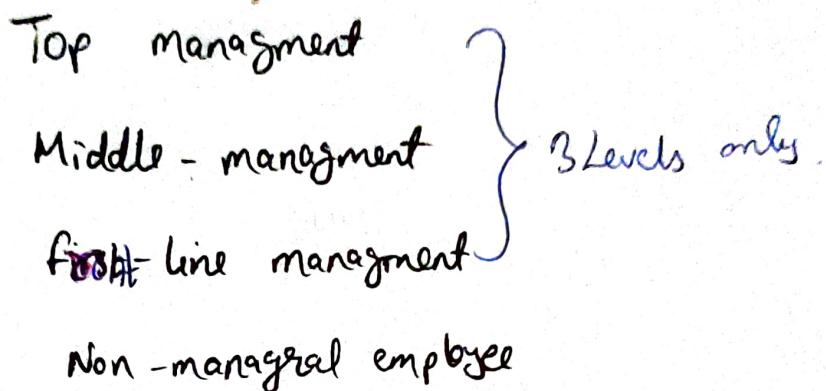


# Principle of Management

## Level of management



- Top Level → sets mission & goals, develop policies, evaluates performance of various departments & concerned mainly with long-term planning.
- Middle Level → develops department goals, executes the policies, plans & strategies determined by top management, develops medium-term plans & supervises & coordinate lower-level management
- Lower (supervisory, frontline) Level: takes charges for day-to-day operations, short range plans, responsible for smaller segments of business.

## fn's of management

- Planning
- organizing
- Leading
- Controlling

- 3 kinds of skills for managers.

- 1) Technical skills
- 2) Human skills
- 3) Conceptual skills

2/10

### Systems approach

- The systems management theory proposes that businesses consist of multiple components that work harmoniously so that large system can function optimally.
- Each part represents department or sub-system. Each department has a subsystem, one department affect other departments also.
- however it fails to provide concepts that apply to all types of organizations.
- System approach → this is set of interrelated & inter dependent parts arranged in a manner that produces a unified whole.  
eg human body is system with bones, muscles, organs etc who work together to form a body.

## Situational / contingency approach

Contingency approach is management theory that suggests there is no single best way to manage. Rules & policies may change according to situations.

## Decision theory approach

it brings together psychology, statics, philosophy & maths to analyze decision-making process.

Steps to make effective decision

- 1) identify problem
- 2) specify objectives
- 3) develop alternatives
- 4) Compare alternatives
- 5) Select best alternatives
- 6) Implement the decision

## McKinsey's 7-S framework

Has identified seven internal elements of an organization  
that need to align for it to be successful.

hard elements

Strategy

Structure

Systems

soft elements

Shared values

Skills

Style

Staff

### • What is management

Management helps in deciding the way ahead for an organization

# Functions of management

## 5 functions

- 1) Planning
- 2) Organizing
- 3) Staffing
- 4) Directing
- 5) Controlling

relation b/w planning & controlling :-  
planning sets goal for organization & controlling ensures their accomplishment

## Q What is planning?

It deals with chalkling out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals.

or can say  
Planning is deciding in advance - what to do, when to do & how to do.

## Steps of planning

1. Setting objectives
2. Developing planning premises
3. Identifying alternative courses of action
4. Evaluating alternative course of action
5. Selecting one best alternative
6. Implementing the plan
7. Follow up action

