

# Principles of Management

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# INTRODUCTION

Management is what managers do.

M

A

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The Manager

N

A

G

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Knowledge

E

M

E

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The People

N

T

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Technology/Techniques/Tactics

## DEFINITIONS:

“Management is the art of getting things done through and with people in formally organized groups” --- Koontz

**“Management is the art of getting things done through and with people” --- Mary Parker**

“Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way” - -- F.W. Taylor

“Management is the accomplishment of results through the efforts of other people” --- Lawrence

“Management is to manage is to forecast and plan, to organize, to command, to coordinate and control”. -- Henry

# Nature of Management

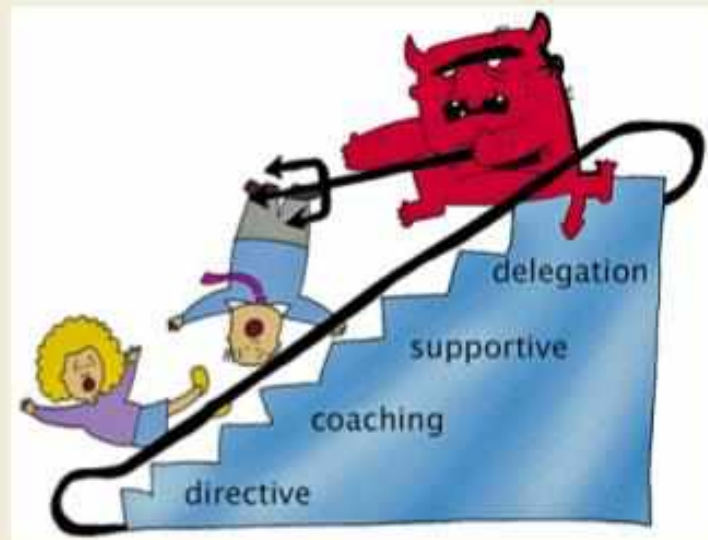
- ✿ **Multidisciplinary**
- ✿ **Dynamic nature of Principles**
- ✿ **Relative, Not absolute Principles**
- ✿ **Management: Science or Art**
- ✿ **Management as profession**
- ✿ **Universality of management**
- ✿ **Management is a Situational in Nature**

# **Importance of Management**

Management has been important to the daily lives of people and to the organisations. The importance of management may be traced with the following.

- ✿ **Effective utilisation of Resources**
- ✿ **Development of Resources**
- ✿ **It ensures continuity in the organization**
- ✿ **Integrating various interest groups**
- ✿ **Stability in the society**

# BASIC CONCEPTS of MANAGEMENT





# Introduction

- Management is an important element in every organization. It is the element that coordinates current organizational activities and plans for the future.
- The management adapts the organization to its environment and shapes the organization to make it more suitable to the organization.

# Definition


■ “Management is the art of “knowing what you want to do” and then seeing that it is done in the best and cheapest way.

.....F.W.Taylor

■ Management as a process “consisting of planning, organizing, actuating and controlling, performed to determine and accomplish the objective by the use of people and resources.”

.....George R. Terry





■ In this definition,  
Planning means Plan in advance.  
Organizing means coordination between  
human resources and material resources.  
Actuating means motivation and giving  
direction to subordinate.  
Controlling means to ensure about  
implementation of plan without deviation.  
Thus this definition tells that management is  
act of achieving the organization  
objectives.

# Characteristics

- Management is a distinct process.
- Management is an organized activity
- Management aims at the accomplishment of predetermined objectives.
- Management is both a science and an art.
- Management is a group activity
- Management principles are universal in nature
- Management integrates human and other resources.

# IMPORTANCE OF MANGEMENT

- Management is critical element in the critical growth of the country.
- Management is essential in all organized effort, be it business activity or any other activity.
- Management is the dynamic, life giving element in every organization.

