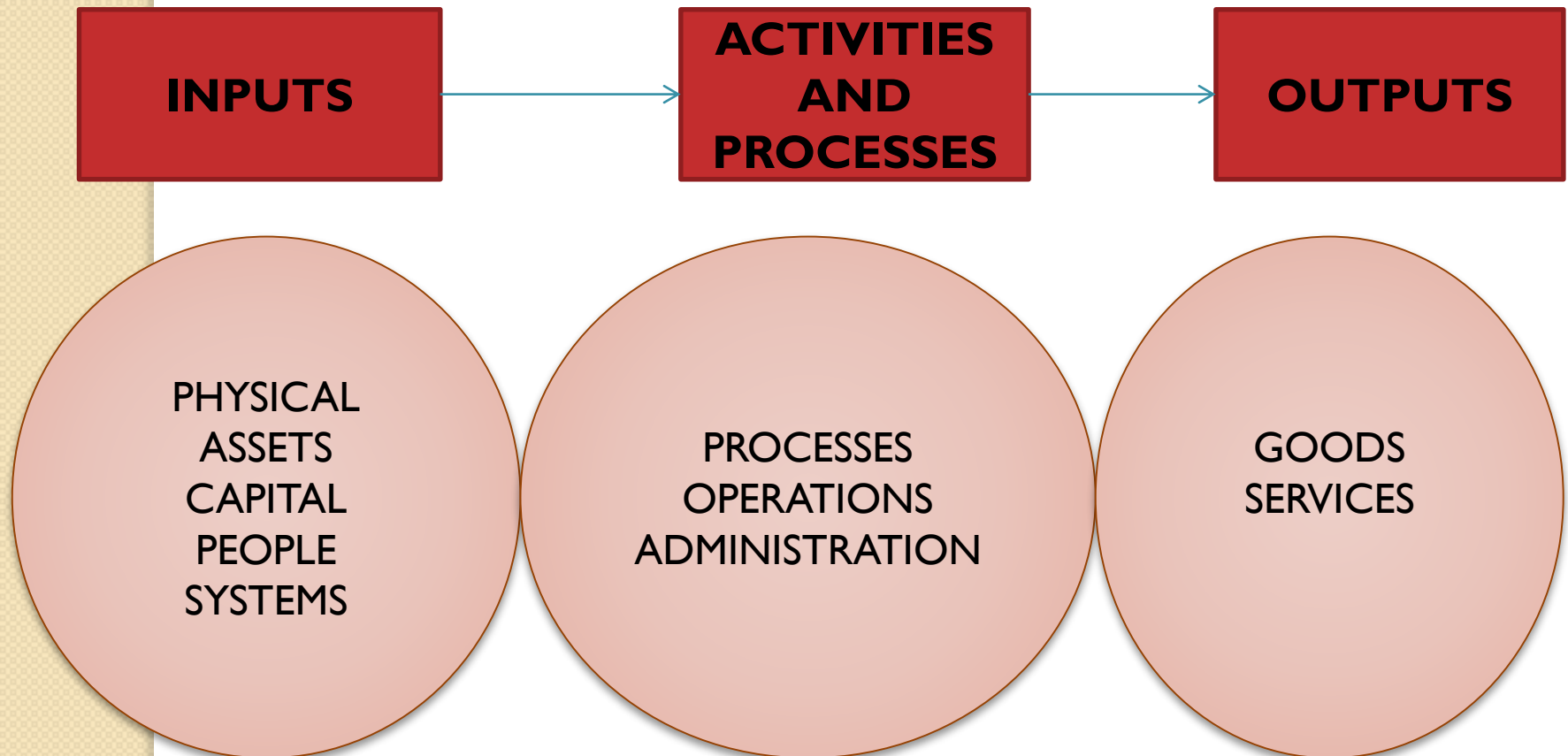
- ❑ **F.W.Taylor:** Management is an art of knowing what to do, when to do and see that it is done in the best way and cheapest way.

