

MODULE 1 – MANAGEMENT CONCEPTS

MANAGEMENT

It is the planning, organizing, leading and controlling of human and other resources to achieve organizational goals effectively and efficiently.

Objective:

- To achieve objectives laid down or organizational goals effectively and efficiently.

Managers are people responsible for supervising the use of organizational resources to meet its goals.

Resources are organizational assets. They include, People, Skills, Knowledge, Information, Raw materials, Machines, Financial Capital etc.

Definition:

Management is defined as, the process undertaken by one or more individuals to coordinate the activities of others to achieve results not achievable by one individual acting alone.

Alternatively, it is defined as

- Planning,
- Organizing,
- Leading and
- Controlling:

of human, technological, financial and information resources in order to achieve organizational goals.

It is considered as an art because management involves coordinating and getting work done through others along with satisfaction for the employer, employee and the public.

LEVELS OF MANAGEMENT

Lower Management (First line)

- Responsible for day-to-day operations
- Supervise people performing activities required to make the good or service.

Middle management

- Supervise first-line managers.
- Are responsible to find the best way to use departmental resources to achieve goals.

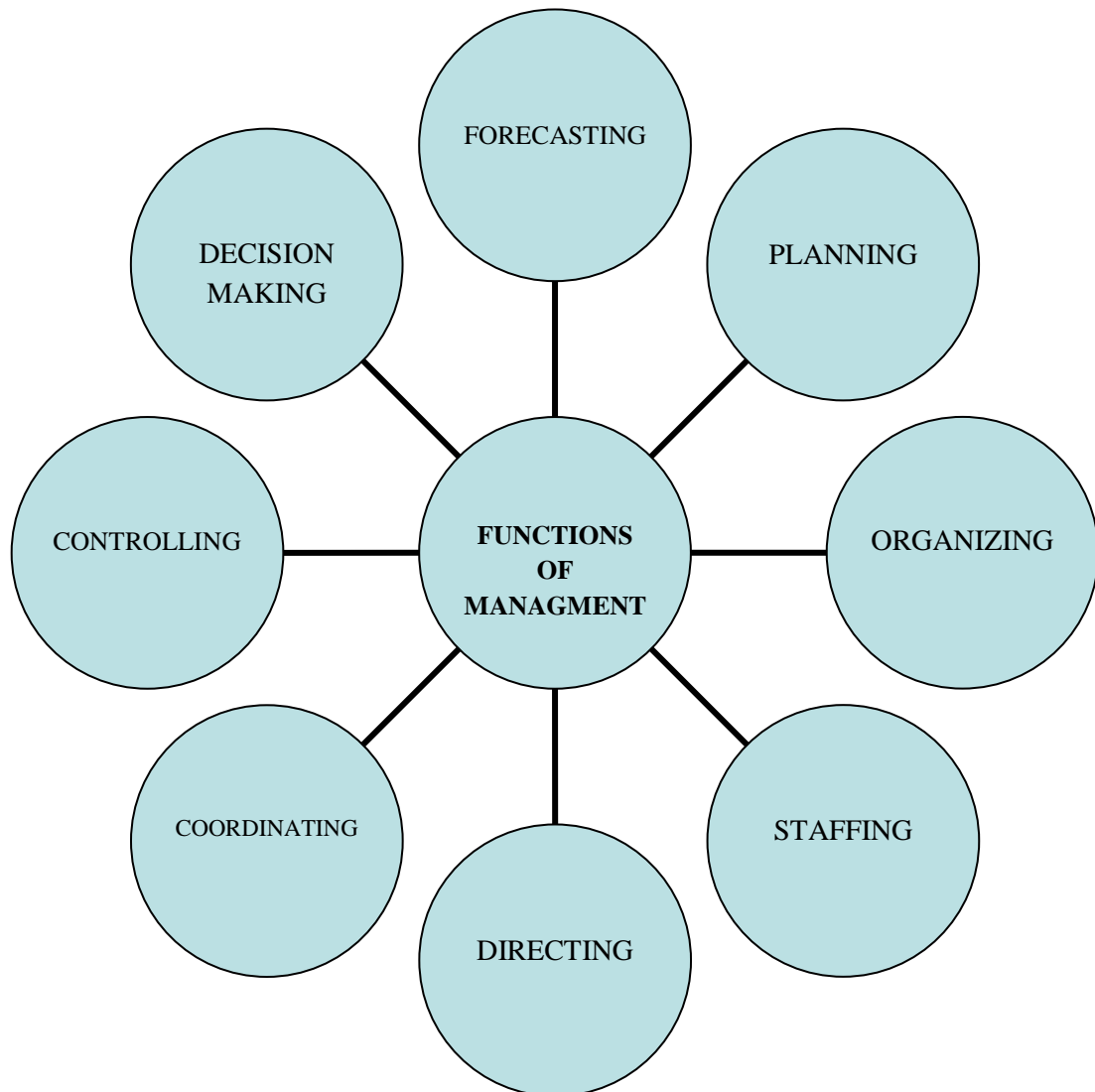
Top management

- Responsible for the performance of all departments and have cross-departmental responsibility.
- Establish organizational goals and monitor middle managers.
- Form the top management team along with the CEO and COO.



