**CHAPTER-2 INTRODUCTION TO MANAGEMENT**

***Concept and Definition of Management***

Management is the process of getting things done through others with the help of some basic activities like planning, organizing, directing, coordinating and controlling.

Management is the set of activities (including planning ,organizing, leading and controlling) directed at an organization’s resource (human, financial, physical and information) with the aim of achieving organizational goal in an efficient and effective manner**.**

***BASIC RESOURCES*** ***FUNDAMENTAL FUNCTIONS*** ***STATED OBJECTIVES***

The 6Ms Process of management End results

**DIRECTING**

**PLANNING**

**Men and women**

**Materials**

**Machines**

**Methods**

**Money**

**Market**

**ORGANIZING**

**CONTROLLING**

FIG: Management System

Source: Terry Franklin 2003, Principles of management

In conclusion, management is the process by which managers direct and control other people to concentrate and balance their efforts for efficiently accomplishing predetermined goals within the prevailing environment.

***Characteristics of Management***

1. **Goal oriented**: Every organization is established for a specific objective. management, under organization, is an instrument or system that contributes for the efficient use of human and other resources to achieve predetermined objectives. And the main objective of management is to maximize productivity with optimum use of human effort.
2. **Universal activity**: Management is essential where there is human activity. It is also necessary in all types of organizations. The process of management may be different from organization to organization and place to place but the basic principles of management are the same.
3. **Social process**: Management is a part of social process to achieve the objectives by, with, and through the people. It utilizes human resources for the achievement of organizational goals. Management has to consider not only the organizational objectives but also the social objectives. It has to fulfill the needs of employees within the organizational resources.
4. **Dynamic/modifiable activity**: Management is the dynamic and continuous process. The management system of today may not be applicable or effective for tomorrow; therefore, management must be dynamic and flexible with the changing environment of the society. And it has to modify its style according to the time and situation to adjust the changing environment of a business.
5. **Group activity**: The concept of management is not applicable if there is only one person or proprietor. It requires a team, class or section of people involved in various managerial functions. It is essential to have a group of people involved in performing any activity to achieve common goals.
6. **Distinct process**: Management is a process involves various types of functions. One function of management is interrelated with another function. The management clearly defines the specific process of work to achieve a predetermined goal without considering any trial and error approach.
7. **Both science and art**: It is experimentally proved that science is a systematized body of knowledge, principle or truth. Similarly, art is the personal skill and ability to apply the scientific principles.
8. **A profession**: Profession involves the specific type of work, followed by special knowledge and education. With the development of joint stock companies and multinational companies the ownership and management has been different. Management of huge organizations has been entrusted in the hands of professionals having specific skill and knowledge.
9. **Multi- disciplinary in nature:** Management is multi- disciplinary in nature. So, many of the principles and techniques used in management are borrowed from a number of other disciplines like psychology, sociology, economics, and mathematics.