✓ MANAGEMENT INCLUDES BOTH BEING
EFFECTIVE AND **EFFICIENT**

- **EFFECTIVE:** means doing appropriate tasks, i.e., fitting the square pegs in square holes and round pegs in round holes.
- **EFFICIENT:** means doing the task correctly at least possible cost with minimum wastage of resources.

Management is the creative and systematic pursuit of practical results, (including the result of more knowledge), by identifying and using available human and knowledge resources in a concerted and reinforcing way.

❖ Managing the whole process in an organization.



❖ **Aspects of Management**

➤ **Management as a process**

As a process, management refers to a series of inter-related functions. Management is a distinct process consisting of:

- ✓ **Planning:** *“Is deciding in advance – what to do, when to do & how to do. It bridges the gap from where we are & where we want to be”(KOONTZ)*

- ✓ **Organizing:** *“To organize a business is to provide it with everything useful for its functioning i.e. raw material, tools, capital and personnel’s”(By Henry Fayol)*
- ✓ **Staffing:** According to Koontz & O'Donell, “Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed in the structure”.

✓ **Directing:** It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes.

Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

- **SUPERVISION:** - implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.
- **MOTIVATION:-** means inspiring, stimulating or encouraging the subordinates with zeal to work. Monetary, non-monetary incentives may be used for this purpose.

- **LEADERSHIP:-** may be defined as a process by which managers guide and influence the work of subordinates in a desired direction.
- **COMMUNICATION:-**is the process of passing information, experience, opinion, etc. from one person to another. It is a bridge of understanding.

✓ Controlling:

- According to *Theo Haimann*, “Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation”.

- According to Koontz & O'Donell,
“Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them are being accomplished”.
- Therefore controlling has following steps:

- Establishment of standard performance.
- Measurement of actual performance.
- Comparison of actual performance with the standards and finding out deviation if any.
- Corrective action.

As a process, management consists of three aspects:

- ✓ ***Management is a social process:*** relationship and interaction between people to help achieve organizational goals.
- ✓ ***Management is an integrating process:*** ensures that all other resources(physical, human, and financial) are all brought together in harmony to achieve organizational purpose.

- ✓ ***Management is a continuous process:***
It is a never ending process. It is an on-going process. It is always aimed at finding problems and resolving them.

➤ **Management as an activity:** It is the manager who accomplishes the objectives by directing the efforts of others.

Management as an activity includes:

- ***Informational activities:*** A manager constantly has to give information orally or in written form to direct reports or superiors for the effective functioning of the business.

- ***Decisional activities:*** Activities are based on one or the other types of decisions. Decisions taken by one manager becomes the basis of action to be taken by other managers.

- ***Inter-personal activities:*** Management involves achieving goals through people. The inter-personal activities with direct reports and taking care of their problems are necessary for the manager to succeed. (e.g. bonuses to be given to direct reports).

➤ **Management as a Discipline:**

Any branch of knowledge that fulfils the following two requirements is known as discipline:

- There must be scholars & thinkers who communicate relevant knowledge through research and publications.
- The knowledge should be formally imparted by education and training programmes.

Since management satisfies both requirements, it qualifies to be a discipline.

➤ **Management as a group:** Management as a group refers to all those persons who perform the task of managing an enterprise.

Management as a group may be looked upon in 2 different ways:

- **All managers taken together.**
- **Only the top management**

The interpretation depends upon the context in which these terms are used. Broadly speaking, there are **3 types of managers**:

- **Patrimonial / Family Manager:** Those who have become managers by virtue of being owners or relatives of the owners of company.
- **Professional Managers:** Those who have been appointed on account of their specialized knowledge and degree.

- **Political Managers / Civil Servants:**

Those who manage public sector undertakings.

