RV College of Engineering ®

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Introduction to Management and Economics

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V & VI Semester						
INTRODUCTION TO MANAGEMENT & ECONOMICS (THEORY)						
Course Code	**:**	**18HEM51 / 61**		**CIE**	**:**	**100 Marks**
Credits: L:T:P	**:**	**3:0:0**		**SEE**	**:**	**100 Marks**
Total Hours	**:**	**39L**		**SEE Duration**	**:**	**03 Hrs**

Course Learning Objectives: The students will be able to

1	Understand the evolution of management thought.
2	Acquire knowledge of the functions of Management.
3	Gain basic knowledge of essentials of Micro economics and Macroeconomics.
4	Understand the concepts of macroeconomics relevant to different organizational contexts.

Unit-I	**07 Hrs**
Introduction to Management: Management Functions, Roles & Skills, Management History – Classical Approach: Scientific Management & Administrative Theory, Quantitative Approach: Operations Research, Behavioral Approach: Hawthorne Studies, Contemporary Approach: Systems & Contingency Theory.Case studies	
Unit – II	**09 Hrs**
Foundations of Planning: Types of Goals & Plans, Approaches to Setting Goals & Plans, Strategic Management Process, Corporate & Competitive Strategies. **Case studies** **Organizational Structure & Design:** Overview of Designing Organizational Structure: Work Specialization, Departmentalization, Chain of Command, Span of Control, Centralization & Decentralization, Formalization, Mechanistic & Organic Structures.**Case studies**	
Unit –III	**09 Hrs**
Motivating Employees: Early Theories of Motivation: Maslow's Hierarchy of Needs Theory, McGregor's Theory X & Theory Y, Herzberg's Two Factor Theory, Contemporary Theories of Motivation: Adam's Equity & Vroom's Expectancy Theory. **Case studies** **Managers as Leaders:** Behavioral Theories: Ohio State & University of Michigan Studies, Blake & Mouton's Managerial Grid, Contingency Theories of Leadership: Hersey & Blanchard's Situational Leadership, Contemporary Views of Leadership: Transactional & Transformational Leadership. **Case studies**	
Unit –IV	**07 Hrs**
Introduction to Economics: Importance of Economics,Microeconomics and Macroeconomics,Theories and Models to Understand Economic Issues,An Overview of Economic Systems.Demand, Supply, and Equilibrium in Markets for Goods and Services,Price Elasticity of Demand and Price Elasticity of Supply,Elasticity and Pricing,Changes in Income and Prices Affecting Consumption Choices,Monopolistic Competition,Oligopoly.	
Unit –V	**07Hrs**
Essentials of Macroeconomics: Prices and inflation,Exchange rate,Gross domestic product(GDP) ,components of GDP,the Labor Market,Money and banks,Interest rate,Macroeconomic models-an overview,Growth theory, The classical model, Keynesian cross model, IS-LM-model, The AS-AD-model, The complete Keynesian model, The neo-classical synthesis, Exchange rate determination and the Mundell-Fleming model	

Continuous Internal Evaluation (CIE); Theory (100 Marks)

CIE is executed by the way of Tests (T), Quizzes (Q),) and Experiential Learning (EL). Three tests are conducted for 50 marks each and the sum of the marks scored from three tests is reduced to 50. Minimum of three quizzes are conducted and each quiz is evaluated for 10 marks adding up to 30 marks. All quizzes are conducted online. Faculty may adopt innovative methods for conducting quizzes effectively. The number of quizzes may be more than three also. The marks component for experiential learning is 20. **50% weightage should be given to case studies. Total CIE is 50 (T) +30 (Q) +20 (EL) = 100 Marks.**

Semester End Evaluation (SEE); Theory (100 Marks)

SEE for 100 marks is executed by means of an examination. The Question paper for the course contains two parts, Part – A and Part – B. Part – A consists of objective type questions for 20 marks covering the complete syllabus. Part – B consists of five main questions, one from each unit for 16 marks adding up to 80 marks. Each main question may have sub questions. The question from Units I, IV and V have no internal choice. Units II and III have internal choice in which both questions cover entire unit having same complexity in terms of COs and Bloom's taxonomy level. **50% weightage should be given to case studies.**

High-3 : Medium-2 : Low-1

CO-PO Mapping												
CO/ PO	**PO1**	**PO2**	**PO3**	**PO4**	**PO5**	**PO6**	**PO7**	**PO8**	**PO9**	**PO10**	**PO11**	**PO12**
CO1	3	---	1	---	----	3	----	3	3	3	3	3
CO2	3	2		---	---	---	----	1	2	3	2	2
CO3	---	---	1	---	---	2	---	2	2	3	3	3
CO4	2	---	2	---	----	3	1	3	2	2	3	3

Reference Books	
1	Stephen Robbins, Mary Coulter &NeharikaVohra, Management, Pearson Education Publications, 10th Edition, ISBN: 978-81-317-2720-1.
2	James Stoner, Edward Freeman & Daniel Gilbert Jr, Management, PHI, 6th Edition, ISBN: 81-203-0981-2.
3	Steven A. Greenlaw ,David Shapiro,Principles of Microeconomics,2nd Edition,ISBN:978-1-947172-34-0
4	Dwivedi.D.N, Macroeconomics: Theory and Policy,McGraw Hill Education; 3rd Edition,2010,ISBN-13: 978-0070091450.
5	Peter Jochumzen, Essentials of Macroeconomics, e-book(www.bookboon.com), 1st Edition., 2010, ISBN:978-87-7681-558-5.

Introduction to Management

Draw or type 2 things you already know about Management

1

2

Students, draw anywhere on this slide!

State your experience with management of people

Management

Definitions of Management

- "Management is an art of getting things done through people". - Mary Parker Fallett
- "Management is a process of planning, organizing, staffing, directing and controlling to accomplish organizational objectives through the coordinated use of human and material skills". – Prof. Moore
- "Management is the process of designing and maintaining an environment in which individuals working together in groups, accomplish their aims efficiently and effectively". - Koontz

Organization Management

- Organization Management is an art of knowing what to do, when to do and see that it is done in the best and cheapest way.
- It refers to the art of getting people together on a common platform to make them work towards a common predefined goal.
- It enables the optimum use of resources through meticulous planning and control at the workplace.

Need for Organizations Management

- Organization Management gives a sense of direction to the employees so that, they are well aware of their roles and responsibilities and know what they are supposed to do in the organization.
- It also gives a sense of security and oneness to the employees.
- An effective management is required for better coordination among various departments.
- Employees accomplish tasks within the stipulated time frame as a result of effective organization management, stay loyal towards their job and do not treat work as a burden.

Management as a Speciality in Time

- Management is an attempt to create a desirable future, keeping the past and the present in mind.
- It is practiced in and is a reflection of a particular historical era.
- It is a practice that produces consequences and effects that emerge over time.

Management as a Speciality in Human Relationships

- Managers act in relationships that two way streets; each party is influenced by the other.
- They also act in relationships that have spillover effects for other people, for better and for worse.
- Managers juggle multiple simultaneous relationships.

