

PME UNIT-1 CONCISE

PME UNIT - 1 Notes

Unit 1: Introduction to Management

1. Management: An Overview

● Introduction / Importance of Management (p. 2):

- ▶ Formerly used mainly for circuses/restaurants, now has much glory and significance.
- ▶ **Critical element in economic growth:** Enables a country to experience economic development by bringing together factors of production (men, money, material, machines). (Drucker: without management, resources remain resources, never become production).
- ▶ **Essential in all organized efforts:** Business or any other activity (educational, social, military, government). Same process in all orgs, complexity varies with size.
- ▶ **Dynamic, life-giving element:** Coordinates current activities, plans future ones, arbitrates disputes, provides leadership. Adapts org to environment, often shapes environment. Quality/performance determines success/survival. Good management can be a monopoly/competitive edge.
- ▶ Claude S. George: "the central core of our national as well as personal activities..."

● Definition of Management (p. 2-3):

- ▶ Difficult to define universally.
- ▶ **Mary Parker Follett:** "the art of getting things done through people." Highlights difference between manager (indirect contribution via others) and non-manager (direct contribution via own task).
- Weaknesses of Follett's definition (p. 3): Uses "art" (management is also science). Doesn't throw light on manager's functions.
- ▶ **George R. Terry:** "a process consisting of planning, organising, actuating and controlling, performed to determine and accomplish the objectives by the use of people and resources."
- Process = systematic way of doing things.
- Planning: thinking actions in advance.
- Organising: coordinating human/material resources.
- Actuating: motivating/directing subordinates.
- Controlling: ensuring no deviation from norm/plan, taking remedial action.
- Uses people and other resources.
- Involves achieving organization's objectives.

● Role of Management (Implicit in Definition & Functions):

- ▶ To combine and coordinate resources effectively and efficiently to achieve organizational goals.
- ▶ To lead, guide, and direct the efforts of people.
- ▶ To adapt to and shape the environment.

● Functions of Managers (Management Functions or The Process of Management) (p. 3-6):

- ▶ Disagreement among writers on classification. Terminology also varies.
- ▶ Newman & Summer: Organising, Planning, Leading, Controlling.

- Henri Fayol: Planning, Organising, Commanding, Coordinating, Controlling.
- Luther Gulick: POSDCORB (Planning, Organising, Staffing, Directing, Coordinating, Reporting, Budgeting).
- Haynes & Massie: Decision-making, Organising, Staffing, Planning, Controlling, Communicating, Directing.
- Koontz & O'Donnell: Planning, Organising, Staffing, Directing, Controlling.
- **For this text (p. 4):**

1. **Planning (p. 4):** Determines in advance what should be done. Looking ahead, preparing for future.
2. **Organising (p. 4):** Providing business with everything useful to its functioning. Designing and developing a human organization. Includes Staffing.
3. **Directing (p. 5):** Moving towards defined objectives. Also "leading," "motivating," "actuating."
 - Communication: Process of passing information and understanding.
 - Leadership: Process by which manager guides/influences subordinates' work.
 - Motivation: Arousing desire in workers to give their best.
4. **Controlling (p. 5):** Ensuring performance conforms to plans. Three elements: Establishing standards, Measuring & comparing, Taking corrective action.
 - **Additional functions (Ernest Dale - p. 4):**
5. **Innovating (p. 5):** Constantly growing better. Creating new ideas.
6. **Representing (p. 6):** Spending time representing org before outside stakeholders.
 - Note: Management process is a circular continuous movement of sub-processes (Fig. 1.1, p. 6).

● **Levels of Management (p. 6, 10-11):**

- Emphasis on each function, scope of responsibilities, and skills required vary across levels. Three recognized levels:

▸ **1. Top Level Management (p. 6, 10):**

- **Who they are:** Board chairman, presidents, CEO. Coordinate all specialities, make policies for company as a whole.

▪ **Functions / Responsibilities:**

- Administrative > Managerial: More time in "administrative activity" (thinking).
- Strategic Planning & Objective Setting: Establish long-term goals, planning premises.
- Policy Formulation: Develop broad policies.
- Unstructured Problem Solving: Deal with complex, non-routine problems.
- Environmental Scanning & Adaptation: Farsighted view, assess environment/changes.
- Accountability: To owners for overall performance.
- Resource Mobilization: High-level decisions on resource acquisition/allocation.
- Overall Direction & Vision: Set new direction, determine relationship with external environment.
- Skills Emphasis: Very high conceptual skill, strong human relations skills. Technical skills least important.

▸ **2. Middle Level Management (p. 6, 10):**

- **Who they are:** Sales managers, plant managers, department heads. Link between top and first-line management.