- **Management as a Science**

Science is characterized by following main features:

- **Universally accepted principles**
- **Experimentation & Observation**
- **Cause & Effect Relationship**
- **Test of Validity & Predictability**

- **The main reason for the inexactness of science of management is that it deals with human beings and it is very difficult to predict their behaviour accurately.**
- Since it is a social process, it therefore falls in the area of social sciences.

- It is a flexible science & that is why its theories and principles may produce different results at different times, and therefore it is a behavioural science.

Ernest Dale has called it as a *Soft Science*.

➤ **Management as an Art**

Art has the following dimensions:

- **Practical Knowledge:**

- ✓ In art, book knowledge is not enough. The artist must be able to use the knowledge appropriately by painting and making nice designs.

- ✓ In the same way, a manager can never be successful just by obtaining degree or diploma in management; he must also know how to apply various principles in real situations by functioning in the capacity of a manager.

- **Personal Skill:**

- ✓ Although theoretical base may be same for every artist, each one has his own style and approach towards his job.

- ✓ Similarly management as an art is also personalized. Every manager has his own way of managing things based on his knowledge, experience and personality; that is why some managers are known as good managers whereas others as bad.

■ **Creativity:**

- ✓ Every artist has an element of creativity in line. That is why he aims at producing something that has never existed before which requires combination of intelligence & imagination.
- ✓ Management is also creative in nature like any other art. It combines human and non-human resources in useful way so as to achieve desired results.

- **Perfection through practice:**
- ✓ Practice makes a man perfect. Every artist becomes more and more proficient through constant practice.
- ✓ Similarly managers learn through an art of trial and error initially, but application of management principles over the years makes them perfect in the job of managing.

- **Goal-Oriented:**

- ✓ Every art is result oriented as it seeks to achieve concrete results.
- ✓ In the same manner, management is also directed towards accomplishment of pre-determined goals.

➤ **Management as both Science and Art**

- ✓ Science provides the knowledge & art deals with the application of knowledge and skills.
- ✓ The old saying that “Managers are Born” has been rejected in favour 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.

➤ **Management as a Profession**

✓ ***A profession** may be defined as an occupation that requires specialized knowledge and intensive academic preparations to which entry is regulated by a representative body.*

❑ **The essentials of a profession are:**

❖ **Specialized Knowledge:**

- A profession must have a systematic body of knowledge that can be used for development of professionals.
- Similarly a manager must have devotion and involvement to acquire expertise in the science of management.

❖ **Formal Education & Training:**

- There are a number of institutes and universities to impart education & training for a profession.

❖ **Social Obligations :**

- Profession is a source of livelihood, but professionals are primarily motivated by the desire to serve the society.

- Similarly a manager is responsible not only to its owners but also to the society (including CSR), and therefore he is expected to provide quality goods and services at reasonable prices to the society.

❖ **Code of Conduct:**

- Members of a profession have to abide by a code of conduct which contains certain rules and regulations, norms of honesty, integrity and special ethics.
- The All India Management Association(AIMA) for instance has prescribed a code of conduct for managers but it has no right to take legal action against any manager who violates it.

❖ **Representative Association**

- For the regulation of profession, existence of a representative body is a must.
- For example, an institute of Chartered Accountants of India establishes and administers standards of competence for the auditors, but the AIIMA however does not have any statutory powers to regulate the activities of managers.

From above discussion, even though it is quite clear that management fulfils several essentials of a profession, it is not a full-fledged profession because: -

- It does not restrict the entry in managerial jobs for account of one standard or other.
- No minimum qualifications have been prescribed for managers.

- No management association has the authority to grant a certificate of practice to various managers.
- AIMA for instance has not got legal powers to sanction defaulters of the code of ethics it has formulated.
- Competent education and training facilities do not exist.

- Managers are responsible to many groups such as shareholders, employees and society. A regulatory code may curtail their freedom.
- Managers are known by their performance and not mere degrees.

