Basics of Management

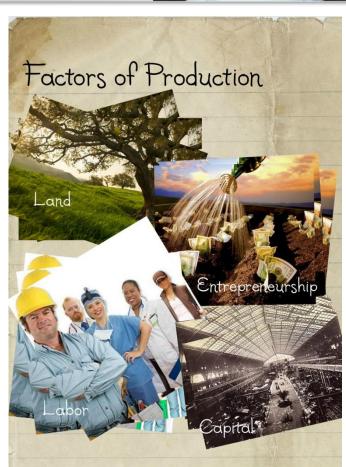**7th Semester B.E (All branches)**
Essentials of Management
HUM 4013

MANIPAL
UNIVERSITY

Factors of production

- Land, Labor, Capital, and Enterprise

- These four productive factors or resources needed to profit from business are limited in supply (scarcity).

- Therefore, a company must use them efficiently and effectively to produce goods and services.

- Together, the cost of acquiring and using these four resources to make and sell goods and services determines a company's operating costs.

- These resources allow for the creation of a product and/or service that customers value a price
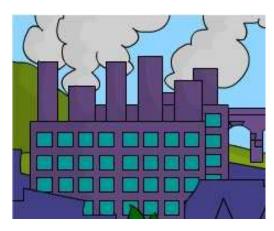
How can industrial activity be classified?

There are many different types of industry. We can classify industry into three main categories:

Primary	Secondary	Tertiary

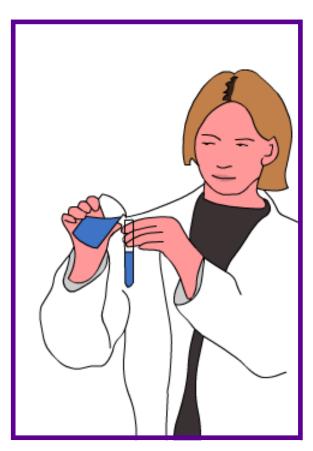

These industries extract raw materials directly from the earth or sea.

These industries process and manufacture products from raw materials.

These industries provide a service.

What is a quaternary industry?

There are also **quaternary** industries.

These industries incorporate a high degree of research and technology in their processes and employ highly qualified people.
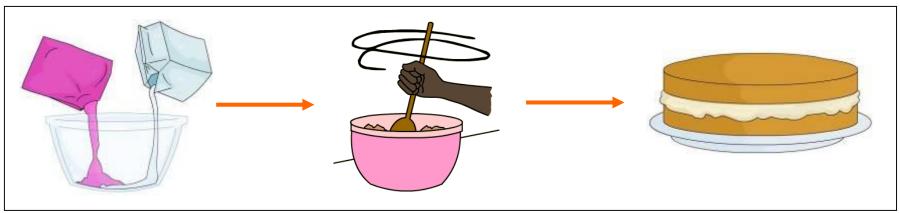
Biotechnology and computer programming are examples of quaternary industries.

How can industry be described as a system?

Think of industry as a cake-making process!

For a company to be profitable, the value of the outputs must be greater than the cost of the inputs.

INPUTS

These can be physical, human and economic inputs.

PROCESSES

These are the activities that are involved.

OUTPUTS

These are the finished products and any waste.

Organizations

- An organisation is a **social system** of people who are structured and managed to meet some **goals**.

- Organisations are **ongoing** and the structure determines the **relationship** between the functions and positions.

- Structure also **subdivides roles,** responsibilities, and authority to carry out the tasks.

- Organisations are **open systems** which are affected by the environment outside its boundary.

UNDERSTANDING ORGANIZATIONS

Vision, Mission → Strategy Corporate Business Functional → STRUC-TURE → SYSTEM (Simple, complex, open, close) → PROCESS → Job / Tasks

