



PRINCIPLES OF MANAGEMENT - COMPLETE EXAM PREPARATION GUIDE

Here's your comprehensive study material extracted from both PDFs, organized exactly as per your syllabus for a guaranteed clean sweep tomorrow.

UNIT I - INTRODUCTION TO MANAGEMENT AND ORGANIZATIONS

Definition of Management

Management is a set of principles relating to planning, organizing, directing, and controlling functions, applied to harness physical, financial, human and informational resources efficiently to achieve organizational goals.^[1]

The Five Functions of Management:

1. **Planning** - Basic function dealing with future course of action, deciding in advance what to do, when to do & how to do. Bridges the gap from where we are & where we want to be.^[1]
2. **Organizing** - Process of bringing together physical, financial and human resources and developing productive relationships for achievement of organizational goals.^[1]
3. **Staffing/Leading** - Function of manning the organization structure through proper selection, appraisal & development of personnel. Involves manpower planning, recruitment, selection, training, development, remuneration, performance appraisal, promotions & transfers.^[1]
4. **Directing** - Actuates organizational methods to work efficiently through supervision, motivation, leadership, and communication.^[1]
5. **Controlling** - Measurement of accomplishment against standards and correction of deviations to ensure achievement of organizational goals. Steps include: establishment of standards, measurement of actual performance, comparison with standards, and corrective action.^[1]

Management as Science or Art

Management is **BOTH** science and art:^[1]

As Science:

- Systematized body of knowledge with principles
- Principles developed through continuous observation and empirical verification

- Principles capable of universal application
- Contains concepts, principles and theories explaining past events and predicting outcomes^[1]

As Art:

- Involves systematic application of theoretical knowledge and personal skills
- Seeks to achieve concrete practical results (profits, service, etc.)
- Creative process bringing new situations and making resources productive
- Personalized process - every manager has own approach and technique^[1]

Manager Vs Entrepreneur

Criteria	Entrepreneur	Manager
Motive	Start a venture by setting up enterprise for personal gratification	Render services in enterprise already set up by entrepreneur
Status	Owner of the enterprise	Servant in the enterprise
Risk Bearing	Assumes all risks and uncertainties	Does not bear any risk
Rewards	Gets profit (highly uncertain)	Gets salary (certain and fixed)
Innovation	Acts as innovator/change agent, thinks what and how to produce	Simply executes plans prepared by entrepreneur
Qualifications	High achievement motive, originality, foresight, risk-bearing ability	Sound knowledge in management theory and practice

Types of Managers

Based on Organizational Functions:

- Purchase Manager, Production Manager, IT Manager, Marketing Manager, Sales Manager, Finance Manager, Human Resources Manager, Product Development Manager^[1]

Based on Management Styles:

- **Authoritarian Manager** - Sole decision maker, subordinates perform exactly as outlined
- **Democratic Manager** - Believes in majority consensus, participative decision-making
- **Paternalistic Manager** - Acts like parent figure, bonds with subordinates
- **Laissez Faire Manager** - Sets targets and deadlines, leaves methods to subordinates
- **Proactive Manager** - Ultimate manager combining best qualities of all types^[1]

Managerial Roles (Mintzberg)

Three Categories with 10 Specific Roles:

Interpersonal Roles:

- **Figurehead** - Symbolic head of organization
- **Leader** - Responsible for staffing, training, directing subordinates
- **Liaison** - Maintains communication between all contacts and informers^[1]

Informational Roles:

- **Monitor** - Seeks and receives information to understand organization
- **Disseminator** - Transmits important information from outsiders to organization members
- **Spokesperson** - Transmits organization's plans, policies to outsiders^[1]

Decisional Roles:

- **Entrepreneur** - Seeks opportunities, searches for change and exploits it
- **Disturbance Handler** - Responsible for corrective action when organization faces disturbances
- **Resource Allocator** - Makes/approves significant resource allocation decisions
- **Negotiator** - Represents organization at major negotiations^[1]

Managerial Skills

Three Basic Types:

1. **Technical Skills** - Ability and knowledge in using equipment, techniques and procedures.
Most important at supervisory level^[1]
2. **Human Skills** - Ability to work effectively with people both individually and in groups. Most important at middle management level^[1]
3. **Conceptual Skills** - Ability to see organization as whole and interrelationships between parts. Most important at top management level^[1]

Evolution of Management

1. Classical Approach:

Scientific Management (Taylor):

- Four basic principles: development of true science of management, scientific selection of workers, scientific education and development, intimate cooperation between management and labor^[1]
- **Contributions:** Piece-rate incentive system, time-and-motion study
- **Limitations:** Focused only on operational level, overlooked social needs, ignored job satisfaction^[1]