- The ultimate goal of business is to maximize profit and not social welfare. That is why Haymes has rightly remarked, **“The slogan for management is becoming – ‘He who serves best, also profits most’.”**

❖ **Features of Management**

- **Management is Goal-Oriented:**

- ✓ The success of any management activity is assessed by its achievement of the predetermined goals or objectives.
- ✓ Management is a purposeful activity.

- **Management integrates Human, Physical and Financial Resources:**

- ✓ In an organization, human beings work with non-human resources like machines, materials, financial assets, buildings etc. to achieve set goals.

- **Management is Continuous:**

- ✓ Management is an on-going process.
- ✓ It involves continuous handling of problems and issues.

- ✓ It is concerned with identifying the problem and taking appropriate steps to solve it.
- **Management is all Pervasive:**
 - ✓ Management is required in all types of organizations whether it is political, social, cultural or business because it helps and directs various efforts towards a definite purpose.

- ✓ Thus, clubs, hospitals, political parties, colleges, business firms etc. all require management.
- **Management is a Group Activity:**
 - ✓ Management is very much less concerned with individual's efforts.
 - ✓ It is more concerned with groups.
 - ✓ It involves the use of group effort to achieve predetermined goals of management.

❖ **Levels of Management**

- The term “**Levels of Management**’ refers to a line of demarcation between various managerial positions in an organization.
- 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**

TOP

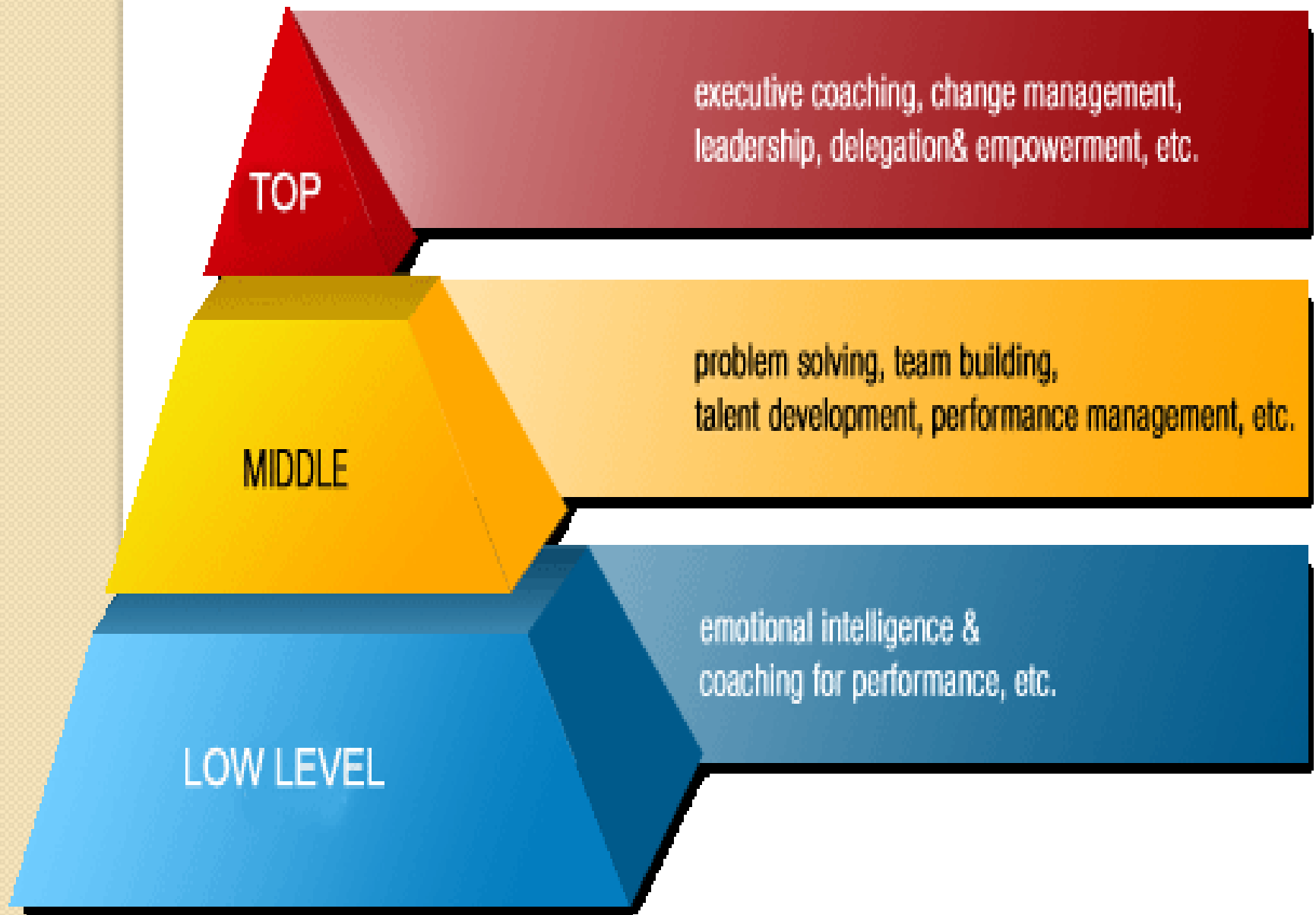
executive coaching, change management,
leadership, delegation & empowerment, etc.

