



Lesson 2: Management Concepts and Basic Structures

In the modern times one of the most important human activities is managing group of people. Ever since people began forming groups to accomplish aims they could not achieve as individuals, managing has been essential to ensure the coordination of individual efforts. As society has come to rely increasingly on group effort and as many organized groups have become large the task of managers has been rising in importance.

LESSON OBJECTIVES:

By the end of the lesson the students must be able to:

- Develop a working knowledge of basic terminology and framework in the functions of management.
- Understand and apply management concepts as it relates to the functions of management.
- Gain valuable insights into the fields of managing an organization.

LESSON MATERIALS:

I. NATURE AND CONCEPTS OF MANAGEMENT

Management is the process of designing and maintaining an environment in which individuals working together in groups efficiently accomplish selected aims.

The basic definition of Management explain that

- As managers, people carry out the managerial functions of planning organizing, staffing, leading and controlling.
- Management applies to any kind of organization.
- It applies to managers at all organizational levels.
- The aim at all managers is the same to create a surplus.
- Managing is concerned with productivity, which implies effectiveness and efficiency.

DEFINITIONS

1. **According to George R. Terry**, "Management is a distinct process consisting of planning, organising, actuating and controlling, performed to determine and accomplish stated objectives by the use of human beings and other resources".
2. **According to Henry Fayol**, "To manage is to forecast and to plan, to organise, to command, to coordinate and to control".
3. **According to Peter Drucker**, "Management is a multi-purpose organ that manages business and manages managers and manages workers and work".
4. **According to Harold Koontz**, "Management is the art of getting things done through and with people in formally organized groups".
5. **According to Mary Parker Fallett**, "Management is the art of getting things done through people".



MANAGEMENT: CONCEPT AND MEANING

Management is the act of getting people together to accomplish desired goals and objectives using available resources efficiently and effectively. Management comprises planning, organizing, staffing, leading, coordinating and controlling an organization (a group of one or more people or entities) or effort for the purpose of accomplishing a goal. Resourcing encompasses the development and manipulation of human resources, financial resources, technological resources and natural resources.

Since organizations can be viewed as systems, management can also be defined as human action, including design, to facilitate the production of useful outcomes from a system. This view opens the opportunity to 'manage' oneself, a pre-requisite to attempting to manage others.

The term 'management' is used extensively in business. It is the core or life giving element in business. We expect that a business unit should be managed efficiently. This is precisely what is done in management. Management is essential for the conduct of business activity in an orderly manner. It is a vital function concerned with all aspects of working of an enterprise.

NATURE OF MANAGEMENT

1. Management is an activity
2. Management is a purposeful activity.
3. Management is concerned with the efforts of a group
4. Management applies economic principles.
5. Management involves decision making.
6. Management is getting things done through others.
7. Management is an integrating process.
8. Management co-ordinates all activities and resources.
 1. Management is a universal activity.
 2. Management is dynamic not rigid.

NEED OF MANAGEMENT

1. **Direction, coordination and control of group efforts:** In business, many persons work together. They need proper direction and guidance for raising their efficiency. In the absence of guidance, people will work as per their desire and the, orderly working of enterprise will not be possible. Management is needed for planning business activities, for guiding employees in the right direction and finally for coordinating their efforts for achieving best/most favorable results.
2. **Orderly achievement of business objectives:** Efficient management is needed in order to achieve the objectives of business activity in an orderly and quick manner.
3. **Performance of basic managerial functions:** Planning, Organizing, Coordinating and Controlling are the basic functions of management. Management is needed as these functions are performed through the management process.



4. **Effective communication at all levels:** Management is needed for effective communication within and outside the Organization.
5. **Motivation of employees:** Management is needed for motivating employees and also for coordinating their efforts so as to achieve business objectives quickly.
6. **Success and stability of business enterprise:** Efficient management is needed for success, stability and prosperity of a business enterprise.

