

Principles of Management

Management

It is a set of principles relating to functions of planning, organizing, directing and controlling. These principles are applied efficiently and effectively to utilize physical, informational, human and financial resources to achieve organizational goals.

Planning

- The foundational function that involves deciding the future course of actions to reach the desired goals.
- bridges the gap b/w. where we are and where we want to be
- Key concepts i) Systematic solving ii) problem solving iii) decision making
- helps avoid confusion, risk and wastage

Organizing

- process of bringing together resources and developing a productive relationship among them

Key aspect

- i) identifying and grouping activities ii) assigning duties iii) delegating authority
- ii) coordinating relationships to achieve goals

Staffing/Leading

Manning the organizational structure with the right people for the right job

Key aspect

- i) manpower planning ii) requirement iii) selection iv) training
- v) development vi) remuneration vii) performance appraisal

Directing

- managerial function that activates the work
- it deals with guiding, supervising and motivating subordinates

Key aspect

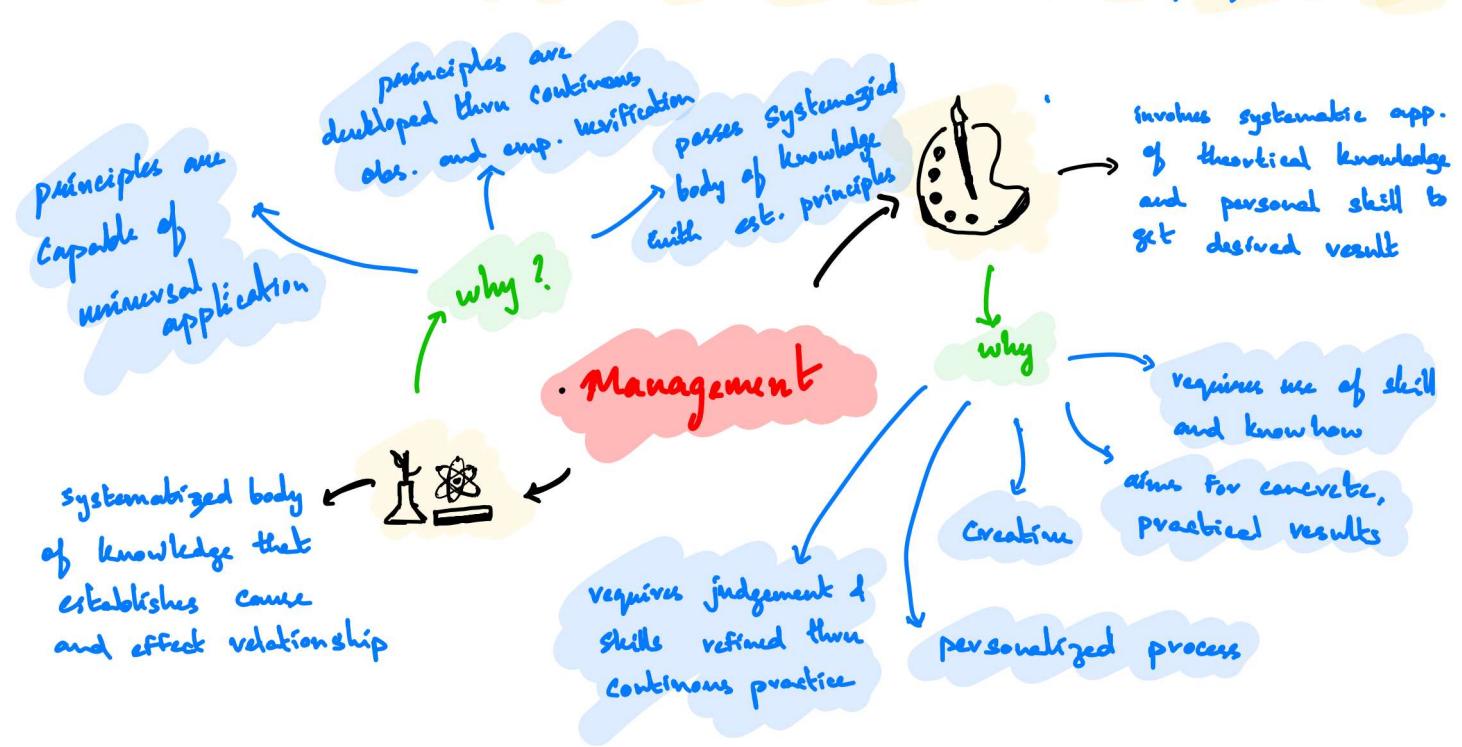
- i) supervision ii) motivation iii) leadership iv) communication

Controlling

- measurement of accomplishment against standards
- correction of deviation to ensure goals are achieved.