Administrative Management (Fayol):

Henri Fayol's 14 Principles:

1. **Division of Work** - Specialization increases productivity and efficiency
2. **Authority and Responsibility** - Right to give orders with obligation to accomplish
3. **Discipline** - Objectives, rules, regulations must be honored by all
4. **Unity of Command** - Each member receives orders from only one superior
5. **Unity of Direction** - All work together for common objectives
6. **Subordination of Individual Interest** - General interest supreme over personal
7. **Remuneration** - Fair pay with non-financial rewards as motivator
8. **Centralization** - Balance between centralization and decentralization
9. **Scalar Chain** - Chain of command from top to bottom
10. **Order** - Place for everything, system creates sound organization
11. **Equity** - Justice must be there for joint collaboration
12. **Stability of Tenure** - Job security prerequisite for sound management
13. **Initiative** - Creative thinking and capacity to take initiative
14. **Esprit de Corps** - Union is strength, pride and loyalty for good performance^[1]

2. Behavioral Approach (Human Relations):

Hawthorne Studies (Mayo):

Four Phases:

1. **Illumination Experiment** - Effect of lighting on productivity
2. **Relay Assembly Test Room** - Effects of various working conditions
3. **Mass Interviewing Programme** - Exploring employee feelings and attitudes
4. **Bank Wiring Experiment** - Group behavior analysis^[1]

Conclusions:

- Social and psychological factors determine employee morale and output
- Organization is a social system
- Non-economic rewards significantly affect worker behavior
- Workers form informal groups that set production norms^[1]

3. Modern Approaches:

Quantitative Approach - Uses mathematical and statistical techniques for decision making^[1]

Systems Approach - Views organization as open system transforming inputs into outputs, focuses on interrelationships^[1]

Contingency Approach - No one best way to manage, depends on situational factors^[1]

Types of Business Organizations

1. Sole Proprietorship:

- **Merits:** Easy to organize, complete control, all income to owner, profits flow-through to personal tax
- **Demerits:** Unlimited liability, difficult to raise funds, hard to attract employees^[1]

2. Partnership:

- **Merits:** Easy to establish, increased ability to raise funds, profits flow-through to partners
- **Demerits:** Joint liability, profits must be shared, disagreements can occur, limited life^[1]

3. Corporation:

- **Merits:** Limited liability for shareholders, can raise funds through stock sale, can deduct employee benefits
- **Demerits:** More time and money to incorporate, more regulations, potential double taxation^[1]

Organization Culture

Seven Characteristics:

1. **Innovative Cultures** - Flexible, adaptable, experiment with new ideas
2. **Aggressive Cultures** - Value competitiveness and outperforming competitors
3. **Outcome-Oriented Cultures** - Emphasize achievement, results, and action
4. **Stable Cultures** - Predictable, rule-oriented, bureaucratic
5. **People-Oriented Cultures** - Value fairness, supportiveness, respect for individual rights
6. **Team-Oriented Cultures** - Collaborative, emphasize cooperation
7. **Detail-Oriented Cultures** - Emphasize precision and attention to details^[1]

UNIT II - PLANNING

Nature and Purpose of Planning

Definition: "Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, acts and considered estimates" - Koontz O'Donnell^[2]

Nature of Planning:

1. **Goal-oriented** - Every plan must contribute towards accomplishment of objectives^[2]
2. **Primacy of Planning** - First of all managerial functions, precedes all others^[2]
3. **Pervasiveness** - Found at all levels: strategic (top), administrative (middle), operational (lower)^[2]

4. **Efficiency, Economy and Accuracy** - Measured by contribution to objectives economically^[2]
5. **Co-ordination** - Coordinates what, who, how, where and why^[2]
6. **Limiting Factors** - Must recognize limiting factors (money, manpower) and plan accordingly^[2]
7. **Flexibility** - Should be adaptable to changing environmental conditions^[2]
8. **Intellectual Process** - Quality depends on quality of manager's mind^[2]

Purpose of Planning:

1. **Manage by objectives** - Makes objectives more concrete
2. **Offset uncertainty and change** - Foresees future and makes provisions
3. **Secure economy in operation** - Selection of most profitable course of action
4. **Help in co-ordination** - Base for coordinating different activities
5. **Make control effective** - Provides standards for controlling performance
6. **Increase organizational effectiveness** - Leads to productivity and effectiveness^[2]

Planning Process (7 Steps):