▪ **Functions / Responsibilities:**

- **Balancing Administration & Management:** Time evenly split.
- **Translating Top-Level Plans:** Into specific plans for their units.
- **Departmental Planning & Organizing:** For near future, short-term goals.
- **Resource Allocation within Departments:** Distribute resources efficiently.
- **Coordination:** Coordinate activities of different workgroups and first-line managers.
- **Monitoring & Reporting:** Monitor unit performance, report to top management.
- **Implementing Policies:** Ensure policies/procedures are effectively implemented.
- **Motivation & Guidance:** Motivate and guide first-line managers.
- **Skills Emphasis:** Balanced mix of conceptual, human relations, and technical skills. Human relations crucial.

► **3. First-line / Lower Level / Frontline Management (p. 6, 10):**

▪ **Who they are:** Foremen, supervisors, shift managers. One step above rank and file, directly oversee non-managerial staff.

▪ **Functions / Responsibilities:**

- **Managerial > Administrative:** More time in "management activity" (doing/execution).
- **Direct Supervision:** Guide operative employees in day-to-day tasks.
- **Task Assignment & Instruction:** Assign jobs, provide detailed instructions.
- **Maintaining Discipline & Quality:** Ensure quality output, handle structured problems.
- **Short-Term Planning:** Daily or weekly horizon.
- **Resource Management (Operational):** Manage day-to-day resources.
- **Feedback & Reporting:** To middle management on operational performance.
- **Motivation of Operatives:** Key role in motivating non-managerial employees.
- **Skills Emphasis:** High degree of technical skill, strong human relations skills. Conceptual skills less critical.

● **Organizational/Business Functions (p. 7):**

► Distinguish management levels from organizational functions (finance, production). A manager at any level performs core management functions (planning, organizing, directing, controlling) (Fig. 1.2, p. 7).

● **Roles of a Senior Manager (Mintzberg) (p. 7-8):** Ten different roles:

► **Interpersonal Roles (p. 7):**

- **Figurehead:** Ceremonial duties.
- **Leader:** Motivate and encourage employees.
- **Liaison:** Cultivate contacts outside vertical chain.

► **Informational Roles (p. 8):**

- **Monitor:** Perpetually scan environment, receive unsolicited info.
- **Disseminator:** Pass privileged info to key subordinates.
- **Spokesman:** Represent org to outside groups, manage social impact.

► **Decisional Roles (p. 8):**

- **Entrepreneur:** Proactively look for innovation.
- **Disturbance Handler:** Work reactively to unanticipated problems.
- **Resource Allocator:** Divide work, delegate authority, decide who gets what.
- **Negotiator:** Spend considerable time in negotiations.

- **Management Skills and Organizational Hierarchy (p. 8-9):**

- **Skill:** Individual's ability to perform physical/mental tasks with specified outcome.
- **Three Major Skills:**
- **Conceptual Skill (p. 9):** Ability to take broad, farsighted view of org/future. Increases in importance up hierarchy.
- **Technical Skill (p. 9):** Understanding nature of job people under mgr perform. More important at lower levels.
- **Human Relations Skill (p. 9):** Ability to interact effectively with people at all levels. Consistently important.
- **Skill-Mix at Different Management Levels (p. 9):** Top level: technical skill least important. Human/conceptual skills make up for unfamiliarity. (Fig. 1.3, p. 9).

- **Managerial Effectiveness (p. 9):**

- Measured by two concepts (Peter Drucker):
- **Efficiency:** Ability to do something correctly (lowest possible/acceptable cost).
- **Effectiveness:** Ability to do correct things (achieve high levels of value - quality/price).
- Maximizing both often creates conflict. Effectiveness is critical.

- **Management and Administration (p. 10):** Lack of unanimity.

- **View 1 (Sheldon, Spriegel, Milward):**
- Administration: "Thinking". Top-level function.
- Management: "Doing". Lower-level function.
- Each manager does both. Top level spends more time on admin. (Fig. 1.4, p. 10).
- **View 2 (E.F.L. Brech):**
- Management: Comprehensive generic term including administration.
- Administration: Branch of management (planning and controlling functions).
- **View 3 (Peter Drucker):**
- Difference lies in field of use. Administration for non-business, Management for business.

- **Management—A Science or An Art? (p. 11-12):**

- **Management as a Science (p. 11):** Meets criteria for scientific discipline (systematic inquiry, ordered info, cumulative results).
- It's a behavioural science (or inexact), not "exact" like physics. Findings are tendencies/probabilities.
- **Are Management Principles Culture-bound? (p. 12):** Principles' applicability varies by culture, but theory/concepts/principles remain same.
- **Management as an Art (p. 12):** Science = "why", Art = "how". Art of getting things done in dynamic, non-repetitive situations.
- **Conclusion:** Management involves both elements - science (body of knowledge) and art (application of skill).