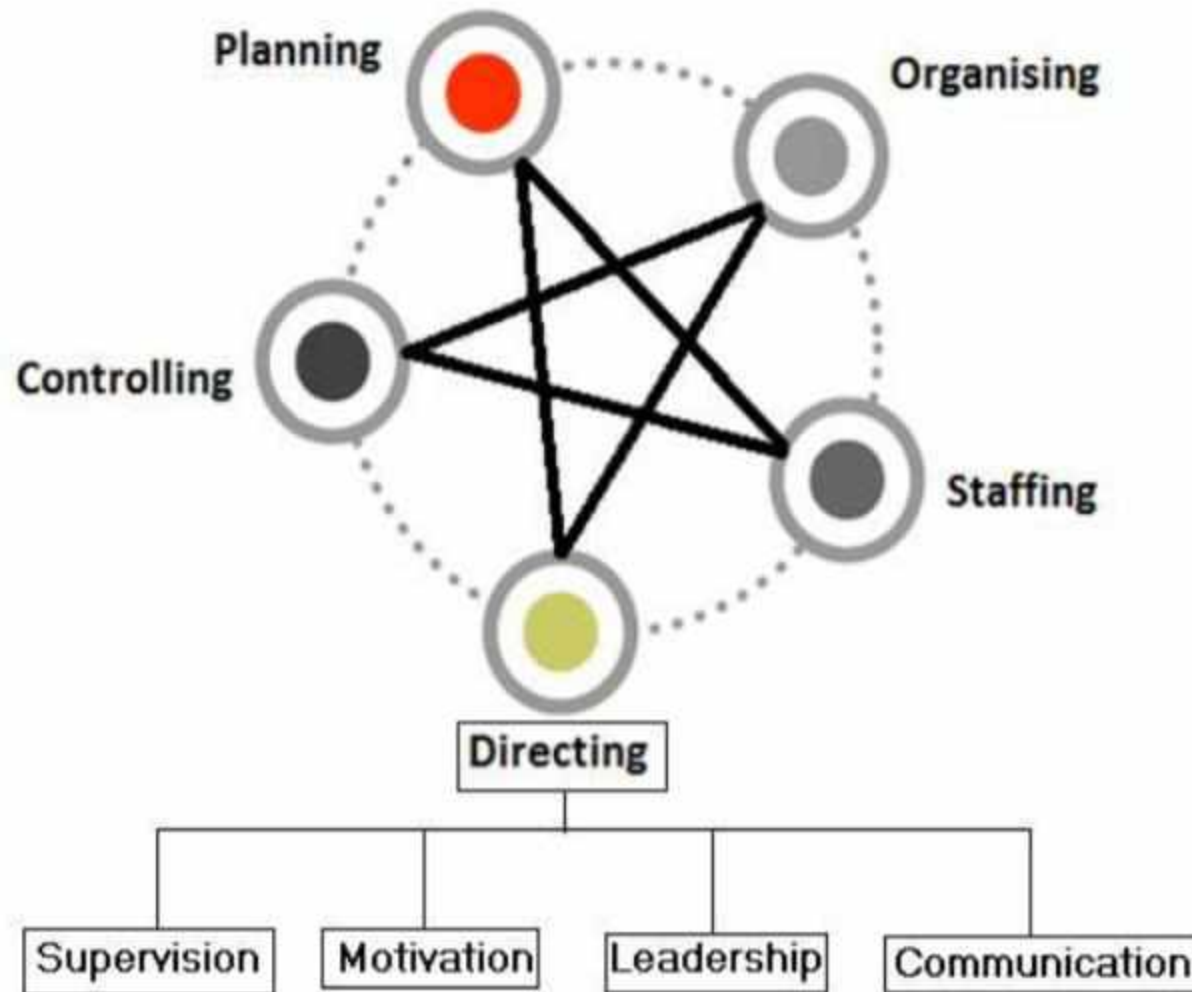
# Functions of Management

<b>Writers</b>	<b>Management Functions</b>
Henry Fayol	Planning, Organizing, Commanding, Coordinating, Controlling
Luther Gullick	POSDCORN- Planning, Organising, Staffing, Directing, Coordinating, Reporting, Directing
R. Davis	Planning , Organising, Controlling
E.F.L. Breech	Planning, Organising, Motivating, Coordinating, Controlling
Koontz	Planning, Organising, Staffing, Leading, Controlling

# functions of management

- **PLANNING**
- **ORGANIZING**
- **STAFFING**
- **DIRECTING**
- **CONTROLLING**

# Functions of Management





# Managerial Skills & Managerial Levels

- ✿ Technical Skills
- ✿ Human Skills
- ✿ Conceptual Skills
- ✿ Design Skills

- ✿ Top level / Administrative level
- ✿ Middle level / Executory
- ✿ Low level / Supervisory /  
Operative / First-line managers



# Planning

- Planning is determining the objectives and formulating the methods to achieve them. It is more simply said than done. **A job well planned is half done.** During planning one needs to ask oneself the following:
  - What am I trying to accomplish i.e. what is my objective?
  - What resources do I have and do I need to accomplish the same?
  - What are the methods and means to achieve the objectives?
  - Is this the optimal path?

