Principles of Management **Unit-I**

1. Define management? Can you make use of the facts to explain various functions of management?

Answer:

Management is a universal subject and can be helpful to everyone like students, employees, organizations, Countries etc. to manage anything.

Definitions of Management:

- **"Management is the art of getting things done through and with people in formally organised groups."---Harold Koontz**
- **"To manage is to forecast and to plan, to organise, to command, to co-ordinate and to control."--Henri Fayol**
- **"Management is a multi-purpose organ that manages business and manages managers and manages workers and work."--Peter Drucker**
- **"Management is the art of getting things done through people."--Mary Parker Follet**

Who are Managers? Manager is someone who coordinates and oversees the work of other people so that organizational goals can be accomplished.

Functions of Management:

The management or managerial functions have been categorized into the four major functions of **planning, organizing, leading, and controlling** popularly known as the **P-O-L-C** framework.

The P-O-L-C Framework

Planning	○ Defining Organization Vision & Mission ○ Setting Goals & Objectives ○ Strategizing ○ Plan of Action to Achieve Goals
Organizing	○ Formulate Organizational Structure

	○ Resource Allocation ○ Job Design
Leading	○ Leadership & Direction ○ Motivation ○ Coordination & Communication
Controlling	○ Process & Standards ○ Review & Evaluation ○ Corrective Action

Planning

Planning is the first and the most important function of management that involves setting objectives and determining a course of action for achieving those objectives. Planners are essentially the managers who are best aware of environmental conditions facing their organization and are able to effectively analyze and predict future conditions. It also requires that managers should be good decision makers.

- Defining Organization Vision & Mission
- Setting Goals & Objectives
- Strategizing
- Plan of Action to Achieve Goals

Organizing

Once a manager has created a work plan, the next phase in management cycle is to organize the people and other resources necessary to carry out the plan. Organizing may be referred to as the process of arranging and distributing the planned work, authority and resources among an organization's members, so they can achieve the organization's goals. Organizing involves the following steps −

- **Creating the organizational structure** − The framework of the organization is created within which effort is coordinated allocating human resources to ensure the accomplishment of objectives. This structure is usually represented by an organizational chart, which is a graphic representation of the chain of command within an organization.
- **Making organizational design decisions** − Decisions are made about the structure of an organization.

- **Making job design decisions** − Roles and responsibilities of individual jobs, and the process of carrying out the duties is defined.

Leading

Organizations as they grow, develop complex structures with an increasing need for co-ordination and control. To cope and manage such situations, leadership is necessary to influence people to cooperate towards a common goal and create a situation for collective response.

- Leadership & Direction
- Motivation
- Coordination & Communication

Controlling

Managers at all levels engage in the managerial function of controlling to some degree. Two traditional control techniques are budget and performance audits. An audit involves a physical examination and verification of the organization’s records and supporting documents. A budget audit provides information about where the organization is with respect to procedures followed for financial planning and control, whereas a performance audit might try to determine whether the figures reported are a reflection of actual performance.

- Process & Standards
- Review & Evaluation
- Corrective Action

2. Elucidate managerial skills and manager roles.

Answer:

Managerial Skills:

Henri Fayol, a famous management theorist also called as the Father of Modern Management, identified three basic managerial skills - technical skill, human skill and conceptual skill.

1) Technical Skill

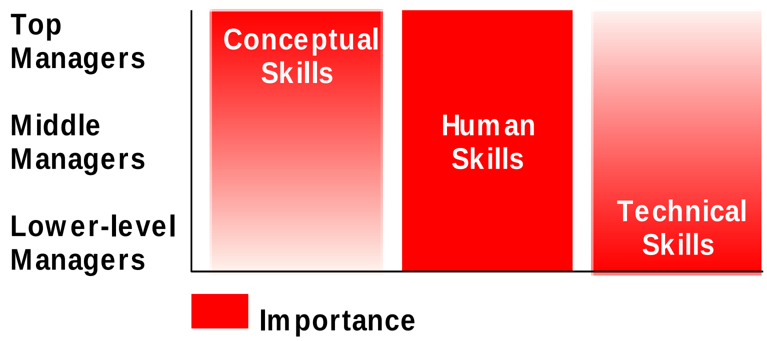
- Knowledge and skills used to perform specific tasks. Accountants, engineers, surgeons all have their specialized technical skills necessary for their respective professions. Managers, especially at the lower and middle levels, need technical skills for effective task performance.
- Technical skills are important especially for first line managers, who spend much of their time training subordinates and supervising their work-related problems.

