

# **FUNDAMENTALS OF MANAGEMENT**

## **(U20HST507)**

### **UNIT-I**

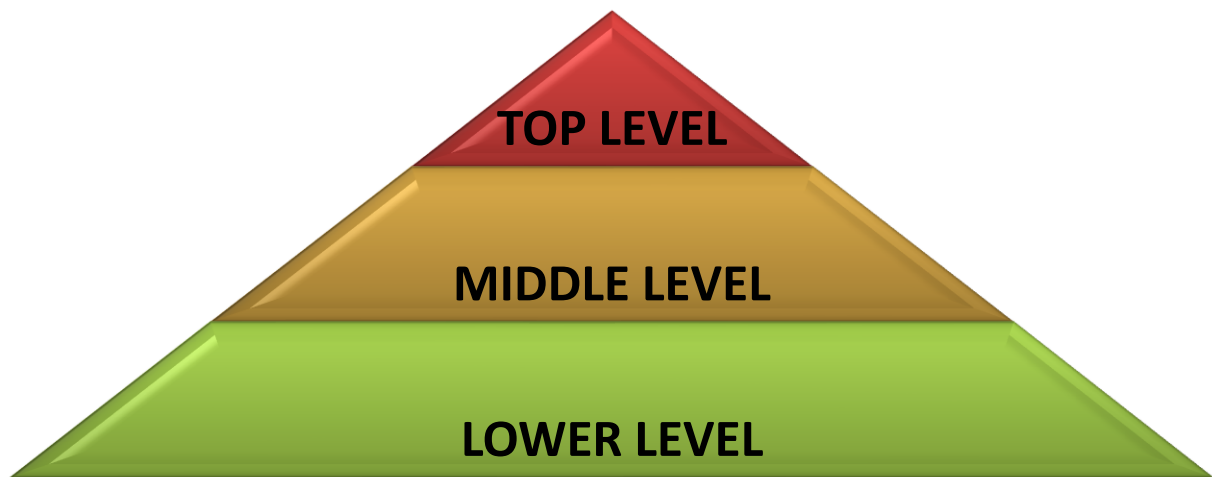
#### **THEORIES OF MANAGEMENT**

##### **MANAGEMENT**

##### **DEFINITION**

According to Harold Koontz, “Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals can co-operate towards attainment of group goals”.

##### **LEVELS OF MANAGEMENT**



##### **TOP LEVEL MANAGEMENT**

**(Consists of board of directors, chief executive or managing director)**

- Lays down the objectives of the enterprise.
- Issues necessary instructions for preparation of department budgets, procedures, schedules etc.
- Prepares strategic plans & policies for the enterprise.
- Appoints the executive for middle level management.
- Controls & coordinates the activities of all departments.
- Maintaining a contact with the outside world.
- Over all it provides guidance and direction.

## **MIDDLE LEVEL MANAGEMENT**

**(Consists of branch managers and departmental managers)**

- Execute the plans of the organization.
- Make plans for the sub-units of the organization.
- Participate in employment & training of lower level management.
- Explain policies to lower level management.
- Sends important reports and data to top level management.
- Responsible for inspiring lower level managers towards better performance and evaluate the performance of junior managers.

## **LOWER LEVEL MANAGEMENT**

**(Consists of supervisors, foreman, section officers, superintendent)**

- Assigning of jobs and tasks to various workers.
- Guide and instruct workers for day to day activities.
- Responsible for the quality as well as quantity of production.
- Providing Training & motivate workers.
- Prepare periodical reports about the performance of the workers.
- Arrange necessary materials, machines, tools for getting the things done.
- Communicate workers problems, suggestions, and recommendatory appeals etc to the higher level.

## **FUNCTIONS OF MANAGEMENT**

### **Planning**

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”. A plan is a future course of actions.

### **Organizing**

According to Henry Fayol, “It is the process of bringing together physical, financial and human resources & developing productive relationship amongst them for achievement of organizational goals.