# Types of Planning

- **Purposes or missions,**
- **Objectives-It is the ultimate goal towards which the activities of the organization are directed**
- **Strategies-general program of action and deployment of resources**
- **Policies-general statement or understanding which guide or channel thinking in decision making**
- **Procedures-states a series of related steps or tasks to be performed in a sequential way**
- **Rules-prescribes a course of action and explicitly states what is to be done**
- **Programs-comprehensive plan that includes future use of different resources**
- **Budgets-statement of expected results expressed in numerical terms**

# Process of Organizing

- Determine what is to be done/ Division of Work:
- Assign Tasks: Departmentalization:
- Link Departments: Hierarchy Development:
- Decide how much Authority to Designate/ Authority, Responsibility and Delegation:
- Decide the Levels at which Decisions are to be made / Centralization vs. Decentralization:
- Decide how to Achieve Coordination:

# Steps in Planning

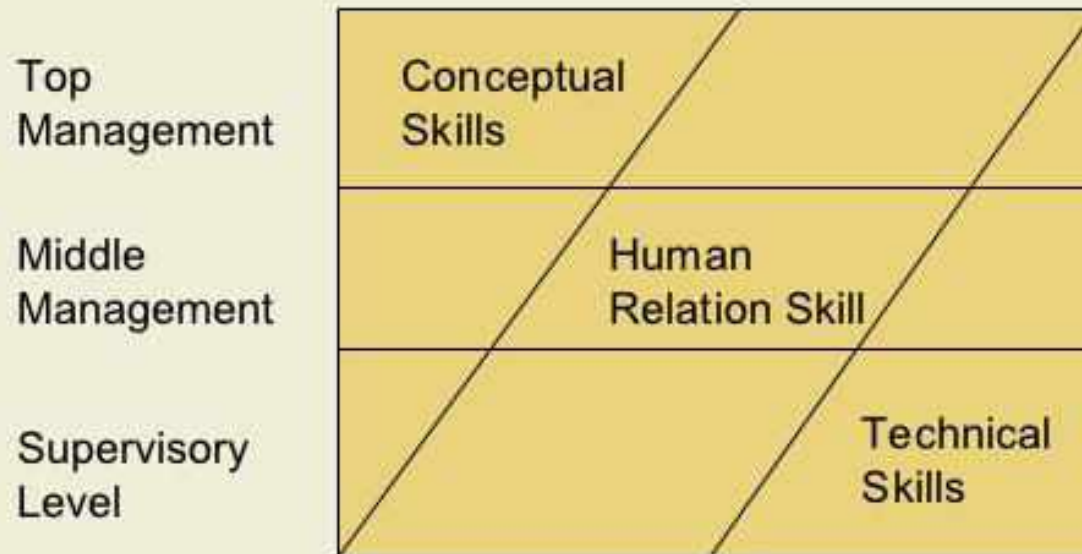
- 1. Determining the goals or objectives for the entire organization.**
- 2. Making assumptions on various elements of the environment.**
- 3. To decide the planning period.**
- 4. Examine alternative courses of actions.**
- 5. Evaluating the alternatives.**
- 6. Real point of decision making**
- 7. To make derivative plans.**



# LEVELS OF MANAGEMENT

- LOWER LEVEL (FIRST LINE): FOREMEN & WHITE COLLAR SUPERVISOR
- MIDDLE MANAGEMENT: SALES MANAGERS, PERSONNEL MANAGERS, OTHER DEPARTMENTAL HEADS
- TOP MANAGEMENT: COMPANY PRESIDENTS, EXECUTIVES, VICE PRESIDENTS

# MANAGERIAL SKILLS



# Entrepreneur vs Manager

<b>Entrepreneur</b>	<b>Manager</b>
Entrepreneur is visionary and bears all financial risks.	Manager works for salary, and does not have to bear any risks.
Focuses on starting and expanding the business ideas	Focus on daily smooth functioning of business
Key motivation for Entrepreneur is achievements	Managers motivation comes from the power that comes with their position
Reward for all the efforts is profit he earns from the enterprise	Remuneration is the salary he draws from the company
Entrepreneur can be informal and casual	Manager's approach to every problem is very formal

# COMPARISON OF TRADITIONAL MANAGERS, ENTRAPRENEUR AND INTRAPRENEUR

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	<b>TRADITIONAL MANAGER</b>	<b>ENTRAPRENEUR</b>	<b>INTRAPRENEUR</b>
1.Primary motive	Aim on getting Promotion and other traditional corporate rewards such power	Aim on Independence opportunity to create money	Aim on Independence and ability to advance in corporate rewards
2.Risk	Careful, completely avoid risk activities such as risk projects	Moderate risk taker	Not fully risk taker, he tends to hide risky projects until there are on lower level of risk
3.Activity	Delegates and supervises more than direct involvement	Direct involvement	Direct involvement more than delegation
4.Failure and mistakes	Tries to avoid mistakes	Deals with mistakes and failure positively	Attempts to hide risk projects from view until ready
5.Relationship with others	Hierarchical	Transaction	Transaction with hierarchy
6.Decision	Usually agrees with those in upper management	Follow dreams with decisions	Follow dream but able to get others to agree to help in achieving the dream
7.Operation	Involves in functional operations	Operates from inside or outside depending on firms size	Operation from within the organization