***Principles of Management***

1. **Division of work**: This principle is similar to the famous economist, Adam Smith’s principle of division of labor. According to the principle, every employee is an organization must be assigned only a specific type of work to increase efficiency. The development of specialization ensures simplicity and accuracy in performance.
2. **Authority and responsibility**: Authority and responsibility are two interrelated terms in management. While authority is the power and right inherent in a managerial position through the manager commands subordinates, similarly responsibility is the obligation to be fulfilled by the subordinates. This principle emphasizes on the balance between authority and responsibility. Authority without responsibility can make a person irresponsible and there is possibility of misuse of power. Similarly, responsibility without proper authority makes a person ineffective.
3. **Discipline**: Discipline means obedience to superiors and their guidelines. It is also concerned to follow the rules, regulations and procedures of an organization. This principle is applicable to mangers and subordinates alike because all are within the rules of organizations.
4. **Unity of command**: According to this principle every worker/ subordinates must get orders and instructions only from one superior at a time. It means a subordinate should be accountable to a single superior at a time. Further, this principle is essential to fix the responsibility and avoid confusion.
5. **Unity of direction**: Unity of direction implies that there should be one head and one plan for a group of activities having a common objective. There must be one plan for common work and one in-charge to coordinate all the members of unit.
6. **Subordination of individual interest to general interest**: Individual interest means fulfillment of employees’ objectives, while general interest means the fulfillment of organizational objectives. This principle concentrates on the basic management philosophy that individual objectives of employees are subordinate to the common objectives because achievement of group objectives in the long run helps to fulfill individual objectives. Hence, it is essential to reconcile individual objectives with that of group objectives.
7. **Remuneration of personnel**: It is the reward paid to the employees for their contribution. The remuneration should be acceptable both to the management and employees. Wages should be determined by considering both employees’ responsibilities, cost of living and financial condition of the organization. Basic wage should be fixe; besides, there should be provision of monetary and non-monetary incentives.
8. **Centralization and decentralization**: Centralization is the retention of decision making authority at the top level management. On the other hand, decentralization is the systematic division of decision making authority from top to bottom in a hierarchy. Generally, in small organizations where the range of activities is limited, centralization is preferred whereas in large organization decentralization is preferred.
9. **Scalar chain**: The scalar chain refers to the unbroken line of authority from top to bottom in hierarchy. This principle is important for systematic and orderly communication of information in an organization. Information has to be communicated through successive chain from top to bottom and vice versa. According to Fayol, the scalar chain must be strictly followed, except in emergencies.
10. **Order**: This principle is concerned with the systematic arrangement of materials and people. Fayol has classified order into two types: material order and social order. And placing machines and other physical things in proper place and quantity is material order, and placing right person to the right job is called social order. The material order emphasizes that all the physical resources necessary for proper functioning must be available at the right place at the right time.
11. **Equity**: This principle is concerned with kindness and justice to all the employees working in an organization. Being in the equity, management has to realize that loyalty and devotion can extracted from the members only through kindness and justice. Therefore, being concerned in it, management has to avoid the concept of favoritism and partiality among the employees.
12. **Stability of tenure**: According to this principle, employees must have a feeling of security of their job to continue the work efficiently. Instability of employees is the cause of poor management whereas the stability of employees helps to develop experience and efficiency.
13. **Initiative**: According to this principle, every employee should be given reliable freedom to exercise judgement in formulation and execution of plans. Obviously, employees do not expect any kind of interruption or guidance from superiors for minor technical work; instead, they want to fulfill their responsibility in their own risk and knowledge. For instance, freedom provides a sense of self- motivation among the employees making them more dedicated and loyal towards the organization.
14. **Esprit De Corps**: Esprit De Corps is a proverb that means union is strength. It is possible only through harmony and mutual understanding among the workers. According to this principle, the manager has to take necessary steps to promote team spirit and develop a feeling of harmony among each other. Managers have to attain organizational objectives through group effort.

***Process and Functions of Management***

Managerial function includes all managerial activities from setting to taking essential steps to ensure and achieve organizational objectives. These functions are essential to create a better working environment to achieve predetermined objectives. The major functions of management include:

1. **Planning**

Planning is the primary function of management. It involves selecting the objectives, policies, procedures and program to achieve a desired result. It is also the process of thinking before doing anything. Planning gives solution to various problems, which may arise in course of functioning. It minimizes future uncertainties and risk. It saves time, effort and cost of the organizations. Planning includes:

* Setting organizational objectives.
* Forecasting the events.
* Formulating policies and procedures.
* Preparing work schedule and budget.

1. **Organizing**

Organizing is the process of identifying the major activities, grouping them into jobs according to the nature and assigning the jobs to different departments and individuals. It is concerned with developing the structure and framework and arranging required resources to perform required activities. Thus, it is the framework where all the mechanisms involved in achieving common objective being clarified. The major activity of organizing includes:

* Identifying major activities.
* Grouping them into their managerial units.
* Assigning jobs to different departments and employees.
* Delegating necessary authority to fulfill given responsibility.
* Coordination of these activities and authority relation throughout the organization.

1. **Staffing**

Staffing is concerned with recruitment, selection, appointment and placement of right person to the right job. Staffing is the life-blood of an enterprise which mobilizes all other resources for the achievement of common goals. Staffing is the continuous process for the continuous existence of an organization. Staffing includes:

* Determining the total manpower requirement.
* Recruitment, selection and appointment of right person to the right job.
* Organizing seminar, workshop and training to develop employees’ skill.
* Performance evaluation, promotion and transfer of employees.
* Remunerating employees according to their skill and ability.

