

# PRINCIPLES OF MANAGEMENT

Principles of  
Management

## UNIT 2 MANAGEMENT THOUGHTS

NOTES

### ★ STRUCTURE ★

- 2.1 Administration and Management
- 2.2 Levels of Management
- 2.3 Development of Management Thought
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### 2.1 ADMINISTRATION AND MANAGEMENT

Management is a specialized activity required for the running of those social institutions which are composed of a group of human beings. The same management functions are to be found everywhere and as such, the management skill is transferable from one kind of social institution to another. Usually, this specialized ability is called "management" in business institutions and "administration" in others. The attempt to draw a distinction between "business administration" and 'business management' is thoroughly misleading and all recent studies have tried to avoid it as far as practicable. That there is no distinction even between management and public administration was pointed out by Fayol in his address to the Second International Congress of Administrative Science "All undertakings require planning, organization, command, co-ordination and control and in order to function properly, all must observe the same general principles. We are no longer confronted with several administrative sciences, but with one which can be applied equally well to public and private affairs". Persons who discharge management functions are universally called 'executives' but in business they are further known as 'managers'.

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### 2.2 LEVELS OF MANAGEMENT

In the past, the two broad levels of management used to be denoted by administrative management and operating management. The upper level of management was usually called "administrative management" and the lower level was known as "operating management". The use of these terms implies a division of the management functions into two separate groups, viz., thinking functions and doing functions. As pointed out earlier,

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fundamental management functions are undertaken by all managers, irrespective of their lines or ranks. Accordingly, it does not fit into the facts of the real life to draw any line of separation between thinking functions and doing functions. Furthermore, the use of these terms stems from the acceptance of two different social sciences management and administration which are not existing in fact.

The current practice is to denote the upper level of management by the term "top management". The lower level or echelon of management goes by the name of "middle management". The adoption of the term middle management undoubtedly suggests that there is a further level below it. Actually, the lowest level is composed of foremen and supervisors who also perform precisely the same management functions of planning, organizing, directing and controlling in differing degrees. To be sure, whoever performs the basic functions of management are to be called 'managers' in the technical sense of the term since their functions can be sharply distinguished from those of non-managers.

Levels of management become prominent in large-sized public limited companies. Three distinct levels of management along with their respective functions are stated below:

### **2.2.1 Top Management**

Top management of a company is constituted by its broad of directors and the chief executive. Functions of top management include (1) to make an outline of planning through the formulaton of basic objectives and policies of the company, (2) to determine the basic pattern of the company's organization structure, (3) to arrange for effective co-ordination of all activities, (4) to make staffing of departmental and other important executives, (5) to prepare overall budgets and programmes for short-range and long-range operations, (6) to exercise overall control in respect of all operations, (7) to ensure continuity of the company through modernization and innovation of material resources and the executive development of human resources and (8) to maintain public relations with all outside parties for improving the company's image and protecting its interests.

### **2.2.2 Middle Management**

Between top management and supervisory management, there is found to exist another level of management known as middle management. In large enterprises, middle management is bifurcated into two parts upper middle or intermediate management and lower middle management. Middle management is constituted by divisional, departmental and sectional managers and its functions include (1) to develop derivative objectives and policies and to prescribe procedures and methods in different areas, (2) to prepare departmental budgets and programmes

in the context of overall planning, (3) to execute plans through orders, instructions and advice, (4) to exercise control in different areas through the application of quality standards and cost standards and (5) to effect co-ordination between top management and supervisory management.

### **2.2.3 Supervisory Management**

Supervisory management is the lowest level of management and it is constituted by superintendents, foremen and inspectors. There are six important functions of supervisory management : (1) to supervise the actual operations through guidance, checking and overseeing, (2) to translate the plan into actions through the provision of facilities and resources and the creation of a favourable work environment, (3) to exercise control over the work-in-progress through applying quantity standards and time standards, (4) to send information and progress reports to higher management, (5) to motivate the personnel for improving productivity of the company and (6) to put all the managerial orders, instructions, policies and programmes into action and to make higher managerial accomplishments.

## **2.3 DEVELOPMENT OF MANAGEMENT THOUGHT**

Management has become today a theory jungle by the contributions of scholars and writers from several disciplines like sociology, psychology, social psychology, cultural anthropology, political science, engineering, economics, mathematics, statistics and others. Having different backgrounds and adopting divergent approaches, these contributions have created a diversity in management thought. To understand the present state of management, it becomes necessary to trace the history of management thought. Management has been progressively developed through the following seven schools of thought.