- Strategy Corporate Business Functional → Op, Fin, Mktg, HR
- STRUC-TURE → Simple Hierarchy Flat Adhocracy Matrix Team
- SYSTEM → Mktg, Fin HR, Ops, MIS (ALSO CALLED FUNCTIONS/DEPT)
- PROCESS → Planning, Organizing, Staffing, Directing/Leading, Controlling
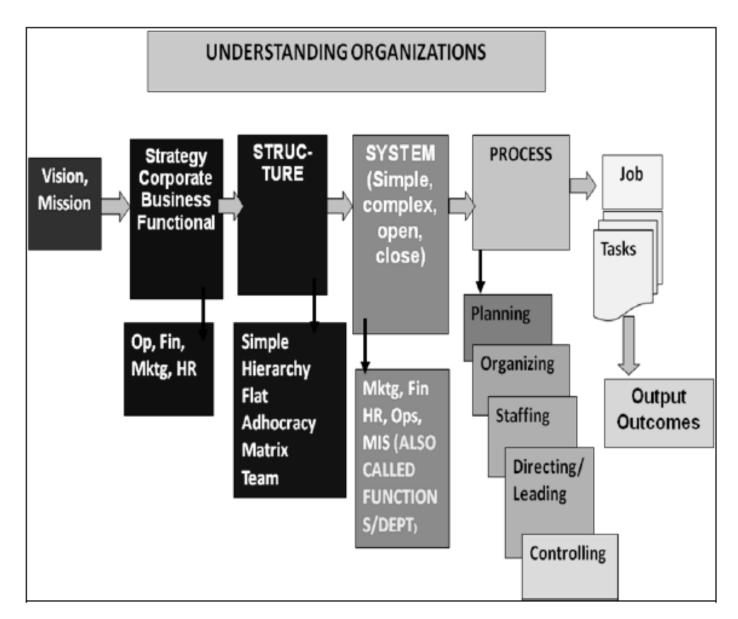- Job / Tasks → Output Outcomes

Fig. 1.1: Overview of the organizational Process

- **Process:** The series of logical actions in a system that converts the input into an output.

- **Strategy:** The grand plan which may pertain to the corporate, business or functional area such as marketing. This is a way of achieving the vision and mission.

- **Structure:** The way various departments are organised. It indicates how these departments communicate with each other.

- **System:** It indicates how the input is converted into output using a series of processes together called the throughput. Systems are independent yet interdependent.

- **Vision and mission:** A formal definition of the purpose of the organisation and what it wants to achieve. Usually it is in a written form and becomes a lighthouse for the organisation to navigate itself.

- Organisation is a social system of people who are structured and managed to meet some goals.

- Every organisation should have a vision and mission or in simpler language a purpose.

- To achieve the vision, a lot of activities or tasks such as the task of buying wood or cutting it have to be performed.

- Similar tasks, when grouped together, become the job.

- When jobs are grouped together and put into some logical sequence and it becomes the process.

- Processes use input and convert these into an output.

- The input, the logical processes along with the output is called a system.

- For example, the manufacturing system of tables and chairs has an input of wood, nails, knowledge of the carpenter, etc, a series of processes or throughput such as cutting the wood, making the grooves, connecting them, and the output.

- The input of wood comes only because someone has purchased it and brought it to the location and this is based on the purchase system. So, the output of the purchase system is the input for the manufacturing system and that of the manufacturing for the marketing system, etc.

GK

- It follows that there has to be some internal communication and control within the purchasing system and between the purchasing system and manufacturing system, etc. This is called structure. Structure controls the way we interact within and in between systems.

- The structure depends on the strategy, i.e., if the strategy is to make the chair making very innovative, then everyone need to talk to everyone else and act accordingly but if it is to be made very cost effective and run like a machine without much innovation, then this type of communication is not necessary and you may adopt a hierarchical system. The strategy itself is based on the vision and mission.

Vision
Clarifies long term direction of a company [where the company is going] & reflects management's aspirations for the company.

Mission
Statement of the basic purpose for a company's existence & its values [role towards customers, employees, society, etc.].

Strategy
Course of action created to achieve a long term goal.

Goals
Long term aims that a company / individual wants to achieve.

Objectives
Concrete attainments that can be achieved by following a certain number of steps.

Funtions of Managers

1

Planning
• It bridges the gap between where we are and where we want to be
• It helps facing future with confidence

2

Organizing
• It involves grouping of task
• It involves specialisation, delegation, span of control, and departmentalization

3

Staffing
• Hiring Right people for right job
• It is devoted to acquiring, training, appraising, and compensating employees
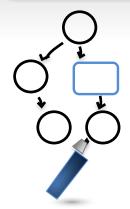
4

Directing
• It involves supervision, motivation, leadership, and communication
• It is a very people oriented function of management

5

Controlling
• It involves setting standards, measuring performance as per standards, finding deviations, and taking necessary corrective action