IMPORTANCE OF MANAGEMENT

1. **Management is goal oriented:** Management is concern with achievement of specific goals. It is always directed towards achievement of objectives. The success of management is measured by the extent to which objectives are achieved.
2. **Management is associated with group efforts:** The business comes into existence with certain objectives which are to be achieved by a group and not by one person alone. Management gets things done by, with and through the efforts of group members. It co-ordinates the activities and actions of its members towards a common goal.
3. **Management is intangible:** It is an unseen force, its presence can be evidence by the result of its efforts up to date order but they generally remain unnoticed, Where as mismanagement is quickly noticed.
4. **Management is an activity and not a person or group of person:** Management is not people or not a certain class but it is the activity, it is the process of planning, organizing, directing and controlling to achieve the objectives of the organization.
5. **Management is situational:** Management does not advice best way of doing things. Effective management is always situational. A manager has to apply principles, approaches and techniques of management after taking into consideration the existing situations.
6. **Management is universal:** Most of the principles and techniques of management are universal in nature. They can be applied to government organization, military, educational institutes, religious institutes etc. They provide working guidelines which can be adopted according to situations.
7. **Management is concern with people:** Since management involves getting things done through others only human being performed this activity with the help of planning and control. The element man can not be separated from the management.
8. **Management is the combination of art, science and profession:** Management makes use of science as well as art. It is science because it collects knowledge with the methods and data, analyzes and measures it and decision is taken with the help of experiment. It is a systematic body of knowledge. Art means application of knowledge for solving various problems. In modern times there is separation of ownership and management, so professional experts are appointed.

Modem business is highly competitive and needs efficient and capable management for survival and growth. Management is needed as it occupies a unique



position in the smooth functioning of a business unit. This suggests the need of efficient management of business enterprises. Profitable/successful business may not be possible without efficient management. In this sense, "No management, no business" is true. Survival of a business unit in the present competitive world is possible only through efficient and competent management.

MEANING OF MANAGEMENT PROCESS

The term management is explained in different ways. For example, it is said that management is what management does. Here, management is explained with reference to its basic functions which include planning, organizing, coordinating and controlling. Similarly, management is described as a process which involves various elements. Management process is a continuous one and is run by the managers functioning at different levels. Management is now recognized as a distinct process in which managers plan, organize, lead, motivate and control human efforts in order to achieve well defined goals. In fact, process means a series of activities/operations undertaken/conducted for achieving a specific objective. Process is a systematic way of doing things. For example, in a factory there is a production process. Similarly, in the management process, resources and human efforts are used in an orderly manner for achieving specific objectives. The management process suggests functions to be performed by the managers.

DEFINITION OF MANAGEMENT PROCESS

1. **According to D. E. McFarland**, "Management is the distinct process by which the managers create, direct, maintain and operate purposive organization through systematic, co-coordinated and cooperative human efforts.
2. **According to Gemp R. Terry**, "Management is a distinct process consisting of planning, organizing, actuating, and controlling, performed to determine and accomplish objectives by the use of people and other resources".

II. CHARACTERISTICS OF MANAGEMENT

1. **Management is a managerial process:** Management is a process and not merely a body of individuals. Those who perform this process are called managers. The managers exercise leadership by assuming authority and direct others to act within the organization. Management process involves planning, organizing, directing and unifying human efforts for the accomplishment of given tasks.
2. **Management is a social process:** Management takes place through people. The importance of human factor in management cannot be ignored. A manager's job is to get the things done with the support and cooperation of subordinates. It is this human element which gives management its special character.
3. **Management is action-based:** Management is always for achieving certain objectives in terms of sales, profit, etc. It is a result-oriented concept and not merely an abstract philosophy. It gives importance to concrete performance through suitable actions. It is an action based activity.



- 4. Management involves achieving results through the efforts of others:** Management is the art of getting the things done through others. Managers are expected to guide and motivate subordinates and get the expected performance from them. Management acts as an activating factor.
- 5. Management is a group activity:** Management is not an isolated individual activity but it is a collective activity or an activity of a group. It aims at using group efforts for achieving objectives. Managers manage the groups and coordinate the activities of groups functioning in an organization.
- 6. Management is intangible:** Management is not directly visible but its presence is noticed in the form of concrete results. Management is intangible. It is like invisible spirit, which guides and motivates people working in a business unit. Management is like government, which functions but is not visible in physical form.
- 7. Management is aided, not replaced by computers:** The computer is an extremely powerful tool of management. It helps a manager to widen his vision. The computer supplies ocean of information for important decision-making. The computer has unbelievable data processing and feedback facilities. This has enabled the manager to conduct quick analysis towards making correct decisions. A computer supports manager in his managerial work. However, it cannot replace managers in business. They were required in the past, at present and also in future. Their existence is absolutely essential in the management process.
- 8. Management is all pervasive:** Management is comprehensive and covers all departments, activities and employees. Managers operate at different levels but their functions are identical. This indicates that management is a universal and all pervasive process.
- 9. Management is an art, science as well as a profession:** Management is an art because certain skills, essential for good management, are unique to individuals. Management is a science because it has an organized body of knowledge. Management is also a profession because it is based on advanced and cultivated knowledge.
- 10. Management aims at coordination of activities:** Coordination is the essence of management. It gives one clear direction to the whole organization and brings unity and harmony in the whole business unit. For such coordination, effective communication at all levels is essential.
- 11. Management is innovative:** Management techniques are dynamic and innovative. They need to be adjusted as per the requirements of the situations. Another manager need not repeat the decisions of one manager. Similarly, a manager has to change his decisions under different situations.
- 12. Management has different operational levels:** Every Organization needs managers for managing business activities. The manager's job is basically the same at all levels. The managers at the higher levels have more important duties while managers at the lower levels have to perform routine functions i.e duties.
- 13. Management is different from ownership:** Management is concerned with the management of business activities. Managers are not the owners but they manage the business on behalf of the owners. Separation of ownership and management is a special feature of modern business organization.