**1. Scientific Management.** F.W. Taylor is the founder of scientific management at the turn of this century. Taylor's ideas on scientific management took a tangible shape through the publication of his famous work, the *Principles of Scientific Management* in 1911. Apart from Taylor, other contributors to scientific management include Frank B. Gilbreth, Morris L. Cooke, Henry L. Gantt and Harrington Emerson. Gilbreth contributed to scientific management through motion study as Taylor did through time study. Morris Cooke wrote about the applicability of the principles and techniques of scientific management to non-business institutions like municipalities and universities.

**2. Management Theory :** Henri Fayol of France was the first of management theorists who were concerned with the principles of organization and the functions of management. Through his well known work *General and Industrial Management*, published in French in 1916, Fayol laid the foundation of management as a separate body of knowledge and viewed that management

*Broadly the management function can be grouped as under, but it varies depending on the industry to a large extent.*

1. Administrative, financial and technical control.
2. Planning strategy, recruitment and training of workers and staff.
3. Procurement of plant, machinery, tools and tackles, raw material, spares etc.
4. Identification, outsourcing, sales and advertisement, packaging and delivery.
5. Co-coordinating.

Administrative control is limit the expenditure and quantities of various items of work within the estimate. Financial control is to sanction the budget allotment and to monitor the income - expense table. Technical control is exercised on the execution of the works as per approved specification and any variation is promptly reported for necessary action. Rest of the points is self-explanatory.

## **1.8 FUNCTIONS OF MANAGER**

The managerial function differs from one type of industry to another and thus the role of the managerial team differs. Nevertheless, qualities of Manager: Intelligence, Motivation, Knowledge and opportunistic. Characteristics desirable are,

1. Perseverance, hard work and ability to take risk.
2. Independent, Imaginative, Innovative, Initiative, Creative and Dynamic.
3. Responsible, Adaptable, self-confident, will power and willingness to learn.
4. Good salesmanship, organising skill, sociability and flexibility.
5. Determination to succeed, ability to win friends, crisis management skills.
6. High integrity, pleasing personality and manners, tactful and composed.

The above manager in perspective, the functions of THE MANAGERIAL TEAM are,

1. Decision making.
2. Organizing men and material for execution/production.
3. Supervision.
4. Controls and Rewards, Incentives.
5. Income and expenditure division/costing.
6. Marketing and Advertisement.
7. Implementation of innovative ideas from subordinates or of own.
8. Risk bearing and uncertainty bearing.
9. Contingency planning.

work. He has little ambition and does not want to shoulder any responsibility but desires total security. Thus by coercion, control and directive or by suitable reward or bribe, he can be made to work.

**Y-theory :** This theory assumes that work is a natural activity and that everybody derives satisfaction in doing some work. It also base that everybody wish to develop himself and thereby satisfying important human need for self-realization. This prompts him to take initiative and shoulder responsibility. Hence rules and regulations are secondary and organisation objectives are only primary.

**Z-theory (contingency theory) :** This theory has been based on careful survey of several organisations and postulates that an organisation should be tailored to suit the requirements of tasks and people. For best results flexibility of the organisation is a must and the tasks, people and the organisation structure must fit together well.

#### A Q 1.4 SCIENTIFIC THEORIES

1. **FREDERICK WINSLOW TAYLOR, M.E., D.Sc., (1911), (Mechanical Engineer)** : In consonance of U.S. President Roosevelt's remarks—"the conservation of our national resources is only preliminary to the larger question of national efficiency" and based on his observations and experiments, carried out on the shop floor level, proposed certain principles like. Work-study, time-motion study, task planning etc., to improve workshop efficiency. He founded the systems Engineering principles.
2. **MARY PARKER FOLLETT (1863–1933)** : In the 1920's Mary Parker Follett's comments and writing on leadership, power, law of situation, conflict integration and circular behaviour, empowerment, teams and networked organisations, importance of relationships within and among organisations, authority, control etc., were way ahead of her time. She examined the creative group process, crowd psychology, neighborhood and work, governance, the self-in relation to the whole and ideals of integration, synthesis and unifying differences. She was truly a prophet of management. Mary Follet proposed certain principles to motivate the human resources, based on behavioral science for securing high level of sustained efficiency.

**POWER :** Control is coming more and more to mean fact-control rather than man-control. Central control is coming more and more to mean the correlation of many controls rather than a superimposed control. Circular behaviour is the basis for integration. If your business is so organised that you can influence a co-manager while he is influencing you, so organised that a workman has an opportunity of influencing you as you have of influencing him; if there is an interactive influence going on all through the time between you, power may be built up.