### **Staffing**

According to Koontz & O'Donell, "Managerial function of staffing involves manning the organization structure through proper and effective selection, training, development & appraisal of personnel to fill the roles designed.

### **Directing**

- Supervision
- Motivation
- Leadership
- Communication

### **Controlling**

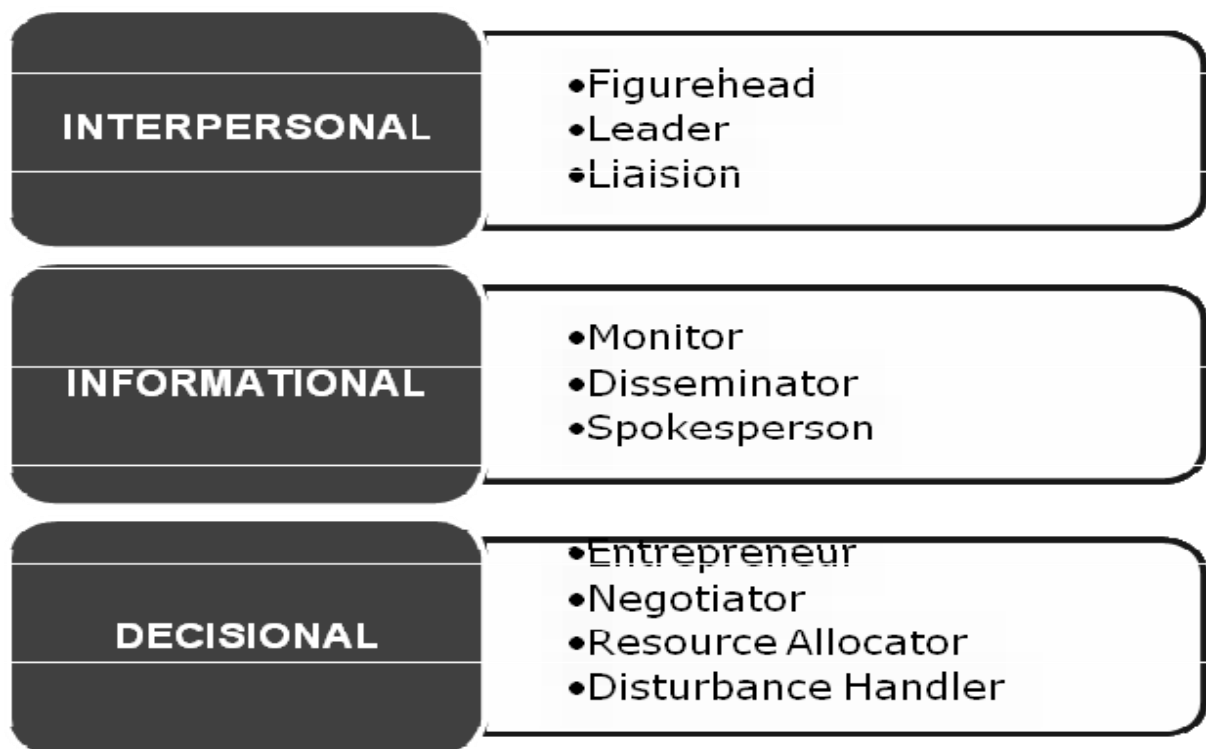
According to Koontz & O'Donell "Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished".

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

## DIFFERENCE BETWEEN ADMINISTRATION AND MANAGEMENT

<u>Administration</u>	<u>Management</u>
<ul style="list-style-type: none"><li>• Higher level function.</li></ul>	<ul style="list-style-type: none"><li>• Lower level function.</li></ul>
<ul style="list-style-type: none"><li>• Refers to the owners of the organization.</li></ul>	<ul style="list-style-type: none"><li>• Refers to the employee of the organization</li></ul>
<ul style="list-style-type: none"><li>• Concerned with decision making.</li></ul>	<ul style="list-style-type: none"><li>• Concerned with execution of decision.</li></ul>
<ul style="list-style-type: none"><li>• Acts through the management.</li></ul>	<ul style="list-style-type: none"><li>• Acts through the organization.</li></ul>
<ul style="list-style-type: none"><li>• Administration lays down broad policies and principles for guidance.</li></ul>	<ul style="list-style-type: none"><li>• Management executes these policies into practice.</li></ul>