FUNCTIONS OF MANAGEMENT

There are 8 important functions associated with management. They are:



A. FORECASTING

Forecasting is the process of making statements about events whose actual outcomes (typically) have not yet been observed. A commonplace example might be estimation of some variable of interest at some specified future date.

E.g. Weather Forecast, Market Forecast.

Forecasting is an important part of management activity. It helps in deciding on what to plan for in the future. An assessment or prediction of future will help in better planning for future. In a product industry, it begins with sales/market forecasts, followed by production forecasts and forecasts for cost, finances, profit or loss etc.

Forecasting Techniques used in industries are broadly classified into 2 groups:

1. Quantitative Forecast: Quantitative forecasting models are used to forecast future data as a function of past data; they are appropriate when past data are available. These methods are usually applied to short- or intermediate-range decisions.

Example: Simple moving average, weighted moving average, simple (single) exponential smoothing etc.

2. Qualitative Forecast: Qualitative forecasting techniques are subjective, based on the opinion and judgment of consumers, experts; they are appropriate when past data are not available. They are usually applied to intermediate- or long-range decisions.

Example: Market Research, Delphi Method etc.

B. PLANNING

It is defined simply as ‘selecting mission and objectives and actions to achieve them’.

Basically, planning answers 3 fundamental questions:

- What ?
- How ?
- Where ?

Proper planning helps in proper utilization of organizational resources. Organizational resources include:

- Man
- Materials
- Machines
- Money
- Time

- Information/Data

Improper planning leads to inefficient utilization of resources, which will lead to wastage and finally to losses.

Types of Plans:

i. Vision:

A Vision statement outlines WHERE you want to be. It communicates both the purpose and values of your business. It answers the question, Where do we aim to be? A vision statement talks about your future.

It lists where you see yourself some years from now. It inspires you to give your best. It shapes your understanding of why are you working here Your vision should remain intact, even if the market changes dramatically, because it speaks to what you represent, not just what you do.

Example: RSET Vision - To evolve into a premier technological and research institution, moulding eminent professionals with creative minds, innovative ideas and sound practical skill, and to shape a future where technology works for the enrichment of mankind.

ii. Mission:

A Mission statement talks about HOW you will get to where you want to be. Defines the purpose and primary objectives related to your customer needs and team values. It answers the question, “What do we do? What makes us different”. A mission statement talks about the present leading to its future.

It lists the broad goals for which the organization is formed. Its prime function is internal, to define the key measure or measures of the organization's success and its prime audience is the leadership team and stockholders. Your mission statement may change, but it should still tie back to your core values, customer needs and vision.

or

It is the basic Function or task for which an organization is existing. There are long term plans and are usually general in nature.

Example: To impart state-of-the-art knowledge to individuals in various technological disciplines and to inculcate in them a high degree of social consciousness and human values, thereby enabling them to face the challenges of life with courage and conviction.

iii. Objectives/Goals

It is the end towards which an activity is aimed in specific terms. These are usually specific and quantifiable.

These are short to medium term plans and are subject to revisions more often than mission statements.

Example: To achieve an annual turnover of amount X.

iv. Strategies

General Procedure of actions and deployment of resources to attain comprehensive objectives

Example: to achieve a goal of 'X' amount of profit, the strategy may be to increase production capacity, reduce wastage by use of advanced manufacturing processes etc.

v. Policies

General statements of understanding which guide/channel the thinking in decision making

Example: Vendor /Sub-contractor selection may be according to a policy like "vendor must be an ISO 9001 certified company." So when such a policy exists in an organization, only those vendors meeting the requirement are considered, thus helping in the decision making process.

vi. Procedures

Plans that establish a required method of handling a future situation.
It states out specific steps to tackle a future situation.

vii. Rules

Spells out specific required action or non-action, allowing no discretion

Example: Dress Code in an organization

viii. Budgets

Statement of expected results expressed in numerical terms.

Examples: Departmental budget – Production Budget, Maintenance Budgets etc.

Steps in Planning:

1. Being aware of opportunities and threats
2. Analyze strengths and weakness
3. Setting objectives and goals
4. Developing alternatives
5. Evaluating alternatives
6. Choosing alternatives
7. Selecting course of action
8. Formulating supporting plans

C. ORGANIZING

Involves the process by which structure and allocation of jobs is determined.

Definition:

It is defined as the process of:

- a) Identifying, classifying and grouping the work to be performed
- b) Defining and delegating responsibility and authority
- c) Establishing relationships for the purpose of enabling people to work together most efficiently together in accomplishing objectives.

D. STAFFING

Process by which managers select, train, promote and transfer their subordinates.

Involves:

- a. Man power planning (both quantity and quality)
- b. Recruitment, training and selection

- c. Placement of Manpower (job allocation)
- d. Conduct of periodic appraisals

E. DIRECTING

Process by which the actual performance of the subordinate is guided towards the common goals of the organization.

Involves:

- a. Giving instructions to subordinates
- b. Guiding subordinates to do the work
- c. Supervision of subordinates to make sure that work done by them are as per the plan established

Directing requires the qualities or consists of the following elements:

1. Leadership:

Defined as the quality of the manager/person whereby they inspire confidence and trust in their subordinates, get maximum cooperation from them and guide their activities to achieve the goals of the organization.