1. **Directing**

Directing is a complex function that includes all those activities which are designed to encourage a subordinate to work effectively and efficiently.it is concerned with instructing, guiding and inspiring subordinates to achieve organizational objectives. The direction function of management includes:

1. **Supervision**: Supervision refers to the direct and immediate actions to the subordinates to ensure the execution of assigned works. The main motive of supervision is to ensure optimum utilization of human and physical resources so as to achieve organizational objectives.
2. **Motivation**: Motivation is a psychological and human aspect.it is the process of stimulating subordinates to achieve predetermined goals. It is based on need and human behavior. As a social being, workers want fulfill their basic and social needs. They might be motivated both from financial and non- financial incentives.
3. **Leadership**: Leadership is the art of influencing the behavior and performance of the subordinates. It is the ability to persuade others to make them work willingly to achieved desired goal. A person is said to be a leader when he is able to influence others and they accept his guidance, suggestions and directions.
4. **Communication**: Communication is the process of transmitting ideas and information from one person to another. It is exchange of facts, opinion, ideas, and views among two or more persons. Effective communication system among all the stakeholders of an organization is essential for its successful operation. So, there must be an effective, direct, and clear communication system to follow information on various management levels.
5. **Coordination**: Coordination is the process of integrating all the units and departments of an organization. It is the process of orderly arrangement of group efforts to provide unity of action for the attainment of common goals. Different department and people perform different functions in an organization. Therefore, coordination among all departments is necessary to bring uniformity in action to achieve organizational goals.
6. **Controlling**

Controlling is the process of setting a standard, measuring performance, comparing actual performance with that of planned performance and taking corrective action. Taking corrective action is necessary if actual performance is not in accordance with the planned performance. Controlling includes:

* Setting standards.
* Measuring actual performance.
* Identifying deviation, if any, between actual and planned performance.
* Taking corrective actions to achieve predetermined goals.

***Managerial Hierarchy/ Levels of Management***

The managerial hierarchy refers to the arrangement of managerial positions in an organization. The common managerial hierarchies practiced in different organizations are as follows:

* Top Level Management (Board of Directors, Chief Executives Officers)
* Middle Level Management (Department Heads)
* Lower Level Management (Supervisor, Foreman and Account-in-charge)

1. **Top Level Management**

This is the highest level of managerial hierarchy and is also known as the brain of management. The top level management derives its power directly from the owners of the enterprise. In corporate enterprise, top level management constituted with a management committee elected directly from shareholders as members of board of directors. Besides, this level also includes a chief executive like a chairman, president, managing director or general manager. The basic functions of top level management are:

* To define overall objectives of an organization.
* To set up organizational structure to complete the work in efficient and systematic manner.
* To prepare strategic plans and policies of the organization.
* To direct, coordinate and lead all the subordinates.
* To appoint departmental managers and guide them to do their work.
* To exercise overall control of all members of the organization.
* To evaluate and review the performance of all departments and take necessary steps to achieve organizational objectives.
* To represent the organization to the outside world.

1. **Middle Level Management**

Middle level management is the largest group of managers in most organizations. It is known as backbone of an organization. This level of management consists of departmental heads like human resource manager, production manager, marketing manager, finance manager, procurement manager and similar other positions. In some big organizations, this level of management may have two layers- senior and junior middle level managements. Head of the department come under the senior level whereas branch heads are considered as under junior level management. The top level management delegates a major part of its authority and responsibility to this level. This level plays the role of mediator between top and first line management. The basic functions of basic level management are:

* To play the role of mediator between top- level and first line management.
* To implement plans and policies laid down by the top level management.
* To prepare departmental plans and strategies on the basis of guidance and information from top-level.
* To divide work among subordinates and maintain coordination among them.
* To delegate authority and responsibility to the first line management.
* To make provisions of training, workshop, seminar and other activities.
* To submit progress reports and recommend valuable suggestion to the top level management.

1. **Lower Level Management**

This level is known as first line or operating level of management. It is directly involved in the actual operation of production, marketing, financing, accounting, etc. this level consists of supervisors, foreman, sales officers, accounts officers, superintendents, and other operational heads. The basic functions of first line management are:

* To make day to day plans and to implement plans formulated by middle level management.
* To assign responsibilities and duties to the employees.
* To provide necessary instructions and guidance to subordinates.
* To manage resources.
* To maintain close and harmonious relation among all the employees.
* To perform intermediary functions between middle level management and operating level employees.
* To submit progress report to the middle level management.
* To operate and create better environment for work.

***Types of Managers***

Managers working in an organization may be classified into different groups. The common classification of managers can be made on the basis of levels and the nature of works.

**On the Basis of Levels of Management**

1. **Top Level Managers**
2. **Middle Level Managers**
3. **Lower Level Managers**

**(\*note-already defined in level of management)**

**On the Basis of Nature or Area of Managerial Job**

1. **Generalist manager:** Managers who perform different types of jobs in an organization as per the requirement are called generalist managers. They do not specialize in any special area. But they have to look after the overall activities of the organization apart from any particular area of operation. They have over workload, as they have to perform diverse nature of jobs. Chief executive officers, president, vice presidents, general managers or deputy general managers fall under this category.
2. **Functional managers:** Managers who specialize in specific area are functional managers. Their authorities, duties and responsibilities are already described in the job description. In practice, all department heads of a business firm are functional managers. In normal course of operation, they are accountable about the performance to their own department and unit.
3. **Staff managers:** They are professional and experts in a specific area of business. They are given no specific formal position in management level. However, they play the role of advisors between generalist and functional managers. They provide guidance and suggestion to both the above managers on the basis of requirement. Legal advisors, external auditors, management consultants are examples of such managers.