## ROLE OF MANAGERS



### A) Interpersonal Roles

- ❖ Figurehead – The symbolic head of the organization.
- ❖ Leader – Responsible for staffing, training, and associated duties.
- ❖ Liaison – Maintains the communication between all contacts and informers that compose the organizational network.

## **B) Informational Roles**

- ❖ Monitor – Personally seek and receive information.
- ❖ Disseminator – Transmits all import information received from outsiders to the members of the organization.
- ❖ Spokesperson – Transmits the organization's plans, policies & actions to outsiders.

## **C) Decisional Roles**

- ❖ Entrepreneur – Seeks opportunities. Basically, they search for change, respond to it, and exploit it.
- ❖ Negotiator – Represents the organization at major negotiations.
- ❖ Resource Allocator – Makes or approves all significant decisions related to the allocation of resources.
- ❖ Disturbance Handler – Responsible for corrective action when the organization faces disturbances.

## **MANAGERIAL SKILLS**

### **Conceptual skill**

A higher degree of conceptual skill helps in analyzing the environment and identifying the opportunities.

### **Human Skill**

Concerned with understanding of people.

### **Technical Skill**

Skills that reflect both an understanding and proficiency in a specialized field.

## **IMPORTANCE OF MANAGEMENT**

- ☐ Effective functioning of business
- ☐ Resource development
- ☐ Management controls the organization
- ☐ Sound organization structure
- ☐ Motivation
- ☐ Communication
- ☐ Coordination

- ☐ Decision-making

## **EVOLUTION OF MANAGEMENT THOUGHT**

### **a) Classical Approach**

#### **(i) Scientific Management - Theory of F.W.Taylor**

Scientific management is a theory of management that analyzes and synthesizes workflows, with the objective of **improving labor productivity**.

In other words, traditional rules of thumb are replaced by precise procedures developed after careful study of an individual at work.

#### **(ii) Administrative Management - Theory of Henry Fayol**

Administrative management focuses on the management process and principles of management.

In contrast to scientific management, which deals with **developing organizational structure** and work at the individual level.

#### **(iii) Bureaucratic Management - Theory of Max Weber**

Weber concluded that many early organizations were inefficiently managed, with decisions based on personal relationships and loyalty.

He proposed that the **selection and promotion of employees based on ability**, would lead to more efficient management.

Weber also contended that managers authority in an organization should be based on the position held by managers in the organizational hierarchy not on tradition or charisma.

### **b) Behavioral Approach**

#### **(i) Human Relations**

- ☐ Worker's attitudes are associated with productivity
- ☐ Workplace is a social system and informal group influence could exert a powerful effect on individual behavior
- ☐ Style of supervision is an important factor in increasing worker's job satisfaction.

#### **(ii) Behavioral Science**

The behavioral science approach has contributed to the study of management through its focus on personality, attitudes, values, motivation, group behavior, leadership, communication, and conflict among other issues.

## c) Quantitative Approach

### (i) Management Science

Management science uses **mathematical and statistical approaches to solve management problems.**