Leadership styles:

a. Autocratic/Authoritarian:

Features:

- Leader is the supreme authority in decision making
- Leader likes controlling the situations
- Leader makes a decision, workers should obey
- This style tends to demotivate and develop frustrations among the workers
- Decisions are quick

b. Democratic/Participative:

Features:

- Delegates authority to staff, giving them responsibility to complete a task
- Staff will complete the tasks using their own methods on time
- Employees are involved in decision making
- Increased motivation and job satisfaction for subordinates
- Helps develop strong teamwork
- There is delay in decision making

c. Free-reign/Laissez Faire

Features:

- Managers sets the tasks and gives the staff complete freedom to complete the tasks as they see fit
- Subordinates work in teams in which individuals are very experienced or skilled self-starters
- Very minimal involvement from the manager
- Manager coaches or supplies information required
- Staff learn to take responsibility
- Staff may feel lost and not reach the set goals within the time frame

d. Consultative

Features:

- Is a combination of both autocratic and democratic
- Covers up the weakness in autocratic and democratic style
- Manager will ask for views and opinions from the staff allowing them to feel involved, but will ultimately make the final decision

2. Communication

Defined as the transfer of information from the sender to the receiver with the information being understood by both the parties

Different types:

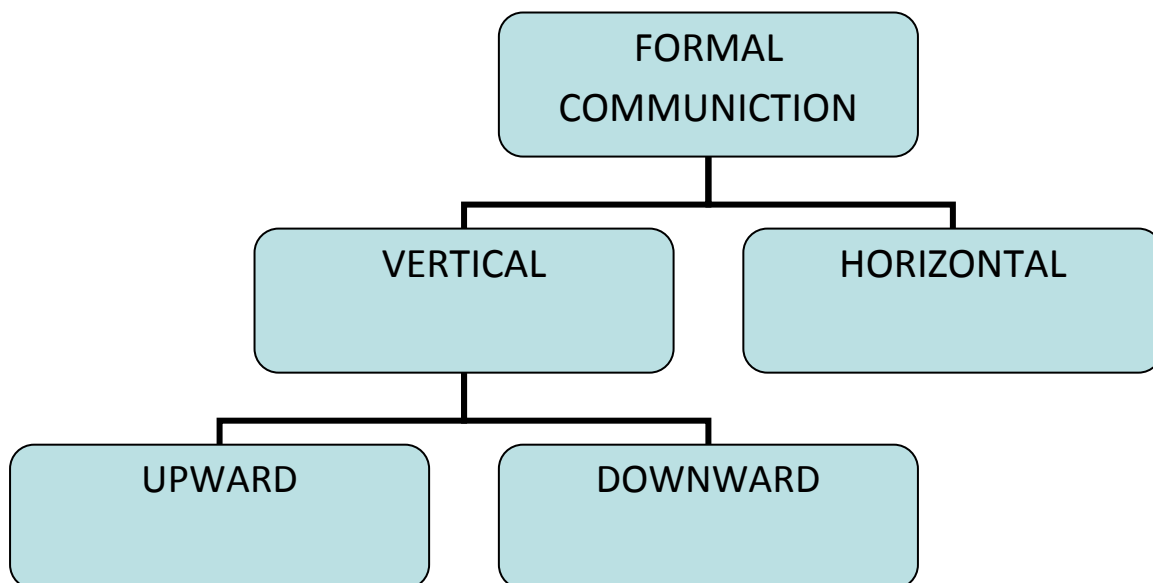
- a. Verbal/Visual/Written
- b. Formal/Informal
- c. Mass/Personal etc.

Importance:

- Essential for coordination
- Helps management remain informed about the problems, difficulties and grievances of the personnel
- Helps in identifying the needs of the customers

Formal Communication:

Used for official purposes. E.g. Instructions, Project reports etc.



Vertical: Communication between superiors and subordinates. Two types:

- a. Downward: Top to bottom level communication. E.g. Instructions, Warning, Memo, Notices etc.
- b. Upward: From workers to top management. E.g. Feedback, Project Progress report etc.

Horizontal: Communication between personnel at the same level.

E.g. Production manager passing information to maintenance manager about machine breakdown.

3. Supervision:

It is necessary to ensure:

- a. Work is going as per the plan establishes
- b. Workers are doing what they are directed

4. Motivation:

Inspiring the subordinates to do work efficiently and effectively.

Theories of Motivation:

- a. Abraham Maslow's – Hierarchy of Needs Theory
- b. Frederick Herzberg's – Two Factor Theory
- c. David C McClelland's – Three Needs theory
- d. Douglas McGregor's – Theory X & Y

F. COORDINATING

It is the process of harmonizing the different functions of different departments of the organization

Techniques of Coordination

- i. Clearly defining goals
- ii. Delegation of responsibility and assigning responsibility

- iii. Ensuring cooperation
- iv. Effective communication and supervision

G. CONTROLLING

It is the process which measures the progress of operation and making sure that the work is proceeding through the right way.

Involves:

- 1. Setting Standards
- 2. Measurement of Job performance
- 3. Taking corrective actions if required

H. DECISION MAKING

Steps in decision making:

- 1. Defining the problem
- 2. Analyzing the problem
- 3. Obtain many/ alternate solutions
- 4. Deciding or selecting the best solution
- 5. Implementing the solution

AUTHORITY AND RESPONSIBILITY

Authority is defined as the right to command, make one-self obeyed and power to act.

Responsibility is defined as the accountability and obligation of the subordinates to his superior to do the work assigned to him.