14. **Management has vast scope:** The scope of management is quite comprehensive. It covers all aspects of business. The principles of management guide managers while managing various business activities.
15. **Management is dynamic:** Business is influenced by changes in economic, social, political technological and human resource. Management adjusts itself to the changing atmosphere making suitable forecasts and changes in the policies. Hence, management is treated as a dynamic activity.
16. **Management aims at achieving predetermined objectives:** Management is a meaningful activity. All organizations are essentially groups of individuals formed for achieving common objectives. An Organization exists for the attainment of specific objectives.

MANAGEMENT IS AN ART, A SCIENCE AND A PROFESSION

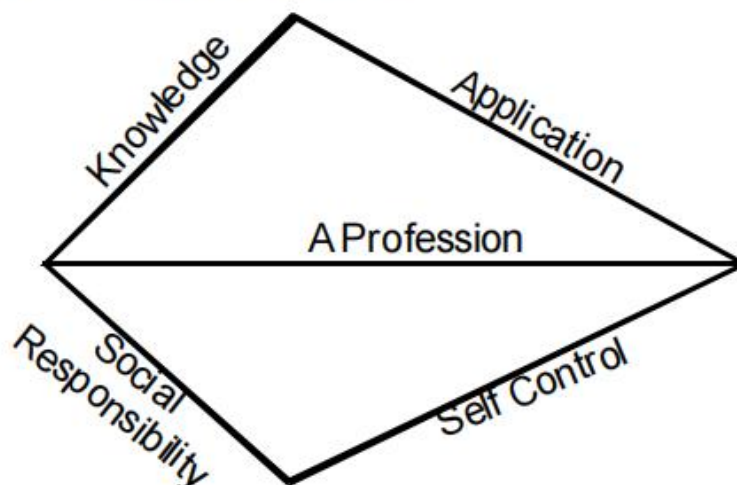
Management is treated as art, science and profession because it has some characteristics of an art, a science and a profession.

Art is personal skill. It is created by nature. It does not possess by all. Art is bringing about desired results with the help of skills. Management is one of the most creative arts. It requires a lot of knowledge.

Management is an art because:

1. It is creative
2. It involves use of skill.
3. It involves use of technical know how.
4. It is directed towards getting results.
5. It is personalized.

Management is a profession because:-



Profession is an occupation carried by professionals like doctor, lawyer, architect, chartered accountant, cost accountant etc.



It involves knowledge and application of it.

Management as a profession is modern concept different from traditional

Characteristics of a profession :

1. **Systematic body of knowledge:** Professionals require expert knowledge in a particular discipline.

E.g. a doctor requires knowledge of medicine; Chartered Accountant needs to have knowledge of Income Tax.

2. **Formal Education:** A true professional needs to have formal education from the institution.

E.g. Lawyer needs degree of law.

3. **Social Responsibility:** The professional are socially responsible while handling their tasks and responsibilities. Their aim should not be only profit maximization, but they have to follow certain rules for social responsibilities.

4. **Independent Office:** Normally professionals practice from their independent office.

5. **Specialization:** The professionals may specialize in a particular field.

E.g. heart specialist, child specialist and ENT surgeon.

6. **Fees:** The professionals required license or a permission to practice. E.g. a doctor requires license to practice as a medical practitioner. The modern concept of management has developed as a profession because:

1. Organization is a systematic body of knowledge.
2. Formal methods of acquiring knowledge and skill with the help of different institution.
3. Rise in professional management consultant.
4. Need for honesty.