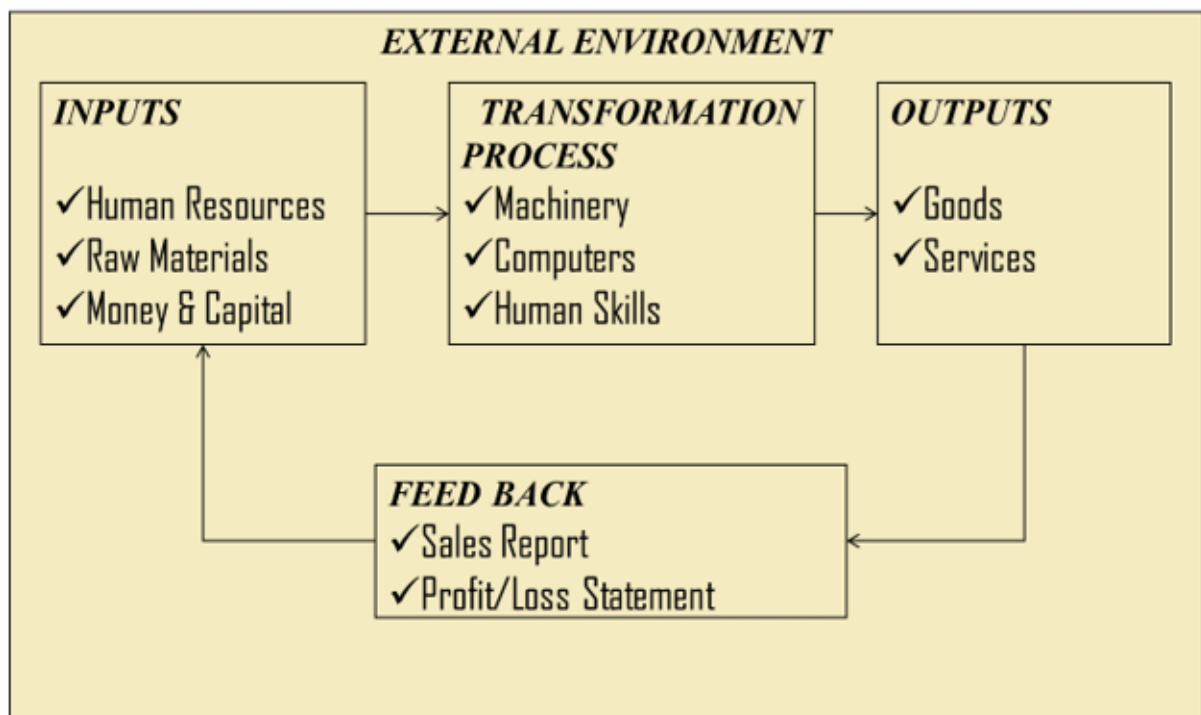
The advent of the computer made many management science tools and concepts more practical for industry.

### (ii) Production And Operations Management

This approach focuses on the operation and control of the production process that transforms resources into finished goods and services.

Operations management emphasizes productivity and quality of both manufacturing and service organizations.

## d) Systems Approach



## e) Contingency Approach

The contingency approach focuses on applying management principles and processes as dictated by the unique characteristics of each situation. It emphasizes that “**there is no one best way to manage**” and that it depends on various situational factors, such as

- External environment
- Technology

- Organizational characteristics
- Characteristics of the manager
- Characteristics of the subordinates.

## **EVOLUTION OF MANAGEMENT THOUGHT**

<b>MANAGEMENT APPROACH</b>	<b>BEGINNING YEARS</b>	<b>EMPHASIS</b>
<b>CLASSICAL APPROACH</b>		
<b>Scientific Management</b>	<b>1880s</b>	<b>Traditional rules of thumb are replaced by precise procedures developed with the objective of improving labour productivity</b>
<b>Administrative Management</b>	<b>1940s</b>	<b>Gives idea about the primary functions of management process and 14 Principles of Administration</b>
<b>Bureaucratic Management</b>	<b>1920s</b>	<b>Replaces traditional leadership and charismatic leadership with legal leadership</b>

<b>MANAGEMENT APPROACH</b>	<b>BEGINNING YEARS</b>	<b>EMPHASIS</b>
<b>BEHAVIORAL APPROACH</b>		
<b>Human Relations</b>	<b>1930s</b>	<b>workers attitudes are associated with productivity</b>
<b>Behavioral Science</b>	<b>1950s</b>	<b>Gives idea to understand human behavior in the organization</b>



