UNIT I NOTES

MG8591- PRINCIPLES OF MANAGEMENT

UNIT I INTRODUCTION TO MANAGEMENT AND ORGANIZATIONS

Definition of Management-Science or Art-Manager Vs Entrepreneur-types of managers-Managerial roles and skills-Evolution of Management-Scientific, human relations, system and contingency approaches-Types of Business organization-Sole proprietorship, partnership, company-Public and private sector enterprises-Organization culture and Environment-Current trends and issues in Management

1. Definition of Management

Management is a set of principles relating to the functions of planning, organizing, directing, and controlling, and the applications of these principles in harnessing physical, financial, human and informational resources efficiently and effectively to achieve organizational goals.

Planning

It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. 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. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

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Organizing

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, ‒To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel's‖. To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

Staffing/Leading

It is the function of manning the organization structure and keeping it manned. Staffing has assumed

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greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose of staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O'Donell, –Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed to the structure‖. Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, selection & placement.
- Training & development.
- Remuneration.
- Performance appraisal.
- Promotions & transfer

Directing

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

Controlling

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to Theo Haimann, –Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation‖. 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‖.

Therefore controlling has following steps:

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

2. Science or Art

The best response to the question of whether management is an art or a science is that it is both. Managing, like all other practices (e.g., music composition, medicine, or even tennis) is an art. To manage effectively, peoples must have not only the necessary abilities to lead but also a set of critical skills acquired through time, experience, and practice. If we define art as a personal aptitude or skill, then management has certain artistic components.

On the other hand, the organized knowledge underlying the practice may be referred to as a science. To perform at high levels in a variety of situations, managers must be able to draw on the sciences - particularly economics, sociology, mathematics, political science, psychology, and political science - for assistance and guidance.

The tasks of modern managers require the use of techniques, practices, and skills. In this context science and art not mutually exclusive but complementary.

Management as an Art

Art involves the systematic application of theoretical knowledge and personal skills to achieve desired results. The function of art is to effect change and to bring about desired results through deliberate efforts. Art represents 'how' of human behaviour because it is the know-how to accomplish concrete practical results.

Art is a personalized process as every artist has his own style. Art is essentially creative and the success of an artist is measured by the results he achieves. A carpenter making furniture out of wood and a goldsmith shaping gold into ornaments are examples of art.

Art prescribes how to do things and it can be improved through continuous practice. Art is result-oriented involving practical way of doing specific things. It consists of bringing about desired results through the use of skills. Art involves practical application of theoretical knowledge.

Management is essentially an art because of the following reasons:

- The process of management involves the use of knowledge and skills. Every manager has to apply certain knowhow and skills while dealing with people.
- Management seeks to achieve concrete practical results, e.g., profits, service, etc. According to Prof. John F. Mee, "management is the art of securing maximum results with a minimum of effort so as to secure maximum prosperity and happiness for both employer and employee and give the public best possible service."
- Like any other art, management is creative. It brings out new situations and makes resources productive. In fact, management is one" of the most creative arts because it requires molding and welding the attitudes and behavior of people at work for the accomplishment of specific goals in a changing environment. It is the art of securing desired response from people. Management makes things happen.
- Like any other art, management is a personalized process. Every manager has his own approach and technique depending upon his perception and the environmental conditions.
- As an art, management requires judgment and skills. The art of management can be refined with continuous practice of management theories and principles.

The art of management is as old as human civilization. The importance of management art has increased with rapid growth in the number size and complexity of organizations.

Management as a Science:

Semaltic

Science is an organized or systematized body of knowledge pertaining to a particular field of enquiry. Science is systematized in the sense that it establishes cause and effect relationship between different variables. Such systematized body of knowledge contains concepts, principles and theories which help to explain past events and to predict the outcome of specific actions. These principles are capable of universal application, i.e., they can be applied under different situations. They represent fundamental truths derived through empirical results. These principles or basic truths are developed through scientific methods of continuous observation, experiment and testing. When generalizations or hypotheses are empirically verified for accuracy through continuous observation and experimentation they become principles. Science explains 'why' of human behaviour. Management is a science because it contains all the characteristics of science. Firstly, there is a systematized body of knowledge in management. Principles are now available in every function of management and these principles help to improve managerial effectiveness. For instance, there are a number of principles which serve as guidelines for delegating authority and thereby designing an effective organization structure. Similarly, there are several techniques (ways of doing things) in the field of management. Budgeting, cost accounting, ratio analysis, rate of return on investment, critical path method (CPM), programed evaluation and review technique (PERT) are some of these techniques which facilitate better management. Secondly, principles of management have been developed through continuous observations and empirical verification. Thirdly, management principles are capable of universal application.