MIDDLE

problem solving, team building,
talent development, performance management, etc.

LOW LEVEL

emotional intelligence &
coaching for performance, etc.



➤ **Top Level of Management**

- It consists of board of directors, chief executive or managing director.
- 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**

- The branch managers and departmental managers constitute middle level.
- They are responsible to the top management for the functioning of their departments, etc.
- 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.
- ✓ They also send 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**

- Lower level is also known as supervisory / operative level of management.
- It consists of supervisors, foremen, section officers, superintendents etc.
- 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 subordinates.
- ✓ They are responsible for providing training to the workers.

- ✓ They arrange necessary materials, machines, tools, etc. for getting 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.

❖ Objectives of Management:

- The main objectives of management are:

✓ **Getting Maximum Results with Minimum Efforts:** The main objective of management is to secure maximum outputs with minimum efforts & resources.

- ✓ **Increasing the Efficiency of factors of Production**
- ✓ **Maximum Prosperity for Employer & Employees**
- ✓ **Human betterment & Social Justice**

❖ **Importance of Management**

- **It helps in Achieving Group Goals:** It directs group efforts towards achievement of pre-determined goals.
- **Optimum Utilization of Resources :** It makes optimum use of all resources in an organization to achieve set goals. This leads to efficacy in management.

➤ **Reduces Costs:** Management uses physical, human and financial resources in such a manner which results in best combination. This helps in cost reduction.

➤ **Establishes Sound Organization:**

- No overlapping of efforts (smooth and coordinated functions).

- it establishes effective authority & responsibility relationship i.e. who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates.
- Management fills up various positions with right persons, having right skills, training and qualification.
- All jobs should be cleared to everyone.

➤ **Establishes Equilibrium:**

- It enables the organization to survive in changing environment.
- With a change in external environment, the initial co-ordination of an organization must be changed. So it adapts organization to changing demand of market / changing needs of societies.
- It is responsible for growth and survival of organization.

➤ **Essential for Prosperity of Society**

- Efficient management leads to better economical production which helps in turn to increase the welfare of people.
- Good management makes a difficult task easier by avoiding wastage of scarce resource.
- It improves standard of living. It increases profit which is beneficial to business and society at large.

- This is made possible if it gets maximum output at minimum cost.
- Employment opportunities are created and employees receive incomes to spend.
- Organization comes with new products and always tries to meet the demands of the society.

❖ Management and Administration

- According to *Theo Haimann*,
“**Administration** means overall determination of policies, setting of major objectives, the identification of general purposes and laying down of broad programmes and projects”.
- ✓ It refers to the activities of higher level.
- ✓ It lays down basic principles of the enterprise.