MANAGEMENT APPROACH	BEGINNING YEARS	EMPHASIS
<b>QUANTITATIVE APPROACH</b>		
Management Science (Operation research)	1940s	Uses mathematical and statistical approaches to solve management problems
Production and Operations Management	1940s	This approach focuses on the operation and control of the production process

MANAGEMENT APPROACH	BEGINNING YEARS	EMPHASIS
<b>RECENT DEVELOPEMENTS</b>		
System Approach	1950s	Considers the organization as a system that transforms inputs into outputs
Contingency Approach	1960s	Applies management principles and processes as dictated by the unique characteristics of each situation

## **ELEMENTS OF SCIENTIFIC MANAGEMENT**

### **Planning the Task**

- ✓ Taylor suggests the separation of planning from actual doing.
- ✓ Supervisor should do the planning and workers only concentrate on doing the work.

### **Scientific Task and Rate-Setting**

- ✓ *Method Study*: The management should ensure that the plant is laid out in the best manner and is fully equipped with the best tools and machinery.
- ✓ *Motion Study*: It is a study of the movement, of an operator/machine in performing an operation with the purpose of eliminating useless motions.

- ✓ *Time Study*: This study determines the proper time for performing the operations. The movement, which takes minimum time, is the best one.
- ✓ *Fatigue Study*: This study indicates the amount and frequency of rest required in completing the job. Employee gets physical & mental fatigue easily.
- ✓ *Rate Setting*: Taylor recommended the differential piece wage system under which workers performing the standard task within prescribed time are paid much higher rate than inefficient workers.

### **Scientific Selection & Training**

- ✓ Taylor has suggested that workers should be selected scientifically by a central personnel department & the procedure of selection will also have to be systematized.
- ✓ A worker should be physically, mentally and technically most suitable for the selected post.
- ✓ After selection the workers should be given proper training which makes them more efficient and effective.

### **Standardization**

Standards must be maintained in respect of the equipments, tools, materials, period of work, amount of work, working conditions etc.,

### **Specialization**

- ✓ *Route Clerk* : To lay down the sequence of operations and instruct the workers concerned about it.
- ✓ *Instruction Card Clerk* : To prepare detailed instructions regarding different aspects of work.
- ✓ *Time & Cost Clerk* : To send all information relating to their pay to the workers and to secure proper returns of work from them.
- ✓ *Shop Disciplinarian* : To deal with cases of breach of discipline and absenteeism.
- ✓ *Gang Boss* : To assemble set up tools & machines, and to teach the workers to make all their personal motions in the quickest and best way.
- ✓ *Speed Boss* : To ensure that machines are run at their best speeds and proper tools are used by the workers.
- ✓ *Repair Boss* : To ensure that each workers keeps his machine in good order and maintains cleanliness around him and his machines.
- ✓ *Inspector* : To show the workers how to do the work.

### **Financial Incentives**

- ✓ Taylor has suggested that wages should be based on individual performance and not on the position which he occupies.
- ✓ Financial incentives can motivate the workers to put up their maximum efforts.
- ✓ According to this scheme, a worker who completes the normal work gets wages at higher rate and who does not complete it gets at lower rate.

### **Economy**

- ✓ Scientific management enhances profit and economy & it can be achieved by making the resources more productive as well as by eliminating the wastages.

### **Mental Revolution**

- ✓ Scientific management is based on co-operation between management & workers.
- ✓ Mutual conflict should be replaced by mutual co-operation which is beneficial to both.

## **BENEFITS OF SCIENTIFIC MANAGEMENT**

- Replacing traditional rule of thumb method by scientific techniques.
- Proper selection and training of workers.
- Incentive wages to the workers for higher production.
- Standardization of tools, equipment, materials and work methods.
- Detailed instructions and constant guidance to the workers.
- Establishment of harmonious relationship between the workers.
- Better utilization of various resources & Elimination of wastages.