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3. **FRENCHMAN HENRY FAYOL (1841–1925)** : He projected the subject as a general theme and proposed principles of universal applicability in any industry, office and administration. He belongs to the classical school of management theory and was writing and exploring administration and work about same time as F.W. Taylor in USA. While both have a task focus, their approaches are quite different. Fayol was particularly interested in authority and its implementation while Taylor concentrated on work organisation (e.g., efficiency). Fayol's five functions still form the basis of much of modern management thought and action.

- a. Plan and look ahead
- b. Organize
- c. Command
- d. Co-ordinate
- e. Control (feedback and inspect)

He also indent field 14 principles that he saw as common to all organisations.

- a. Specialization/division of labour
- b. Authority with responsibility
- c. Discipline
- d. Unity of direction
- e. Unity of command
- f. Remuneration
- g. Centralization
- h. Sub-ordination of individual interests
- i. Chain/line of authority
- j. Order
- k. Equity
- l. Lifetime jobs (for good workers)
- m. Initiative, and
- n. Esprit decorps.

4. **KORT LEWIN (1890–1947)** : “A Dynamic Theory of Personality” published in 1935 outlines Group Dynamics. He explored the following queries :

- a. Group productivity : Why was it that groups are so ineffective in getting things done?
- b. Communication : How influence is spread throughout a group.
- c. Social perception : How a person’s group affected the way they perceived social events.

- d. Inter group relations.
- e. Group membership : How individual adjust to these conditions.
- f. Training leaders : Improving the functioning of groups (T-groups)
- 5. **CHARLES HANDY** : An organisational thinker, popularized a typology of cultures. Power culture, role culture, task culture and person culture.
- 6. **GEERT HOFSTEDE (1991)** : Researched into organisation cultures identified six independent dimensions of practices :
  - a. Process - oriented versus results-oriented.
  - b. Job - oriented versus employee orientated.
  - c. Professional versus parochial.
  - d. Open systems versus closed systems.
  - e. Tightly versus loosely controlled, and
  - f. Pragmatic versus normative.
- 7. Similar researchers like, organisational psychologist, Chris Argyris (1976) - Double loop learning, WARREN BENNIS - Leadership theories, PETER CHECKLAND - SOFT SYSTEMS APPROACHES, MUMFORD - PARTICIPATIVE SYSTEMS DESIGN and theories like. Complexity theory and chaos theory, paved ways for developing principles of scientific management.

Most theories were concentrating on the central theme of organisation and the work force. Mathematical and operation research techniques were applied only very recently as tools of management.

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## 1.5 OBJECTIVES OF MANAGEMENT

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The main objective of any-management guideline is,

- 1. To have co-ordination between various agencies.
- 2. To effect economy and efficiency in execution.
- 3. To exercise control over the quality and workmanship.
- 4. To check and control the material quality.
- 5. To reduce the time period of execution of activities, and
- 6. To achieve optimum utilization of various resources.

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## 1.6 PRINCIPLES OF SCIENTIFIC MANAGEMENT

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There are three questions upper most in the minds when someone becomes interested in scientific management principles. First : Wherein do the principles of scientific management differ essentially from those of ordinary management? Second : How and why are better results attained under

concern for many business undertakings. Here 'responsibility' implies a sense of obligation on the part of the business toward the general public.

## 4.5 CRITERIA OF A GOOD OBJECTIVE

A good objective must be specific. Specificity is a highly desirable quality. Specificity provides direction towards which efforts could be channelised. A company's objective which reads "to achieve a common condition of employment for all employees, to at least present staff conditions, by 31<sup>st</sup> December, 1995," is clearly undesirable as it lacks specificity.

Secondly, an objective must be time-bound. "To reduce the selling expenses by 5% in the domestic market by 30<sup>th</sup> November, 1995", is clearly specific and time-bound objective. But to formulate an objective such as "to apply work study techniques to methods of working so that 70% of direct employees are achieving 100% performance" is of little use as it does not specify the time limit.

Thirdly, an objective should be as measurable and quantifiable as possible. This may not always be possible, but an attempt should be made to formulate the objective in measurable terms. Clearly, an objective like "to improve return on investment on new product lines" cannot be said to be a good objective.

The other criteria of a good objective are feasibility, rationality and consistency.