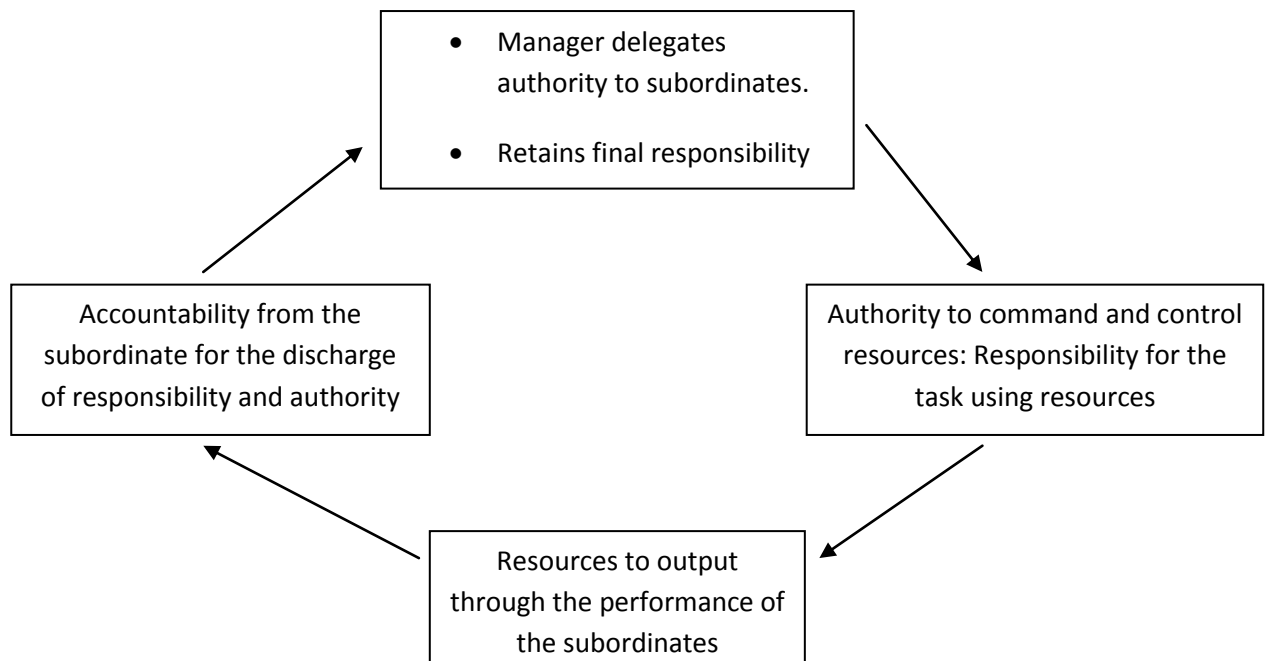
Salient Features of Authority and Responsibility

- 1. Authority and Responsibility must go hand in hand
- 2. Authority empowers the superior to make his subordinates do their job

3. Each employee has the obligation to do the assigned work
4. The lines of responsibility and authority must be made very clear
5. It should be made sure that a person takes order from one boss only
6. Together with the responsibility to do a task, a person must be given the required authority to control and direct the necessary resources
7. Authority to command and act can be delegated, but responsibility cannot be delegated.
8. Everyone must know and understand their limits of authority and responsibility.

DELEGATION

Delegation of authority to the subordinate means, entrust the subordinates to act with the authority vested within the boss.



Advantages of Delegation

1. Reduces work load of executives so that they can be more productive
2. It will gradually prepare the subordinates to take the place of his boss

3. The activities of a department or section are not affected to large extent by resignation, retirement of executives, as the subordinates are trained to take decisions through delegation
4. Will prepare employees to take up challenging assignments

SPAN OF CONTROL

It is the number of subordinates who are directly under the supervisor. Smaller the span of control, the easier it is to control. There are three types of span of control. They are:

a. Small span

Number of subordinates: 1-3

Limitations:

1. Tendency to over supervise
2. Under-utilization of the capacity of the executive
3. Do not allow subordinates to develop themselves as a result of spoon feeding

b. Medium Span:

No. of subordinates: 4- 12

Advantages:

1. Efficient compared to large and small spans
2. Utilize the skills of both executives and subordinates very efficiently
3. No delay in decision making and corrective action

c. Large Span:

No. of subordinates: 12-25

Limitations:

1. Executives do not have enough time to attend to the problems of the subordinates

2. Poor monitoring of the work
3. Subordinates tend to take their own decisions

Factors affecting Span of Control:

1. Training and experience of the subordinates: Well trained and experienced – Large span
2. Capacity of the executive: High – Large span
3. Nature of Work: Repetitive work – Small span
4. Complexity of work: Complex work – Small span
5. Organizational culture: Whether it promotes delegation? Yes- Large Span, No- Small Span
6. Superior-subordinate relationship: Good – medium to Large span

SCIENTIFIC MANAGEMENT

It is a systematic approach to organizing work, that seeks the one best way of accomplishing any given task by discovering the most scientific method.

Once the best method is selected, the job of the manager is to enforce the method upon the workforce.

Evolution:

- Came into play with the start of the Industrial revolution.
- Manual and animal labour was slowly being replaced with machines and equipments.
- Factory system came into existence
- With this, there was a change in attitude of employees and employers.