- **Management—A Profession? (p. 13):**

- McFarland's characteristics of a profession.
- Management does not possess all these (no fixed norms, no uniform code/licensing, entry not restricted by degree). So, cannot be called a profession.

► **Trends towards professionalization:** Increasingly essential to acquire professional knowledge/training.

► Drucker's view: Degree should not be condition for entry; essence is achievement.

● **Professional Management vs Family Management (p. 13-14):**

► "Professional management" sometimes antithesis to "family management."

► View not totally correct: Family firms can be dynamic and system-driven. Many successful globally.

2. Social and Ethical Responsibilities of Management

● **Meaning of Social Responsibility (p. 43):**

► Nebulous idea, defined variously.

► **Adolph Berle:** Manager's responsiveness to public consensus. Varies by country/time.

► **Keith Davis:** Two types of business obligations:

▪ Socio-economic obligation: Ensure economic consequences don't adversely affect public welfare.

▪ Socio-human obligation: Nurture and develop human values.

► Business is part of total system. Operate as trustee for stakeholders.

● **Origin and Growth of the Concept (p. 43-44):**

► Traced to evolution of welfare state.

► Industrialization -> idea of welfare state, strengthened by democracy.

► Enfranchised people demand social security, protection.

► **Changing image of business (p. 44):** Past negative views, but also positive self-image.

● **Different Views on Social Responsibility (p. 44-45):** Four views:

► **Communist View (p. 44):** Advocates imposition of social responsibilities by State. Business is evil.

► **Capitalist View (p. 44):** Economic expediency alone. Maximize profit. Obey legal codes only. (Levitt, Friedman).

► **Pragmatic View (p. 45):** Acknowledges profit importance but stresses need for social responsibility. Voluntarily assume beyond legal minimum. Three levels.

► **Trusteeship View (p. 45):** Retain for personal use only what's necessary. Rest for community welfare. (Gita, M.K. Gandhi).

● **Social Responsibilities of Business Towards Different Groups (Social Stakeholders) (p. 45-47):**

► Businessman at centre of network of relationships.

► **Towards the Consumer and the Community (p. 45-46):**

1. Production of cheap/better quality goods/services.

2. Levelling out seasonal variations.

3. Deciding production priorities in country's interest, conserving natural resources.

4. Providing for social audit.

5. Honoring contracts, honest trade practices.

6. Making real consumer needs criterion for ads.

7. Preventing creation of monopolies.

8. Providing for after-sale servicing.
9. Ensuring hygienic disposal of smoke/waste.
10. Achieving better public relations.
11. Supporting education, slum clearance, etc.
12. Fair wage.
13. Just selection, training, promotion.
14. Social security measures, good quality of work life.
15. Good human relations.
16. Freedom, self-respect, self-realisation.
17. Increase productivity/efficiency by recognition of merit.

► **Towards Employees and Workers (p. 46):**

► **Towards Shareholders and Other Businesses (p. 47):**

18. Promoting good governance.
19. Fairness with competitors.
20. Shunning active political participation.
21. Observing all laws of land.

► **Towards the State (p. 47):**

● **Arguments FOR Corporate Social Responsibility (CSR) - 6 Points:**

1. **Enhanced Reputation and Public Image:** Improves reputation, loyalty, brand recognition.
2. **Increased Employee Morale and Productivity:** Boosts morale, pride, motivation.
3. **Long-Term Business Sustainability and Profitability:** Leads to sustainable practices, efficiency, innovation.
4. **Meeting Stakeholder Expectations and Building Trust:** Fulfilling expectations builds trust.
5. **Proactive Risk Management and Problem Prevention:** Mitigates risks like negative publicity, boycotts.
6. **Ethical Imperative and Moral Obligation:** Businesses have moral obligation beyond profit.

● **Arguments AGAINST Corporate Social Responsibility (CSR) - 6 Points:**

1. **Primary Goal is Profit Maximization:** Diverting resources detracts from economic objective.
2. **Costs of CSR are Passed to Consumers:** Makes products/services less affordable.
3. **Lack of Expertise and Accountability in Social Areas:** Managers skilled in economic, not social, matters.
4. **Dilution of Business Purpose and Focus:** Distracts from core competencies.
5. **Potential for "Greenwashing" or Superficial Engagement:** CSR as PR stunt without genuine commitment.
6. **Risk of "Neofeudalism" and Managerial Overreach:** Could lead to paternalistic system (Levitt).