3. Manager Vs Entrepreneur

S.No.	Criteria	Entrepreneur	Manager
1.	Motive	The main motive of an entrepreneur is to start a venture by setting up an enterprise. He understands the venture for his personal gratification.	But, the main motive of a manager is to render his services in an enterprise already set up by someone else i.e., entrepreneur.
2.	Status	An entrepreneur is the owner of the enterprise.	A manager is the servant in the enterprise owned by the entrepreneur.
3.	Risk Bearing	An entrepreneur being the owner of the enterprise assumes all risks and uncertainty involved in running the enterprise.	A manager as a servant does not bear any risk involved in the enterprise.
4.	Rewards	The reward an entrepreneur gets for bearing risks involved in the enterprise is profit which is highly uncertain.	A manager gets salary as reward for the services rendered by him in the enterprise. Salary of a manager is certain and fixed.
5.	Innovation	Entrepreneur himself thinks over what and how to produce goods to meet the changing demands of the customers. Hence, he acts as an	But, what a manager does is simply to execute the plans prepared by the entrepreneur. Thus, a manager simply translates

		innovator also called a _change agent'	the entrepreneur's ideas into practice.
6.	Qualifications	An entrepreneur needs to possess qualities and qualifications like high achievement motive, originality in thinking, foresight, risk - bearing ability and so on.	On the contrary, a manager needs to possess distinct qualifications in terms of sound knowledge in management theory and practice

4. Types of managers

Managers are mostly typecast according to the different types of management styles, personality, function and involvement. The role of a manager, on a general note, is to get things done by others by making optimum use of available resources, exercising authority over and taking responsibility for all such resources that are allocated to be under his/her supervision.
Based on organizational functions, the following manager types in a standard commercial organization.

1. Purchase Manager who is responsible for procuring raw materials in a manufacturing company.
2. Production Manager who is responsible for managing the manufacturing process.
3. IT Manager who is responsible for supervising all computing and IT communication related issues.
4. Marketing Manager who is responsible for supervising the promotion and advertising of the company's products/services.
5. Sales Manager who looks after the sales department and sets targets for sales personnel and appraises their performance on the basis of the extent of target achievement.
6. Finance Manager who is responsible for the financial management of the organization.
7. Human Resources Manager who is responsible for the HR department and oversees all human resource management functions like recruitment, payroll, attendance, employee exit, etc. besides displaying all basic management skills.
8. Product Development Manager who is authorized with the management of the technical division of new product design and product innovation.

Other than these, a standard company may have a general manager and an operational manager, depending upon the type and scale of its operations.Software development and testing companies also have two types of project managers

1. Functional project managers who are deeply involved with every technical aspect of the project
2. Activity or ~~resource managers~~ who manage the operational and people part of the project, leaving the technical aspects to his subordinate IT professionals.

In most companies these days, we can see another school of managers called case managers. These case managers are chiefly vested with the responsibility of attending to employees' medical well-being There are, broadly, two types of case managers –

1. Medical case managers who are responsible for getting medical aid for emergency medical contingencies of the employees and
2. Liaison case managers who act as the mediator between the medical professionals and the employer organization.

Types of Managers based on management sytles

There can be the following sorts of managers based upon the four most prominent types of management styles. Each subheading underlines different aspects of management styles and techniques.

The Authoritarian Manager is one who is the sole decision maker for his management unit and prefers his subordinates to perform their tasks exactly as outlined by him. In a way, this type of manager makes work easier for the employee as the latter knows exactly what is expected of him/her and the way in which the task is to be performed. The thinking part is left to the boss while the doing part lies with the subordinate. This type of manager displays management skills of strong leadership and direction but may lack the skill for delegation.

The Democratic Manager is that person who believes in majority consensus and takes any decision only after consulting his/her subordinates. This type of manager displays participative management style by allowing his subordinates' participation in the decision-making process, giving them a sense of belonging and deeper involvement in the organizational fabric.

The Paternalistic manager is the one who acts like a parent figure to his subordinates and makes sure to regularly bond with his subordinates to listen to their professional issues and lend a helping hand to ease their operational difficulties. A paternalistic manager encourages his subordinates to work as a family and be supportive of the collective effort for the bigger organizational well-being.

The Laissez Faire Manager communicates the tasks to be performed by his subordinates and sets targets and deadlines for the completion of such tasks. Thereafter he leaves the method to the subordinates. As long as the employees complete the task in line with the organizational standards and within the specific deadline, it doesn't matter what methods are employed by them to do so.

The Problem-Solving Manager is task driven and focused on achieving goals. These problem-solvers are constantly putting out fires and leading their teams. The paradox here is this: It is often the manager who creates the very problems and situations that they work so hard to avoid. Continually providing solutions often results in the lackluster team performance they are working so diligently to eliminate.

The pitchfork manager - People who manage by pitchfork lead their teams with a heavy and often controlling hand: demanding progress, forcing accountability, prodding and pushing for results through the use of threats and fear tactics. This style of tough, ruthless management is painful for employees who are pushed to avoid consequences rather than pulled toward a desired goal.

The pontificating manager - These managers will readily admit they don‘t follow any particular type of management strategy. Instead, they shoot from the hip, making it up as they go along and often generating sporadic, inconsistent results. Because of this, they often find themselves in situations they are unprepared for. Interestingly, the Pontificating Manager thrives on situations like this.

The presumptuous manager - Presumptuous Managers focus more on themselves than anything else. Their personal production, recognition, sales quotas, and bonuses take precedence over their people. As you can imagine, these managers experience more attrition, turnover, and employee problems than any other type of manager. Presumptuous Managers are typically assertive and confident individuals; however, they are too often driven by their egos to look good and outperform the rest of the team. Presumptuous Managers breed unhealthy competition rather than an environment of collaboration.