- Employees did not want to put in best effort at work and employers wanted to pay the lowest possible wage. Thus, conflicts arose resulting in resource wastage, inefficient and poor management.
- In 1911, F W Taylor first introduced the concepts of scientific management.

1. F. W TAYLOR'S CONTRIBUTION:

F.W Taylor is regarded as the father of Scientific Management. He Proposed Taylor's principles of scientific management in 1911. His works were mainly centered around the workers, supervisors and first line managers, to improve their efficiency, output and productivity and reduce waste, cost etc.

Steps in Scientific Management:

1. Develop Science for each work.
2. Scientifically select, train and develop workforce.
3. Division of Labour – separation of planning and doing function
4. Standardization of methods, procedures, tools and equipments
5. Use of time and Motion study
6. Differential Wage System
7. Cooperation between labour and management
8. Principles of Management by Exception

It is an employee empowerment and management style wherein managers intervene only when the employees fail to meet their performance standards or when things go wrong.

2. HENRI FAYOL'S CONTRIBUTION

Henri Fayol is considered the father of modern management theory. He put forward the Operational Management Theory in 1916.

He evolved 14 principles of scientific management and functions of management. They are:

a. Division of work (according to capabilities)

Dividing work depending on the principle that different people are best suited for different jobs due to their skills, aptitude etc.

b. Authority and Responsibility

Authority and responsibility are clearly stated.

c. Discipline, respect to agreements

Is the obedience, behaviour and respect shown by the employee to the rules, systems, people and organization.

d. Unity of command

An employee receives instruction from one supervisor only.

e. Unity of Direction

All activities in the organization shall aim at the same objectives and goals

f. Subordination of individual interest to general interest

Company interest given first priority

g. Fair remuneration

Price paid to the employee in return for the service rendered.

h. Centralization of authority

i. Scalar chain of authority

j. Order: A place for everything and everything in its place

k. Equity of treatment:

- Judicious combination of kindness and justice
- Rules applicable to all employees equally

l. Stability:

- Minimum labour turnover
- Minimum amount of time should be allowed for employee to settle down in his new work and adapt himself

m. Initiative

Employees should be encouraged to show initiative and creativity

n. Team work/ Esprit de corps

Basic Approach to Scientific Management:

1. Analyze work scientifically
2. Develop the best way of doing a job
3. Divide the work
4. Select the workers best suited to perform the specific task
5. Provide specific guidelines for performance
6. Train and develop each workman in an efficient way
7. Management does the planning – make sure all the aspects are ready at the right time so that efficiency is high.
8. Achieve support and cooperation from workers by arranging services, guidance and providing rewards and incentives.

ORGANIZATIONAL STRUCTURE

It is the systematic arrangement of people working for the organization in order to achieve pre decided objectives. It provides an appropriate framework for authority and responsibility and relationship between components.

It is represented in the form of organizational charts.

Dimensions of an organizational structure:

- a. Vertical: It is the hierarchy of Managers and subordinates
- b. Horizontal: Basic departmentation

Organizational Structure depends on:

1. Size of organization
2. Nature of Product/ Service
3. Complexity of the organization

Types of Organizational Structures:

- i. Line type
- ii. Functional type
- iii. Line and Staff Type
- iv. Matrix type
- v. Project

A. LINE TYPE

- Also called Military/Scalar organizational structure
- There exists relative authority and responsibility
- No specialization
- Superior gives instructions and they are executed

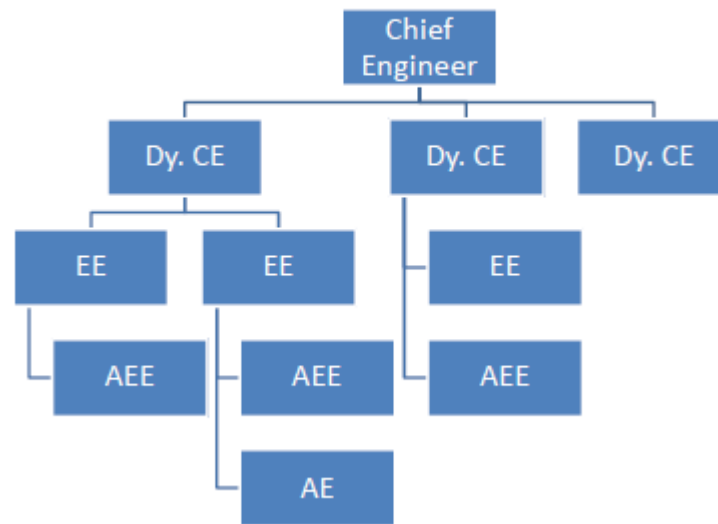
Adv:

- a. Flexible
- b. Clear division of authority and responsibility
- c. Clear communication
- d. Easy to implement
- e. Fast Decision
- f. Better discipline

Dis-adv:

- a. No specialization
- b. Over loading
- c. Can implemented only in small organizations
- d. Higher wastage

