**Industrial Management**

**Chapter Two**

**Management and Industrial Establishment**

**Management: Meaning**

Management is a set of activities (including planning and decision making, organizing, leading, and controlling) directed at an organization’s resources (human, financial, physical, and information), with the aim of achieving organizational goals in an efficient and effective manner.

All organizations, regardless of whether they are large or small, profit-seeking or not-for-profit, domestic or multinational, use some combination of human, financial, physical, and information resources to achieve their goals. These resources are generally obtained from the organization’s environment. Managers are responsible for combining and coordinating these various resources to achieve the organization’s goals.

Therefore, **a manager** is someone whose primary responsibility is to carry out the management process. In particular, a manager is someone who plans and makes decisions, organizes, leads, and controls human, financial, physical, and information resources.

**The Management Process:**

Management involves four basic functions of planning and decision making, organizing, leading, and controlling. Let consider the management process of Google. Sergey Brin and Larry Page, Google’s founders and top managers, must first create goals and plans that articulate what they want the company to become. Then they rely on effective organization to help make those goals and plans reality. Brin and Page also pay close attention to the people who work for the company. And they keep a close eye on how well the company is performing. However, the basic management processes are in details as follows:

* **Planning and decision making: determining courses of action**

**Planning** means setting an organization’s goals and deciding how best to achieve them. **Decision making**, a part of the planning process, involves selecting a course of action from a set of alternatives. Planning and decision making helps maintain managerial effectiveness by serving as guides for future activities. In other words, the organization’s goals and plans clearly help managers know how to allocate their time and resources.

* **Organizing: coordinating activities and resources**

Once a manager has set goals and developed a workable plan, the next management function is to organize people and the other resources necessary to carry out the plan. Specifically, **organizing** involves determining how activities and resources are to be grouped.

However, organizing means the creation of a structure of functions and duties to e performed by a group of people for the attainment of the objectives and goals of the enterprise. The ‘mechanics’ of this is to identify activities and then group activities are assigned to groups, departments, and so on. Furthermore, necessary authority will be defined and delegated and the authority responsibility relationships will be established.

* **Leading: motivating and managing people**

Another basic managerial function is leading. Some people consider leading to be both the most important and the most challenging of all managerial activities. Leading is the set of processes used to get members of the organization to work together to further the interests of the organization. In this function, the manager will guide, tech, coach and supervise subordinates, issuing directions for the accomplishment of objectives.

* **Controlling: monitoring and evaluating activities**

Another phase of the management process is controlling, or monitoring the organization’s progress toward its goals. As the organization moves towards its goals, managers must monitor progress to ensure that it is performing in such a way as to arrive at its “destination” at the appointed time.

Therefore, this function involves those activities which are essential in seeing to it that events proceed as planned. Controlling is thus laying down performance standards, measurement, interpretation and corrective action. Control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established.

**Development of Management Thought**

The study of management as a separate and distinct subject with different theories and techniques is a product of the twentieth century. Most writers agree that the origin of this discipline was the work of Frederick Winslow Taylor and his associates during the scientific management movement that developed around 1900. However, the problem of organizing men to achieve the desired objectives is not new. It is as old as civilization itself. As students of management we should trace the development of management thought.

**Pre-scientific management era**

Thousands of years ago, the Chinese, the Babylonians, the Egyptians, the Greeks, the Romans and Hindu philosophers wrote extremely interesting books and propounded theories which are followed even today. From the military come many examples of early management thought. With the advent of industrial revolution management of enterprises assumed an increasingly important role. Some of the persons who, before Taylor, made considerable contribution to the development of management thought were Jams Watt, Mathew R. Boulton, Robert Owen and Charles Babbage. Perhaps the most important contributor to management thought before Taylor was Henry Varnum Poor, editor of the American Railroad Journal in the latter half of the 19th century. In the words of Wren, “long before Frederick Taylor he (Poor) called for a system; long before Elton Mayo he called for recognition of the human factor; and long before Chris Argis he called for leadership to remove the rigidities of formal organization.”