Some Key Concepts

- Managerial performance is the measure of how efficient and effective a manager is; i.e., how well he or she determines and achieves appropriate objectives.
- Organizational performance is the measure of how efficient and effective an organization is; i.e., how well it achieves appropriate objectives.
- Efficiency (resource usages) is the ability to minimize the use of resources in achieving organizational objectives - “doing the things right”.
- Effectiveness (goal attainment) is the ability to determine appropriate objectives - “doing the right thing”.

Effectiveness and Efficiency

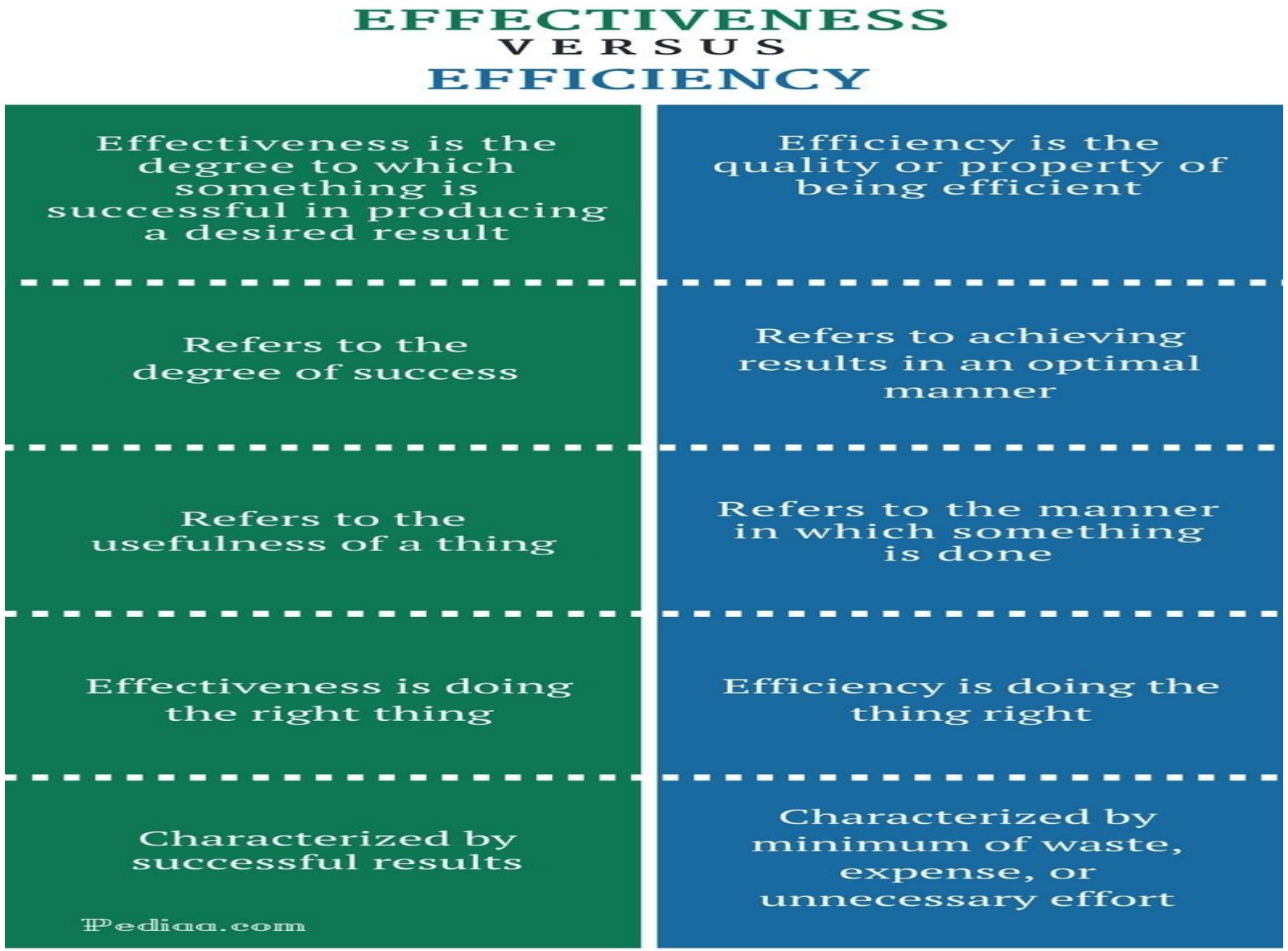
EFFECTIVENESS

- Why is this being done?
- Doing the right things
- Aligns with objectives and goals
- Future looking with the desire for a better future
- Not easy to measure
- Requires external view outside organisation
- Requires subjective visioning

EFFICIENCY

- What needs to be done?
- Doing things the right way in the best possible manner
- Focuses on process
- About current work, what must improve now
- Easily measurable by analysing specific metrics
- Internal within the bounds of the organisation
- Requires objective analysis

Effectiveness and Efficiency



Is this statement true or false?Efficiency is Doing Right things and Effectiveness is Doing the things right

The Management Process

It is a dynamic process by which management creates, operates and directs purposive organization through systematic, coordinated and co-operated human efforts.

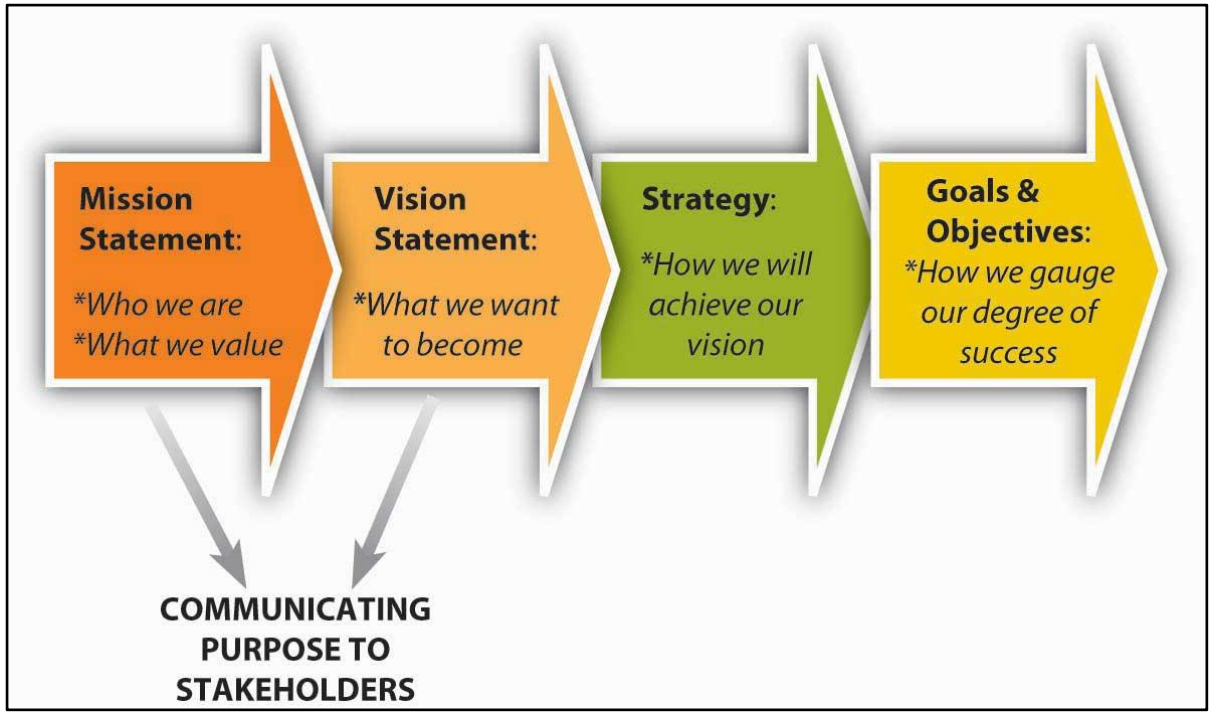
As a process, management consists of three aspects:

- Management is a social process – Human factor & Relationships
- Management is an integrating process – Human, Physical & Financial
- Management is a continuous process – Problem solving

Basic Steps in Management

- Vision
- Mission
- Objectives/Goals
- Strategy
- Policies
- Procedures/Rules
- Budget


A descriptive picture of a desired future state, long-term
why it exists and what it does to achieve its vision
A desired outcome (intermediate term and broad)
Objectives are specific targets within the general goal. A desired outcome (initial)
Vision
Mission
Goal
Objective
Activites


Mission Statement:
*Who we are
*What we value
Vision Statement:
*What we want to become
Strategy:
*How we will achieve our vision
Goals & Objectives:
*How we gauge our degree of success
COMMUNICATING PURPOSE TO STAKEHOLDERS

Vision and Mission statements of ME Dept

VISION

Quality education in Design, Materials, Thermal and Manufacturing with emphasis on research, sustainable technologies and entrepreneurship for societal symbiosis.

MISSION

Imparting knowledge in basic and applied areas of Mechanical Engineering.

Providing state-of-the-art laboratories and infrastructure for academics and research in the areas of design, materials, thermal engineering and manufacturing.

Facilitating faculty development through continuous improvement programs.

Promoting research, education and training in materials, design, manufacturing, Thermal Engineering and other multidisciplinary areas.

Strengthening collaboration with industries, research organizations and institutes for internship, joint research and consultancy.

Imbibing social and ethical values in students, staff and faculty through personality development programs

I observe...

Describe what you saw or what happened

Activities / Functions of Management

- Planning
- Organizing & Staffing
- Motivating & Leading
- Controlling

Planning

- Planning is the basic function of management. It deals with chalking out a future course of action and deciding in advance the most appropriate course of actions for the achievement of pre-determined goals.
- According to Koontz, “Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be”.
- It is all pervasive, an intellectual activity and also helps in avoiding confusion, uncertainties and risks.
- Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals.

Organizing

- Organizing is the process of bringing together physical, financial & human resources and developing productive relationship amongst them for achievement of organizational goals.
- According to Henry Fayol, "To organize a business is to provide it with everything useful or its functioning i.e. raw materials, tools, capital and personnel".

Organizing as a process involves:

- Identification of activities
- Classification of grouping of activities
- Assignment of duties
- Delegation of authority and creation of responsibility
- Coordinating authority and responsibility relationships

Staffing

- The main purpose of staffing is to put the right man on to the right job.
- According to Koontz & O'Donnell, "Managerial function of staffing involves manning the organization structure through proper and effective selection; appraisal & development of personnel to fill the roles designed in the structure".

Staffing involves:

- Manpower planning
- Recruitment, selection & placement
- Training & development
- Remuneration

Leading

- Leading is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes.
- It is an interpersonal aspect of management which deals directly with influencing, guiding, supervising, motivating subordinates for the achievement of organizational goals.

Leading has following elements:

- Supervision
- Motivation
- Leadership
- Communication

Controlling

- The purpose of controlling is to ensure that everything occurs in conformities with the standards.
- According to Koontz & O'Donnell, "Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain, are as being accomplished".

Controlling has following steps:

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

Management as an Activity

Managerial Roles

- **Informational Activities:** In the functioning of business enterprise, the manager constantly has to *receive and give information* orally or in written. A *communication link* has to be maintained with subordinates as well as superiors for effective functioning of an enterprise.
- **Decisional Activities:** Practically all types of managerial activities are based on one or the other types of decisions. Therefore, managers are continuously involved in decisions of different kinds since the *decision made by one manager becomes the basis of action* to be taken by other managers.
- **Inter-personal Activities:** Management involves achieving goals through people. Therefore, managers have to *interact with superiors as well as the sub-ordinates*. They must maintain good relations with them.

Types of Managers / Management Level

First-line Managers

- First-Line/Lower level Management is also known as *supervisory/operative level* of management.
- It consists of *supervisors, foreman, section officers, superintendent* etc.
- *Supervisory management* refers to those executives whose work has to be largely with personal oversight and direction & controlling of operative employees.

Their activities include:

- *Assigning of jobs* and tasks to various workers.
- They guide and instruct workers for *day to day activities.*
- They are responsible for the *quality as well as quantity of production.*
- They *communicate workers problems*, suggestions & recommendatory appeals etc. to the higher level, and higher level goals and objectives to the workers.

Types of Managers / Management Level

Middle Managers

- The *branch managers and departmental managers* constitute middle level.
- They are *responsible to the top management* for the functioning of their department.
- They devote *more time to organizational and directional functions.*

Their role can be emphasized as:

- They *execute the plans of the organization* in accordance with the policies and directives of the top management.
- They participate in *employment & training* of lower level management.
- They are responsible for *coordinating the activities* within the division or department.
- They are also responsible for *inspiring lower level managers* towards better performance.

Types of Managers / Management Level

Top Managers

- It consists of *board of directors, chief executive or managing director.*
- The top management is the *ultimate source of authority* and it manages goals and policies for an enterprise.
- It devotes more time on *planning and coordinating functions.*

The role of the top management can be summarized as follows:

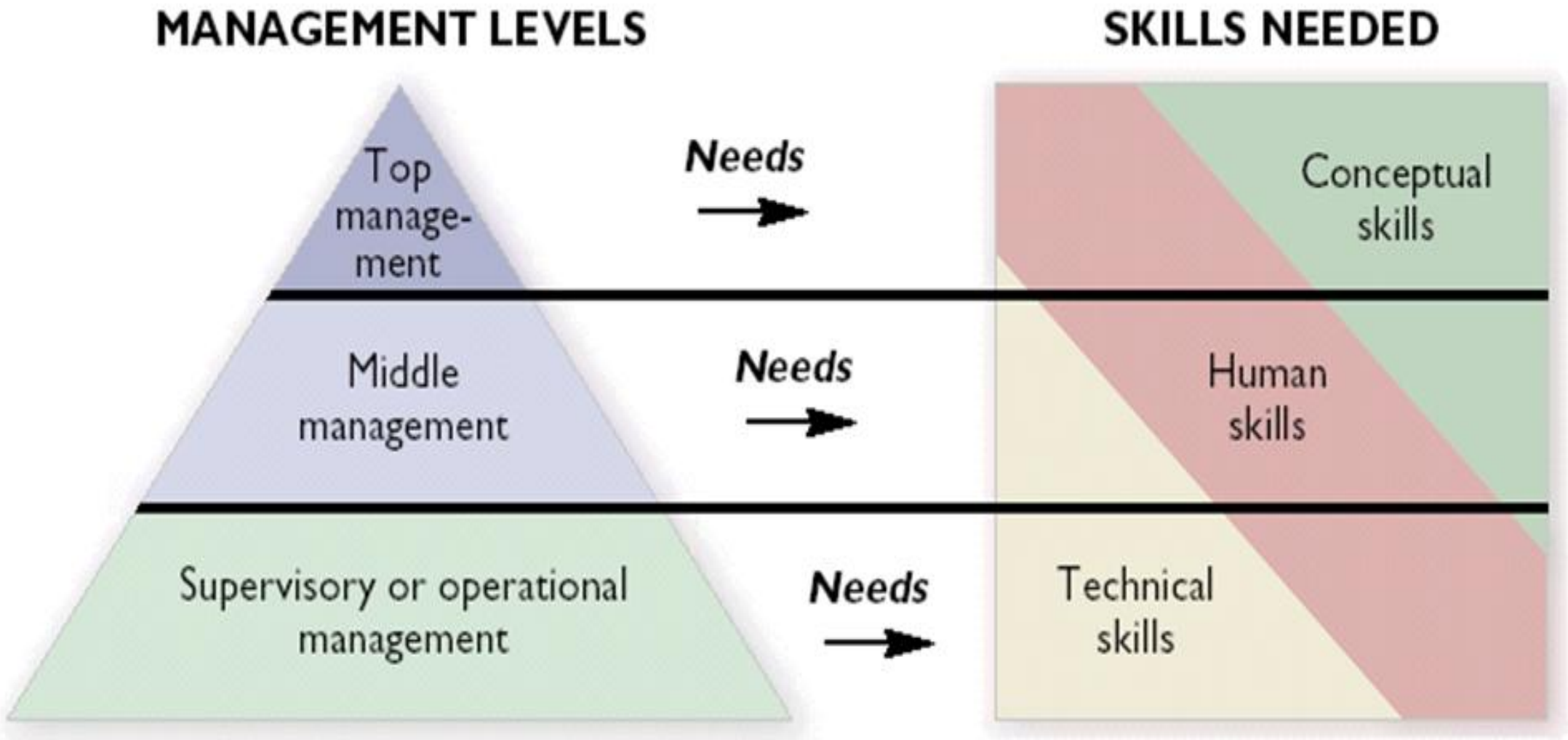
- Top management *lays down the objectives, strategic plans and broad policies of the enterprise.*
- It issues *necessary instructions for preparation of department budgets, procedures, schedules* etc.
- It *controls & coordinates* the activities of all the departments.
- The top management is also *responsible towards the shareholders* for the performance of the enterprise.

Types of Managers / Management Level

Management Skills

- **Technical skill** is the ability to use the procedures, techniques and knowledge of a specialized field. Surgeons, engineers, musicians and accountants all have technical skills in their respective field.
- **Human skill** is the ability to work with, understand and motivate other people as individuals or in groups.
- **Conceptual skill** is the ability to coordinate and integrate all of an organization's interests and activities. It involves seeing the organization as a whole, understanding how its parts depend on one another, and anticipating how a change in any of its parts will affect the whole.