The perfect manager - Perfect Managers are open to change and innovation, and committed to improving and evolving as sales managers. But in their search for the latest and greatest approach, Perfect Managers (like Pontificating Managers) never get to experience the benefit of consistency. This manager is a talking spec sheet. Their emphasis on acquiring more facts, figures, features, and benefits overshadows their ability to recognize the critical need for soft skills training around the areas of presenting, listening, questioning, prospecting, and the importance of following an organized, strategic selling system. Perfect Managers rely on their vast amount of product knowledge and experience when managing and developing their salespeople. Because of this great imbalance, these managers often fall short on developing interpersonal skills that would make them more human than machine.

The passive manager - Also referred to as Parenting Managers or Pleasing Managers, Passive Managers have one ultimate goal: to make people happy. While this is certainly an admirable trait, it can quickly become a barrier to effective leadership. You can spot a Passive Manager by looking at their team and assessing the number of people who should have been fired long ago. Because all that Passive Managers want to do is please, they are timid in their management approach. These managers will do anything to avoid confrontation and struggle with holding their people accountable for failures or shortcomings.

The proactive manager - The Proactive Manager encompasses all the good qualities that the other types of managers possess, yet without their pitfalls. Here are the characteristics this ideal manager embodies, which you should strive to develop yourself. The Proactive Manager possesses:

- The drive to support others and spearhead solutions like the Problem-Solving Manager
- The persistence, edge, and genuine authenticity of the Pitchfork Manager
- The enthusiasm, passion, charm, and presence of the Pontificating Manager
- The confidence of the Presumptuous Manager
- The knowledge, sales acumen, efficiency, focus, and passion of the Perfect Manager

The Proactive Manager is the ultimate manager and coach, and a testimonial to the skills and coaching competencies every manager needs to develop in order to build a winning team.

5. Managerial roles and skills

Decisional Roles

Decisional roles require managers to plan strategy and utilize resources. There are four specific roles that are decisional. The entrepreneur role requires the manager to assign resources to develop innovative goods and services, or to expand a business. Most of these roles will be held by top-level managers, although middle managers may be given some ability to make such decisions. The disturbance handler corrects unanticipated problems facing the organization from the internal or external environment. Managers at all levels may take this role. For example, first-line managers may correct a problem halting the assembly line or a middle level manager may attempt to address the aftermath of a store robbery. Top managers are more likely to deal with major crises, such as requiring a recall of defective products. The third decisional role, that of resource allocator, involves determining which work units will get which resources. Top managers are likely to make large, overall budget decisions, while middle managers may make more specific allocations. In some organizations, supervisory managers are responsible for determine allocation of salary raises to employees. Finally, the negotiator works with others, such as suppliers, distributors, or labor unions, to reach agreements regarding products and services. First-level managers may negotiate with employees on issues of salary increases or overtime hours, or they may work with other supervisory managers when needed resources must be shared. Middle managers also negotiate with other managers and are likely to work to secure preferred prices from suppliers and distributors. Top managers negotiate on larger issues, such as labor contracts, or even on mergers and acquisitions of other companies.

Interpersonal Roles

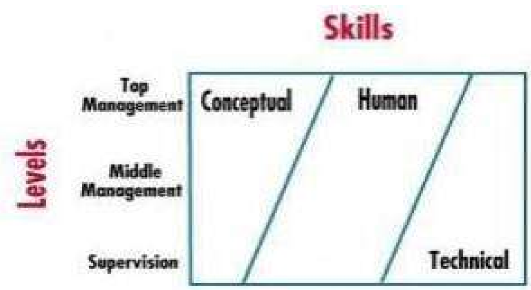
Interpersonal roles require managers to direct and supervise employees and the organization. The figurehead is typically a top of middle manager. This manager may communicate future organizational goals or ethical guidelines to employees at company meetings. A leader acts as an example for other employees to follow, gives commands and directions to subordinates, makes decisions, and mobilizes employee support. Managers must be leaders at all levels of the organization; often lower-level managers look to top management for this leadership example. In the role of liaison, a manger must coordinate the work of others in different work units, establish alliances between others, and work to share resources. This role is particularly critical for middle managers, who must often compete with other managers for important resources, yet must maintain successful working relationships with them for long time periods.

Informational Roles

Informational roles are those in which managers obtain and transmit information. These roles have changed dramatically as technology has improved. The monitor evaluates the performance of others and takes corrective action to improve that performance. Monitors also watch for changes in the environment and within the company that may affect individual and organizational performance. Monitoring occurs at all levels of management, although managers at higher levels of the organization are more likely to monitor external threats to the environment than are middle or first-line managers. The role of disseminator requires that managers inform employees of changes that affect them and the organization. They also communicate the company's vision and purpose. Managers at each level disseminate information to those below them, and much information of this nature trickles from the top down. Finally, a spokesperson communicates with the external environment, from advertising the company's goods and services, to informing the community about the direction of the organization. The spokesperson for major announcements, such as a change in strategic direction, is likely to be a top manager. But, other, more routine information may be provided by a manager at any level of a company. For example, a middle manager may give a press release to a local newspaper, or a supervisor manager may give a presentation at a community meeting.