Line Type Organisation



B. FUNCTIONAL TYPE:

Also called Staff/Taylor Organization

Organization divided according to functions with functional specialists

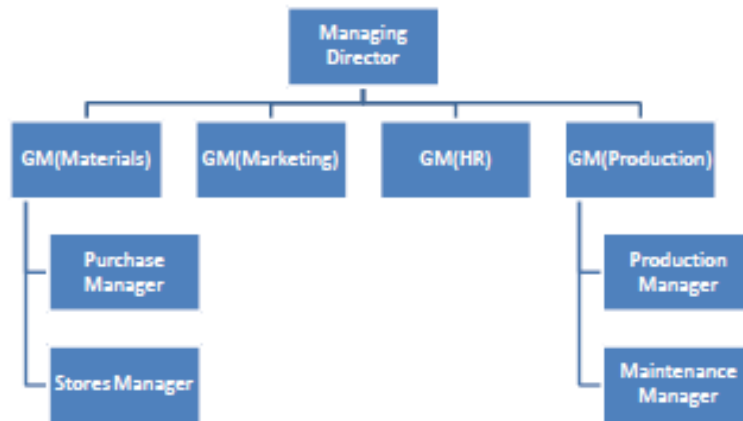
Adv:

- Specialization
- Quality of work improved
- Relieves line executives

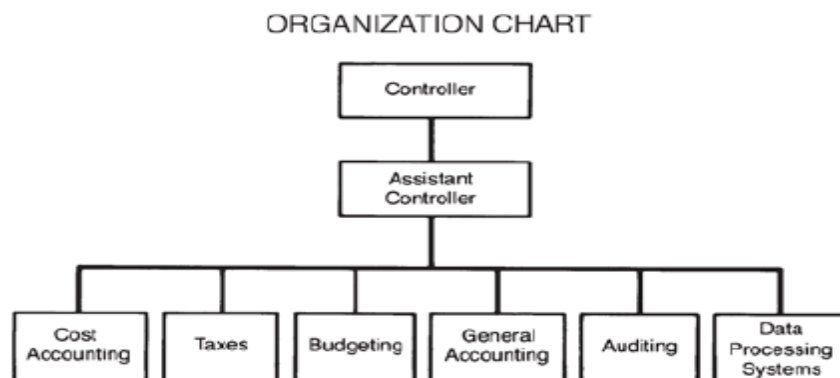
Dis-adv:

- Coordinating becomes difficult
- Fixing responsibility is difficult
- Poor discipline
- All round people cannot be developed

Functional Type Organisation



Functional Organisation



C. LINE AND STAFF TYPE:

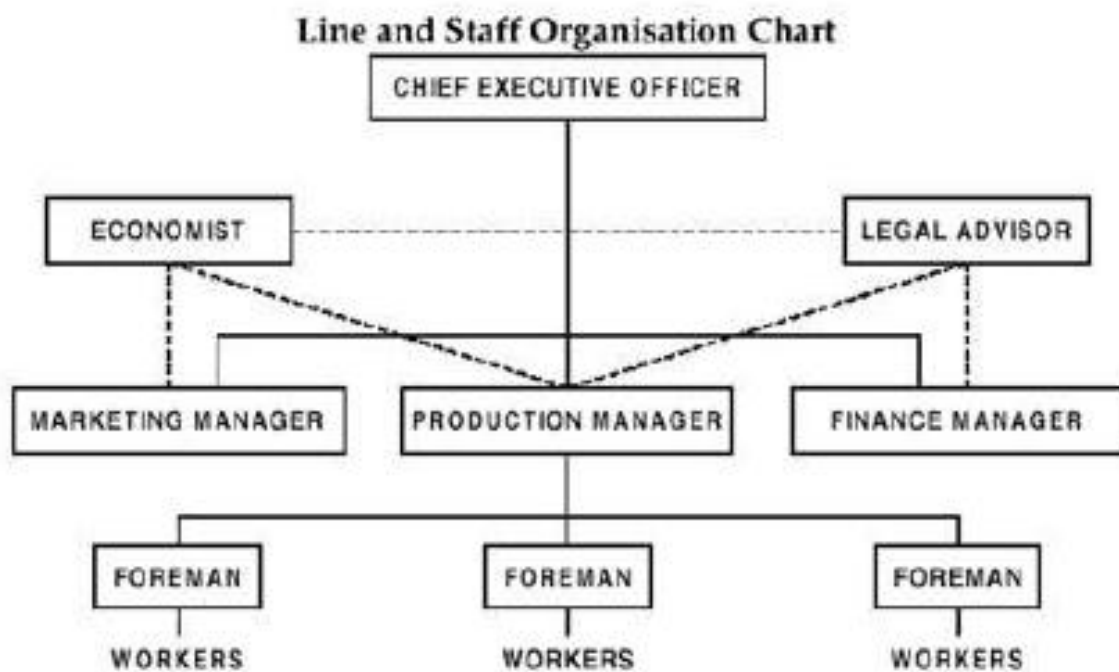
- It is a combination of line and functional organizational structures
- Combines the advantages of both the above types
- Takes advantage of functional specialists reporting as staff relations
- Functional specialists only give advice and have no role in decision making

Adv:

- a. Expert advice of specialists
- b. Better discipline
- c. Higher efficiency
- d. Improved quality

Dis-adv:

- a. Additional cost of staff executives
- b. Specialists require higher salary than line executives. So salary disparity
- c. If line executives are weak in exercising power, the staff executives take charge.



Note: Straight lines represent line and broken lines represent staff.