Functions of Management

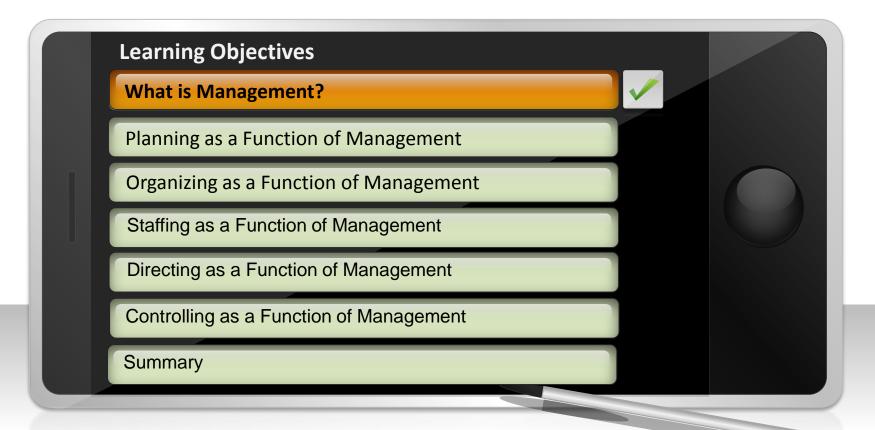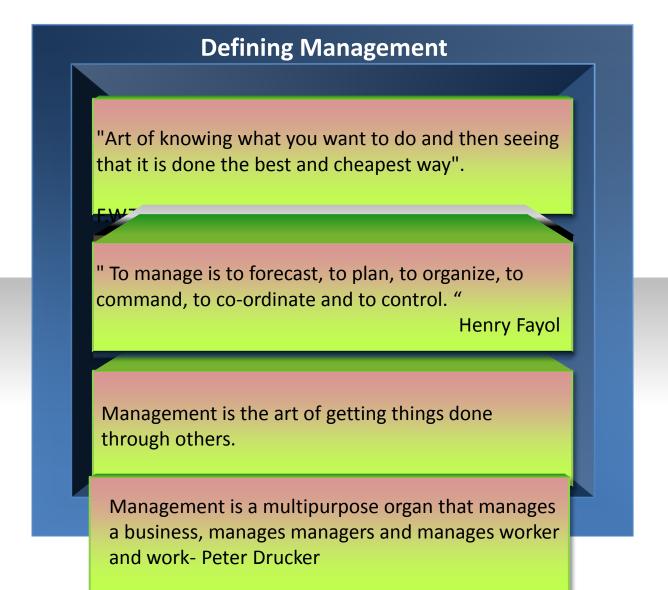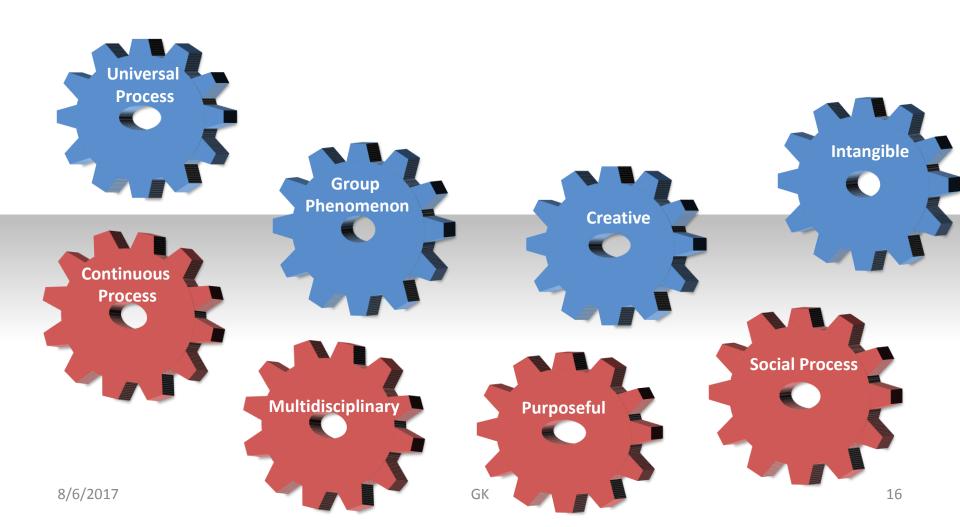## Learning Objectives

What is Management? ✓

Planning as a Function of Management

Organizing as a Function of Management

Staffing as a Function of Management

Directing as a Function of Management

Controlling as a Function of Management

Summary

What is Management?

Defining Management

"Art of knowing what you want to do and then seeing that it is done the best and cheapest way".

F.W.T

" To manage is to forecast, to plan, to organize, to command, to co-ordinate and to control. "

Henry Fayol

Management is the art of getting things done through others.

Management is a multipurpose organ that manages a business, manages managers and manages worker and work- Peter Drucker

What is Management?