***Managerial Skills***

A skill is an ability to translate knowledge into action that result in desired performance. Whether they are top level managers, middle level managers, or lower level managers, working in the public or private sectors, all managers need specific skills to be effective.

1. **Technical skills:** Technical skill is the ability to use specific knowledge and expertise in order to deal with day to day problems or activities. This skill is highly necessary for lower level managers as they are closest to day-to-day activities and problems. The need and importance of technical skill usually diminishes with successive higher levels.
2. **Conceptual skills:** Conceptual skills consist of ability to visualize or conceptualize the whole organization by understanding internal as well as external realities. These skills are more important to top level managers as they are required to fully understand the organizational system, various subsystems and their interrelationship, and the external environmental factors that influence the organization. The relevance of conceptual skill for lower level managers is substantially low as they are mainly concerned with their own unit’s functions only.
3. **Human skills:** Human skill is the ability to work with other people in a cooperative manner. It involves understanding patience, trust and genuine involvement in interpersonal relationships. The human relations skill is essential at every level of management as it is the reflection of a manager’s leadership abilities. Since the lower level managers are required to handle relatively larger number of people at the workplace, this skill is more important to them.
4. **Diagnostic or analytical skills**: This skill refers to a manager’s analytical ability where a manager can logically and objectively investigate and analyze a problem or opportunity. It is needed to understand a situation in a particular context and make appropriate decisions. This skill is extremely significant to the performance of top level managers.
5. **Communication skills:** Communication skill is the ability to properly transmit ideas, information and understanding from one person to another. It is almost equally important for managers for all levels. Proper communication eliminates delays, misunderstanding, confusion, distortions and conflicts and improves coordination and control.
6. **Political skills:** The word “politics” has a bad reputation in the workplace, with connotations of manipulation and dark dealing.it actually means the ability to read the situation well, understand others and develop and use networks effectively to enhance one’s personal and organizational agendas. Higher level managers are generally required to be more political to exert influence on their subordinates in order to get things done.
7. **Computer skills:** Computer skills involve the conceptual understanding of computers and, in particular, the ability to use the computer software to perform many aspects of one’s job. Regardless the level of management and the type of organization, it is quite important these days.

***Managerial Skills***

1. **Interpersonal Roles**

This role of managers relates to his contacts and dealings with other people. Manager, in this role, tries to maintain an interpersonal relationship with employees and outsiders on behalf of the organization. The interpersonal role of a manager includes:

1. **Figurehead**: Managers play this role when they perform duties that are ceremonial and symbolic in nature. These include greeting the visitors, distributing gifts, attending ceremonial functions etc.
2. **Leader**: Managers play this role when they perform official functions. And this role is essential to maintain discipline and efficiency among the staff of the organization. The leadership role involves directing, motivating, leading and controlling to carry out operating activities as per the organizational plans.
3. **Liaison**: Managers play this role when they work as connecting link between their organization and outside institution or people. This role of managers helps to maintain social and business relation with outsiders. Through this role, managers work as bridge between different units of the organization and outsiders.
4. **Informational Role**

Information is the lifeblood of an organization; and communication of day-to-day information is necessary in every organization. The role involves receiving, collecting and disseminating information.

1. **Monitor**: This role involves receiving information about internal performance of the organization and also external events. For this, a manager may appoint manpower of different skills to examine the environment in order to gather information about changes, opportunities and problems that may affect the organization. The formal and informal contacts are useful for collecting information.
2. **Disseminator**: This role involves transmitting relevant information to the members of the organization. And, this information may relate to the internal information and external environment.
3. **Spokesperson**: As a spokesperson, a manager formally relays information to people outside the organization. Performing such a role, the managers act as an agent of the organization. The manager explains the view point of enterprise on significant matters or answers queries of the people.
4. **Decisional Role**

Decisional role involves making choices to solve organizational problems. Collecting information and maintaining relationship with others serve as a basis for decision- making. The four important decisional roles are entrepreneur, disturbance handler, resource allocator and negotiator.