2) Human Skill

- Ability to work with, understand, and motivate other people as individuals or in groups. According to Management theorist Mintzberg, the top (and middle) managers spend their time: 59 percent in meetings, 6 percent on the phone, and 3 percent on tours.
- Ability to work with others and get co-operation from people in the work group. For example, knowing what to do and being able to communicate ideas and beliefs to others and understanding what thoughts others are trying to convey to the manager.

3) Conceptual Skill

- Ability to visualize the enterprise as a whole, to envision all the functions involved in a given situation or circumstance, to understand how its parts depend on one another, and anticipate how a change in any of its parts will affect the whole.
- Creativity, broad knowledge and ability to conceive abstract ideas. For example, the managing director of a telecom company visualizes the importance of better service for its clients which ultimately helps attract a vast number of clients and an unexpected increase in its subscriber base and profits.



Other Managerial Skills

Besides the skills discussed above, there are two other skills that a manager should possess, namely diagnostic skill and analytical skill.

Diagnostic Skill − Diagnose a problem in the organization by studying its symptoms. For example, a particular division may be suffering from high turnover. With the help of diagnostic skill, the manager may find out that the division's supervisor has poor human skill in dealing with employees. This problem might then be solved by transferring or training the supervisor.

Analytical Skill − Ability to identify the vital or basic elements in a given situation, evaluate their interdependence, and decide which ones should receive the most attention. This skill enables the manager to determine possible strategies and to select the most appropriate one for the situation.

Example: When adding a new product to the existing product line, a manager may analyze the advantages and risks in doing so and make a recommendation to the board of directors, who make the final decision.

Managerial Roles:

Mintzberg's Set of Ten Roles

Professor Henry Mintzberg, a great management researcher, after studying managers for several weeks concluded that, to meet the many demands of performing their functions, managers assume multiple roles.

Interpersonal Role

- **Figurehead** − Has social, ceremonial and legal responsibilities.
- **Leader** − Provides leadership and direction.
- **Liaison** − Networks and communicates with internal and external contacts.

Informational Role

- **Monitor** − Seeks out information related to your organization and industry, and monitors internal teams in terms of both their productivity and well-being.
- **Disseminator** − Communicates potentially useful information internally.
- **Spokesperson** − Represents and speaks for the organization and transmits information about the organization and its goals to the people outside it.

Decisional Role

- **Entrepreneur** − Creates and controls change within the organization - solving problems, generating new ideas, and implementing them.
- **Disturbance Handler** − Resolves and manages unexpected roadblocks.
- **Resource Allocator** − Allocates funds, assigning staff and other organizational resources.
- **Negotiator** − Involved in direct important negotiations within the team, department, or organization.

3. Do you agree with the statement that "Managing Global Business environment is the new success mantra for Global Firms"? Justify your answers.

Answer:

Organizational Environment is the set of forces and conditions that operate beyond an organization's boundaries but affect a manager's ability to acquire and utilize resources.

THE TASK ENVIRONMENT

1) Suppliers: Individuals and organizations that provide an organization with the input resources that it needs to produce goods and services. Raw materials, component parts, labor (employees). Relationships with suppliers can be difficult due to materials shortages, unions, and lack of substitutes.

Global Outsourcing in Today's Era of Global Business: The purchase of inputs from foreign suppliers, or the production of inputs abroad, to lower production costs and improve product quality.

Examples:

1) **More Supermarket:** More supermarket sells its own brand of products by getting raw materials from suppliers for all its stores across the country like Atta, Rice, Biscuits etc.

2) **Amul**: Amul brand is formed by cattle farmers who supply milk in huge quantities and it became a National Brand.

2) Distributors: Organizations that help other organizations sell their goods or services to customers. Powerful distributors can limit access to markets through its control of customers in those markets. Managers can counter the effects of distributors by seeking alternative distribution channels

Examples:

1) **Paints distributors** give a tough job for Paint companies and they don't even sell the product to the consumers, the company has to recruit sales representatives and should get business for these distributors.

2) **Soft Drink distributors:** These distributors make the product available at around 2 crore shops in India**,** which is a challenging job for the company to make the stock available at all these shops.

3) Customers: No company is successful without consumers or customers. Individuals and groups that buy goods and services that an organization produces. Identifying an organization's main customers and producing the goods and services they want is crucial to organizational and managerial success.

Examples:

1) **Samsung**
2) **Apple**
3) **Microsoft**

1) **Competitors:** Organizations that produce goods and services that are similar to a particular organization's goods and services. Potential Competitors. Organizations that presently are not in the task environment but could enter if they so chose. Strong competitive rivalry results in price competition, and falling prices reduce access to resources and lower profits.