Nature of Management

Universal Process

Continuous Process

Group Phenomenon

Multidisciplinary

Creative

Purposeful

Intangible

Social Process

Henri Fayol's 14 principles

- A principle refers to a fundamental truth. It establishes cause and effect relationship between two or more variables under given situation. They serve as a guide to thought & actions. Therefore, management principles are the statements of fundamental truth based on logic which provides guidelines for managerial decision making and actions. These principles are derived: -

  - On the basis of observation and analysis i.e. practical experience of managers.

  - By conducting experimental studies.

1. **Division of Labor**
2. **Authority & Responsibility**
3. **Unity of command (Principle of One Boss)**
4. **Unity of direction**
5. **Equity**
6. **Order**
7. **Discipline**
8. **Initiative**
9. **Fair Remuneration**
10. **Stability of Tenure**
11. **Scalar Chain**
12. **Sub-Ordination of Individual Interest to General Interest**
13. **Espirit De' Corps**
14. **Centralization & De-Centralization**

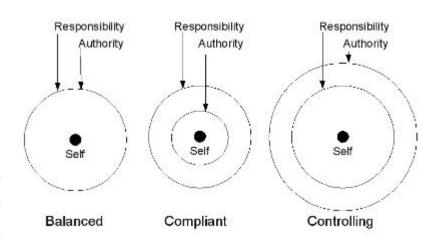# Henri Fayol's 14 principles

- **Division of Labor**
  - Henry Fayol has stressed on the specialization of jobs.
  - He recommended that work of all kinds must be divided & subdivided and allotted to various persons according to their expertise in a particular area.
  - Subdivision of work makes it simpler and results in efficiency.
  - It also helps the individual in acquiring speed, accuracy in his performance.
  - Specialization leads to efficiency & economy in spheres of business

Henri Fayol's 14 principles

- **Authority & Responsibility**
  - Authority & responsibility are co-existing.
  - If authority is given to a person, he should also be made responsible and vice versa.
  - **Authority refers to the right of superiors to get exactness from their sub-ordinates whereas responsibility means obligation for the performance of the job assigned.**
  - They must go hand in hand.
  - Authority without responsibility leads to irresponsible behavior whereas responsibility without authority makes the person ineffective.

| Balanced | Compliant | Controlling |

Henri Fayol's 14 principles

- **Unity of command (Principle of One Boss)**
  - A sub-ordinate should receive orders and be accountable to one and only one boss at a time.
  - In other words, a sub-ordinate should not receive instructions from more than one person because:
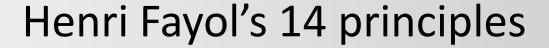
It undermines authority	Delays and chaos
Weakens discipline	Escaping responsibilities
Divides loyalty	Duplication of work
Creates confusion	Overlapping of efforts

  - Therefore, dual sub-ordination should be avoided unless and until it is absolutely essential.
  - Unity of command provides the enterprise a disciplined, stable & orderly existence.
  - It creates harmonious relationship between superiors and sub-ordinates.

Henri Fayol's 14 principles

- **Unity of Direction**
  - Fayol advocates one head one plan which means that there should be one plan for a group of activities having similar objectives.
  - Related activities should be grouped together. There should be one plan of action for them and they should be under the charge of a particular manager.
  - According to this principle, efforts of all the members of the organization should be directed towards common goal.
  - Without unity of direction, unity of action cannot be achieved.
  - In fact, unity of command is not possible without unity of direction.

Henri Fayol's 14 principles

Basis	Unity of command	Unity of direction
Meaning	It implies that a sub-ordinate should receive orders & instructions from only one boss.	It means one head, one plan for a group of activities having similar objectives.
Nature	It is related to the functioning of personnel's.	It is related to the functioning of departments, or organization as a whole.
Necessity	It is necessary for fixing responsibility of each subordinates.	It is necessary for sound organization.
Advantage	It avoids conflicts, confusion & chaos.	It avoids duplication of efforts and wastage of resources.
Result	It leads to better superior sub-ordinate relationship.	It leads to smooth running of the enterprise.

Therefore it is obvious that they are different from each other but they are dependent on each other i.e**. unity of direction is a pre-requisite for unity of command. But it does not automatically comes from the unity of direction**.

Henri Fayol's 14 principles

- **Equity**
  - Equity means combination of fairness, kindness & justice.
  - It implies that managers should be fair and impartial while dealing with the subordinates.
  - Equity is essential to create and maintain cordial relations between the managers and sub-ordinate.
  - But equity does not mean total absence of harshness.
  - Fayol was of opinion that, "at times force and harshness might become necessary for the sake of equity".