Managerical skills

Managers at every level in the management hierarchy must exercise three basic types of skills: technical, human, and conceptual. All managers must acquire these skills in varying proportions, although the importance of each category of skill changes at different management levels.



Skill Distribution at Various Management Levels

1 Technical skills

- Technical skills refer to the ability and knowledge in using the equipment, techniques and procedure involved in performing specific tasks.
- These skills require specialized knowledge and proficiency in the mechanics of a particular.
- Technical skills lose relative importance at higher levels of the management hierarchy, but most top executives started out as technical experts.

2 Human skills

- Human skills refer to the ability of a manager to work effectively with other people both as individual and as members of a group.
- Human skills are concerned with understanding of people.
- These are required to win cooperation of others and to build effective work teams.

3 Conceptual skills.

- Conceptual skills involve the ability to see the whole organization and the interrelationships between its parts.
- These skills refer to the ability to visualize the entire picture or to consider a situation in its totality.
- These skills help the managers to analyze the environment and to identify the opportunities.
- Conceptual skills are especially important for top-level managers, who must develop long-range plans for the future direction of their organization.

6. Evolution of Management

The practice of management is as old as human civilization. The ancient civilizations of Egypt (the great pyramids), Greece (leadership and war tactics of Alexander the great) and Rome displayed the marvellous results of good management practices. The origin of management as a discipline was developed in the late 19th century. Overtime, management thinkers have sought ways to organize and classify the voluminous information about management that has been collected and disseminated. The different approaches of management are

- Classical approach,
- Behavioural approach,
- Quantitative approach,
- Systems approach,
- Contingency approach.

1 The Classical Approach

The classical approach is the oldest formal approach of management thought. Its roots pre-date the twentieth century. The classical approach of thought generally concerns ways to manage work and organizations more efficiently. Three areas of study that can be grouped under the classical approach are scientific management, administrative management, and bureaucratic management.

2 The Behavioural Approach

The behavioural approach of management thought developed, in part, because of perceived weaknesses in the assumptions of the classical approach. The classical approach emphasized efficiency, process, and principles. Some felt that this emphasis disregarded important aspects of organizational life, particularly as it related to human behaviour. Thus, the behavioural approach focused on trying to understand the factors that affect human behaviour at work.

3 The Quantitative Approach

The quantitative approach focuses on improving decision making via the application of quantitative techniques. Its roots can be traced back to scientific management.

(i) Management Science (Operations Research)

Management science (also called operations research) uses mathematical and statistical approaches to solve management problems. It developed during World War II as strategists tried to apply scientific knowledge and methods to the complex problems of war. Industry began to apply management science after the war.

(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. It has its roots in scientific management but became an identifiable area of management study after World War II. It uses many of the tools of management science. Operations management emphasizes productivity and quality of both manufacturing and service organizations.

4 Systems Approach

The simplified block diagram of the systems approach is given below. The systems approach focuses on understanding the organization as an open system that transforms inputs into outputs. The systems approach began to have a strong impact on management thought in the 1960s as a way of thinking about managing techniques that would allow managers to relate different specialties and parts of the company to one another, as well as to external environmental factors. The systems approach focuses on the organization as a whole, its interaction with the environment, and its need to achieve equilibrium

5 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 the external environment, technology, organizational characteristics, characteristics of the manager, and characteristics of the subordinates. Contingency theorists often implicitly or explicitly criticize the classical approach for its emphasis on the universality of management principles; however, most classical writers recognized the need to consider aspects of the situation when applying management principles.

7. Scientific, human relations, system and contingency approaches

1. Scientific Method

The evolution of modern management began in the closing decades of the nineteenth century, after the industrial revolution had swept through Europe, Canada, and the United States. In the new economic climate, managers of all types of organizations—political, educational, and economic—were increasingly trying to find better ways to satisfy customers‘ needs. Many major economic, technical, and cultural changes were taking place at this time. The introduction of steam power and the development of sophisticated machinery and equipment changed the way in which goods were produced, particularly in the weaving and clothing industries. Small workshops run by skilled workers who produced hand-manufactured products (a system called crafts production) were being replaced by large factories in which sophisticated machines controlled by hundreds or even thousands of unskilled or semiskilled workers made products. Owners and managers of the new factories found themselves unprepared for the challenges accompanying the change from small-scale crafts production to large-scale mechanized manufacturing. Many of the managers and supervisors had only a technical orientation, and were unprepared for the social problems that occur when people work together in large groups (as in a factory or shop system). Managers began to search for new techniques to manage their organizations‘ resources, and soon they began to focus on ways to increase the efficiency of the worker–task mix

Fredrick w Taylor (1986-1915) rested his philosophy on four basic principles.

- The development of a true science of management so that the best method for performing each task could be determined.
- The Scientific selection of workers so that the each worker would be given responsibility for the task for which he or she was best suited
- The scientific education and development of workers.
- Intimate friendly cooperation between management and labor.