   Barriers to Entry: Factors that make it difficult and costly for the organization to enter a particular task environment or industry.

Examples:

1) **Reliance Jio** gave a very tough competition to Indian telecom operators and now is leading company with highest market share.

2) **Intel Computer processor** company has very less competition only **AMD** is its competitor.

<u>THE GENERAL ENVIRONMENT</u>

[Remember **PESTL-GD Framework** which stands for

Political, Economical, Socio-Cultural, Technological-Global & Demographic Forces]

1) Political Forces: Outcomes of changes in laws and regulations, the privatization of organizations, and increased emphasis on environmental protection.

Examples:

1) **Maggi** banned recently in India could be political reasons also not only quality issues.
2) Before 1991 **MNC's** like **Coca Cola and Pepsico** were banned in India

2) Economic Forces

- Interest rates, inflation, unemployment, economic growth, and other factors that affect the general health and well-being of a nation or the regional economy of an organization.
- Managers usually cannot impact or control these.

Examples:

1) **Price Rise:** in petrol, dal, rice and other commodities is called inflation
2) **Interest rates:** of Banks and other financial institutions also change with GDP growth rate

3) Socio-Cultural Forces

i) Social Forces: Social structure: The arrangement of relationships between individuals and groups in society.

Primary Reference Group Every human being spends 80 to 90% of their life with PRC

Example: Father, Mother, Siblings, Spouse & Children.

Secondary Reference Group: Then rest of the life human being spends with SRC

Example: Friends, religious groups, and others form this group. Consumers are influenced by these social forces and hence business organizations have to understand these forces.

ii) Cultural Forces:

Culture: The set of values that a society considers important and the norms of behavior that are approved or sanctioned in that society**.** Many organizations faced lot of issues by not understanding cultural forces prevailing in the country where they were operating and met with losses

Examples:

1) **McDonalds** in India failed by not understanding food culture of India and launched Beef Menu and failed initially, later it understood the Indian food culture and launched even vegetarian menu in India and chicken.
2) **Coca Cola in Japan**
3) **Pepsico in Japan**
4) **Ford cars in Latin America**

4) Technological Forces: Outcomes of changes in the technology that managers use to design, produce, or distribute goods and services.

Examples:

1) **Banks** cannot operate without technology
2) **Students** cannot learn without technology
3) **No company** can exist without technology

5) Global Forces: Outc**o**mes of changes in international relationships; changes in nations' economic, political, and legal systems; and changes in technology, such as falling trade barriers.

The Changing Global Environment

- **Global Organization**
  - An organization that operates and competes in more than one country.
- **The Challenges of Global Competition**
  - Establishing operations in a foreign country.
  - Obtaining inputs from foreign suppliers.
  - Managing in a foreign culture.
- **The Global Environment Is Open**
  - Managers need to learn to compete globally.

Examples: The economic integration of countries through free-trade agreements **(GATT, NAFTA, EU, SAARC, ASEAN, BRICS etc)** that decrease the barriers to trade.

6) Demographic Forces: Outcomes of change in, or changing attitudes toward, the characteristics of a population, such as age, gender, race, sexual orientation, and social class.

Example: Now India is the Youngest Country in the World as the majority of Indians are young, that's why the MNC's are rushing to India to sell their products.

4. Define Globalization. What are the issues and challenges of managing business in global environment?

Answer:

Definition of Globalization

According to International Monetary Fund (IMF) : Globalization is the acceleration and intensification of interaction of interaction and integration among the people, companies and governments of different nations".

According to United Nations Educational, Scientific and Cultural Organization (UNESCO) : "Globalization – the growing integration of economies and societies around the world"

Globalization can be defined as a process of rapid economic, cultural and institutional integration among countries.

Globalization is the spread of products, technology, information, and jobs across national borders and cultures.

Challenges or Issues of managing business in global environment

1. International Company Structure
2. Foreign Laws & Regulations
3. International Accounting
4. Cost Calculation & Global Pricing Strategies
5. Universal Payment Methods
6. Currency Rates
7. Communication Difficulties and Cultural Differences
8. Political Risks
9. Worldwide Environmental Issues.

1. International Company Structure:

Corporate has to take decision, how to organize the team, what autonomy will they have, and how will they coordinate working across time zones? If not, will you consider hiring local market experts who understand the culture of your target markets, but will work centrally?

Coca-Cola offers one example of effective multinational business structure**.** The company is organized into continental groups, each overseen by a President. The central Presidents manage Presidents of smaller, country-based or regional subdivisions. Despite its diverse global presence, the Coca-Cola brand and product is controlled centrally and consistent around the world.