1. **Establishing Objectives** - Set objectives for entire enterprise and subordinate units^[2]
2. **Considering Planning Premises** - Establish forecast data, basic policies, existing plans^[2]
3. **Identification of Alternatives** - List available alternatives for reaching objectives^[2]
4. **Evaluation of Alternatives** - Weigh factors in light of premises and goals^[2]
5. **Choice of Alternative Plans** - Select best alternative to accomplish objectives^[2]
6. **Formulating Supporting Plans** - Convert plans to budgets for implementation^[2]
7. **Establishing Sequence of Activities** - Implement the developed plans^[2]

Types of Planning:

Based on Content:

- **Strategic Planning** - Long-term objectives, encompasses all functional areas^[2]
- **Tactical Planning** - Conversion of strategic plans into detailed action plans^[2]

Based on Time Period:

- **Long term** - Beyond 5 years, specifies what organization wants to become^[2]
- **Intermediate term** - 2-5 years, designed to implement long term plans^[2]
- **Short term** - One year or less, provides basis for day-to-day operations^[2]

Types of Plans:

Strategic Plans:

1. **Mission** - Statement reflecting basic purpose and focus, answers "why does organization exist?"^[2]
2. **Objectives/Goals** - End points towards which activities are aimed^[2]
3. **Strategies** - Determination of basic long-term objectives and adoption of action for achieving goals^[2]

Tactical Plans - What lower level units must do, how to do it, who is in charge^[2]

Operational Plans:

- **Single-use Plans:** Activities that don't recur (Programs, Budgets)^[2]
- **Standing Plans:** Made once, retain value over period (Policies, Procedures, Rules)^[2]

Policy - Broad guideline for managers in decision making^[2]

Procedure - Step-by-step directions for carrying out activities^[2]

Rule - Explicit statement of what can and cannot be done^[2]

Objectives:

Features:

- Must be predetermined, clearly defined, realistic, measurable
- Must have social sanction, be interconnected and mutually supportive
- May be short-range, medium-range, long-range
- Can be constructed into hierarchy^[2]

Planning Premises:

Types:

1. **Internal vs External** - From business itself vs external environment^[2]
2. **Controllable vs Semi-controllable vs Uncontrollable** - Based on management control^[2]
3. **Tangible vs Intangible** - Measurable vs non-measurable in quantitative terms^[2]
4. **Constant vs Variable** - Don't change vs change according to course of action^[2]

Strategic Management:

Characteristics of Strategy:

- Right combination of different factors
- Relates business to environment
- Action to meet particular challenge
- Means to an end, not end itself

- Formulated at top management level
- Involves calculated risks^[2]

Porter's Generic Strategies:

1. Cost Leadership Strategy:

- Be low cost producer in industry for given quality level
- Sell at average prices for higher profit OR below average prices for market share
- **Requirements:** Access to capital, skill in efficient manufacturing, high expertise in process engineering, efficient distribution channels^{[3] [2]}

2. Differentiation Strategy:

- Develop product/service with unique attributes valued by customers
- Charge premium price for uniqueness
- **Requirements:** Access to scientific research, skilled product development team, strong sales team, corporate reputation for quality^{[4] [2]}

3. Focus Strategy:

- Concentrate on narrow segment, achieve either cost advantage or differentiation
- Two variants: Cost Focus and Differentiation Focus
- Enjoys high customer loyalty in target segment^{[5] [2]}

Planning Tools and Techniques:

- 1. VMOST Analysis** - Vision, Mission, Objectives, Strategy, Tactical alignment^[2]
- 2. SWOT Analysis** - Strengths, Weaknesses (internal), Opportunities, Threats (external)^[2]
- 3. PEST Analysis** - Political, Economic, Social, Technology factors^[2]
- 4. Boston Matrix (BCG)** - Cash cow, sick dog, questionable, flying star based on market share and growth^[2]
- 5. Porter's Five Forces** - Bargaining power of suppliers/customers, threat of new entrants/substitutes, competitive rivalry^[2]

Other Tools:

- **Forecasting** - Predicting future events
- **Contingency Planning** - Alternative courses when things go wrong
- **Scenario Planning** - Plans for multiple future scenarios
- **Benchmarking** - Internal and external comparisons for improvements^[2]

Decision Making:

Definition: "Selection based on some criteria from two or more possible alternatives" - George R. Terry^[2]

Types of Decisions:

1. Programmed vs Non-Programmed:

- **Programmed** - Routine, repetitive, made within framework of policies
- **Non-Programmed** - Non-repetitive, unique problems, novel solutions required^[2]

2. Strategic vs Tactical:

- **Strategic** - Crucial importance, major choice concerning resource allocation
- **Tactical** - Routine, repetitive, derived from strategic decisions^[2]