Key aspect

- i) Establishing performance standards ii) measuring and comparing actual performance



Manager vs Entrepreneur

Criteria	Entrepreneur	Manager
motive	main drive is to start a new business venture for personal satisfaction and growth	main drive is to provide services within an existing company, founded by someone else
status	owner of the company	an employee or servant to the owner
risk bearing	as the owner takes on all the risks and uncertainties of the enterprise	doesn't bear any business's risks
Rewards	profit → uncertain → not fixed	salary → fixed → certain
Innovation	an innovator who thinks of new ways to meet changing customer demands.	has the role to execute the plans & ideas that the entrepreneur has established
Qualifications	→ ability to take risk → Farsight	specific and formal qualifications in management theory & practice

Types of Managers

managers are based on

- i) organizational or roles
- ii) management

Based on organizational manager

- i) Purchase manager → raw mat. procuring
- ii) Production manager → manufacturing
- iii) IT manager → computing and IT comm.
- iv) Marketing manager → product promo & ads
- v) Sales manager → sales dept., setting targets and appraising performance
- vi) Finance manager → finance health of org.
- vii) HR manager → handles payroll, rec. and emp. relations
- viii) Product dev. manager → tech. div. of new product design
- ix) General manager → general or daily operations.

Technical managers (for s/w only)

- i) Functional : involved in all aspects of proj.
- ii) Activity/Reserve : manages the exp. side.

Case manager :

Medical cm : Arranges emergency medical care

Liaison cm : acts as mediator b/w. medical prof. and employer

Based on management

Type	how they manage?	Effect on employee?	Skills	Skills they lack
Authoritative	dictates exactly how task should be performed	reduces confusion among employees	i) strong leadership ii) decisiveness iii) direction	i) trust ii) delegation
Democratic	involves subordinates in decision making	gives belongingness and deeper involvement	promotes participation, collaboration	—
Paternalistic	acts as paternalistic figure, regularly bonding with & listening to the sub's prof. and personal issues	creates family like atmosphere encourages mutual support	• empathy • interpersonal comm. • building strong team bonds	—
Laissez-Faire	communicates tasks, sets targets but leaves method of execution to the employee	• Empowers emp. with trust and autonomy • chance of inconsistent result if emp. is not self-motivated or skilled enough	• delegation • trust • focus on result rather than process	• supervision • guidance
Problem solving	task driven	mainly focused on achieving goals and solving immediate results	goal oriented decision focused	proactive strategies to solve problem
Pitchfork	leads with heavy chilling hand using threats and fear tactics	Creates a painful env. leads to low morale and prod.	demanding accountability	people skills building trust

pontificating	doesn't follow any strategy	<ul style="list-style-type: none"> • generates inconsistent results • leads to chaos in team 	<ul style="list-style-type: none"> • Spontaneity • adaptability 	<ul style="list-style-type: none"> • Consistency • Strategy
presumptions	Focus on their own needs, ego and recognition over the team	<ul style="list-style-type: none"> • Creates emp. probs. • Creates unhealthy competition among them 	<ul style="list-style-type: none"> • assertive • focus • confident 	<ul style="list-style-type: none"> • empathy • collaboration • team development
prefect	constantly seeks the 'latest and greatest' approach. / focus heavily on facts, figures and product knowledge	<ul style="list-style-type: none"> • lacks consistency • failure in development of crucial soft skill 	<ul style="list-style-type: none"> • best product know. • efficiency • passion for improvement 	<ul style="list-style-type: none"> - soft skill • interpersonal abilities
Passive	aims to make everyone happy and avoid confrontation @ all costs	<ul style="list-style-type: none"> • ineffective leadership • struggle with accountability 	<ul style="list-style-type: none"> • pleasing • avoid conflicts 	<ul style="list-style-type: none"> • holding people accountable • decisiveness • ability to addr. shortcomings
Proactive	The ultimate manager who has the good qualities into pitfalls of other type	All advantages from other types	All good skills from other types	-