Equality   Equity

Henri Fayol's 14 principles

- **Order**
  - This principle is concerned with proper & systematic arrangement of things and people.
  - Arrangement of things is called material order and placement of people is called social order.
  - **Material order-** There should be safe, appropriate and specific place for every article and every place to be effectively used for specific activity and commodity.
  - **Social order-** Selection and appointment of most suitable person on the suitable job. There should be a specific place for every one and everyone should have a specific place so that they can easily be contacted whenever need arises.

What are the 5S's?

Japanese 5S's	English Translation	American 5S Standard
Seiri	Put Things in Order	Sort
Seiton	Proper Arrangement	Straighten Set in Order, Simplify
Seiso	Clean	Shine Scrub, Sweep
Seiketsu	Purity	Standardize
Shitsuke	Commitment	Sustain Discipline

Henri Fayol's 14 principles

- **Discipline**
    - "Discipline means sincerity, obedience, respect of authority & observance of rules and regulations of the enterprise".
    - This principle applies that subordinate should respect their superiors and obey their order.
    - Discipline is not only required on path of subordinates but also on the part of management.
    - Discipline can be enforced if -
        - There are good superiors at all levels.
        - There are clear & fair agreements with workers.
        - Sanctions (punishments) are judiciously applied.

Henri Fayol's 14 principles

- **Initiative**
  - Workers should be encouraged to take initiative in the work assigned to them. It means eagerness to initiate actions without being asked to do so.
  - Fayol advised that management should provide opportunity to its employees to suggest ideas, experiences & new method of work.
  - It helps in developing an atmosphere of trust and understanding as people then enjoy working in the organization because it adds to their zeal and energy.
  - They can be encouraged with the help of monetary & non-monetary incentives.

Henri Fayol's 14 principles
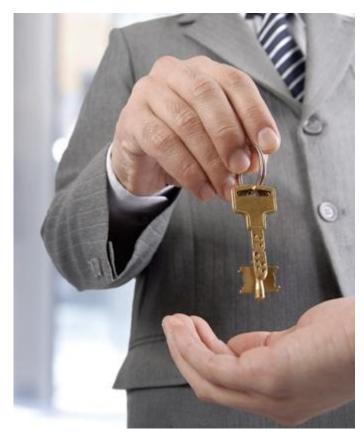

- **Fair Remuneration**
  - The quantum and method of remuneration to be paid to the workers should be fair, reasonable, satisfactory & rewarding of the efforts.
  - As far as possible it should accord satisfaction to both employer and the employees.
  - Wages should be determined on the basis of cost of living, work assigned, financial position of the business, wage rate prevailing etc.
  - Fayol also recommended provision of other benefits such as free education, medical & residential facilities to workers.

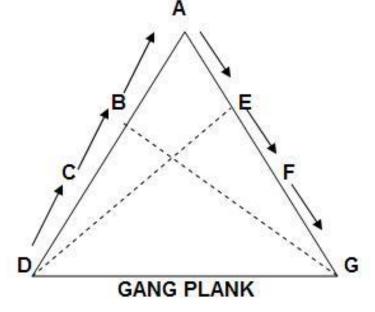# Henri Fayol's 14 principles

- **Stability of Tenure**
  - Fayol emphasized that employees should not be moved frequently from one job position to another i.e. the period of service in a job should be fixed.
  - According to Fayol. "Time is required for an employee to get used to a new work & succeed to doing it well but if he is removed before that he will not be able to render worthwhile services".
  - As a result, the time, effort and money spent on training the worker will go waste.
  - Stability of job creates team spirit and a sense of belongingness among workers which ultimately increase the quality as well as quantity of work.

Henri Fayol's 14 principles

- **Scalar Chain**
  - Fayol defines scalar chain as 'The chain of superiors ranging from the ultimate authority to the lowest".
  - Every orders, instructions, messages, requests, explanation etc. has to pass through Scalar chain.
  - But, for the sake of convenience & urgency, this path can be cut short and this short cut is known as Gang Plank.
  - A **Gang Plank** is a temporary arrangement between two different points to facilitate quick & easy communication.
  Gang Plank clarifies that management principles are not rigid rather they are very flexible. They can be molded and modified as per the requirements of situations

GANG PLANK

Henri Fayol's 14 principles

- **Sub-Ordination of Individual Interest to General Interest**
  - An organization is much bigger than the individual it constitutes therefore interest of the undertaking should prevail in all circumstances.
  - As far as possible, reconciliation should be achieved between individual and group interests.
  - But in case of conflict, individual must sacrifice for bigger interests.
  - In order to achieve this attitude, it is essential that
    - Employees should be honest & sincere.
    - Proper & regular supervision of work.
    - Reconciliation of mutual differences and clashes by mutual agreement.