Management as a Science:

Science is a systematic body of knowledge based on certain principles and which are universally approved.

F. W. Taylor was the first person who considered management as a science. Science is divided into two parts.

1. Physical science.
2. Social science.

Management is a social science because it deals with human being.

Management is a social science due to the following reasons:



1. **Systematic collection and processing of information:** Management collects information either by observation or experiment and practice. E.g. Marketing people collect information about expected sales on the basis of observation, experiment and practice. The data is collected. Then it is process and with the help of computer and statistical tools and then the data is analyzed and decisions are taken.
2. **Output may change though the inputs are same:** In management the output may change even when the input remains the same because it deals with human being. Subordinates working under one manager may give different result though resources are same. Process of management is universally followed i.e. planning, organizing, staffing, directing, controlling and reporting. Every manager while performing his job must use his knowledge to get better results.
3. **Principles of Management are universally accepted:** All successful organizations must follow established principles of management, such as division of work, unity of command, authority and responsibilities, discipline etc.

So it is said that management is not only an art, a science or a profession but combination of all.

III. FUNCTIONS AND LEVELS OF MANAGEMENT

FUNCTIONS/ELEMENTS OF MANAGEMENT

The essential elements/components of Management Process are four.

- a. Planning
- b. Organizing
- c. Directing and
- d. Controlling.

We may add some more elements in the management process. Such elements are:

- i. Motivating
- ii. Co-coordinating
- iii. Staffing and
- iv. Communicating.

The elements in the management process are actually the basic functions of management these functions constitute the management process in practice. Management process is in fact, management in practice. This process suggests what a manager is supposed to, do or the basic functions that he has to perform while managing the job assigned to him.

Luther Gullic gave a new formula to suggest the elements of Management Process i.e. basic functions of management. According to him, states for 'planning'. "O" for 'organizing', "D" for 'directing', "S" for 'Staffing', "CO" for 'Coordinating', "R" for 'Reporting' and "B" for 'Budgeting'. Gullic coined the word "PODSCORB" to suggest seven functions of management.

The following figures show the management process and the elements involved:

(A) Management Process:



(B) Elements of Management Process (Functions of Management):



1. Planning: Planning is the primary function of management. It involves determination of a course of action to achieve desired results/objectives. Planning is the starting point of management process and all other functions of management are related to and dependent on planning function. Planning is the key to success, stability and prosperity in business. It acts as a tool for solving the problems of a business unit. Planning plays a pivotal role in business management. It helps to visualize the future problems and keeps management ready with possible solutions.

2. Organizing: Organizing is next to planning. It means to bring the resources (men, materials, machines, etc.) together and use them properly for achieving the objectives. Organization is a process as well as it is a structure. Organizing means arranging ways and means for the execution of a business plan. It provides suitable administrative structure and facilitates execution of proposed plan. Organizing involves different aspects such as departmentation, span of control, delegation of authority, establishment of superior-subordinate relationship and provision of mechanism for co-ordination of various business activities.

3. Staffing: Staffing refers to manpower required for the execution of a business plan. Staffing, as a managerial function, involves recruitment, selection, appraisal,



remuneration and development of managerial personnel. The need of staffing arises in the initial period and also from time to time for replacement and also along with the expansion and diversification of business activities. Every business unit needs efficient, stable and cooperative staff for the management of business activities. Manpower is the most important asset of a business unit. In many organizations, manpower planning and development activities are entrusted to personnel manager or HRD manager. 'Right man for the right job' is the basic principle in staffing.

4. Directing (Leading): Directing as a managerial function, deals with guiding and instructing people to do the work in the right manner. Directing/leading is the responsibility of managers at all levels. They have to work as leaders of their subordinates. Clear plans and sound organization set the stage but it requires a manager to direct and lead his men for achieving the objectives. Directing function is quite comprehensive. It involves Directing as well as raising the morale of subordinates. It also involves communicating, leading and motivating. Leadership is essential on the part of managers for achieving organizational objectives.

5. Coordinating: Effective coordination and also integration of activities of different departments are essential for orderly working of an Organization. This suggests the importance of coordinating as management function. A manager must coordinate the work for which he is accountable. Co-ordination is rightly treated as the essence of management. It may be treated as an independent function or as a part of organisms function. Coordination is essential at all levels of management. It gives one clear-cut direction to the activities of individuals and departments. It also avoids misdirection and wastages and brings unity of action in the Organization. Co-ordination will not come automatically or on its own Special efforts are necessary on the part of managers for achieving such coordination.