**Taylor’s scientific management**

Frederick Winslow Taylor (1856-1915), who is properly known as the father of scientific management, introduced the concept of management as a science. He studied the causes of low efficiency of workers. He was convinced that the management did not manage. He suggested that management should follow a *scientific approach* in their work and apply scientific method in tackling all problems relating to efficiency. He stated that “the best management is a true science, resting upon clearly defined laws, rules and principles as a foundation.” Taylor’s principal concern was that of increasing efficiency in production, with the object of lowering coasts and raising profits, but also to make possible increased wages for workers. He suggested the fixation of standards which must be followed by the workers who have been trained. To this end he proposed the separation of planning functions from the doing functions; the management doing the planning and the workers performing the work as detailed in the instructions provided. The manager was given new functions in the form of principles, as follows:

1. Following scientific methods in place of rule-of-thumb methods.
2. Scientific selection, placement and training of worker
3. Cooperation of management and workers for harmony
4. Maximum output by the application of scientific method
5. Development of each worker to achieve maximum efficiency and prosperity
6. Equitable division of work and responsibility between management and labor
7. Complete mental revolution both on the part workers and management.

Although Taylor’s principles of scientific management were intended for broad application the actual emphasis was with the management at the shop level.

No doubt, Taylor was a major contributor to scientific management, but by no means was be alone. Gantt devised a wage payment system, which stimulated foremen and workers to strive for improvement in work practices. Frank Gilbreth, along with his wife Lillian Gilbreth refined the techniques of time and motion study. In this way, they stressed the importance of giving attention minute details of work.

**Universal principle of management**

The approach of Taylor, Gilbreth, Gantt etc., has not been free from criticism. One of the criticisms is that the workers are not given proper recognition as human beings. It is pointed out that improvements only in the methods of doing the work will be of little avail unless the organization itself is built on sound, rational principles. So the emphasis is not on the tasks to be performed by the organization but on the structure of the organization one of the earliest important contribution came from Henry Fayol who pointed out that the principles of management and organization are universal, regardless of whether the organization is run for profit or for social purpose.

Henry Fayol (1841-1925) was a mining engineer and became the Managing Director of coal mining company in Franc. During his successful career he searched for sound management principles. In 1916, he published his famous work- *Administration Industrielle etc. Generale-* “General and Industrial Management.” Fayol divided all activities of industrial undertaking into six groups, namely:

1. Technical (production, manufacture, adaptation)
2. Commercial (buying, selling and exchange)
3. Financial (search for, and optimum use of capital)
4. Security (protection of property and persons)
5. Accounting (stocktaking, balance sheet, costs, statistics)
6. Managerial (planning, organization, command, coordination and control)

Fayol devoted most of his discussion to an analysis of managerial activities. He recognized that for every activity there exists a corresponding ability. It may be technical, commercial or financial ability. According to hi technical ability is required for most of the workers, and managerial ability is demanded mostly from higher managers. The higher the position on the scalar chain the lower the technical ability and higher the managerial ability is required.

**Fayol’s General Principles of Management**

1. **Division of work:** This is the principle of specialization so necessary for efficiency in all spheres of activity, technical as well as managerial.
2. **Authority and responsibility:** These two are inter-related.
3. **Discipline:** it is respect for agreements which are directed at achieving obedience, application, energy, and outward marks of respect. Discipline requires good superiors at all levels clear and fair agreements, and judicious application of penalties.
4. **Unity of command:** an employee should receive orders from one superior only.
5. **Unity of direction:** Each group of activities having the same objective must have one head and one plan.
6. **Subordination of individual interest to general interest:** In any group the interest of the group should supersede that of the individual. When these are found to differ, it is the duty of management to reconcile them.
7. **Remuneration:** Remuneration and methods of payment should be fair and afford the maximum satisfaction to employees and employers.
8. **Centralization:** Individual circumstances should determine the degree of centralization which will give the best overall yield.
9. **Scalar chain or line of authority:** It is a chain of superiors from the highest to the lowest ranks. A subordinate should ordinarily follow the line of authority.
10. **Order:** This is essentially a principle of organization in the arrangement of things.
11. **Equity:** This elicits loyalty and devotion from personnel by a combination of kindliness and justice on the part of managers when dealing with subordinates.
12. **Stability of tenure of personnel:** Unnecessary labor turnover should be avoided, for instability is both the cause and effect of management.
13. **Initiative:** Permit subordinates to exercise initiative.
14. **Esprit de corps:** This principle enunciates the well-known rule that “union is strength”. The emphasis is on the need for team works and the importance of communication in obtaining it.