Henri Fayol's 14 principles

- **Espirit De' Corps (can be achieved through unity of command)**
    - It refers to team spirit i.e. harmony in the work groups and mutual understanding among the members.
    - Espirit De' Corps inspires workers to work harder.
    - Fayol cautioned the managers against dividing the employees into competing groups because it might damage the morale of the workers and interest of the undertaking in the long run.
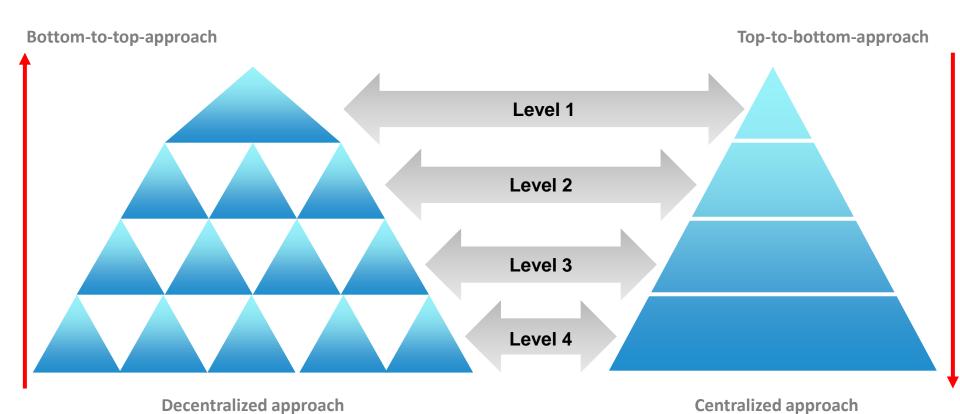
Henri Fayol's 14 principles

- To inculcate Espirit De' Corps following steps should be undertaken -
  - There should be proper co-ordination of work at all levels
  - Subordinates should be encouraged to develop informal relations among themselves.
  - Efforts should be made to create enthusiasm and keenness among subordinates so that they can work to the maximum ability.
  - Efficient employees should be rewarded and those who are not up to the mark should be given a chance to improve their performance.
  - Subordinates should be made conscious of that whatever they are doing is of great importance to the business & society.
- Face to face communication should be developed. The managers should infuse team spirit & belongingness. There should be no place for misunderstanding. People then enjoy working in the organization & offer their best towards the organization.

Henri Fayol's 14 principles

- **Centralization & De-Centralization**
    - Centralization means concentration of authority at the top level. In other words, centralization is a situation in which top management retains most of the decision making authority.
    - Decentralization means disposal of decision making authority to all the levels of the organization. In other words, sharing authority downwards is decentralization.
    - According to Fayol, "Degree of centralization or decentralization depends on no. of factors like size of business, experience of superiors, dependability & ability of subordinates etc.
    - ***Anything which increases the role of subordinate is decentralization & anything which decreases it is centralization.***
    - Fayol suggested that absolute centralization or decentralization is not feasible. An organization should strike to achieve a lot between the two.

Henri Fayol's 14 principles

Bottom-to-top-approach

Top-to-bottom-approach

Level 1

Level 2

Level 3

Level 4

Decentralized approach

Centralized approach

Managerial Roles

If you ask a manager <u>what he does</u>, he will most likely tell you that he plans, organizes, coordinates, and controls.

Then watch what he does. Don't be surprised if you can't relate what you see to these four words.
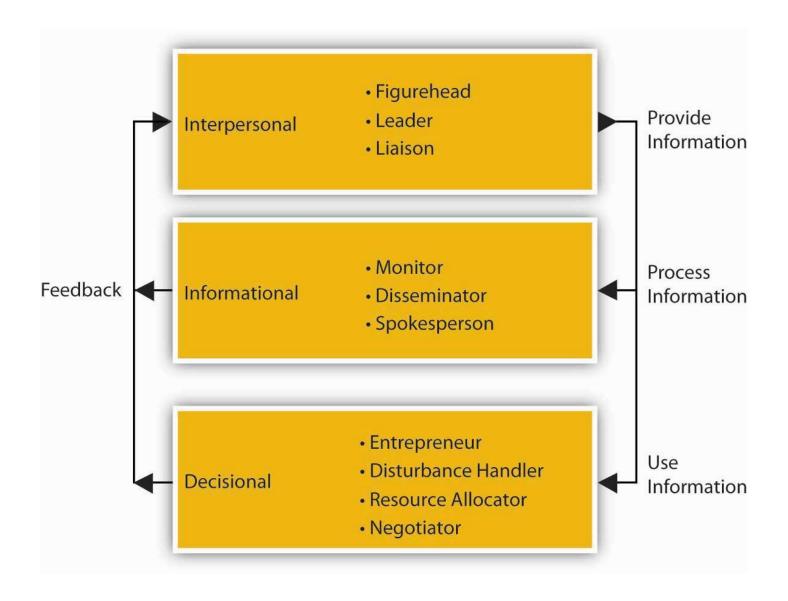
When he is rung up and told that one of his factories has just burned down, and he advises the caller to see whether temporary arrangements can be made to supply customers through a foreign subsidiary, is he planning, organizing, coordinating, or controlling?