- According to **Newman**, “**Administration** means guidance, leadership & control of the efforts of the groups towards some common goals”.
- **Management** on the other hand, is an art of getting things done through & with the people in formally organized groups.

The difference between Management and Administration can be summarized under 2 categories: -

- ❑ **Functions**

- ❑ **Usage / Applicability**

On the Basis of Functions:

Basis	Management	Administration
Meaning	Management is an art of getting things done through others by directing their efforts towards achievement of pre-determined goals.	It is concerned with formulation of broad objectives, plans & policies.
Nature	Management is an executing function.	Administration is a decision-making function.

Process	Management decides who should do it & how should he do it.	Administration decides what is to be done & when it is to be done.
Function	Management is a doing function because managers get work done under their supervision.	Administration is a thinking function because plans & policies are determined under it.
Skills	Technical and Human skills	Conceptual and Human skills
Level	Middle & lower level function	Top level function

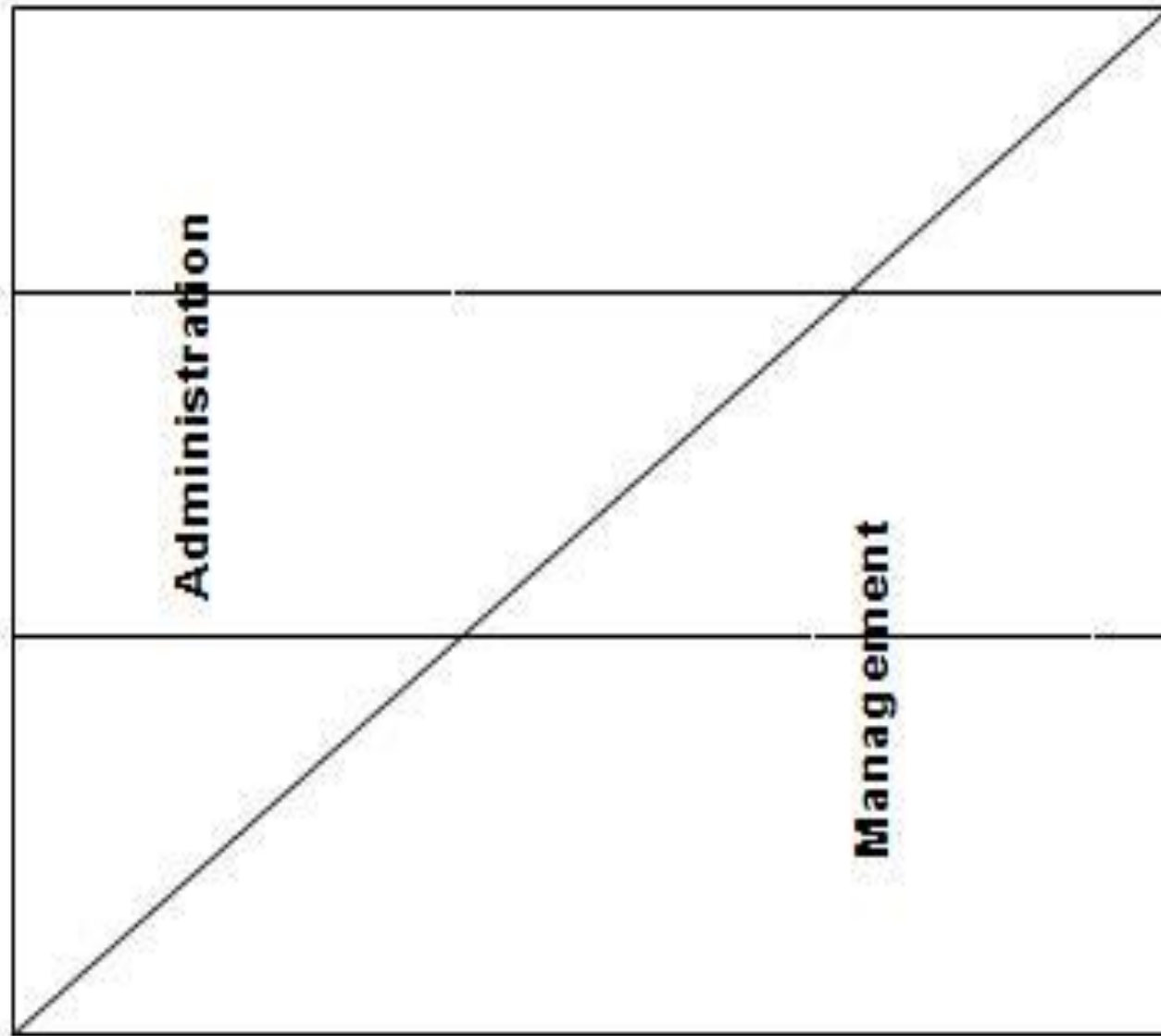
On the Basis of Usage:

Basis	Management	Administration
Applicability	It is applicable to business concerns i.e. profit-making organization.	It is applicable to non-business concerns i.e. clubs, schools, hospitals etc.
Influence	The management decisions are influenced by the values, opinions, beliefs & decisions of the managers.	The administration is influenced by public opinion, govt. policies, religious organizations, customs etc.

Status	Management constitutes the employees of the organization who are paid remuneration (in the form of salaries & wages).	Administration represents owners of the enterprise who earn return on their capital invested & profits in the form of dividend.
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- Practically, there is no difference between management & administration.
- Every manager is concerned with both – administrative management function and operative management function as shown in the figure.

- However, managers who are higher up in the hierarchy denote more time on administrative function & the lower level denote more time on directing and controlling worker's performance i.e. management.



Top Level

Middle Level

Lower Level

❖ Functions of Management

- The basic functions of Management can be broadly categorized as:

**Organising, Planning, Leading,
Measuring and controlling, Framework**

■ Framework

- ✓ A framework is necessary to think in an orderly fashion and necessary
 - i. For diagnosing complex management problems and
 - i. For working on improvement at one stage without losing sight of other stages.

- ❑ Framework must have:
 - systems and procedures,
 - infrastructure for future expansions and
 - the documentation or connectivity through network to help the employees to carry out the work without any problems.