- **Social Performance of Business in India (p. 47-48):**

- ▶ Many progressive orgs playing social role.
- ▶ Business-centric activities (ITC, Nestle).
- ▶ Philanthropic activities (Lupin, Wipro, ACC).
- ▶ FICCI/Business World award for CSR. India topped 7-nation survey (2003).

- **Social Audit (p. 48-49):**

- ▶ **Definition:** Systematic study and evaluation of organization's social performance.
- ▶ **Benefits (p. 48):** Data for comparison, develops social awareness, data on program effectiveness/cost.
- ▶ **Limitations (p. 48):** Process audit, not results. Difficult to measure social good, "good"/"bad" not universal.
- ▶ Even if results unproven, audit of what is being done is desirable.
- ▶ Public release of report: some say imprecise, others say contributes to understanding.
- ▶ TISCO first in India (1979) to have social audit.

- **Business Ethics (p. 49-50):**

- ▶ **Definition:** Application of moral principles to business problems. Beyond legality.
- ▶ Other issues: Sexual harassment, discrimination, right to privacy.
- ▶ Sexual harassment: Unwelcome advances. Mandatory duty to prevent.
- ▶ Discrimination against women: Pay/promotion unethical. Glass ceiling.
- ▶ Employees' right to privacy: Hiring smokers, drug tests.
- ▶ Corporate "shield" doesn't protect from condemnation. Credibility on ethics/integrity.
- ▶ **Factors affecting ethical/unethical decision (p. 50):** Govt legislation, Business codes, Pressure groups, Personal values of manager.

- **Corporate Governance (p. 51-53):**

- ▶ **Definition:** Extent to which companies run in an open and honest manner in best interest of all stakeholders.
- ▶ Key elements: Transparency and accountability, projected through a code.
- ▶ **Cadbury Committee (Britain, 1991) recommendations (p. 51):** Non-executive directors, Remuneration committees, Audit committees, Audit partners rotated.
- ▶ **Benefits of Good Corporate Governance (p. 51):** Market confidence, share prices, financial integrity, corporate security, limits liability, improves strategic thinking.
- ▶ **Need for a Corporate Whistle Blower Protection Act (p. 53):** Discloses corruption, mismanagement. SEBI Committee recommendation.

3. Understanding Management's Context (The External Environment & Organizational Culture)

- **The Manager: Omnipotent or Symbolic? (p. 44-45):**

- ▶ **Omnipotent View of Management (p. 44-45):** Dominant view. Managers directly responsible for org's success/failure.
- ▶ **Symbolic View of Management (p. 45):** Success/failure due to external forces outside managers' control. Managers symbolize control.

► **Reality (p. 45):** Managers neither all-powerful nor helpless. Constrained by external and internal factors. (Exhibit 2-1, p. 45).

● **The External Environment: Constraints and Challenges (p. 46-51):**

► **Definition (p. 46):** Factors and forces outside the organization that affect its performance.

► **Components of External Environment (p. 46):** (Exhibit 2-2, p. 46 - Diagram):

- Economic: Interest rates, inflation, etc.
- Demographic: Trends in population characteristics.
- Political/Legal: Laws, political conditions.
- Sociocultural: Societal/cultural factors.
- Technological: Scientific or industrial innovations.
- Global: Issues with globalization.

► Focus on Economic and Demographic aspects (p. 46).

► **How the External Environment Affects Managers (p. 48-51):** Three ways:

1. **Impact on Jobs and Employment (p. 48):** Powerful constraint. Recession, new job types.

2. **Assessing Environmental Uncertainty (p. 49):** Degree of change and complexity. (Exhibit 2-3, p. 49 - Matrix).

- Degree of Change: Dynamic vs. Stable.
- Degree of Environmental Complexity: Number of components, org's knowledge.
- Matrix: Cell 1 (Stable/Simple - lowest uncertainty), Cell 4 (Dynamic/Complex - highest).

3. **Managing Stakeholder Relationships (p. 50-51):**

- Stakeholders (p. 50): Any constituencies affected by org's decisions/actions. (Exhibit 2-4, p. 51 - Diagram).

● **Organizational Culture: Constraints and Challenges (p. 51-57):**

► **What Is Organizational Culture? (p. 51):** Influences way employees act/interact.

▪ **Definition (p. 52):** Shared values, principles, traditions, and ways of doing things.

▪ Implies 3 things (p. 52): Culture is a perception, descriptive, shared.