2. Foreign Laws & Regulations

Corporate should understand the **local laws and regulations** governing the target markets. From **tax implications** through to **trading laws**, navigating legal requirements is a central function for **any successful international business**. Eligibility to trade is a significant consideration, as are potential tariffs and the legal costs associated with entering new markets.

3. International Accounting

Accounting can present a challenge to multinational businesses who may be liable for corporation tax abroad. Different tax systems, rates, and compliance requirements can **make the accounting function of a multinational organization significantly challenging**.

4. Cost Calculation & Global Pricing Strategies

Setting the price for the products and services can present challenges for the overseas business and should be another major consideration of corporate strategy. Corporate must consider costs to remain competitive, while still ensuring profit. Cost of production and shipping, labour, marketing, and distribution, as well as profit, must be a taken into account for business to be viable.

5. Universal Payment Methods

The proliferation of international e-commerce websites has made selling goods overseas easier and more affordable for businesses and consumers. However, payment methods that are commonly accepted in your home market might be unavailable abroad. **Determining acceptable payment methods and ensuring secure processing must be a central consideration for businesses who seeks to trade internationally**.

6. Currency Rates

Currency rate fluctuation is one of the most challenging international business problems to navigate. Monitoring exchange rates must therefore be a central part of the strategy for all international businesses. However, global economic volatility can make forecasting profit especially difficult, particularly when rates fluctuate at unpredictable levels.

7. Communication Difficulties and Cultural Differences:

Good communication is at the heart of effective international business strategy. However, communicating across cultures can be a very real challenge. Effective communication with colleagues, clients, and customers abroad is essential for success in international business.

Cultural differences can also influence market demand for your product or service. Local market insight is key, and there are a number of successful brands whose business models simply weren't viable in overseas markets. For example, American coffee company Starbucks seriously struggled in Australia, where the demand for local, independent cafes and coffee shops vastly outweighed the appeal of the corporate giant.

8. Political Risks:

An obvious **risk for international business is political uncertainty and instability**. Before considering expansion into a new or unknown market, a **risk assessment of the economic and political landscape is critical**.

Issues such as ill-defined or unstable policies and corrupt practices can be hugely problematic in emerging markets. Changes in governments can bring changes in policy, regulations, and interest rates that can prove damaging to foreign business and investment.

9. Worldwide Environmental Issues.

Recent international legislations and proposals, such as the UN's Sustainable Development Goals, have put environmental issues at the forefront of international business development. it's important to be aware of the country-specific environmental regulations and issues associated with your industry. Some key considerations include **how your production methods might impact the local environment through waste and pollution**.

5. How would you summarize corporate social responsibility with suitable examples?

Answer:

Corporate Social Responsibility

Social responsibility is the company's mission to be responsive to social needs by marking a part of its resources so that they may be allocated for achieving social goals and tackling social problems.

1. **Responsibility towards Consumers.**
2. **Social Responsibility towards Shareholders**
3. **Social Responsibility towards Community**
4. **Responsibility towards Employees/Human Resources**
5. **Responsibility towards Government**
6. **Social Responsibility towards Global Business environment**

1) Responsibility towards Consumers.

- Provide quality product at fair price.
- Produce using proper quality materials.
- Produce using appropriate technology.
- Provide proper service.

2) Social Responsibility towards Shareholders

- Safeguard the capital of shareholders.
- Provide a reasonable dividend.
- Transparency and access to required information.

3) Social Responsibility towards Community

- To solve problem of unemployment
- To develop infrastructure of country
- To help in natural calamities
- Taking appropriate steps to prevent environmental pollution.