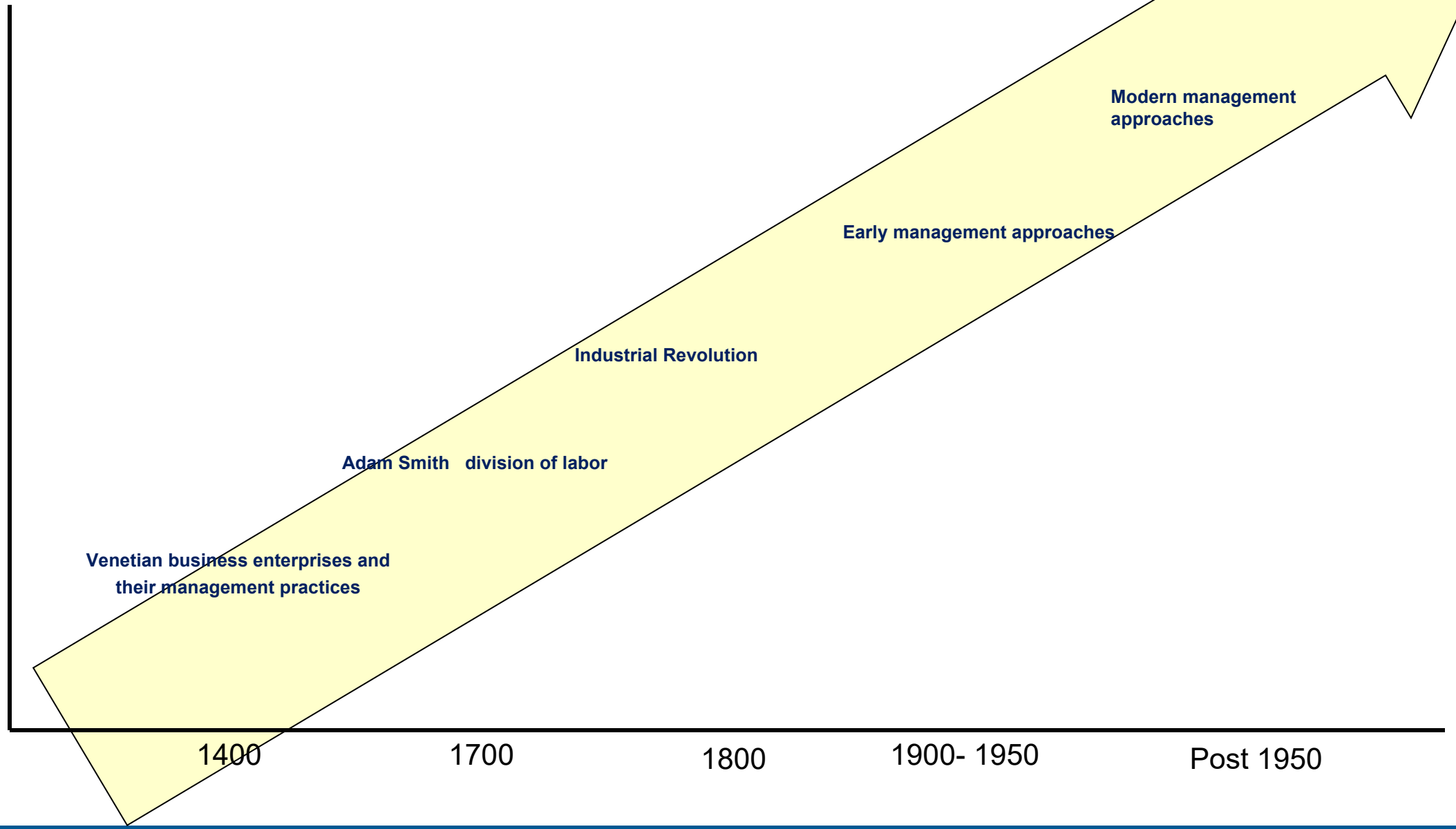
Management Skills



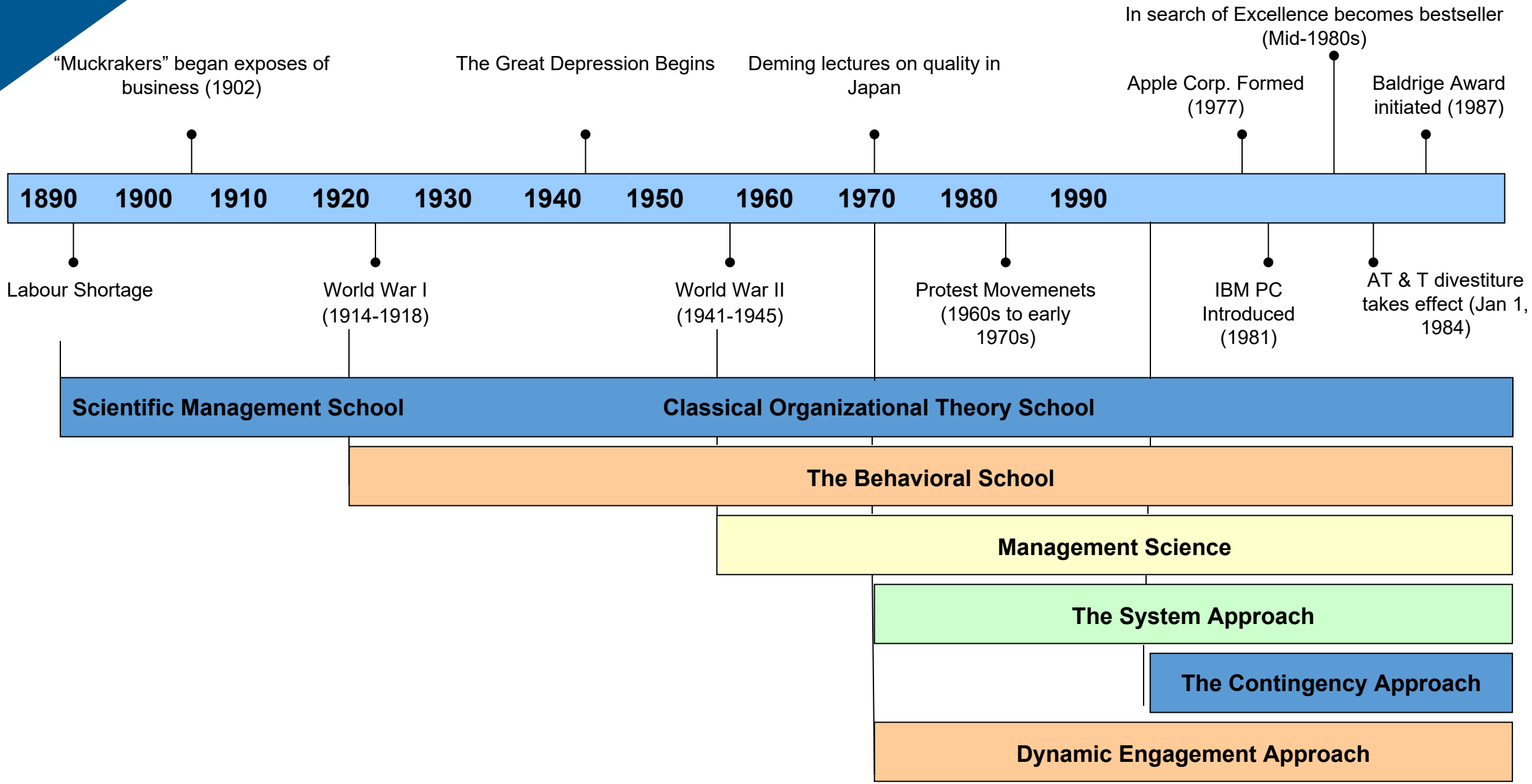
The Challenges of Management

- The need for vision
- The need for ethics
- The need for responsiveness to cultural diversity

The Evolution of Management Theo



Key Management Theories – An Overview



The Scientific Management School

- Scientific Management theory arose in part from the need to ***increase productivity***.
- The only way to expand productivity was to raise the ***efficiency of workers*.**

Frederick W. Taylor (1856-1915) rested his philosophy on four basic principles:

- The development of a true science of management, so that the *best method* for performing each task could be determined.
- The *scientific selection of workers*, so that each worker would be given responsibility for the task for which he or she was best suited – Functional foremanship.
- The *scientific education and development* of the worker.
- Intimate, friendly cooperation between *management and labor.*

The Scientific Management School

- Taylor based his management system on *production-line time studies.*
- Using time study as his base, he broke each job down into *components* and designed the *quickest and best methods* of performing each component. In this way he established how much workers should be able to do with the equipment and materials at hand.
- He also encouraged employers to pay more productive workers at a *higher rate* than others using a '*scientifically correct rate'* that would benefit both company and worker.
- Thus, workers were urged to surpass their previous performance standards to earn more pay. Taylor called his plan the ***differential rate system***.

The Classical Organization Theory School

- *Henri Fayol* (1841-1925) is generally hailed as the founder of the classical management school.
- Taylor was basically concerned with *organizational functions*; however, Fayol was interested in the *total organization and focused on management* which he felt had been the most neglected of business operations.

Fayol listed 14 principles of management most frequently to be applied:

- Division of Labor
- Authority
- Discipline

The Classical Organization Theory School

- Unity of Command
- Unity of Direction
- Subordination of the individual interest to the common good
- Remuneration
- Centralization
- The Hierarchy
- Order
- Equity
- Stability of the Staff
- Initiative
- Esprit de corps

The Behavioral School

- The behavioral school emerged partly because the *classical approach did not achieve sufficient production efficiency and workplace harmony*.
- To managers' frustration, people did not always follow *predicted or expected patterns of behavior.*
- Thus there was increased interest in helping managers deal more effectively with *the 'people side' of their organizations.*

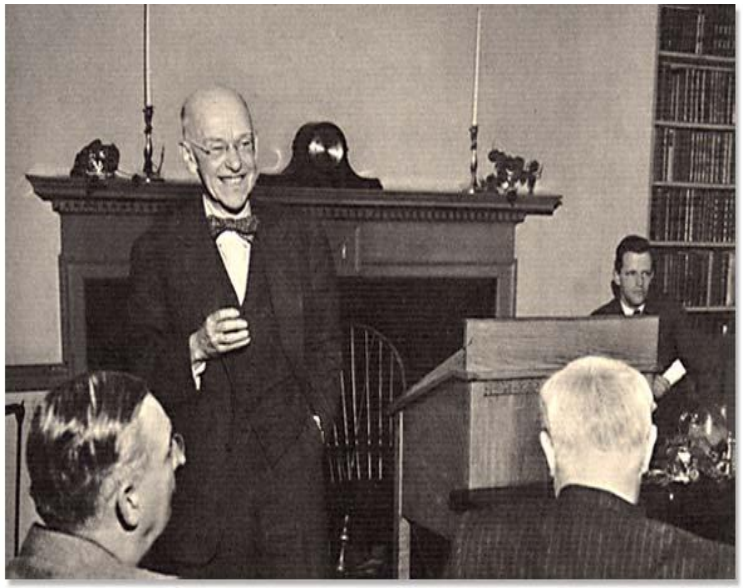
Relations Theory – The Human Relations Movement

- *Human relations* are frequently used as a general term to describe the ways in which managers interact with their employees.
- When *"employee management"* stimulates more and better work, the organization has effective human relations; when *morale and efficiency deteriorate*, its human relations are said to be ineffective.
- The human relations movement arose from early attempts to systematically discover the *social and psychological factors* that would create effective human relations.