Fayol regarded elements of management as its function. He divides the functions into five categories- planning, organizing, commanding, coordination and controlling. He laid considerable emphasis on planning, and said “to foresee…means both to assess the future and make provision for it”. According to him planning is at one and the same time, “the result envisaged the line of action to be followed, the stages to go through, and methods, to use.’’

**Kinds of Managers: Levels**

Not all managers are the same, of course, nor is the work they perform. Among other things, we can classify managers according to their level in the organization and the area in which they work. Managers can be differentiated according to their level in the organization. Although large organizations typically have a number of levels management, the most common view considers three basic levels: top, middle, and first-line managers.

**Top Managers:** Top managers make up the relatively small group of executives who manage the overall organization. Titles found in this group include president, vice president, and chief executive officer (CEO). Top managers create the organization’s goals, overall strategy, and operating policies. They also officially represent the organization to the external environment by meeting with government officials, executives of other organizations, and so forth.

**Middle Managers:** Middle management is probably the largest group of managers in most organizations. Common middle-management titles include plant manager, operations manager, and division head. Middle managers are responsible primarily for implementing the policies and plans developed by top managers and for supervising and coordinating the activities of lower-level managers.

**First-Line Managers:** First-line managers supervise and coordinate the activities of operating employees. Common titles for first-line managers are supervisor, coordinator, and office manager. Positions like these are often the first held by employees who enter management from the ranks of operating personnel.

**Managing in Different Areas of Organization**

**Marketing Managers:** Marketing managers work in areas related to the marketing function getting consumers and clients to buy the organization’s products or services. These areas include new-product development, promotion, and distribution. Given the importance of marketing for virtually all organizations, developing good managers in this area can be critical.

**Financial Managers:** Financial managers deal primarily with an organization’s financial resources. They are responsible for such activities as accounting, cash management, and investments. In some businesses, such as banking and insurance, financial managers are found in especially large numbers.

**Operation Managers:** Operation managers are concerned with creating and managing the systems that create an organization’s products and services. Typical responsibilities of operations managers include production control, inventory control, quality control, plant layout, and site selection.

**Human Resource Management:** Human resource managers are responsible for hiring and developing employees. They are typically involved in human resource planning, recruiting and selecting employees, training and development, designing compensation and benefit systems, formulating performance appraisal systems, and discharging low-performing and problem employees.

**Administrative Managers:** Administrative, or general, managers are not associated with any particular management specialty. Probably the best example of an administrative management position is that of a hospital or clinic administrator. Administrative managers tend to be generalists; they have some basic familiarity with all functional areas of management rather than specialized training in any one area.

**Management Theories; The Human Relations Movement**

Human relations movement argued that workers respond primarily to the social context of the workplace, including social conditioning group norms, and interpersonal dynamics. A basic assumption of the human relations movement was that the manager’s concern for workers would lead to increased satisfaction, which would in turn result in improved performance.

However, it is Maslow who advanced a theory in 1943 suggesting that people are motivated by a hierarchy of needs, including monetary incentive and social acceptance. Maslow’s hierarchy is, perhaps the best-known human relations theory over the years.

Meanwhile, Douglas McGregor’s Theory X and Theory Y model best represents the essence of the human relations movement. According to McGregor, Theory X and Theory Y reflect two extreme belief sets that different managers have about their workers. Theory X is a relatively pessimistic and negative view of workers and is consistent with the views of scientific management. Theory Y is more positive and represents the assumptions that human relations advocates make. In McGregor’s view, Theory Y was a more appropriate philosophy for managers to adhere to.

**Theory X Assumptions:**

1. People do not like to work and try to avoid it
2. People do not like work, so managers have to control, direct, coerce, and threaten employees to get them to work toward organizational goals.
3. People prefer to be directed, to avoid responsibility, and to want security; they have little ambition.

**Theory Y Assumptions:**

1. People do not naturally dislike work; work is a natural part of their lives
2. People are internally motivated to reach objectives to which they are committed
3. People are committed to goals to the degree that they receive personal rewards when they reach their objectives
4. People will both seek accept responsibility under favorable conditions
5. People have the capacity to be innovative in solving organizational problems
6. People are bright, but under most organizational conditions their potential is underutilized.