What about when he presents a gold watch to a retiring employee? Or when he attends a conference to meet people in the trade? Or, on returning from that conference, when he tells one of his employees about an interesting product idea he picked up there?

In Henry Mintzberg's model managers play ten different roles (organized sets of behaviors identified with a position) that fall into three basic categories:

⇨ interpersonal roles

⇨ informational roles

⇨ decisional roles

Interpersonal
- Figurehead
- Leader
- Liaison

Provide Information

Informational
- Monitor
- Disseminator
- Spokesperson

Process Information

Decisional
- Entrepreneur
- Disturbance Handler
- Resource Allocator
- Negotiator

Use Information

Feedback

Interpersonal roles:

➲ figurehead role

➲ leader role

➲ liaison role

Figurehead role

By virtue of his position as head of an organizational unit, every manager must perform some duties of ceremonial nature.

a. The president greets the touring dignitaries (attends ribbon cutting ceremonies),

b. the foreman attends the wedding of a lathe operator, and

c. the sales manager takes an important customer to lunch.

Duties that involve interpersonal roles may sometimes be routine, involving little serious communication and no important decision-making.

Nevertheless, they are important to the smooth functioning of an organization and cannot be ignored by the manager".

Leader role

Because he is in charge of an organizational unit, the manager is responsible for the work of the people of that unit. His actions in this regard constitute the leader role.

Some of these actions involve leadership directly − for example,

a. in most organizations the manager is normally responsible for hiring and training his staff.

In addition, there is the indirect exercise of the leader role.

b. Every manager must motivate and encourage his employees, somehow reconciling their individual needs with the goals of the organization.

The influence of the manager is most clearly seen in the leader role.

Formal authority vests him with great potential power; leadership determines in large part how much of it he will realize.

Liaison role

In the liaison role the manager makes contacts <u>outside his vertical chain of command</u>. Managers spend as much time with peers and other people outside their units as they do with their own subordinates, and surprisingly little time with their own superiors. *<u>The manager cultivates such contacts largely to find information</u>*.

In effect, the liaison role is devoted to building up the manager's own <u>external information system</u> − informal, private, verbal, but nevertheless effective.

Informational roles:

➲ monitor role

➲ disseminator role

➲ spokesman role
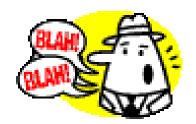
Monitor role

As monitor, the manager continuously <u>scans his environment for information</u>, interrogates his liaison contacts and his subordinates, and receives unsolicited information, much of it <u>as a result of the network of personal contacts</u> he has developed.

A good part of the information the manager collects in his monitor role arrives in *verbal form, often as gossip, hearsay, and speculation*. By virtue of his contacts, the manager has a natural advantage in collecting this <u>soft information</u> for his organization.

Disseminator role

The manager must share and distribute much of information.

Information he gathers from outside personal contacts may be needed within his organization.

In his disseminator role, the <u>manager passes some of his privileged information</u> directly to his subordinates, who would otherwise have no access to it.

When his subordinates lack easy contact with one another, the manager will sometimes pass information from one to another.

Spokesman role

In his spokesman role, the manager sends some of his information to <u>people outside his unit</u>.

In addition, as part of his spokesman role, every manager must inform and satisfy <u>the influential people</u> who control his organizational unit.

The president of a large corporation may spend a great deal of his time dealing with a host of influences.

- Directors and shareholders must be advised about financial performance;

- consumer groups must be assured that the organization is fulfilling its social responsibility; and

- government officials must be satisfied that the organization is abiding by the law.

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Decisional roles:

➲ entrepreneurial role

➲ disturbance handler role

➲ resource allocator role

➲ negotiator role

Entrepreneurial role

The entrepreneurial role describes the manager as the voluntary initiator of change.

As entrepreneur, the manager seeks to improve his unit and to adopt it to changing conditions in the environment.

In his monitor role, the president is constantly on the lookout for new ideas. When a good one appears, he initiates a development project. The chief executive appears to maintain a kind of inventory of the development projects that he himself supervises.