Principles of management

division of work → more productivity → best practice and efficiency

authority and responsibility → Authority → right to give order
→ Responsibility → obligation to complete → mutually interdependent

Discipline → rules honoured by all members of org. → penalties for disobedience

Unity of command → instructions only from one superior → avoids confusion

Unity of direction → all members work together to achieve org. goals

Co operation

Each shall work for all, all work for each general or common interest is supreme

Remuneration

- fair pay with non-financial rewards act as motivator for good performance
- exploitation is eliminated

Centralization

- There must be a good balance between centralization and decentralization of power and authority

Scalar chain

unity of cmd brings of a chain of cmd linking all members of org. from top to btm.

Order

- There is a place for everything
- order alone create a sound organization and eff. mgmt.

Equity

we need equity (justice) for having sustained and adequate joint collaboration

Stability of tenure

A person needs time to adjust himself with new work and to demonstrate efficiency. Thus employee and managers must have security of income and employment.

Esprit de cooperation

unity is strength while unity requires coop. pride, loyalty and sense of belonging are responsible for good performance

Initiative

Initiative gives us sound managerial planning and exec. of predetermined plans.

Sole Proprietorship

- **Definition:** Owned and managed by one person. Legally, the owner and the business are the same entity.
- **Key Features:** The owner has unlimited personal liability, meaning their personal assets are at risk for business debts. It's the simplest and least expensive structure to form.
- **Pros:** Easy to start, full control for the owner, all profits are kept by the owner, and simple tax filing (profits flow to personal tax return).
- **Cons:** Unlimited liability, limited access to investment funds, and difficulty attracting top talent.

Partnerships

- **Definition:** A business owned by two or more individuals who share ownership. Legally, it's not separate from its owners. A formal legal partnership agreement is crucial to define responsibilities and resolve disputes.
- **Key Features:** Partners have joint and individual liability for the actions of other partners.
- **Pros:** Relatively easy to establish, more capital can be raised than in a sole proprietorship, and it may attract employees with the incentive of becoming a partner.
- **Cons:** Shared profits, potential for disagreements, and a limited life that can end with a partner's withdrawal or death.

Corporations

- **Definition:** A distinct legal entity separate from its owners (shareholders). It can be taxed, sued, and enter into contracts on its own.
- **Key Features:** Shareholders have limited liability, meaning they are only responsible for their investment in the company's stock. The corporation has a perpetual life, regardless of changes in ownership.
- **Pros:** Limited liability for owners, can raise capital by selling stock, and can offer tax-deductible benefits to employees.
- **Cons:** More complex and expensive to form, subject to strict regulations, and potential for double taxation (profits are taxed at the corporate level, and dividends paid to shareholders are taxed again at the personal level).

Joint Stock Company

- **Definition:** A form of business with limited liability where capital is raised by selling shares to shareholders. It is managed by a Board of Directors.
- **Key Types:**
 - *Private Limited Company:* Owned by a small group (max 50 members), with shares not offered to the public.
 - *Public Limited Company:* Can sell shares to the general public and has no limit on the number of members. It is subject to greater government oversight.
- **Pros:** Shareholders have limited liability, risk is spread among a large number of investors, and the company's existence is continuous.
- **Cons:** Lacks secrecy, requires significant legal formalities, and a lack of personal interest from a large pool of shareholders.

Public Corporations

- **Definition:** A government-owned enterprise established by a special Act of Parliament. It has a separate legal identity and autonomy in operational matters.
- **Key Features:** The entire capital is provided by the government, but it enjoys independence in day-to-day management.
- **Pros:** Can make quick decisions due to less bureaucracy and is managed by experienced directors.
- **Cons:** Changes to its structure are difficult and time-consuming, and a lack of competition can stifle innovation.