D. PROJECT TYPE:

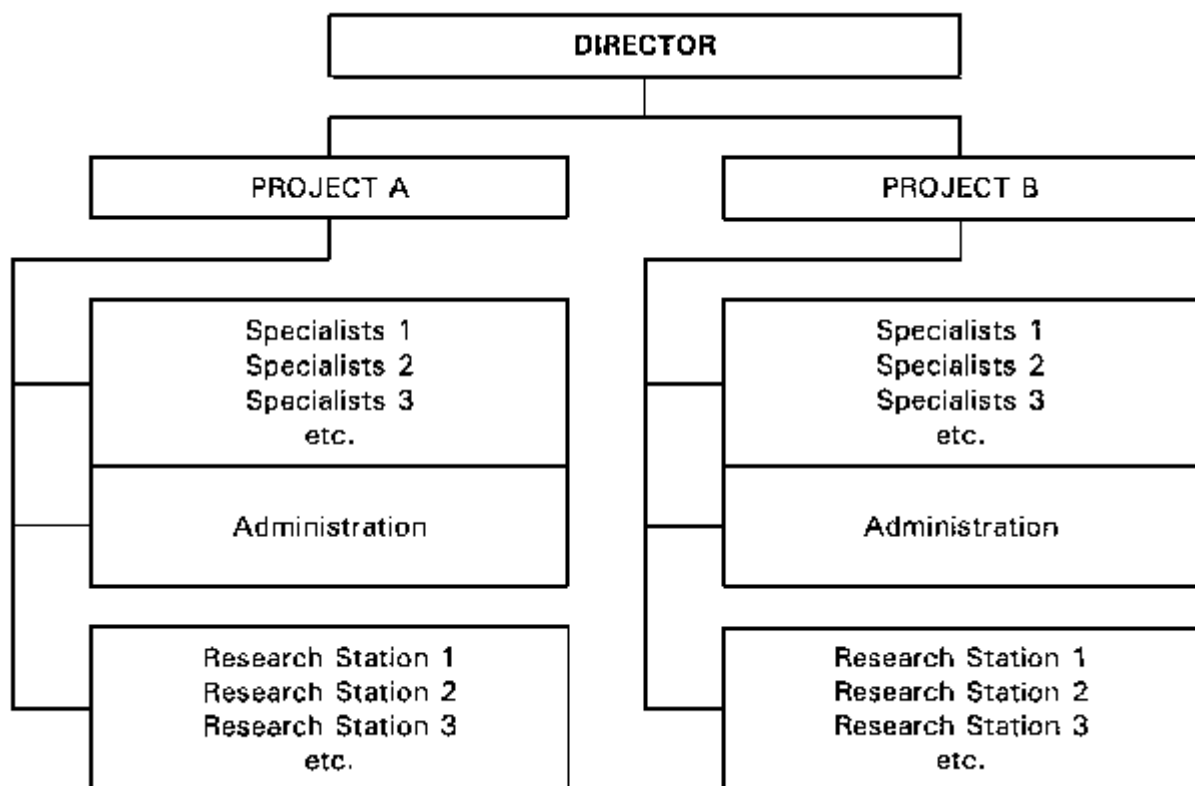
- Project Teams – autonomous
- Exists independently of the rest of the organization
- Adopted for special one time activities

Adv:

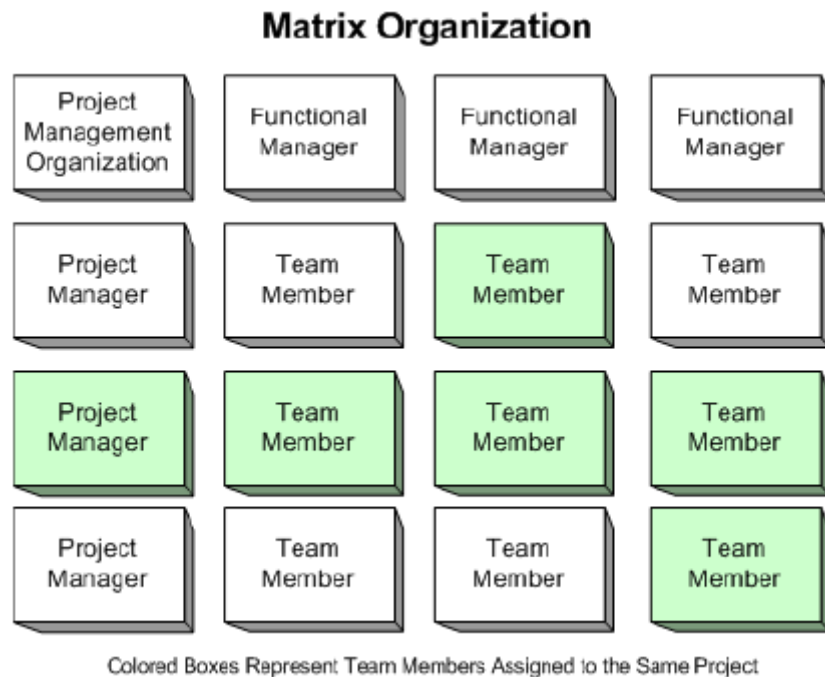
- a. Project manager fully in charge (responsibility to provide progress reports to someone who has higher authority of all projects)
- b. Leads to lower product development time

Dis-adv:

- a. Difficult to manage
- b. Lower Job Security due to one-time nature of project
- c. Too much shifting of personnel from project to another