Like a juggler, he keeps a number of projects in the air: periodically one comes down, is given a new burst of energy, and is sent back into orbit. At various intervals, he puts new projects on-stream and discards old ones.

Disturbance handler role

While the entrepreneurial role describes the manager as the voluntary initiator of change, the *disturbance handler role depicts the manager involuntarily responding to pressures*.
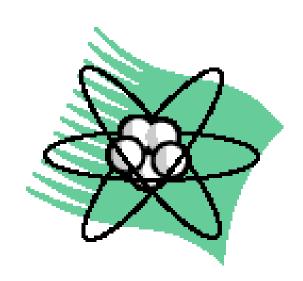
Here change is beyond the manager's control.

He must act because the pressures of the situation are too severe to be ignored: *a strike looms, a major customer has gone bankrupt*, etc.

Every manager must spend a good part of his time responding to high-pressure disturbances. Disturbances arise not only because poor managers ignore situations until they reach crisis proportions, but also because good managers cannot possibly anticipate all the consequences of the actions they take.

The things we fear most in organizations – fluctuations, disturbances, imbalances – are the primary sources of creativity.

Margaret J. Wheatley

Resource allocator role

Managers have the responsibility of deciding who will receive what in his organizational unit.

Perhaps the most important resource the manager allocates is his own time.

Access to the manager constitutes exposure to the unit's nerve center and decision-center. The manager is also charged with designing his unit's structure, that pattern of formal relationships that determines how work is to be divided and coordinated.

Also in his role as resource allocator the manager authorizes the important decisions before they are implemented.

Negotiator role

Studies of managerial work at all levels indicate that managers spend considerable time in negotiations. Negotiations are duties of the manager's job; perhaps routine, they are not to be shirked.

Types of Managers

Levels of Management

- – First-line managers
    - Responsible for day-to-day operations. Supervise people performing activities required to make the good or service.
- – Middle managers
    - Supervise first-line managers. Are responsible to find the best way to use departmental resources to achieve goals.
- – Top managers
    - Responsible for the performance of all departments and have cross-departmental responsibility.
    - Establish organizational goals and monitor middle managers.
    - Form top management team along with the CEO and COO.

LEVELS OF MANAGEMENT
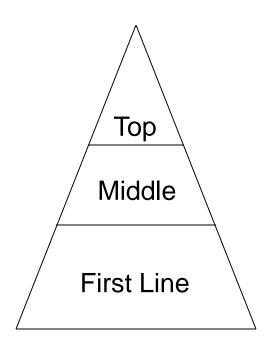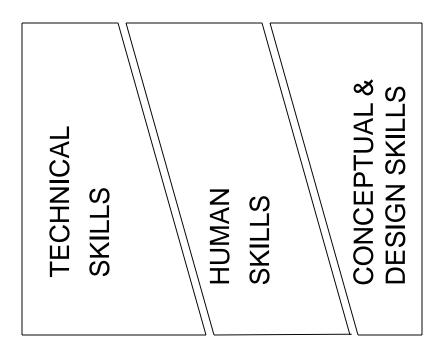
Skill Requirement in Managers

corporate social responsibility

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate social responsibility comes from integration of three words-: 'corporate,' 'social,' and 'responsibility.

Corporate: Organized business

Social: Everything dealing with the people

Responsibility: Accountability between the two.

CSR DEFINED

- CSR is the Corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare.

- The term generally applies to company efforts that go beyond what may be required by regulators or environmental protection groups.

- Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit, but instead promote positive social and environmental change.

DRIVERS OF CSR

1. Employees and shareholders
2. Brand equity
3. Ethical marketing practices and social awareness
4. The environment consciousness
5. Energy conservation and global warming
6. Responsibility towards the government

- Increased employee satisfaction leads to employee competence which results in superior service delivery and customer satisfaction.

- It takes decades for business organizations to build goodwill and trust in the minds of customers and shareholders.

- Building an ethically responsible culture can reduce the chances of employees indulging in unfair practices within the organization by emphasizing on professionalism and transparency.

- Socially responsible investments, effective communication, employee participation, fairness, and promotions, adequate compensation and personal development.

Ethical Concerns which need immediate attention

- Violation of consumer rights
- Exploitation of employees
- Protection of environment
- Exploitation of child labor
- Exploitation of women
- Misleading advertisements
- Production of hazardous products
- Ensuring Transparency in various departments
- Illegal trade practices
- Indulging in Corruption and unfair practices by Management
- Exploitation of scarce natural resources
- Violation of Intellectual Property Rights

Thank You!