4) **Responsibility towards Employees/Human Resources**

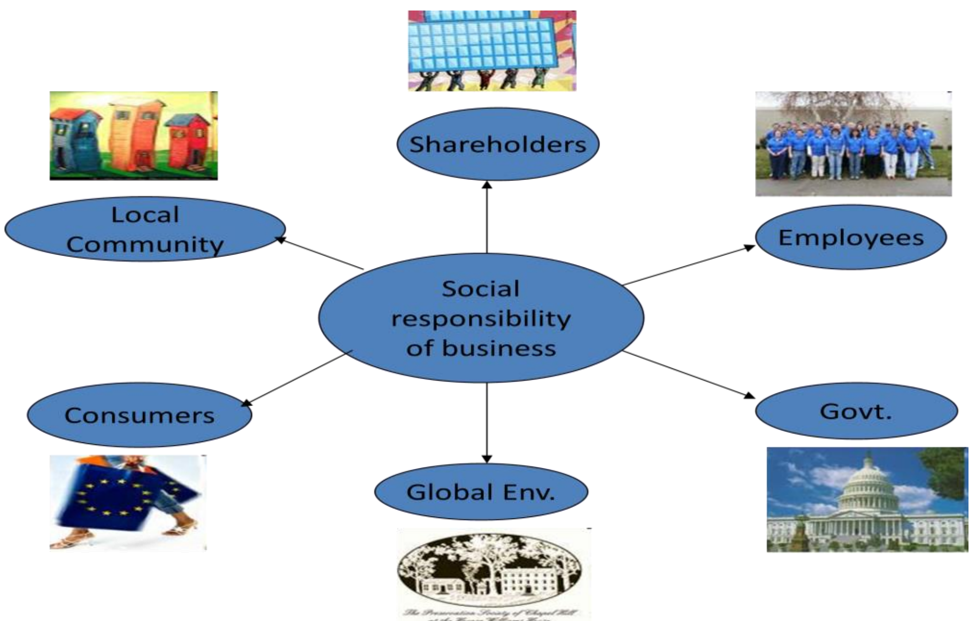
- Fair wages to employees
- Provide good career prospects
- Care for the welfare of employees
- Best working conditions
- Establishment of fair work standards & norms

5) **Responsibility towards Government**

- To pay taxes,
- To cooperate with government in their social policies and programmes
- To obey all laws and acts

6) **Social Responsibility towards Global Business environment**

- To adhere to the conditions of such a global environment
- To satisfy global customer needs



Barriers to social responsibility

- Urge for profiteering
- Desire for excessive accumulation of wealth

- Low profitability
- Frequently changing government mechanism
- Need for tackling other important internal issues
- Recession and depression

Example: Bharath Petroleum had developed infrastructure like provision for tube wells for drinking water, Balwadi, Healthcare, Sanitation, Education support to economically backward students.

6. Can you make use of the facts to explain the Business Ethics Practices with examples.

Answer:

Business ethics is the study of how a business should act in the face of ethical dilemmas and controversial situations.

According to W.H.Shaw,

"Business ethics is the study of what constitutes right or wrong, good or bad human conduct in a business context."

According to Andrew Crane,

"Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed."

According to Raymond C. Baumhart,

"The ethics of business is the ethics of responsibility. The business man must promise that he will not harm knowingly."

Business Ethics Practices

While understanding the basic principles of business ethics is important, it is arguably more important to understand how these ideas apply to day-to-day business operations. Here are some examples of how ethical behaviors can be practically applied.

1. Putting Customer Needs First
2. Being Transparent
3. Prioritizing Workplace Diversity
4. Respecting Customer Information
5. Providing Resources for Reporting Unethical Behavior

1. Putting Customer Needs First

Companies that build their ethical culture around putting customer needs first and hiring people who engage in this behavior are participating in ethical behaviors.

For example, if a customer comes into a store looking for a product that meets very specific needs, it's important to provide them the best product for the situation described instead of upselling them or encouraging them to buy a product that won't meet their needs.

2. **Being Transparent**

Transparency and clear communication is paramount when it comes to ethical corporate behaviors. Employees and consumers alike should never be lied to or told untruths, as this breaks trust within the business.

For example, when faced with a public relations crisis, companies should call a meeting and address the problem directly with their employees. It's important to truthfully describe the situation as it unfolded, present solutions, and accept criticism humbly.

3. **Prioritizing Workplace Diversity**

Part of being fair is providing everyone with an equal opportunity to be employed at the company. While there is much political debate around how to create workplace fairness, it is undeniable that providing equal opportunity for employment to every applicant is an ethical standard.

For example, if someone notices that management tends to hire the same type of person, they may suggest getting employees more involved in the hiring process. This will introduce different perspectives to the hiring process and increase the possibility that different kinds of applicants will be selected for a position.

4. **Respecting Customer Information**

Many businesses collect the personal information of their customers, whether it's payment information, health information, or similar. One of the priorities for any business should be securing and protecting this information.

For example, a hospital may create and enforce aggressive policies around staff sharing patient information on social media. Having an employee share this kind of information on their personal accounts is not only disrespectful of the patient's privacy, but could also put the hospital at risk of violating HIPAA regulations.

5. Providing Resources for Reporting Unethical Behavior

If an employee notices unethical behavior in the workplace, they should have an outlet to report these behaviors. The business is responsible for putting this infrastructure in place and designing it in a way that insulates the employee from harm.

For example, a research university should have a neutral office of compliance that is organizationally detached from the research arm of the institution. This provides a neutral space where academics can report unethical studies or harmful practices without fear of workplace repercussions.