## Types of planning

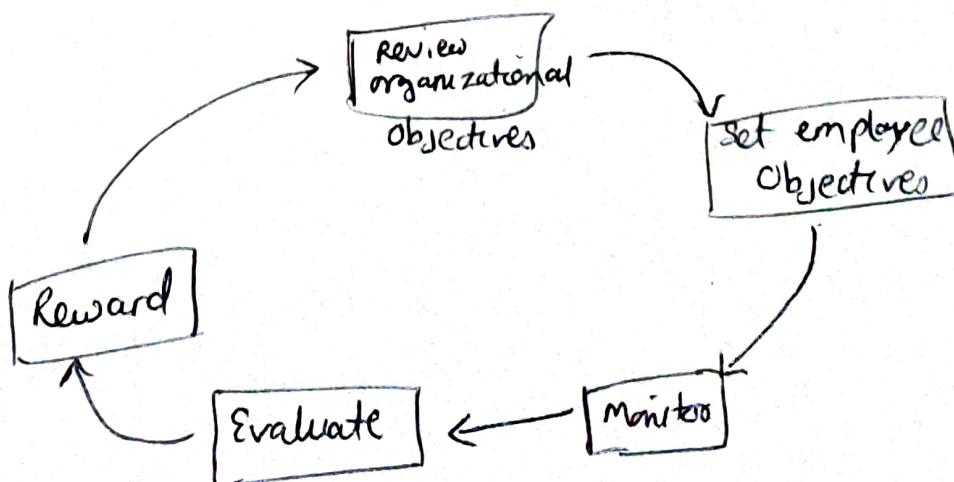
- 1) Operational plan :- is what happens when team or department draws from company-wide strategy plan.
- 2) Tactical plan :- is when you focus on specific steps you need to take in order to achieve a goal.
- 3) Strategic plan :- is process of documenting & establishing a direction of your business. Strategic plan gives you
  - ✓ vision, values as well as long term goals.  
*place to record*

\* Purpose : it guides you .(reason why you exist)

Mission : drives you (what drives you to fulfill purpose)  
(define company business, objectives & its approach to reach those objectives)

Vision : is where you aspire to be. (describe future position of company)

## Management by objectives



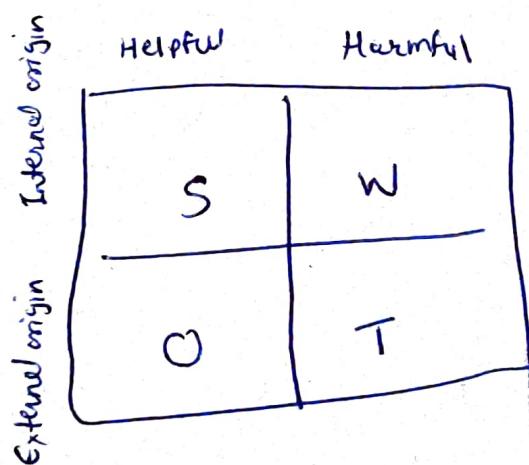
## SWOT analysis

SWOT stands for Strengths, weaknesses, opportunities & Threats.

SWOT analysis organizes your top strengths, weaknesses, opportunities & threats into an organized list and usually presented in two-by-two grid.

SWOT helps you to look at your business in new ways & from new directions. You will look at your strength & weaknesses and how you can leverage those to take advantage of opportunities and threats that exist in market.

- Strength & weaknesses are internal to your company, while threats and opportunity are external.



- **Procedure** :- A chronological series of steps or tasks constitute a procedure. It is standing plan acting as a means of implementing a policy.
- **Objective** → they are endpoint of planning activity, is what we want to achieve. eg like company's objective can be to increase sale by 20%.
- **Program** → sequence of activities designed to implement policies & accomplish objective. Procedures tells how it is to be done & program tells say what is to be done.
- **Rule** → A rule requires that a specific action be taken or not taken with respect to situation.
- **Budget** → is projection defining anticipated costs of attaining an objective.
- **Strategies** → It is complete & all-inclusive plan for achieving decided objectives.
- **Policies** → are generic statements, which are basically a guide to channelize energies towards a particular strategy. eg company have return policy etc.

## TOWS matrix

tows analysis is variant of swot analysis

It is framework to access, create, compare & finally deciding upon business strategies.