6. Controlling: Controlling is an important function of management. It is necessary in the case of individuals and departments so as to avoid wrong actions and activities. Controlling involves three broad aspects: (a) establishing standards of performance, (b) measuring work in progress and interpreting results achieved, and (c) taking corrective actions, if required. Business plans do not give positive results automatically. Managers have to exercise effective control in order to bring success to a business plan. Control is closely linked with other managerial functions. It is rightly treated as the soul of management process. It is true that without planning there will be nothing to control It is equally true that without control planning will be only an academic exercise Controlling is a continuous activity of a supervisory nature.

7. Motivating: Motivating is one managerial function in which a manager motivates his men to give their best to the Organization. It means to encourage people to take more interest and initiative in the work assigned. Organizations prosper when the employees are motivated through special efforts including provision of facilities and incentives. Motivation is actually inspiring and encouraging people to work more and contribute more to achieve organizational objectives. It is a psychological process of great significance.



8. Communicating: Communication (written or oral) is necessary for the exchange of facts, opinions, ideas and information between individual's and departments. In an organization, communication is useful for giving information, guidance and instructions. Managers should be good communicators. They have to use major portion of their time on communication in order to direct, motivate and co-ordinate activities of their subordinates. People think and act collectively through communication. According to Louis Allen, "Communication involves a systematic and continuing process of telling, listening and understanding".

LEVELS OF MANAGEMENT

There are several types of managers. However it is useful to divide them on the basis of three managerial levels.

There are three levels of management:

- Top level management
 - Middle level management
 - Lower level management
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- ✓ Administrative level consists of top or upper level of management.
 - ✓ Operative level consists of middle level and lower management.
 - ✓ Lower level management includes supervisor and foreman.
 - ✓ The level of management is depends upon the size of the organization.

IV. 14 PRINCIPLES OF MANAGEMENT

Taken as a whole, Fayol's ideas became what we call today Fayolism, or administrative theory. Fayolism consists of the 14 principles of management. The 14 principles articulate the types of tasks that managers are supposed to do. These 14 principles are still used today, but how they are used varies with a firm's use of technology and its culture. For example, a society that stresses individual outcomes will have different compensation systems than those that are focused on collective or group outcomes.

Fayol's 14 Principles of Management are:

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|---|--------------------------------------|
| 1. Division of Work | 8. Centralization |
| 2. Authority | 9. Scalar Chain |
| 3. Discipline | 10. Order |
| 4. Unity of Command | 11. Equity |
| 5. Unity of Direction | 12. Stability of Tenure of Personnel |
| 6. Subordination of Individual Interest | 13. Initiative |
| 7. Remuneration | 14. Esprit de Corps |



Principles	Fayol's Intent	Today's Practice
1. Division of Work	Workers specialize in one task or a few tasks.	Employees are encouraged to generalize their activities to create diverse contributions.
2. Authority	Managers hold the power.	Employees are empowered.
3. Discipline	Managers implement formal rules and controls.	Employees work in teams where the pressure to perform is self- or peer-induced.
4. Unity of Command	Workers have one boss.	Employees could have one boss, many bosses, or no bosses, depending on the culture of the company and the situation.
5. Unity of Direction	Employees work for one manager with one plan.	Employees work with managers on multiple plans.
6. Subordination of Individual Interest	Shared purpose means that employees are committed to the organization's direction.	Shared purpose means that the organization and employees are committed to their mutual direction.
7. Remuneration	Employees receive reasonably based pay for reasonable performance.	Employees receive performancebased pay for creating expected and unexpected value for the organization.
8. Centralization	Employees take orders from a Hierarchical management.	Employees participate in decision making and are expected to decide the best course of action on an <i>ad hoc</i> basis.
9. Scalar Chain	Communication is controlled with a top-down approach.	Communication is open and shared freely, when and where possible.
10. Order	Internal information is used to control activities.	Internal information is used to control and coordinate activities.
11. Equity	Managers earn employees' commitment through kindness.	Managers earn employees' commitment through shared purpose, thus a



		sense of ownership.
12. Stability of Tenure of Personnel	Managers train employees when they start working for the organization and then continuously encourage them to stay.	Managers train and develop employees continuously so they will want to stay.
13. Initiative	Managers create the direction of the company and tell employees to go there.	Employees create the direction of the company and managers and employees go there together.
14. Esprit de Corps	Managers avoid conflict to keep worker attitude high.	Managers look for productive conflict to grow the organization, creating worker trust.

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