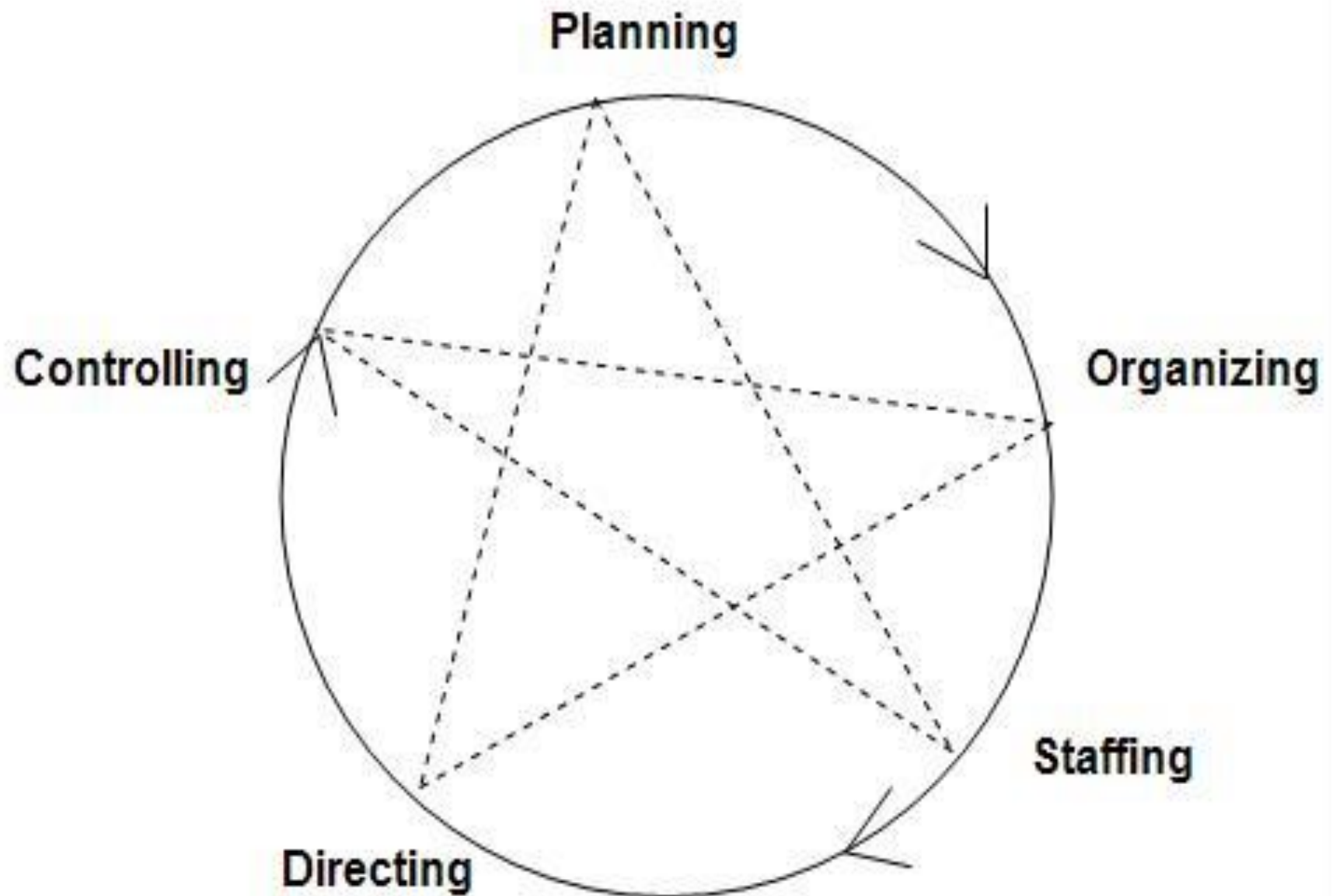
This has to be planned and designed at the top level.

- Different experts have classified functions of management.
- ✓ According to **George & Jerry**, “There are four fundamental functions of management i.e. **planning, organizing, actuating and controlling**”.
- ✓ According to **Henry Fayol**, “To manage is to forecast and plan, to organize, to command, & to control”.

✓ **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'DONNEL* i.e. **Planning, Organizing, Staffing, Directing and Controlling.**



❖ Two broad classification of Management based on performance

■ Management by exception (MBE)

DEFINITION 1:

- ✓ Practice whereby only the information that indicates a significant deviation of actual results from the budgeted or planned results is brought to the management's notice.

- ✓ Its objective is to facilitate management's focus on really important tactical and strategic tasks.
- ✓ In MBE, the decision that cannot be made at one level of management is passed on to the next higher level.

DEFINITION 2:

- ✓ An organizational system in which managers intervene only when employees fail to meet performance standards or when plans or budgets go awry.
- ✓ Managers compare results with plans and take action when serious differences occur.

■ **Management by Objectives (MBO)**

- ✓ Is an approach used in the control and direction of many projects. The philosophy of MBO can be described as follows:
 - Is **proactive** rather than reactive management
 - Is **results oriented**, emphasizing accomplishment
 - Focuses on change to improve **individual and organizational effectiveness**

- ✓ is a process of agreeing upon objectives within an organization so that management and employees agree to the objectives and understand what they are in the organization.
- ✓ The essence of MBO is participative goal setting, choosing course of actions and decision making. An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards set.

- ✓ Ideally, when employees themselves have been involved with the goal setting and choosing the course of action to be followed by them, they are more likely to fulfil their responsibilities.

THANK YOU