Government Companies

- **Definition**: A company where at least 51% of the share capital is owned by the central and/or state government(s). It is managed by an elected board of directors.
- **Key Features**: It operates under the framework of a joint-stock company but is accountable to a government ministry.
- **Pros**: Easy to form, and directors have operational freedom.
- **Cons**: Freedom can be misused, and directors may prioritize political agendas over efficient management.

Managerial Roles

Based on Henry Mintzberg's framework, managerial roles fall into three categories:

- **Decisional Roles:** Involve making strategic decisions and using resources.
 - **Entrepreneur:** Initiates and oversees new projects or innovations.
 - **Disturbance Handler:** Takes corrective action to address unexpected problems or crises.
 - **Resource Allocator:** Distributes resources (funds, personnel) among different units.
 - **Negotiator:** Represents the organization in discussions with other parties (suppliers, unions, etc.).
 - **Interpersonal Roles:** Focus on managing relationships with people.
 - **Figurehead:** Performs symbolic duties like greeting visitors or attending company events.
 - **Leader:** Motivates and directs subordinates toward organizational goals.
 - **Liaison:** Connects and coordinates with people and groups both inside and outside the organization.
 - **Informational Roles:** Involve processing and communicating information.
 - **Monitor:** Seeks and receives a wide range of information to stay updated on the organization and its environment.
 - **Disseminator:** Transmits information from various sources to members of the organization.
 - **Spokesperson:** Communicates information about the organization to outsiders.
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Managerial Skills

Managers need a combination of three key skills, with the importance of each varying by management level.

- **Technical Skills:** The ability to use the knowledge, techniques, and tools of a specific discipline. This is most crucial for **first-line managers**.
 - **Human Skills:** The ability to work well with, understand, and motivate other people, both individually and in groups. This skill is equally important at **all levels of management**.
 - **Conceptual Skills:** The ability to see the organization as a whole and understand how its parts fit together. This is most critical for **top-level managers** who must create long-term strategies.
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Evolution of Management

The study of management has evolved through several key approaches:

1. **Classical Approach:** Focused on efficiency and productivity. It includes:
 - **Scientific Management:** Improving efficiency of individual tasks (e.g., Frederick Taylor).
 - **Administrative Management:** Developing principles for managing the overall organization (e.g., Henri Fayol).
 - **Bureaucratic Management:** Emphasizes formal rules, a clear hierarchy, and impersonal relationships (e.g., Max Weber).
 2. **Behavioral Approach:** Shifted focus to human factors and behavior in the workplace, recognizing that people's needs and relationships affect productivity.
 3. **Quantitative Approach:** Uses mathematical and statistical methods to improve decision-making. Includes **Management Science** (Operations Research) and **Production/Operations Management**.
 4. **Systems Approach:** Views the organization as a collection of interconnected parts that work together to achieve a common goal. It emphasizes the interaction between the organization and its environment.
 5. **Contingency Approach:** Argues that there is no "one best way" to manage; the best approach depends on the unique circumstances and situational factors of each organization.
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Organizational Culture and Environment **Organizational culture is a system of shared assumptions, values, and beliefs that guides how people behave within an organization. It's often called corporate culture. It influences everything from how people dress to how they perform their jobs.**

Seven Characteristics of Organizational Culture

1. **Innovative Cultures:** **Flexible and adaptable**, encouraging new ideas and experimentation. They typically have a flat hierarchy to promote creativity.
 - *Example:* W. L. Gore & Associates (GORE-TEX®).
2. **Aggressive Cultures:** Value **competitiveness** and outperforming rivals. This can sometimes lead to a neglect of corporate social responsibility.
 - *Example:* Microsoft.
3. **Outcome-Oriented Cultures:** Emphasize **achievement, results, and action**. Performance is measured and monitored constantly.
 - *Example:* Best Buy.
4. **Stable Cultures:** **Predictable, rule-oriented, and bureaucratic**. They focus on efficiency and provide a consistent output, but may struggle to adapt to change.
5. **People-Oriented Cultures:** Value **fairness, support, and respect** for individual rights. Employees are seen as the "greatest asset" and are treated with dignity.