The scientific management schools

- Scientific management theory arose in part from the need to increase productivity.
- In the United States especially, skilled labor was in short supply at the beginning of the twentieth century.
- The only way to expand the productivity was to raise the efficiency of workers.
- Therefore ,Fredrick W.Taylor, Henry Gantt, and Frank and Lillian Gilberth devised the body of principles known as Scientific management theory

Contributions of scientific management theory

- The modern assembly line pours out finished products faster than Taylor could ever imagine.
- This production –Miracle‖ is just one legacy of scientific management.
- In addition its efficiency techniques have been applied to many tasks in non- industrial organizations ranging from fat food service to the training of surgeons

Limitations of scientific management theory AUTOMATN

- Although Taylor's method led to dramatic increase in productivity and higher pay in number of instance.
- Workers and unions began to oppose his approach because they feared that working harder or faster would exhaust whatever work was available Causing layoffs.
- Moreover, Taylor‘s system clearly meant that time was of the essence.
- His critics objected to the speed up condition that placed undue pressure on employees to perform at faster and faster levels.
- The emphasis on productivity and by extension profitability led some managers to exploit both the workers and customers.
- As a result more workers joined unions and thus reinforced a pattern of suspicious and mistrust that shaded labor relations for decades.

Henry L. Gannt (1861-1919) worked with Taylor on several projects but when he went out on his own as a consulting industrial engineer, Gannt began to reconsider tailors insensitive systems.

- Abandoning the differential rate system as having too little motivational impact Gannet came up with new idea.

- Every worker who finished days assigned work load win 50 percent bonus.
- Then he added a second motivation the supervisor would earn a bonus for each worker who reached the daily standard.
- Plus an extra bonus if all the workers reached it.
- This Gantt reasoned would supervisor to train their workers to do a better job.
- Every workers progress was rated publicly and recorded an individual bar charts
- Mark as black on days the worker made the standard in red when he or she fell below it.
- Going beyond this Gantt originated a charting system for production was translated into eight languages and used throughout the world.
- Starting in 1920 s it was use in Japan Spain and soviet union it also formed that the basis of two charting device which were developed to assist

Henri Fayol (1841-1925) is generally hailed as the founder of the classical management school – not because he was the first to investigate managerial behavior but because he was the first to systematize it.

The principles of management are given below:

1. Division of work: Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be performed in the best manner only through division of labour and specialization.
2. Authority and Responsibility: The right to give order is called authority. The obligation to accomplish is called responsibility. Authority and Responsibility are the two sides of the management coin. They exist together. They are complementary and mutually interdependent.
3. Discipline: The objectives, rules and regulations, the policies and procedures must be honoured by each member of an organization. There must be clear and fair agreement on the rules and objectives, on the policies and procedures. There must be penalties (punishment) for non-obedience or indiscipline. No organization can work smoothly without discipline - preferably voluntary discipline.
4. Unity of Command: In order to avoid any possible confusion and conflict, each member of an organization must received orders and instructions only from one superior (boss).
5. Unity of Direction: All members of an organization must work together to accomplish common objectives.
6. Emphasis on Subordination of Personal Interest to General or Common Interest: This is also called principle of co-operation. Each shall work for all and all for each. General or common interest must be supreme in any joint enterprise.
7. Remuneration: Fair pay with non-financial rewards can act as the best incentive or motivator for good performance. Exploitation of employees in any manner must be eliminated. Sound scheme of remuneration includes adequate financial and nonfinancial incentives.

8. Centralization: There must be a good balance between centralization and decentralization of authority and power. Extreme centralization and decentralization must be avoided.
9. Scalar Chain: The unity of command brings about a chain or hierarchy of command linking all members of the organization from the top to the bottom. Scalar denotes steps.
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: An organization consists of a group of people involved in joint effort. Hence, equity (i.e., justice) must be there. Without equity, we cannot have sustained and adequate joint collaboration.
12. Stability of Tenure: A person needs time to adjust himself with the new work and demonstrate efficiency in due course. Hence, employees and managers must have job security. Security of income and employment is a pre-requisite of sound organization and management.
13. Esprit of Co-operation: Esprit de corps is the foundation of a sound organization. Union is strength. But unity demands co-operation. Pride, loyalty and sense of belonging are responsible for good performance.
14. Initiative: Creative thinking and capacity to take initiative can give us sound managerial planning and execution of predetermined plans.

2. The Behavioral School (Human Relation):

- The behavioral school emerged partly because the classical approach did not archive sufficient production efficiency and workplace harmony.
- To _managers‘ frustration,
- People did not always follow predicted or expected patterns of behavior.
- Thus there was increased interest in helping managers deal more effectively with a people side of their organizations.
- Several Theorists tried to strengthen with a people side of their organization theory with an insight of sociology and psychology.
- The human Relations movement
- A human relation is frequently used as a general term to describe the ways in which managers interact with their employees.
- When ―employee management‖ simulate more and better work ,the organization has a more and better work, the organization has effective human relations
- When morale and efficiency deteriorate, its human relations are said to be ineffective.
- The human relations movement arose from early attempts to systematically discover the social and psychological factors that would create effective Human reaction.

3. The Contigency Approach

The contingency approach sometimes called (situation approach) was developed by the managers, consultants and researchers who tried to apply the concepts of the major schools to the real life

- When methods highly effective in one situation failed to work in other situation.