Same SWOT but here we try to link this factors, their impact

SO → Strength to opportunity

WO → ST, WT

SO strategies → using strength to exploit  
potential opportunities (maxi-maxi)

WT strategy → (mini-mini)  
minimize weakness to minimize threats.



Potential ↑	SO	(maxi-maxi)
	ST	(maxi-mi.)
	WO	(mini-maxi)
	WT	(mini-mini)

## BCG matrix

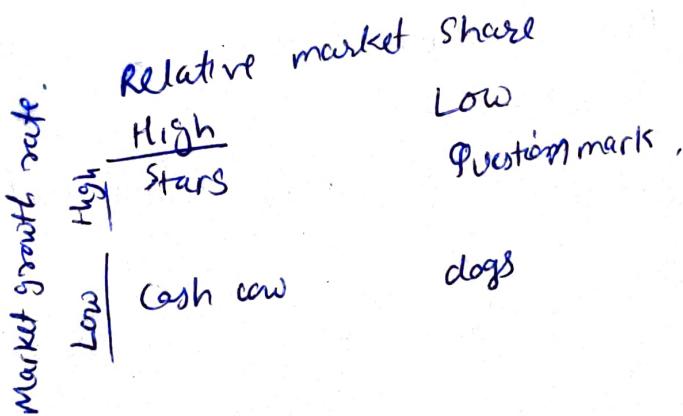
- Boston Consulting group (BCG) matrix was created to help corporations to analyze their business units
- main purpose is to make investment decisions on corporate level.

has 2 variables

- 1) Relative market share (RMS) (measure of company's competitiveness)
- 2) Market growth rate (MGR) (is measure of market's attractiveness)

RMS = Business unit sales in this year / Leading rival sale this year

MGR =  $\frac{\text{individual sales this year} - \text{individual sale last year}}{\text{individual sales last year}}$



# Organizing

Is process of bringing together physical, financial & human resources & developing productive relationships amongst them for the achievement of organizational goals.

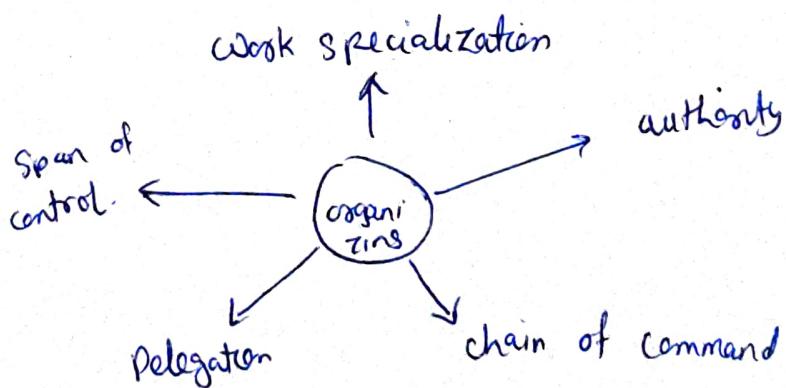
tasks :-

1. Identify & classify activities
2. Departmentalization
3. classifying the authority
4. Co-ordination betn authority & responsibility

• formal organization :- are formed to serve specific purpose or meet goals.  
eg business & governments,

Informal organization - - serve needs of individuals ,  
eg clubs or social network

## 5 principle of organizing

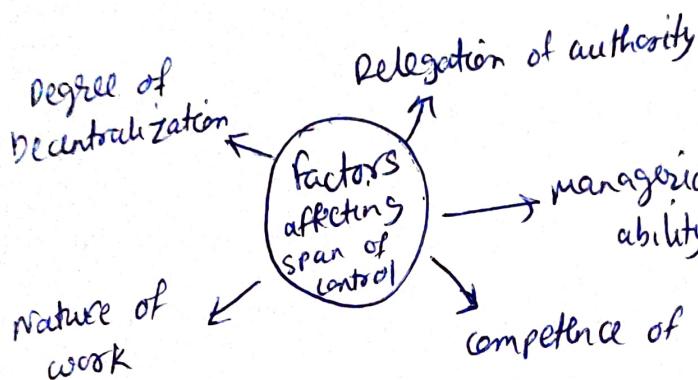
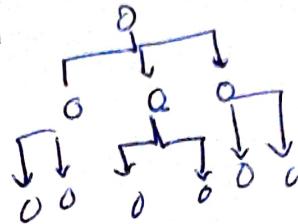


- Span of control  
Span of supervision which depicts no. of employees manager can handle.