Decision Making Process (7 Steps):

1. **Specific Objective** - Determine if decision needs to be made^[2]
2. **Problem Identification** - Diagnosis and analysis of the problem^[2]
3. **Search for Alternatives** - Find various available alternatives^[2]
4. **Evaluation of Alternatives** - Check against limits and evaluate contribution^[2]
5. **Choice of Alternatives** - Compare outcomes and choose best one^[2]
6. **Action** - Put selected alternative into action^[2]
7. **Results** - Evaluate results against objectives^[2]

Rational Decision Making Model (6 Steps):

1. **Define the problem** - Clear view of situation^[2]
2. **Identify decision criteria** - Determine what's relevant^[2]
3. **Weight the criteria** - Give correct priority^[2]
4. **Generate alternatives** - List possible solutions^[2]
5. **Rate each alternative** - Evaluate against criteria^[2]
6. **Compute optimal decision** - Select highest scoring alternative^[2]

Decision Making Conditions:

1. Certainty:

- People reasonably sure about what will happen
- Information available and reliable
- Cause and effect relationships known^{[6] [2]}

2. Risk:

- Factual information exists but incomplete
- Can estimate objective/subjective probabilities
- Mathematical models can be used^[7] ^[2]

3. Uncertainty:

- Meager database, data reliability unknown
- Cannot evaluate interactions of variables
- Must rely on creativity, intuition, educated guesses^[6] ^[2]

Management by Objectives (MBO):

Definition: "Process whereby superior and managers jointly identify common goals, define individual's major responsibility areas in terms of expected results, and use these as guides for operating and assessing contribution"^[8] ^[2]

Steps in MBO Process:

1. **Setting Objectives** - Clear, precisely defined statements for employees^[9] ^[2]
2. **Developing Action Plans** - Actions needed to address issues and reach goals^[10] ^[2]
3. **Reviewing Progress** - Performance measured in terms of results^[11] ^[2]
4. **Performance Appraisal** - Communicate how employees are performing, establish improvement plan^[12] ^[2]

Features of MBO:

- Concerned with goal setting and planning
- Process of joint goal setting between supervisor and subordinate
- Focuses attention on appropriate goals and plans
- Facilitates control through periodic evaluation^[2]

Advantages:

- **Motivation** - Employee empowerment increases job satisfaction
- **Better Communication** - Frequent reviews maintain harmonious relationships
- **Clarity of Goals** - Higher commitment to self-set objectives
- **Links Objectives** - Ensures subordinate objectives linked to organizational objectives^[2]

Limitations:

- Over-emphasizes goal setting over plan working
- Underemphasizes environment/context importance
- Can lead to short-term, narrow focus
- May encourage result distortion if not properly managed^[2]

SMART Objectives Framework:

- **Specific** - Target specific area for improvement
- **Measurable** - Quantify or indicate progress
- **Assignable** - Specify who will do it
- **Realistic** - State achievable results given resources
- **Time-bound** - Specify when results can be achieved^[2]

KEY EXAM TIPS:

High-Yield Formulas:

- **BCG Matrix:** Relative Market Share = SBU Sales ÷ Leading Competitor Sales^[2]
- **MBO SMART:** Specific, Measurable, Assignable, Realistic, Time-bound^[2]

Critical Comparisons for Exams:

Management vs Administration	Management	Administration
Nature	Executing function	Decision-making function
Process	Who should do & how	What to do & when
Skills	Technical & Human	Conceptual & Human
Level	Middle & Lower	Top level
Applicability	Business organizations	Non-business organizations

Remember These Key Points:

1. **Planning is PRIMARY function** - comes before all others^[2]
2. **Fayol's 14 principles** - Know at least 7-8 with explanations^[1]
3. **Hawthorne Studies had 4 phases** - Remember conclusions about social factors^[1]
4. **Porter's 3 strategies** - Cost Leadership, Differentiation, Focus (with variants)^[2]
5. **MBO has 4 main steps** - Setting, Planning, Monitoring, Evaluating^[2]
6. **Decision making has 3 conditions** - Certainty, Risk, Uncertainty^[2]

Essay Question Preparation:

- **Evolution of Management** - Classical → Behavioral → Modern approaches with key contributors^[1]
- **Planning Process** - All 7 steps with brief explanations^[2]
- **Strategic Management** - Porter's strategies with examples and limitations^[2]
- **Organization Culture** - 7 characteristics with real examples^[1]

Now you're ready to absolutely demolish this exam! Every major concept, definition, process, and comparison is covered. Good luck tomorrow!

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1. POM_UNIT_1.pdf
2. POM_UNIT_2.pdf
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