## 4.6 MANAGEMENT BY OBJECTIVES (MBO)

MBO is difficult to define, for organizations use it in different ways and for different reasons. In broad terms, it may be stated that MBO is an overall philosophy of management that concentrates on measurable goals and end results. It provides a systematic and rational approach to management and helps prevent management by crisis. MBO is based on the assumptions that people perform better when they know what is expected of them and can relate their personal goals to organizational objectives. It also assumes that people are interested in the goal-setting process and in evaluating their performances against the target. In the words of Odirone, MBO is a 'process' whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.'

### 4.6.1 MBO Process

The exact meaning of MBO (and its application) varies from organization to organization. In some, MBO is nothing more than a catchy slogan from the latest management jargon. MBO is dismissed as a joke, a gimmick

for justifying the existence of personnel departments, a fad that will go away and a paper-shuffling hassle that won't stop. In other organizations, MBO represents an overall philosophy of management, a way of thinking that concentrates on achieving results. It is treated as a multifaceted tool for improving managerial as well as organizational performance. In order to understand the reasons for this diversity, it is necessary to look into the process of MBO.

Objectives

## 1. Goal Setting

Any MBO programme must start with the absolute and enthusiastic support of top management. It must be consistent with the philosophy of management. The long term goals of the organization must be outlined initially, like: What is the basic purpose of the organization? What business are we in and why? What are the long term prospects in other areas? After these long term goals are established, management must be concerned with determining specific objectives to be achieved within a given time capsule.

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## 2. Action Plan

The action plan is the means by which an objective is achieved. The action plan gives direction and ensures unity of purpose to organizational activities. It will wet out in detail exactly what is to be done, how the subordinate will proceed, what step will be taken and what activities will be engaged in as the subordinate progresses. It provides a specific answer to the question: 'What is to be done?' Questions like who is responsible for each activity, what resources are needed, what the time requirements are - are also answered.

## 3. Appraising Performance (Final Review)

This is that last phase of the MBO programme. In this step the actual results are measured against predetermined standards. Mutually agreed on objectives provide a basis for reviewing the progress. While appraising the performance of subordinates, the manager should sit with the subordinates and find out the problems encountered while accomplishing the goals . The subordinate, as in the periodic sessions, should not be criticized for failure to make sufficient progress; the atmosphere should not be hostile or threatening. A give-and-take atmosphere should prevail and the appraisal should be based on mutual trust and confidence between managers and subordinates. In actual practice this type of give-and-take session is extremely difficult to achieve and rarely reaches its potential value, unless managers are gifted with necessary interpersonal skills. Often, appraisal takes place for the purpose of determining rewards and punishments; judging the personal worth of subordinates and not the job performance. As a result, appraisal sessions become awkward and uncomfortable to the participants and intensify the pressure

on subordinates while giving them a limited choice of objectives. Insecure subordinates may come to 'dread' the sessions and they may not feel free to communicate honestly and openly without fear of retaliation.

#### **4.6.2 Benefits**

Management by objectives moulds the planning, organizing directing and controlling activities in a number of ways.

1. As objectives provide the basic foundation of planning, the programme of action is thoroughly tuned to the set of objectives. Instead of going through planning as a work or as a mental exercise in thinking, planning for performance can be made to prevail through a system of management by objectives.
2. Delegation and decentralization in the sphere of organizing become effective and fruitful only when the subordinates are trained and allowed to work under a system of management by objectives.
3. By clarifying the sense of direction and allowing subordinates to operate under greater freedom, management by objectives results in motivating managers to do the best possible work rather than enough to get by with the situation.
4. Management by objectives leads to the adoption of managerial self-control. Managerial self-control has been found from experience to be associated with higher performance goals and broader vision.
5. Management by objective has ushered an era of improved managing in the business world. It provides a practical means of allowing wider participation in goal setting and of accomplishing goals of the enterprise in a better way.

#### **4.6.3 MBO — Problems**

Each organization is likely to encounter specific problems in MBO practice but some of the common problems are given here.

1. **Time and cost.** MBO is not as simple as it looks to be. It is a process which requires large amount of the scarcest resource in the organization time of the senior managers. This is particularly so at the initial stages, when MBO is seen as something over and above the normal work. Sometimes managers get frustrated and feel overburdened. Further, MBO generates paper work because large numbers of forms are to be designed and put into practice. Therefore, there is a problem of communication overload. However, such problems are transitory and emerge only at the initial stages. Once MBO becomes a part of the organizational life, these problems disappear.
2. **Failure to Teach MBO Philosophy.** MBO is a philosophy of managing an organization in a new way. However, managers fail to understand