1. **Entrepreneur**: This role involves initiating change or acting as a change agent and taking risks for better performance. A manager develops new ideas and strategic models for implementation. First line supervisors continuously look, for new ideas or new methods to improve unit performance. For example, an effective marketing mangers continually seeks new product ideas.
2. **Disturbance handler**: This role involves taking corrective action when the organization faces unexpected disturbance like strike, feud between subordinates etc. The immediate step is to respond quickly and bring back/restore normality. As such, the managers have to handle a conflict tactfully.
3. **Resource allocator**: Resources include money, people, time and equipment. The manager has to allocate the scarce resources in many departments and units where they are most needed. Therefore, a manager has to decide exactly who should get what.
4. **Negotiator**: A manager must bargain with other units and individuals to obtain advantage for unit. The negotiations may concern work, performance, objectives, resources or anything else influencing the units.

***Emerging Challenges for Management***

1. **Globalization**: The introduction of network in transportation, communication, and economic interdependency has tied the people of the world together and causing the global to shrink. Any quality product or service produced in one part of a country can easily reach all parts of the world without any restriction or barriers. Since globalization has brought the concept of keen competition among the entrepreneurs of the world. Therefore, the present managers have to work hard be considering the global prospective. For that, they must be innovative and adjustable according to the changing environment.
2. **Development of environmentalism**: Environmental issues are major issues in management these days. These issues involve deforestation, global warming and depletion of the ozone layer, toxic waste and pollution of land, air and water.

The green movement has spread in Europe, North America and other parts of the world to maintain the environmental ecology. Therefore, the present managers have the challenge to develop creative ways to make profit without harming the environment in the process of production.

1. **Quality of productivity**: The introduction of quality enhancement program provides, broadly, three positive results to the management. Firstly, the number of defects will be decreased causing low return of defects from customers. Secondly, when the number of defects goes down, the involvement of resources to rework on the defectives will decrease resulting in minimized wastage of resources. Thirdly, when employees become responsible to maintain quality, it reduces the need of quality inspectors as a result of which efficiency and effectiveness of the organization will improve. The maximization of productivity ultimately minimizes per unit cost of output.
2. **Ethics and social responsibility**: Ethics and social responsibility have become growing concerns for managers today. Ethics is an individual ‘s personal beliefs about what constitutes right and wrong. It is developed through family, experience, personal values, and morals, and situational factors. The most vital ethical concern of modern managers is to know how an organization treats its employees, how employees treat the organization and also how an organization treats other economic agents like customers, competitors, suppliers, union etc.
3. **Workforce diversity**: Workforce diversity is increasing in organizations today because of changing population dimensions. There are several dimensions of diversification; however, the important ones are age, gender, and ethnicity. From one angle it can be the source of cost advantage, source of resource acquisition, marketing, creativity, problem solving and system of flexibility. From another angle it could be a source of conflict in an organization.
4. **Innovation and change**: Innovation of new knowledge to fulfill the expectations of stakeholders is increasing today. It has become a fact of everyday life for everyone in business operation. At present managing change is a critical challenge to the managers. Change may occur in attitude and behavior pf stakeholders like competitors, customers, employees, suppliers, and lenders. It is an important responsibility of managers to handle such change in a scientific and practical way. They have to improve quality of products and service to fulfill the changing need of customers.
5. **Empowerment of employees**: Employees are the major element of the internal environment of an organization. To maintain mutual relation between managers and employees it is essential to delegate the decision making authority to subordinate level employees, which is a challenging task. At present, employees have become more powerful due to decentralized authority and labor unions affiliated to political parties, and this has been a serious problem for many organizations.
6. **Knowledge management**: In this competitive, environment, knowledge has become power. And the society expects new ideas, new things and creativity in product or service from any organization. To fulfill such social expectations, the managers has to accumulate knowledge and ideas from all members involved in the organization.
7. **Technological management**: Today, technological development is an ever growing process. Technological development tends to increase the aspirations and expectations of customers, investors, competitors, employees and other stakeholders of an organization. The most important challenge of present- day managers is to identify and predict the ever developing new technology. The management of technology is newly emerged aspect in the field of management. It is the responsibility of managers to keep pace with the changes in technology and grab the opportunity to make business success.
8. **Multi culture effects**: Innovation of modern communication and transportation system has tied the multi- cultured people together. They work together to meet their common and professional objectives even if they have different traditions, values, social attitudes, religious belief and living approach. The involvement of cross- culture professionals in organizations is continuously increasing. Management is effective only when it is able to maintain coordination among multi culture professionals.

In the context of Nepal, political instability, powerful labor unions affiliated with political parties, rising public expectations and lack of skilled manpower due to brain drain are the major challenges for managers.