Span  
→ wide span



→ narrow span



### • Principle of Delegation

Practice of turning over work-related tasks and/or authority to employees or subordinates.

## • Departmentation

The first step in designing organization structure is to divide whole work into a number of jobs to ensure that no important activity is left out.

The next step is to bring together homogeneous jobs into groups & decide their relation to each other. This process is known as departmentation.

- Departmentation by product (men's shoe, party shoes, sport wear etc.)
- Departmentation by processes (Engineering, Production, Finance, HR.)
- Departmentation by matrix or grid (Departments are further divided into teams)  
both functional & product.  
& task (project)

## Authority

Line

Line & staff

functional

→ is right to act & take power of decision making.

## Delegation of authority

transfer of authority to subordinates to act independently within limit

- Root task that can be delegated
- Determine incharge
- Define task to be delegated
- Delegate task
- Monitor & Encourage
- Evaluation

} for implementing effective Delegation of process.

## 7 principles of delegation

- 1) Principle of functional delegation (control specific process, practical)
- 2) " " " unity of command (one superior only)
- 3) " " " by result expected (what they want to achieve)
- 4) principle of absoluteness of responsibility. (responsibility of superior doesn't decrease one he has delegated authority)
- 5) Principle of parity of authority & responsibility (maintain b/w responsibility & delegation)
- 6) Authority level principle. (decision making should remain at level at which authority is delegated)
- 7) Scalar principle (refers chain of authority from supreme to lower level).

## Transactional Leader

- also called Managerial leadership
- based on concept of exchange b/w leader & group members
- Influencing subordinates using reward & punishment

MBG (Management by exception)

- Leader sets standard & punishes if goals not met.

## Charismatic Approach

Leaders act as visionary driven by their convictions

## Contingency approach to leadership

## Leadership

Can be defined as process of influencing & inspiring people so that they will strive towards achievement of common goal.

### Qualities of good leader :-

- 1) Vision    2) Charisma    3) Communication skills    4) Confidence
- 5) Accountability for actions    6) Open to new idea
- 7) Ability to nurture new leaders.

### • Transactional leaders follow MBE

Management by Exception (MBE)

• Leaders sets the standard & punishes if goals are not met.

• Less effective

→ Active MBE : actively monitor group & ensure they are not making mistakes

→ Laissez - Faire MBE : Leave group alone & only interact when there are problems.

### • Successful transactional leaders

Bill Gates , Howard Schultz , CEO of Starbucks.

## Transformational Leadership

Style of leadership in which leader identifies needed changes. Creates a vision to guide, change through inspiration & execute the change with commitment of members of group.

Gives employees more room to creative, look to future & find new soln to old problems.

## Path goal approach to leadership effectiveness

Goal → Enhance employee performance & satisfaction by focusing on employee motivation.

Centers on how leaders motivate their subordinates to accomplish their designated goals.

- ⇒ Emphasizes relationship b/w
  - 1) Leadership behaviour      2) Subordinates characteristics      3) work setting
  - 4) Leaders behaviour
    - 1) Directive      2) Supportive      3) Participative      4) Achievement

## Types of Leadership (by authority)

### Autocratic leadership

Leader orders & determines group policies without their opinion.

### 2) Democratic Leadership or Participative

Consultation with subordinates & their participation in making plans & policies

### 3) Laissez-faire or Free Rein

- Maximum freedom to followers
- Leader give full authority to subordinates & Leader does not interfere till asked.