6. **Team-Oriented Cultures:** Emphasize **collaboration and cooperation** among employees. Teams are often cross-trained and work together to solve problems.
 - *Example:* Southwest Airlines.
 7. **Detail-Oriented Cultures:** Focus on **precision and paying attention to small details**. This is a competitive advantage in industries like hospitality.
 - *Example:* Four Seasons Hotels, Ritz-Carlton.
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Current Trends and Issues in Management

Global management is a key trend, applying the core functions of management—planning, organizing, leading, and controlling—in an international context.

- **Planning and Decision Making:** Managers must understand global market conditions and competitive dynamics to make strategic decisions, such as whether to enter a new market, buy a local firm, or form a strategic alliance.
- **Organizing:** In a global context, managers must decide on the organization's structure and the degree of responsibility given to local managers in different countries.
- **Leading:** International managers must be prepared to handle cultural differences in motivation, leadership styles, communication, and group dynamics.
- **Controlling:** Control issues are affected by factors like geographical distance, time zone differences, and cultural norms regarding supervision and communication.



Principles of Management – Unit II: Planning (Detailed Exam Notes)

◆ Planning Process (Steps)

1. Establishing Objectives

- First step; defines *what is to be achieved*.
- Objectives set at enterprise → departmental → unit levels.
- Must be **specific, measurable, realistic, and time-bound**.

2. Considering Planning Premises

- Premises = **assumptions** about future environment.
- Can be **internal** (resources, policies) or **external** (economy, technology, govt. policy).
- Ensures consistency & coordination among planners.

3. Identification of Alternatives

- List all possible courses of action.
- Encourages creativity and avoids missing better options.

4. Evaluation of Alternatives

- Analyze pros/cons, risks, costs, feasibility, alignment with objectives.
- Some may be profitable but risky; others safe but less rewarding.

5. Choice of Alternative Plan

- Select the plan that best balances objectives, risks, and resources.
- Eliminate impractical alternatives.

6. Formulation of Supporting Plans

- Sub-plans like **budgets, schedules, programs, policies**.
- Example: Budget = financial translation of plans.

7. Establishing Sequence of Activities

- Fix order and priority of tasks.
 - Converts plan into **action steps**.
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◆ Types of Planning

1. Strategic Planning

- **Long-term (5+ years)**, set by **top management**.
- Deals with organizational direction and survival.
- Includes:
 - **Mission** – Why the organization exists.
 - **Objectives/Goals** – End results expected.
 - **Strategies** – Long-term actions & resource allocation.

2. Tactical Planning

- **Medium-term (1–5 years)**, handled by **middle management**.
- Converts strategic plans into departmental goals.
- Example: Marketing division setting sales targets based on corporate growth plan.

3. Operational Planning

- **Short-term (up to 1 year)**, carried out by **supervisors/line managers**.
- Focus: day-to-day tasks.
- Two types:
 - **Single-use plans** – used once (e.g., campaign budget, project schedule).
 - **Standing plans** – repeated use (e.g., policies, procedures, rules).

4. Contingency Planning

- Backup plans prepared for **unexpected changes** (market crash, competitor entry, strike).
 - Enhances adaptability & flexibility.
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◆ Decision-Making

Characteristics

- Selection among alternatives.
- Goal-directed, rational, but may include judgment & intuition.
- Involves **uncertainty** and risk.

Decision-Making Process

1. **Specific Objective** – establish why decision is required.
2. **Problem Identification** – define real issue (gap between “what is” and “what ought to be”).
3. **Search for Alternatives** – past experiences, industry practices, creative ideas.

4. **Evaluation of Alternatives** – assess feasibility, costs, risks, long-term impact.
5. **Choice of Alternatives** – select best course of action.
6. **Action** – implement decision through proper channels.
7. **Results/Feedback** – compare outcomes with objectives; make corrections if needed.

Rational Decision-Making Model (6 Logical Steps)

1. Define the problem.
2. Identify decision criteria (what factors matter?).
3. Weight the criteria (set priorities).
4. Generate alternatives.
5. Rate each alternative against criteria.
6. Compute the optimal decision (highest score).

Conditions of Decision-Making

- **Certainty** – outcomes are predictable, full information available.
- **Uncertainty** – outcomes unknown, environment unpredictable.
- **Risk** – probabilities of outcomes known; partial information available.