The Hawthorne Experiments

The human relations movement grew out of a famous series of studies conducted at the *Western Electric Company from 1924 to 1933*. These eventually became known as the *"Hawthorne Studies"* because many of them were performed at *Western Electricity Hawthorne plant* by Elton Mayo near Chicago. They were:

- Illumination Experiments
- Relay Assembly Test Room
- Interviewing Program
- Bank Wiring Test Room



Part I - Illumination Experiments (1924-27)

These experiments were performed to find out the *effect of different levels of illumination (lighting) on productivity of labour.* The brightness of the light was increased and decreased to find out the effect on the productivity of the test group. Surprisingly, the *productivity increased even when the level of illumination was decreased*. It was *concluded that factors other than light were also important.*

Part II - Relay Assembly Test Room Study (1927-1929)

Under this test two small groups of *six female telephone relay assemblers* were selected. Each group was kept in *separate rooms*. From time to time, *changes were made in working hours, rest periods, lunch breaks*, etc. They were allowed to choose their *own rest periods and to give suggestions*. Output increased in both the control rooms. It was concluded that *social relationship among workers, participation in decision-making, etc. had a greater effect on productivity than working conditions*

Part III - Mass Interviewing Programme (1928-1930)

21,000 employees were *interviewed over a period of three years* to find out reasons for increased productivity. It was concluded that *productivity can be increased if workers are allowed to talk freely about matters that are important to them.*

Part IV - Bank Wiring Observation Room Experiment (1932)

A group of *14 male workers* in the bank wiring room were placed under observation for *six months*. *A worker's pay depended on the performance of the group as a whole.* The researchers thought that the efficient workers would put pressure on the less efficient workers to complete the work. However, it was found that the *group established its own standards of output, and social pressure was used to achieve the standards of output.*

Conclusions of Hawthorne Studies / Experiments

- The ***social and psychological factors are responsible*** for workers' ***productivity and job satisfaction***. Only good physical working conditions are not enough to increase productivity.
- The ***informal relations*** among workers influence the workers' behaviour and performance more than the formal relations in the organisation.
- Employees will perform better if they are allowed ***to participate in decision-making*** affecting their interests.
- Employees will also work more efficiently, when they believe that the ***management is interested in their welfare.***
- When employees are ***treated with respect and dignity,*** their performance will improve.
- Financial incentives alone cannot increase the performance. ***Social and Psychological needs*** must also be satisfied in order to increase productivity.
- ***Good communication between the superiors and subordinates*** can improve the relations and the productivity of the subordinates.
- ***Special attention and freedom to express their views*** will improve the performance of the workers.

Criticism of Hawthorne Studies / Experiments

- **Lacks Validity** : The Hawthorne experiments were conducted ***under controlled situations***. These findings will not work in real setting. The workers under observation ***knew about the experiments***. Therefore, they may have improved their performance only for the experiments.
- **More Importance to Human Aspects** : The Hawthorne experiments gives ***too much importance to human aspects***. Human aspects alone cannot improve production. Production also depends on ***technological and other factors***.
- **More Emphasis on Group Decision-making** : The Hawthorne experiments placed ***too much emphasis on group decision-making***. In real situation, individual decision-making cannot be totally neglected especially when quick decisions are required and there is no time to consult others.
- **Over Importance to Freedom of Workers** : The Hawthorne experiments gives a ***lot of importance to freedom of the workers.*** It does **not give importance to the constructive role of the supervisors.** In reality too much of freedom to the workers can lower down their performance or productivity.

Hawthorne Studies

- https://www.menti.com/c7azmptgir

The Management Science School

- At the beginning of World War II, Great Britain desperately needed to *solve a number of new, complex problems in warfare*. With their survival at stake, the British formed the *first operational research (OR) teams*.
- By pooling the expertise of *mathematicians, physicists, and other scientists in OR teams*, the British were able to achieve *significant technological and tactical breakthroughs* and so as the Americans.
- The teams *used early computers* to perform the thousands of calculations involved in *mathematical modeling.*
- When the war was over, the *applicability of operations research to problems in industry* gradually became apparent. *New industrial technologies* were being put into use and *transportation & communication were becoming more complicated.*
- These developments brought with them a host of problems that could not be solved easily by *conventional means*. Increasingly, OR specialists were called on *to help managers* come up with answers to these new problems.

The Management Science School

- Over the years, *OR procedures were formalized* into what is now more generally called the *management science school.*
- The management science approach to solving a problem begins when a mixed team of specialists from relevant disciplines is called in to *analyze the problem and propose a course of action* to management.
- The team *constructs a mathematical model* that shows, in symbolic terms, all relevant factors bearing on the problem and how they are interrelated.
- By changing the value of the variables in the model (such as increasing the cost of raw materials) and analyzing the different equations of the model with a computer, the team can determine the effects of each change.
- Eventually the management science team presents management with an objective basis for making a decision.

The Simplex Method

Example: Product Mix Problem

A Company produces two products: I and II. The raw material requirements, space needed for storage, production rates, and selling prices for these products are given below:

	Product	
	I	II
Storage space (ft^2/unit)	4	5
Raw material (lb/unit)	5	3
Production rate (units/hr)	60	30
Selling price ($/unit)	13	11

The total amount of raw material available per day for both products is 15751b. The total storage space for all products is 1500 ft^2, and a maximum of 7 hours per day can be used for production. **The company wants to determine how many units of each product to produce per day to maximize its total income.**

Solution

- S_1 = unused storage space
  S_2 = unused raw materials
  S_3 = unused production time

Maximize

$$Z = 13x_1 + 11x_2$$

subject to:

$$4x_1 + 5x_2 \leq 1500$$
$$5x_1 + 3x_2 \leq 1575$$
$$x_1 + 2x_2 \leq 420$$
$$x_1 \geq 0$$
$$x_2 \geq 0$$

$$
\begin{aligned}
Z - 13x_1 - 11x_2 &= 0 && \text{(A1)}\\
4x_1 + 5x_2 + S_1 &= 1500 && \text{(B1)}\\
5x_1 + 3x_2 + S_2 &= 1575 && \text{(C1)}\\
x_1 + 2x_2 + S_3 &= 420 && \text{(D1)}\\
x_i \geq 0, \quad i &= 1, 2
\end{aligned}
$$

From the equations above, it is obvious that one feasible solution that satisfies all the constraints is: $x_1 = 0$, $x_2 = 0$, $S_1 = 1500$, $S_2 = 1575$, $S_3 = 420$, and $Z = 0$.

From these equations, the new feasible solution is readily found to be: $x_1 = 270$, $x_2 = 75$, $S_1 = 45$, $S_2 = 0$, $S_3 = 0$, $Z = 4335$.