- They sought an explanation.
- Advocates Of the contingency approach had a logical answer to such question. Results differ because situation differs. Techniques that work in one case will not work in other.
- According to the contagious technique the manager‘s job is to find which technique will in a particular situation, under particular circumstances and at a particular time.
- Best contributes to attainments of management goals, where workers need to encourage increasing productivity.
- For example a classical theorist may prescribe a new work simplification scheme.
- The behavioral scientist may instead seek to create a psychologically motivating climate and recommend.
- some approach like job enrichment the combination of tasks that are different in scope and responsibility and allow the worker greater autonomy in making decisions but the manager trained in the contiguous approach will ask
- Which ties the recourse are limited, work simplification would be the best solution,
- However skilled workers driven by pride in their abilities. a job enrichment program might be more effective.
- The contingency approach represents an important turn in management theory, but it portals each set of organization relationship in its unique circumstances.

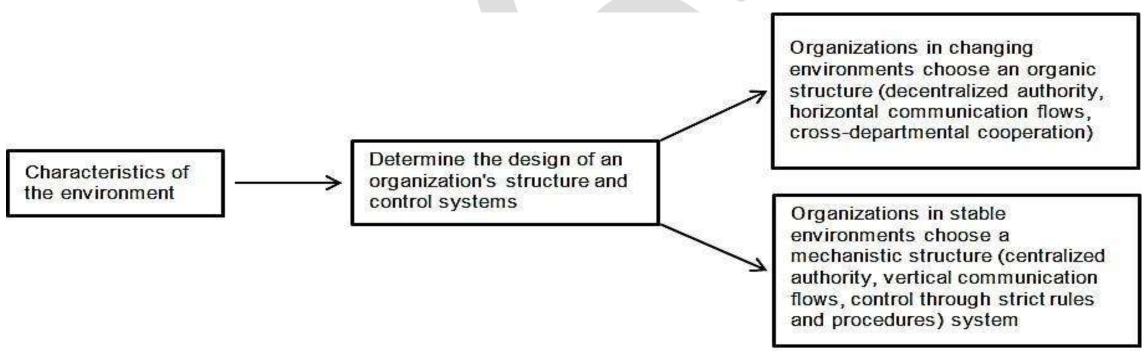


Figure 1.4 : Contigengy Theory of Organizational Design

4. System Approach

The system approach to management views the organizations as a unified, purposeful system composed of integral parts

- This approach gives managers a way of looking at the organization as a hole and as a part of the larger external environment.
- Systems theory tells us that the activity of any segment of an organization affects, in varying degree the activity of every other segment.
- Production managers in a manufacturing plant, for example, prefer long uninterrupted production runs of standardized products in order to maintain maximum efficiency and low costs.

- Marketing managers on the other hand who want to offer customers quick delivery of a wide range of products would like a flexible manufacturing schedule that can fill special order on short notice.
- Systems oriented production managers make scheduling decisions only after they have identified the impact of these decisions on other department and on the entire organization.
- The point of system approach is that managers cannot wholly with in the traditional organization chart.
- They must mesh their department with the whole enterprise.
- To do that they have to communicate not only with other employees and departments, but frequently with representative of other organization as well.
- Clearly, systems managers grasp the importance of the webs of business relationship to their efforts.

8. Types of Business organization

Sole proprietorship, partnership, company, Public and private sector enterprises

Types of Business Organizations

When organizing a new business, one of the most important decisions to be made is choosing the structure of a business.

a) Sole Proprietorships

The vast majority of small business starts out as sole proprietorships . . . very dangerous. These firms are owned by one person, usually the individual who has day-to-day responsibility for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume "complete personal" responsibility for all of its liabilities or debts. In the eyes of the law, you are one in the same with the business.

Merits:

- Easiest and least expensive form of ownership to organize.
- Sole proprietors are in complete control, within the law, to make all decisions.
- Sole proprietors receive all income generated by the business to keep or reinvest.
- Profits from the business flow-through directly to the owner's personal tax return.
- The business is easy to dissolve, if desired.

Demerits:

- Unlimited liability and are legally responsible for all debts against the business.
- Their business and personal assets are 100% at risk.
- Has almost been ability to raise investment funds.
- Are limited to using funds from personal savings or consumer loans.
- Have a hard time attracting high-caliber employees, or those that are motivated by the opportunity to own a part of the business.

- Employee benefits such as owner's medical insurance premiums are not directly deductible from business income (partially deductible as an adjustment to income).

b) Partnerships

In a Partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The Partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out, or what steps will be taken to dissolve the partnership when needed. Yes, its hard to think about a "break-up" when the business is just getting started, but many partnerships split up at crisis times and unless there is a defined process, there will be even greater problems. They also must decide up front how much time and capital each will contribute, etc.

Merits:

- Partnerships are relatively easy to establish; however time should be invested in developing the partnership agreement.
- With more than one owner, the ability to raise funds may be increased.
- The profits from the business flow directly through to the partners' personal taxes.
- Prospective employees may be attracted to the business if given the incentive to become a partner.

Demerits:

- Partners are jointly and individually liable for the actions of the other partners.
- Profits must be shared with others.
- Since decisions are shared, disagreements can occur.
- Some employee benefits are not deductible from business income on tax returns.
- The partnerships have a limited life; it may end upon a partner withdrawal or death.

c) Corporations

A corporation, chartered by the state in which it is headquartered, is considered by law to be a unique "entity", separate and apart from those who own it. A corporation can be taxed; it can be sued; it can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when ownership changes.