▪ **Dimensions of Organizational Culture (p. 52):** 7 dimensions (Innovation/Risk Taking, Attention to Detail, Outcome Orientation, People Orientation, Team Orientation, Aggressiveness, Stability). (Exhibit 2-5, p. 52; Exhibit 2-6 p. 53).

▪ **Strong Cultures (p. 52):** Key values intensely held and widely shared. Greater influence. (Exhibit 2-7, p. 53).

▪ **Importance of Strong Culture (p. 54):** Employees more loyal, high performance. Drawback: might prevent new approaches.

► **Where Culture Comes From and How It Continues (p. 54):** (Exhibit 2-8, p. 54 - Diagram: Founders -> Selection -> Top Mgt & Socialization -> Org Culture).

▪ Original source: Vision of the founders.

▪ Maintaining culture: Employee selection, Actions of top managers, Socialization.

► **How Employees Learn Culture (p. 55):**

▪ Stories (p. 55): Narratives of significant events/people.

▪ Rituals (p. 55): Repetitive sequences expressing/reinforcing values.

- Material Artifacts and Symbols (p. 55-56): Layout, dress, perks.
- Language (p. 56): Unique terms, acronyms/jargon.
- **How Culture Affects Managers (p. 56-57):** Constrains what they can/cannot do. (Exhibit 2-9, p. 57 - Decisions Affected).

● **Current Issues in Organizational Culture (p. 58-60):**

- **Creating an Innovative Culture (p. 58):** Supportive culture. Goran Ekvall characteristics.
- **Creating a Customer-Responsive Culture (p. 58):** (Exhibit 2-10, p. 59 - Characteristics/Suggestions).
- **Nurturing Workplace Spirituality (p. 58-60):** Values promote sense of purpose, meaning, connection.

● **Relevance of Political, Legal, Economic, and Cultural Environments to Global Business (International Management) (p. 14-16, 72-82):**

- **Management of International Business (p. 14):** Transfer of resources, goods, services across national boundaries.

▸ **Skills of International Manager (p. 14-16):**

1. Conceptual, Human Relations, Technical Skills (p. 14).
2. Ability to Evaluate Host Country Risk (p. 15): Economic and Political risk.
3. Ability to Manage Country Risk (p. 15): Proactively manage risks.
4. Ability to Exert Pressure on Home Government (p. 15).
5. Ability to Obtain Legitimacy (p. 15).
6. Knowledge of Legal Environment (p. 15-16).
7. Familiarity with the Host Country's Culture (p. 16).
8. Familiarity with International Monetary System and International Accounting (p. 16).
9. Knowledge of Human Capital Available in the Host Country (p. 16).

▸ **Global Attitudes (p. 72):**

- Ethnocentric: Home country approaches are best.
- Polycentric: Host country employees know best.
- Geocentric: World-oriented view, best approaches/people from globe.

- **Understanding the Global Environment (p. 72):** Shaped by Regional Trading Alliances and Global Trade Mechanisms.

▪ **Regional Trading Alliances (p. 72-75):**

- European Union (EU) (p. 72-73). (Exhibit 3-1 Map p. 73).
- North American Free Trade Agreement (NAFTA) (p. 74).
- Other Latin American Agreements (p. 74).
- Association of Southeast Asian Nations (ASEAN) (p. 75). (Exhibit 3-2 Map p. 75).
- Other Trade Alliances (p. 76): African Union, EAC, SAARC.

▪ **Global Trade Mechanisms (p. 76-77):**

- World Trade Organization (WTO) (p. 76).
- International Monetary Fund (IMF) (p. 77).

- World Bank Group (p. 77).
- Organization for Economic Cooperation and Development (OECD) (p. 77).
- **How Organizations Go International (Structures & Techniques) (p. 78-80):** (Exhibit 3-3, p. 79 - Diagram).
- **Different Types of International Organizations (p. 78):** Multinational Corporation (MNC), Multidomestic Corporation, Global Company, Transnational or Borderless Organization.
- **Techniques to Go International (Exhibit 3-3, p. 79):**
 - Global Sourcing (Minimal Investment).
 - Exporting/Importing.
 - Licensing.
 - Franchising.
 - Strategic Alliance (Significant Investment).
 - Joint Venture.
 - Foreign Subsidiary.
- **Managing in a Global Environment (Political/Legal, Economic, Cultural Environments) (p. 80-82):**
 - The Political/Legal Environment (p. 80): Stay informed of specific laws, risky political climates.
 - The Economic Environment (p. 80-81): Understand country's economic system, currency exchange, inflation, tax.
 - The Cultural Environment (p. 81-82): Managing global workforce challenging. National culture impact. (Exhibit 3-4, p. 82).