## **HENRY FAYOL'S 14 PRINCIPLES OF MANAGEMENT**

1. **Division of work**: Work should be divided in a proper way with reference to the available time. Both technical and managerial activities can be performed in the best manner only through division of labour and specialization.
2. **Authority and Responsibility**: Authority is the power given to a person to get work from his subordinates & responsibility is the kind and amount of work expected of from a man by his superior. Authority and Responsibility are the two sides of the management coin.

3. **Discipline**: The objectives, rules and regulations, the policies and procedures must be honoured by each member of an organization.
  - There must be penalties/punishment for non-obedience or indiscipline. No organization can work smoothly without discipline.
4. **Unity of command**: In order to avoid any possible confusion and conflict, each member of an organization must receive orders and instructions only from one superior.
5. **Unity of direction**: All members of an organization must work together to accomplish common objectives.
6. **Subordination of Personal Interest to Common Interest**: Every employee is working in an organization and his interest to earn money to meet his personal needs.
  - The common interest of the organization is the development and the progress of the organization.
  - The employee should give importance first to the common interest than his personal interest.
7. **Remuneration**: Should be fair for between the employees and employers. The wage payment systems should satisfy the employees.
8. **Centralization & Decentralization**: The organization is centralized when the power is concentrated with one person. If the power is fully distributed to the subordinates, the organization is fully decentralized.
9. **Scalar chain**: Instructions and orders should be sent from top management to the bottom management.
10. **Order**: Fayol suggested that there is a place for everything. Order or system alone can create a sound organization and efficient management.
11. **Equity**: Treatment of employees equally. An organization consists of a group of people involved in joint effort.
  - Hence, equity must be there. Equal treatment of the employees helps to achieve organizational goals.
12. **Stability of staff**: A high employee turnover is not good for the efficient functioning of any organization.
13. **Initiative**: It is concerned with thinking and execution of a plan. When employees comes forward with his new idea, they must be encouraged by the superiors. It will create the morale of the employees.
14. **Esprit-de-corps**: Esprit de corps is the foundation of a sound organization. This means **union is strength**. But unity demands co-operation.

# **ELTON MAYO CONTRIBUTIONS**

## **4 Main Contribution of Mayo in Developing Management Thought**

Some of the major contribution of Mayo in developing management thought are as follows:

### **1. Human Relations Approach**

- Mayo is rightly called the father of human relations movement. His ideas were a milestone and a turning point in human relations approach of the management. He recognized the importance of human beings in management.
- He said that human beings are complex and influential input into organizational performance. The social and psychological needs of human beings cannot be ignored, if management wants to enhance productivity.

### **2. Non-Economic Awards**

- The earlier assumption was that workers will work more if they are offered more monetary incentives. Taylor was the main proponent of this approach.
- Elton Mayo said that the techniques of economic incentives were not only inadequate but also unrealistic.

### **3. Social Man**

- Mayo developed a concept of 'social man'. He said that man is basically motivated by social needs and obtains his sense of identity through relationships with others.
- He is more responsive to the social forces of the informal group rather than managerial incentives and controls. He also related productivity to a social phenomenon.

### **4. Organisation as a Social System**

- Mayo was of the view that informal relationships in the organization are more effective than formal relationships. People form informal groups to give a bent to their feelings and seek guidance for action from such groups.

In Mayo's words, "An organization is a social system, a system of cliques, grapevines, informal status systems, rituals and a minute of logical, non-logical and illogical behaviour."

He was of the opinion that managers should maintain an equilibrium between the logic of efficiency' demanded by the formal organization. He thought that besides logic and facts people are also guided by sentiments and feelings.

## **Hawthorne Studies**

- Mayo's team carried out a number of "experiments" to look at ways of improving productivity. The research involved manipulating length of rest and lunch periods and piecework payment plans.
- Mayo concluded that productivity partly depended on the informal social patterns of interaction in the work group.