E. MATRIX TYPE:



- It is a combination of project and functional structures
- Staff are grouped and located into functional units headed by Functional Manager
- Each member of a function may be associated with one or more projects at the same time.
- A project is led by a project manager

Adv:

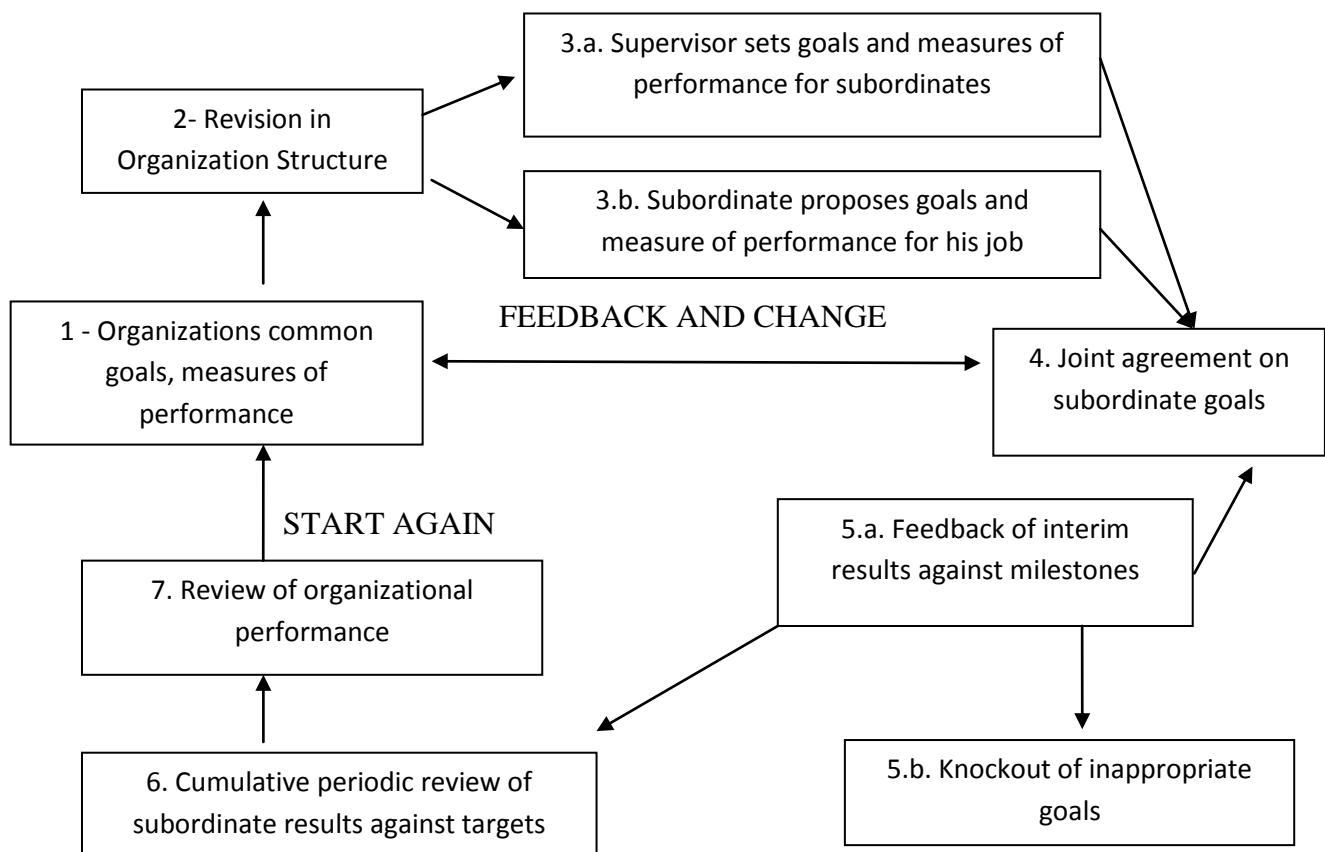
- a. Cross function structure allows sharing of skilled people and resources
- b. Increased project focus

Dis-adv:

- a. Conflict between function and project groups
- b. Order from multiple bosses.

He emphasized that performance of each job should be directed towards the achievement of the whole business objective.

- Realistic
- Time bound
- Quantitative/Measurable
- Specific



- a. Business objectives are well understood. Objectives are clear and everybody knows his duties and expectations of him. This will enable better management.
- b. Objectives are set at individual level – everybody remains busy with their work. Nobody will look for instructions or guidance from above.
- c. MBO primary objective – to involve more persons in decision making. Participation and involvement of the subordinates will help in improving efficiency and will also give better results.
- d. MBO provides better coordination among various departments of the organization
- e. Better understanding between superiors and subordinates
- f. Motivates people – they do work on objectives decided with their own consent.
- g. Keeps a constant watch over the companies target.
- h. Assists managers in their own self development and leads to analysis of training needs of subordinates to improve their performance
- i. Allows greater consistency in decision making
- j. Helps enterprise focus on areas where it should be vital, helps isolate problems and tackle them.

Limitations:

- a. Over commitment can lead to rivalry over the use of company's resources. Every dept/individual will think of his own goals only and hence scarce resources are wasted.
- b. MBO emphasizes on short term goals.
- c. Success of MBO depends upon the effectiveness of the feedback system.
- d. Professional specialization
- e. Danger of rigidity in MBO Technique
- f. Misdirection by boss