Merits:

- Shareholders have limited liability for the corporation's debts or judgments against the corporations.
- Generally, shareholders can only be held accountable for their investment in stock of the company. (Note however, that officers can be held personally liable for their actions, such as the failure to withhold and pay employment taxes.)
- Corporations can raise additional funds through the sale of stock.
- A corporation may deduct the cost of benefits it provides to officers and employees.
- Can elect S corporation status if certain requirements are met. This election enables company to be taxed similar to a partnership.

Demerits:

- The process of incorporation requires more time and money than other forms of organization.

- Corporations are monitored by federal, state and some local agencies, and as a result may have more paperwork to comply with regulations.
- Incorporating may result in higher overall taxes. Dividends paid to shareholders are not deductible form business income, thus this income can be taxed twice.

d) Joint Stock Company:

Limited financial resources & heavy burden of risk involved in both of the previous forms of organization has led to the formation of joint stock companies these have limited dilutives.

The capital is raised by selling shares of different values. Persons who purchase the shares are called shareholder. The managing body known as; Board of Directors; is responsible for policy making important financial & technical decisions. There are two main types of joint stock Companies.

- Private limited company.
- Public limited company

Private limited company: This type company can be formed by two or more persons. Te maximum number of member ship is limited to 50. In this transfer of shares is limited to members only. The government also does not interfere in the working of the company.

Public Limited Company: Its is one whose membership is open to general public. The minimum number required to form such company is seven, but there is no upper limit. Such company's can advertise to offer its share to genera public through a prospectus. These public limited companies are subjected to greater control & supervision of control.

Merits:

- The liability being limited the shareholder bear no Rick& therefore more as make persons are encouraged to invest capital.
- Because of large numbers of investors, the risk of loss is divided.
- Joint stock companies are not affected by the death or the retirement of the shareholders.

Disadvantages:

- It is difficult to preserve secrecy in these companies.
- It requires a large number of legal formalities to be observed.
- Lack of personal interest.

e) Public Corporations:

A public corporation is wholly owned by the Government centre to state. It is established usually by a Special Act of the parliament. Special statute also prescribes its management pattern power duties & jurisdictions. Though the total capital is provided by the Government, they have separate entity & enjoy independence in matters related to appointments, promotions etc.

Merits:

- These are expected to provide better working conditions to the employees & supported to be better managed.
- Quick decisions can be possible, because of absence of bureaucratic control.
- More Hexibility as compared to departmental organization.
- Since the management is in the hands of experienced & capable directors & managers, these ate managed more efficiently than that of government departments.

Demerits:

- Any alteration in the power & Constitution of Corporation requires an amendment in the

particular Act, which is difficult & time consuming.
- Public Corporations possess monopoly & in the absence of competition, these are not interested in adopting new techniques & in making improvement in their working.

f) Government Companies:

A state enterprise can also be organized in the form of a Joint stock company; A government company is any company in which of the share capital is held by the central government or partly by central government & party by one to more state governments. It is managed b the elected board of directors which may include private individuals. These are accountable for its working to the concerned ministry or department & its annual report is required to be placed ever year on the table of the parliament or state legislatures along with the comments of the government to concerned department.

Merits:

- It is easy to form.
- The directors of a government company are free to take decisions & are not bound by certain rigid rules & regulations.

Demerits:

- Misuse of excessive freedom cannot be ruled out.

The directors are appointed by the government so they spend more time in pleasing their political masters & top government officials, which results in inefficient management.

9. Organization culture and Environment

Organizational culture is a system of shared assumptions, values, and beliefs, which governs how people behave in organizations. These shared values have a strong influence on the people in the organization and dictate how they dress, act, and perform their jobs. Every organization develops and maintains a unique culture, which provides guidelines and boundaries for the behavior of the members of the organization. Let's explore what elements make up an organization's culture.

Organizational culture is composed of seven characteristics that range in priority from high to low. Every organization has a distinct value for each of these characteristics, which, when combined, defines the organization's unique culture. Members of organizations make judgments on the value their organization places on these characteristics, and then adjust their behavior to match this perceived set of values. Let's examine each of these seven characteristics.

Organizational culture includes an organization's expectations, experiences, philosophy, and values that hold it together, and is expressed in its self-image, inner workings, interactions with the outside world, and future expectations. It is based on shared attitudes, beliefs, customs, and written and unwritten rules that have been developed over time and are considered valid. Also called corporate culture,

The seven characteristics of organizational culture are:

Innovative cultures

Companies that have innovative cultures are flexible and adaptable, and experiment with new ideas. These companies are characterized by a flat hierarchy in which titles and other status distinctions tend to be downplayed

For example, W. L. Gore & Associates Inc. is a company with innovative products such as GORE-TEX® (the breathable fabric that is windproof and waterproof), Glide dental floss, and Elixir guitar strings, earning the company the distinction of being elected as the most innovative company in the United States by Fast Company magazine in 2004.