### 4) Paternalistic Leadership

- Leader acts as parent or head of family.
- Guide, helps & protect his followers
- worker will work harder out of gratitude.

## Leadership Styles (Managerial Grid)

(Managerial grid)

Each axis on grid consists of nine-point scale with 1 meaning a low concern & 9 a high concern. Depending on a manager's score on each of the 2 axis you can assign different types of management styles to a manager.

## Five leadership styles

• Impoverished Management (1,1)

• Country club Management (1,9)

• Task management (9,1)

• Middle -of - the road (5,5)

• Team management (9,9)

contribute & commit , high concern is paid to both people & products

## 2 additional styles

► Paternalism - Maternalism management

► Opportunistic Managerial

## Leadership as Continuum

- A broad range of leadership styles have been depicted on the continuum b/w extremes autocratic & free rein
- The continuum presents a range of action related to degree of authority used by manager & to area of freedom available to non-managers in arriving at decisions.

## 4 Styles of Leadership according to this

- 1) TELLS → manager identifies & solve problem by himself. employees are not part of decision making
- 2) Consults → Manager identifies problem but consults his subordinate & subordinates suggests the soln.
- 3) SELCS → Decisions are made by manager but he understands the presence of resistance within employees & try to persuade them.
- 4) joins ; Manager defines the limits within which decision can be taken by subordinates & makes the final decision along with subordinates

## Motivation theory

Motivation is a state of mind filled with energy & enthusiasm, which drives a person to work in a certain way to achieve desired goals.

- Alderfer's ERG
- Existence (E) → basic survival needs
  - Relatedness (R) → our need to relate to other person
  - Growth (G)
    - ↓ refers to personal development

### • Frustration - regression principle

ERG theory proposes that if a higher level need fails to be filled then a person may regress & seek to further fill lower-level needs instead.

## 7 C's of communication

Clear

correct

complete

Concrete

Concise

Considered

Courteous (friendly, open & host)

Communication → A process by which information is exchanged betw individuals through a common system of symbols, signs or behaviour.

## Barriers to communication

Physical Barrier

2) Cultural Barrier

3) Language Barriers

4) Perceptual Barrier (Barriers due to self perceptions & associations)

5) Interpersonal Barrier (occur due to inappropriate transaction of words b/w two or more people)

6) Gender Barrier

7) Emotional Barrier (due to psychological state of communicator)

## Forms of communication

1) Verbal communication

→ written

→ oral

2) Non-verbal communication.

## Forms of communication in an organization

1) Formal communication

2) Informal communication

## Process of communication

→ Components are

- Sender

- Message

- Encoding

- Channel

- Receiver

- Decoding

- feedback

## Motivational techniques

- 1) Financial incentives
- 2) Job enlargement
- 3) Job enrichment :- increasing responsibility & job growth opportunities
- 4) Job rotation: shifting an employee from one job to another.
- 5) Participation: involvement in decision-making & planning.
- 6) Delegation of authority.
- 7) Quality of work life.
- 8) Management of objectives.
- 9) Behaviour modification

## Frost man's plan

A standard production is fixed for whole enterprise under this plan.  
If productivity exceeds standard then bonus is paid with increase  
In case production does not reach standard then workers get minimum wages only.

# Controlling

- Process of measuring performance & taking action to ensure desired result.

## Levels of controlling

- 1) Strategic control :- monitoring a strategy as it is being implemented & making necessary adjustment.
- 2) Operational control :- It is process of assuring that specific tasks are carried out effectively & efficiently.
- 3) Structural control :- structure of organization eg vertical communication, Centralized decision making
- 4) Financial Control :

## Control process in management

Control is a function of management which helps to check errors in order to take corrective action

types : gather info from past, evaluate that info & take actions.