The Systems Approach

- The systems approach to management views the organization as a *unified, purposeful system composed of interrelated parts.*
- This approach gives managers a way of looking at the *organization as a whole and as a part of the larger, external environment.*
- Systems theory tells us that the *activity of any segment* of an organization affects, in varying degrees, the *activity of every other segment.*
- *Production managers* in a manufacturer's plant, for example prefer long *uninterrupted production runs* of standardized products in order to maintain maximum efficiency and low costs.
- *Marketing managers,* on the other hand, who want to *offer customers quick delivery* of a wide range of products, would like a *flexible manufacturing schedule* that can fill special orders on short notice.
- *Systems oriented production managers* make *scheduling decisions* only after they have identified the impact of these decisions on other departments and on the entire organization.

The Systems Approach

- The point of the systems approach is that managers cannot function wholly within the confines of the traditional organization chart. They have to *communicate not only with other employees and departments, but frequently with representatives of other organizations as well.*

Some Key Concepts

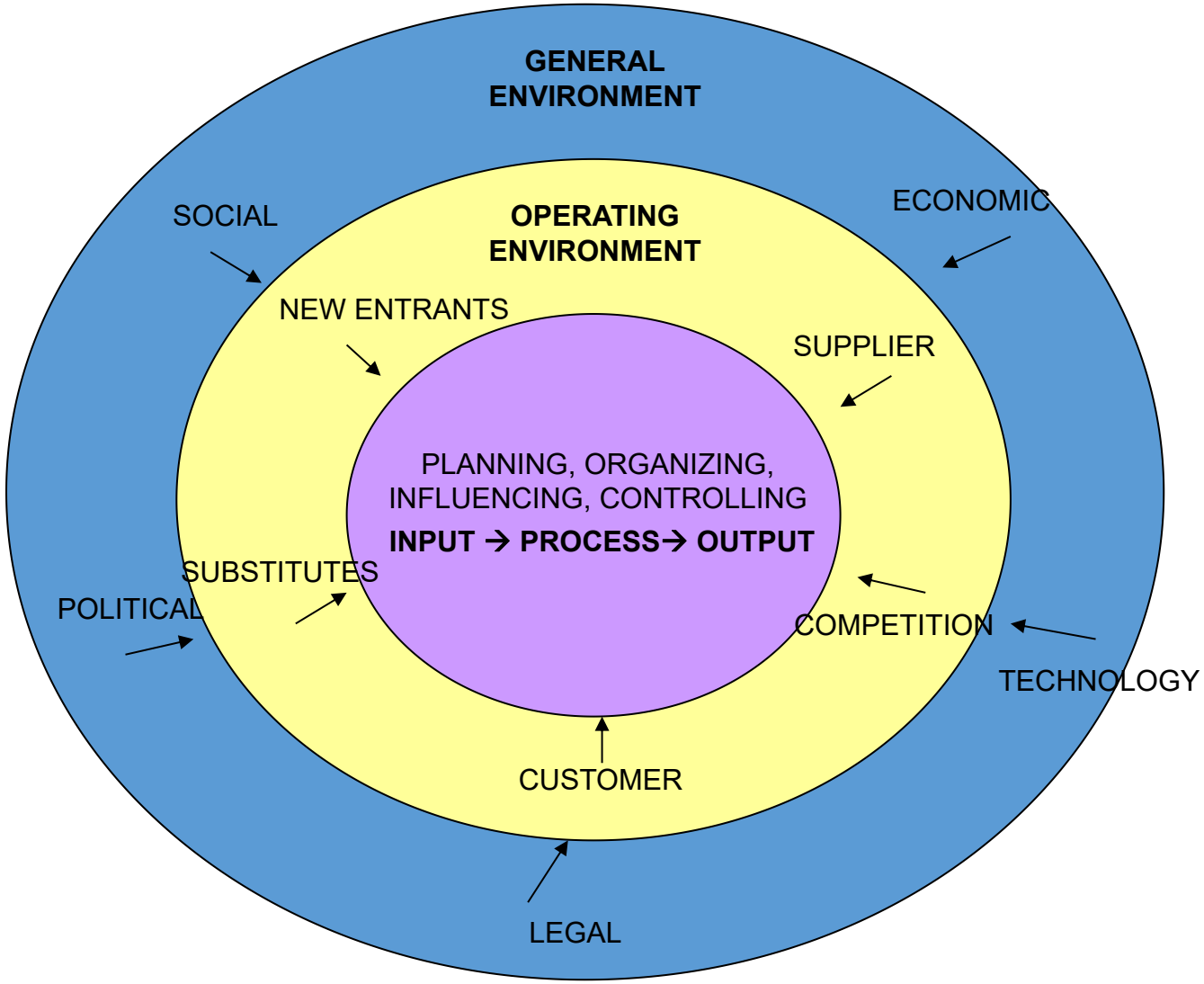
- **Subsystems:** The parts that make up the whole of a system are called subsystems. And each system in turn may be a subsystem of a still larger whole. Thus a *department is a subsystem of a plant, which may be a subsystem of a company, which may be a subsystem of an industry.*
- **Synergy:** Synergy means that the *whole is greater than the sum of its parts*. In organizational terms, synergy means that *as separate departments within an organization cooperate and interact, they become more productive than if each were to act in isolation*. For example, in a small firm, it is more efficient for each department to deal with one *Finance department* than for each department to have a separate finance department of its own.
- **Open and Closed Systems:** A system is considered an open system if it interacts with its environment; it is considered a closed system if it does not. All organizations interact with their environment, but the extent to which they do so varies. An automobile is a perfect example for an open system.

The Systems Approach

- **System Boundary:** Each system has a *boundary that separates it from its environment*. In a closed system, the system boundary is *rigid;* in an open system, the boundary is more *flexible.* The system boundaries of many organizations have become increasingly flexible in recent years. For example, managers at oil companies wishing to engage in offshore drilling now consider public concern for the environment.
- **Flow:** A system has *flow of information*, *materials and energy* (including human energy). These enter the system from the environment as inputs (raw materials for example), undergo transformation processes within the system (operations that alter them) and exit the system as outputs (goods and services).
- **Feedback:** Feedback is the key to system controls. As operations of the system proceed, information is fed back to the appropriate people, and perhaps to a computer, so that the work can be assessed and, if necessary corrected.

Systems theory calls attention to the *dynamic and interrelated nature of organizations* and the management task. With a systems perspective, general managers can more easily maintain a balance between the needs of the various parts of the enterprises and the needs and goals of the whole firm.

The Systems Approach



The Contingency Approach

- The contingency approach (sometimes called the situational approach) was developed by managers, consultants, and *researchers who tried to apply the concepts of the major schools to real life situations.*
- When methods were *highly effective in one situation, failed to work in other situations*. *Results differ because situations differ*, a technique that works in one case will not necessarily work in all cases.
- According to the contingency approach, the manager's task is to *identify which techniques will, in particular situation, under particular circumstances and at a particular time, best contribute to the attainment of management goals.*

The Contingency Approach

- Where workers need to be encouraged to increase productivity, for example, the *classical theorist may prescribe a new work simplification scheme.*
- The *behavioral scientist* may instead seek to create a psychologically mutating climate and recommend some approach *like job enrichment.*
- If the workers are *unskilled and training opportunities* and resources are limited, work *simplification* would be the best solution. However, with *skilled workers* driven by pride in their abilities, a *job-enrichment* program might be more effective.
- The contingency approach represents an important turn in modern management theory, because it portrays each set of organizational relationships in its unique circumstances.