Aggressive cultures

Companies with aggressive cultures value competitiveness and outperforming competitors: By emphasizing this, they may fall short in the area of corporate social responsibility. For example, Microsoft Corporation is often identified as a company with an aggressive culture. The company has faced a number of antitrust lawsuits and disputes with competitors over the years.

Recently, Microsoft founder Bill Gates established the Bill & Melinda Gates foundation and is planning to devote his time to reducing poverty around the world.

Outcome-oriented cultures

Outcome-oriented cultures as those that emphasize achievement, results, and action as important values. A good example of an outcome-oriented culture may be Best Buy Co. Inc. Having a culture emphasizing sales performance, Best Buy tallies revenues and other relevant figures daily by department. Employees are trained and mentored to sell company products effectively, and they learn how much money their department made every day

Stable cultures

Stable cultures are predictable, rule-oriented, and bureaucratic. These organizations aim to coordinate and align individual effort for greatest levels of efficiency. When the environment is stable and certain, these cultures may help the organization be effective by providing stable and constant levels of output. These cultures prevent quick action, and as a result may be a misfit to a changing and dynamic environment.

People-oriented cultures

People-oriented cultures value fairness, supportiveness, and respect for individual rights. These organizations truly live the mantra that –people are their greatest asset.‖ In addition to having fair procedures and management styles, these companies create an atmosphere where work is fun and employees do not feel required to choose between work and other aspects of their lives. In these organizations, there is a greater emphasis on and expectation of treating people with respect and dignity

Team-oriented cultures

Companies with team-oriented cultures are collaborative and emphasize cooperation among employees. For example, Southwest Airlines Company facilitates a team-oriented culture by cross-training its employees so that they are capable of helping each other when needed. The company also places emphasis on training intact work teams. Employees participate in twice daily meetings named –morning overview meetings‖ (MOM) and daily afternoon discussions (DAD) where they collaborate to understand sources of problems and determine future courses of action. In Southwest‘s selection system, applicants who are not viewed as team players are not hired as employees. In team-oriented organizations, members tend to have more positive relationships with their coworkers and particularly with their managers

Detail-oriented cultures

Organizations with detail-oriented cultures are characterized in the OCP (Organization culture Profile) framework as emphasizing precision and paying attention to details. Such a culture gives a competitive advantage to companies in the hospitality industry by helping them differentiate themselves from others. For example, Four Seasons Hotels Ltd. and the Ritz-Carlton Company LLC are among hotels who keep records of all customer requests, such as which newspaper the guest prefers or what type of pillow the customer uses. This information is put into a computer system and used to provide better service to returning customers. Any requests hotel employees receive, as well as overhear, might be entered into the database to serve customers better. Recent guests to Four Seasons Paris who were celebrating their 21st anniversary were greeted with a bouquet of 21 roses on their bed. Such clear attention to detail is an effective way of impressing customers and ensuring repeat visits. McDonald‘s Corporation is another company that specifies in detail how employees should perform their jobs by including photos of exactly how French fries and hamburgers should look when prepared properly.

10. Current trends and issues in Management

The management functions are planning and decision making, organizing. leading, and controlling — are just as relevant to international managers as to domestic managers. International managers need to have a clear view of where they want their firm to be in the future; they have to organize to implement their plans: they have to motivate those who work lot them; and they have to develop appropriate control mechanisms.

a) Planning and Decision Making in a Global Scenario

To effectively plan and make decisions in a global economy, managers must have a broad-based understanding of both environmental issues and competitive issues. They need to understand local market conditions and technological factor that will affect their operations. At the corporate level, executives need a great deal of information to function effectively. Which markets are growing? Which markets are shrinking? Which are our domestic and foreign competitors doing in each market? They must also make a variety of strategic decisions about their organizations. For example, if a firm wishes to enter market in France, should it buy a local firm there, build a plant, or seek a strategic alliance? Critical issues include understanding environmental circumstances, the role of goals and planning in a global organization, and how decision making affects the global organization.

b) Organizing in a Global Scenario

Managers in international businesses must also attend to a variety of organizing issues. For example, General Electric has operations scattered around the globe.The firm has made the decision to give local managers a great deal of responsibility for how they run their business. In contrast, many Japanese firms give managers of their foreign operations relatively little responsibility. As a result, those managers must frequently travel back to Japan to present problems or get decisions approved. Managers in an international business must address the basic issues of organization structure and design, managing change, and dealing with human resources.

c) Leading in a Global Scenario

We noted earlier some of the cultural factors that affect international organizations. Individual managers must be prepared to deal with these and other factors as they interact people from different cultural backgrounds .Supervising a group of five managers, each of whom is from a different state in the United States, is likely to be much simpler than supervising a group of five managers, each of whom is from a different culture. Managers must understand how cultural factors affect individuals. How motivational processes vary across cultures, how the role of leadership changes in different cultures, how communication varies across cultures, and how interpersonal and group processes depend on cultural background.

d) Controlling in a Global Scenario

Finally, managers in international organizations must also be concerned with control. Distances, time zone differences, and cultural factors also play a role in control. For example, in some cultures, close supervision is seen as being appropriate, whereas in other cultures, it is not Like-wise, executives in the United States and Japan may find it difficult to communicate vital information to one another because of the time zone differences. Basic control issues for the international manager revolve around operations management productivity, quality, technology and information systems.