- Feedback control →
- Concurrent control → process of monitoring & adjusting on going activity/process
- Feed forward control → attempt to detect & anticipate problems or deviation from standards in advance of occurrence.
- Behavioural control → focuses on controlling actions that ultimately lead to result.
- Outcome control
- Financial / non financial control → involves management of firm's costs expenses to control them in relation to budgeted amounts.

## Steps in Control process

- 1) Setting performance standards
- 2) Measuring the performance
- 3) Comparing actual performance with standards or goals
- 4) Analyzing deviations
- 5) Taking corrective action

## Decision making

Decision making is cognitive process of selecting a course of action, out of set of available alternatives.

### Characteristics of decision making

- Selective ◦ Cognitive (rationale)
- Dynamic (soln depending on time & circumstances)
- Positive or negative
- Ongoing
- Evaluation

### 3 phases Model

Phase 1  
Identification  
1. Recognition  
2. Diagnosis



Phase 2  
Development  
1. Search  
2. Design



Phase 3  
Selection  
1. Judgement  
2. Analysis  
3. Bargaining  
4. Authorisation

## Types of decisions

- 1) Organisational & personal decisions
- 2) Policy & operating decisions
- 3) Programmed & Non-programmed decisions
- 4) Operational & strategic decisions
- 5) Individual & group decisions

# Decision Making

Principle of limiting factor :-

- factors or constraints which hinders decision making process  
then it become easier for decision maker to chose best alternative.

Elements of Decision making :-

- 1) Decision maker
- 2) actions / acts / strategies
- 3) events  $\rightarrow$  states of nature  
(conditions that decide outcome of decision)
- 4) Pay off  $\rightarrow$  profit / loss (monitory value)
- 5) Payoff table  $\rightarrow$  most convenient way to describe payoff at given events.

eg

	E <sub>1</sub>	E <sub>2</sub>	E <sub>3</sub>	← events
A <sub>1</sub>	0	-200	90	← payoff value
A <sub>2</sub>	-900	30	300	
↑ actions				<u>Payoff table</u>

eg Company manager if ensure fire management in office  
 it cost 40k even if fire happens or not else if  
 not ensure then 5lac for fire else 0 if all goes well.

Payoff table

	FIRE E <sub>1</sub>	Not fire E <sub>2</sub>
A <sub>1</sub> ensure	- 40 K	- 40 K
A <sub>2</sub> not ensure	- 5 Lac	0

### 3 Decision making situations

- 1) Decision making under certainty
- 2) Decision making under uncertainty  $\rightarrow$  multiple outcomes
- 3) Decision making under RISK
  - $\hookrightarrow$  multiple outcome with certain probability associated

- Decision making under uncertainty  $\rightarrow$  Criterias

- 1) Maxi / Max
- 2) Maxi / min
- 3) Laplace
- 4) Hurwicz criteria
- 5) mini - max regret criteria

J Coca-Cola launched new product to replace existing product at much higher price ( $s_1$ ) with certain change in composition & labeling & small increase in price ( $s_2$ ). With negotiable increase in price ( $s_3$ ).

3 possible outcomes :-

- 1)  $N_1 \rightarrow$  increase in sales
- 2)  $N_2 \rightarrow$  no change in sales
- 3)  $N_3 \rightarrow$  decrease in sales.

	$N_1$	$N_2$	$N_3$
$s_1$	7 Lac	3 L	1.5 L
$s_2$	5 L	4.5 L	0
$s_3$	3 L	2.9 L	3 L

5 criteria's

1) maxi - max go row wise & find max of each alternative  $\frac{7L}{32}$  (optimist)