Contingency approach –an example

- Managers at Taco bell addressed the question of what would work best for its restaurants
- Redefined business based -customers value food service and the physical appearance of the restaurant
- recruited new managers who were committed to creating or delivering goods that customer value and who could coach and support staff in the new direction
- To concentrate on customers, Taco Bell outsourced much of the assembly-line food preparation, such as shredding lettuce, allowing employees to focus on customers.
- As a result it has enjoyed a 60 percent growth in sales at company owned stores.

Contingency approach

- https://www.menti.com/jtu3e8cezw

Bases	Classical	Behavioral	Systems	Contingency
Focus	Work as well as the economic needs of workers	Small groups and also human behavior	Interrelationships	Situational variables
Structure	Mechanical and also Impersonal	Organization as a social system	Open Systems view of the organization	Environmental determinants of organization
Means	Empirically derived Principles	Group participation	Conceptual skills	Environmental Scanning
Results	Work alienation as well as dissatisfaction	Satisfied and also efficient employees	Systems theory as well as design	Dynamic management style
Practices	Authoritarian and also bureaucratic	Democratic and also participative	Systems concepts	Business environment Interface
Main Exponents	F. W. Taylor, Henri Fayol, Max Weber	Elton Mayo, A.H. Maslow, Douglas McGregor	F.E. Kast, J.E. Rosenzweig, R.A. Johnson	P.R. Lawrence, J.W. Lorsch, J. Woodward

Organizational and Natural Environments

- External groups with particular agendas are often organized and powerful and many organizations depend on them for support.
- Technological, political, economic and social trends can have major effects on whether or not organizations are successful.
- Today's managers must pay attention to the natural environment if we are to preserve the world for future generations.
- It is difficult to separate 'organizational' and 'natural' environments because they are ultimately connected.
- To understand organizational environments we must borrow some concepts from systems theory.

Organizational and Natural Environments

- They exchange resources with and are dependent upon the external environment, defined as all elements outside an organization that are relevant to its operations. (Some of these elements connect the organizations to the physical world).
- Organizations take inputs (raw materials, money, labor and energy) from the external environment, transform them into products or services and then send them back as outputs to the external environment.
- The external environments have both direct action and indirect action elements.
- Direct action elements also called stakeholders include shareholders, unions, suppliers and many others who directly influence an organization.
- Indirect action elements such as the technology, economy, and politics of a society, affect the climate in which an organization operates and have the potential to become direct action elements.

Ethics & Social Responsibility

- Ethics and Social Responsibility are concepts that are fundamentally about the quality of our relationships over time.
- Many organizational decisions involve knotty problems where organizational interests affect the interests of others.
- Companies and managers that ignore moral concerns are saying to those affected, "we don’t want to invest in making this relationship better”.
- Even tough unethical behavior may sometimes pay today; those who ignore ethical issues are heading for trouble over the long run.
- So companies are using their past experiences and values and the concerns of the present in setting new moral visions for the future.

Some Key Concepts

- **Corporate social responsibility** focuses on *what an organization does that affects the society* in which it exists.
- **Corporate social responsiveness** is a theory of social responsibility that focuses on how *companies respond to issues*, rather than trying to determine their ultimate social responsibility.
- **Ethics** is the study of people's *rights and duties, the moral rules* that people apply in making decisions and the nature of the *relationships among people*.

  In business, most ethical questions fall into one or more of four categories: societal, stakeholder, internal policy, or personal (the individual).

The Tools of Ethics

- **Values:** Relatively permanent desires that seem to be good in people, like *peace or goodwill.*
- **Rights:** *Claims that entitle a person* to take a particular action.
- **Duties:** Obligations to take specific steps or *obey the law.*
- **Moral Rules:** Rules for behavior that often become internalized as moral values.

Indian Companies for CSR in 2019

Infosys Ltd: COVID relief projects dominated the activities, with education and health-related programmes following after. Among the main initiatives in the financial year 2019-20 were a 100-bed quarantine setup in Bengaluru in partnership with Narayana Health City, and another one which had 182 beds for COVID-19 patients for Bowring and Lady Curzon Medical College & Research Institute.

Bharat Petroleum Corporation Ltd. BPCL employees stood strong in the fight against the virus. They made a collective contribution of INR 4.27 Crores from their salaries. As part of its corporate social responsibility for COVID-19 relief, the PSU organised 'Swachhata Pakhwada 2020' from July 1 to 15, 2020. This special initiative was in support of the Indian government's Swachh Bharat Abhiyan. BPCL also tied up with an NGO named Bisnouli Sarvodaya Gramodyog Sewa Sansthan (BSGSS) for a cleanliness and awareness drive in Nuh district of Haryana. The CSR team also went around villages with a medical team and distributed special kits comprising dustbins, face masks and a hand sanitizer to 400 families. The medical team informed them of precautionary measures.

Mahindra & Mahindra spent INR 93.50 crores on CSR initiatives during the financial year 2018-19, according to the annual report published by the company. The company spent INR 8.36 crore on Project Nanhi Kali which provides educational support to underprivileged girls in India through an afterschool support programme.

Indian Companies for CSR in 2019

- CSR of **ITC** set up a COVID Contingency Fund of INR 215 crores for those affected. Together with local authorities, they distributed cooked meals, food and hygiene products across 25 States and Union Territories.
- Auto brand **Tata Motors** Limited went beyond compliance and spent INR 22 crores (standalone) towards various schemes of CSR. The CSR spend amount excludes INR 2.99 crore donated to Tata Community Initiative Trust (TCIT) for repair of infrastructure which was affected during the flood in Kerala (August 2018).
- **Toyota Kirloskar Motor India** : contributed towards the "Swachh Bharat Abhiyan". The company has constructed more than 650 units of sanitation facilities in 206 government schools across India, of which 125 units are located in Varanasi, 426 units in Ramanagara district in Karnataka and 125 units in Vaishali in Bihar.

Globalization

- Globalization refers to the process of integration across societies and economies.
- The phenomenon encompasses the flow of products, services, labor, finance, information, and ideas moving across national borders.
- The frequency and intensity of the flows relate to the upward or downward direction of globalization as a trend.

Globalization

Rationale

- A primary economic rationale for globalization is reducing barriers to trade for the enrichment of all societies.
- The greater good would be served by leveraging comparative advantages for production and trade that are impeded by regulatory barriers between sovereignty entities.
- This economic rationale for global integration depends on supporting factors to facilitate the process. The factors include advances in transportation, communication, and technology to provide the necessary conduits for global economic integration.
- While these factors are necessary, they are not sufficient. Collaboration with political parties, through international relations, is required to leverage the potential of the

Globalization

Complexities and Controversies

The increase of globalization surfaced many complex and controversial issues as economies and societies became more interdependent with greater frequency of interactions between one another. A number of important trends that make up globalization include:

- location of integration activities
- impact upon poorer societies
- flow of capital
- migration of labor and work
- diffusion of technology