& max of 7L, 5L, 3L = 7L  
7L is best alternative

2) maxi - min min of each row  $\frac{1.5L}{0}$  (pessimist)

$$\text{ans} = \max(1.5, 0, 2.9) \\ = 2.9$$

3) Laplace

find avg of each row (alternative)

$$L_1 = (7+3+1.5)/3 \quad L_2 = (5+4.5)/3$$

$$L_3 = (3+2.5+3)/3$$

get max L

$$\text{Ans} = \max L$$

ii) HURWICZ

for each alternative find  $H_{\text{row}}$

$$H = (\alpha) \text{max value} + (1-\alpha) \text{Min value.}$$

If not given take  $\alpha = .7$

$\alpha$  = degree of optimism

$(1-\alpha)$  = degree of pessimism

$$\text{Ans} = \max (H_1, H_2, H_3)$$

5) mini-max regret criteria / Savage criteria

go column wise (event)

° subtract max of column from all

so	N <sub>1</sub>	N <sub>2</sub>	N <sub>3</sub>
7-S	0	1.5L	1.5L
	2L	0	3L
	4L	1.6L	0L

this are regret  
← regret table

now from regret table  
get max (swise)

1.5

3L

4L

° now minimize

$$= \underline{1.5} \quad \text{so best alternative (S1)}$$

## Decision making under Risk cases

RISK

	0.3	0.7	Probability
N <sub>1</sub>			
S <sub>1</sub>	400	500	
S <sub>2</sub>	450	450	

want Minimum risk  
← regret.

1) Expected monetary value.

$$EMV S_1 = 400 \times 0.3 + 500 \times 0.7 = 470$$

$$EMV S_2 = 450 \times 0.3 + 450 \times 0.7 = 450$$

want max EMV.

here 470

2) 2<sup>nd</sup> way

EOL → expected opportunity Loss

minimize EOL

$$ans = \min (EOL_1, EOL_2, EOL_3)$$

get EOL as same as EMV. but there it was called regret  
& here it is called opportunity loss.

E<sub>PPI</sub>

→ expected profit with perfect information

E<sub>VPI</sub>

→ expected value of perfect information

E<sub>PPI</sub>

e.g.

		0.1	0.2	0.7	○ max in col
		N <sub>1</sub>	N <sub>2</sub>	N <sub>3</sub>	
S <sub>1</sub>	(3)	2	2	2	○ max in col
	0	4	3	1	
	1				

$$E\text{PPI} = 3 \times 0.1 + 0.2 \times 4 + 0.7 \times 3,$$

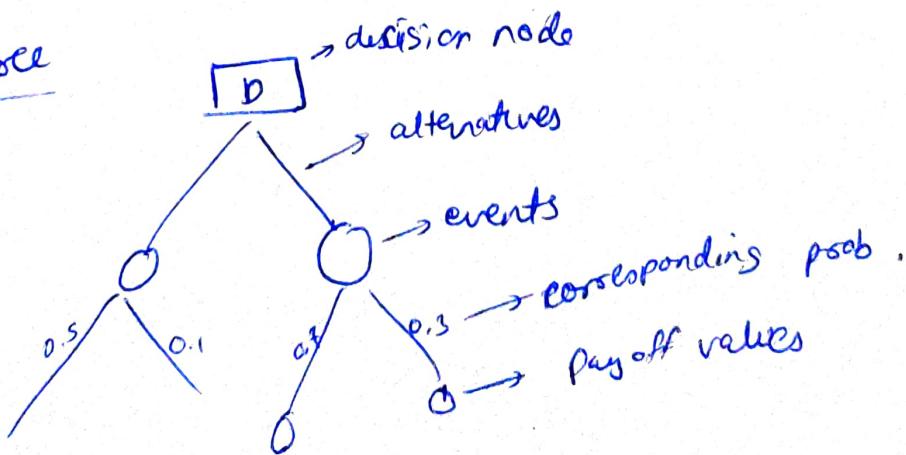
$$E\text{PPI} > \max \underline{\text{EMV}}.$$

E<sub>VPI</sub>

max value you added so as to get perfect information

$$E\text{VPI} = E\text{PPI} - \max \underline{\text{EMV}}$$

Decision tree



• solve from right hand side