BASIS FOR COMPARISON	ENTREPRENEUR	MANAGER
Meaning	Entrepreneur refers to a person who creates an enterprise, by taking financial risk in order to get profit.	Manager is an individual who takes the responsibility of controlling and administering the organization.
Focus	Business startup	Ongoing operations
Primary motivation	Achievement	Power
Approach to task	Informal	Formal
Status	Owner	Employee
Reward	Profit	Salary
Decision making	Intuitive	Calculative
Driving force	Creativity and Innovation	Preserving status quo
Risk orientation	Risk taker	Risk averse

## Frederick Winslow Taylor

He is Known as Father of Scientific Management

- Born into a wealthy family in the US in 1856.
- Graduated from Stevens Institute Technology as a mechanical engineer in 1883.



## **Soldiering**

Taylor observed the phenomenon of workers' purposely operating well below their capacity. This is Soldiering.

He stated causes of soldiering:

1. Universal belief among workers that if they became more productive, only few of them would be needed : jobs will be eliminated.
2. Non-incentive wage systems encourage low productivity. They received same wage regardless how much is produced.

If employees are paid according to quantity they produce, they fear that management will decrease their per-unit pay if quantity increases.

3. Workers waste much of their efforts by relying on rule-of-thumb methods rather than an optimal work method.

**Rule-of-thumb:** It is a guideline that provides simplified advice regarding a particular subject. It is a general principle that gives practical instructions for accomplishing or approaching a certain task. Typically, rules of thumb develop as a result of practice and experience rather than from scientific research or theory

# **Scientific Management**

**Scientific management is a theory of management that analyzes and synthesizes workflow.**

**Its main objective is improving economic efficiency, especially labor productivity.**

**one of the earliest attempts to apply science to the engineering processes and to management. Scientific management is sometimes known as Taylorism after F.W. Taylor.**

## Advantages

- Enhanced teamwork-Cooperation between managers and workers.
- Better planning and decision making
- Improved economic and work efficiency
- Increased opportunities for workers to acquire scientific training.
- Reduced waste

## Disadvantages

- Influences feeling of pressure among the workers
- May de-motivate workers.
- Managerial decisions may involve strictness and stress for managers due to need for complete control over the work place

# Taylor's 4 principles of scientific management

1. Replace rule-of-thumb work methods with methods based on scientific study of task.
2. Scientifically select, train and develop each worker rather than passively leaving them to train themselves.
3. Cooperate with the workers to ensure that developed methods are followed.
4. Divide work nearly equally between managers and workers so that managers apply scientific management planning and



- Generally it is assumed that the interests of the employee and employer are the opposite.
- But scientific management puts the claim that the interests of both parties are the same.
- If the employer cannot provide the employee's welfare they cannot ensure their own welfare on the long term .
- So, the employer should make an effort to pay high salary as much as he can.



# Effect of Scientific Management Techniques on today's Human Resources Management

- Taylor's personnel selection philosophies are acceptable in today's management science.
- Previously it was assumed that anybody can do anything.
- But scientific management highlights importance of recruiting the right personnel and training of them.

# Application of Taylor's philosophies in recruitment

work analysis is implemented.



Personality tests are applied to determine the candidates who are apt for the job requirements



Recruitment interviews are held via semi-structured behavioral interview techniques



candidates are eliminated based on their competence evaluations

# ***HENRI FAYOL*** (1841-1925)



***"To manage is to forecast and to plan, to organise, to command, to coordinate and to control".***

***- Henri Fayol***



# Administrative Management Theory

The functions of management according to Fayol are:

- ✓ *Planning*
- ✓ *Organising*
- ✓ *Staffing*
- ✓ *Commanding*
- ✓ *Coordinating*
- ✓ *Controlling*

# Principles of Management

1. Division of work.
2. Authority and responsibility.
3. Discipline.
4. Unity of command.
5. Unity of direction.
6. Subordination of personal interest to organizational interests.

***Contd...***

7. Remuneration
8. Centralization
9. Scalar chain
10. Order
11. Equity
12. Stability of tenure
13. Span of co-operation
14. Initiative



## Offered universal managerial prescriptions

- He recommended the selection and training of workers and managers.
- He suggested certain qualities of manager's winch include physical, mental, moral, educational technical and experience.

# ***Application***

- Emergence of knowledge society.
- Development of socially concerned Humanistic society.
- Growing use of innovations and R & D.
- Social accountability of business.
- Satisfaction of human and social values in man-machine system.

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## ***Evaluation***

- Fayol's contribution to management theory is certainly remarkable.
- He gave overall concepts of general management and suggested the basic functions of management.
- In fact, the 14-principles are the outcome of his long experience as a practicing manager.
- He also advocated the use of organisation charts.



# TYPES OF BUSINESS ORGANISATIONS

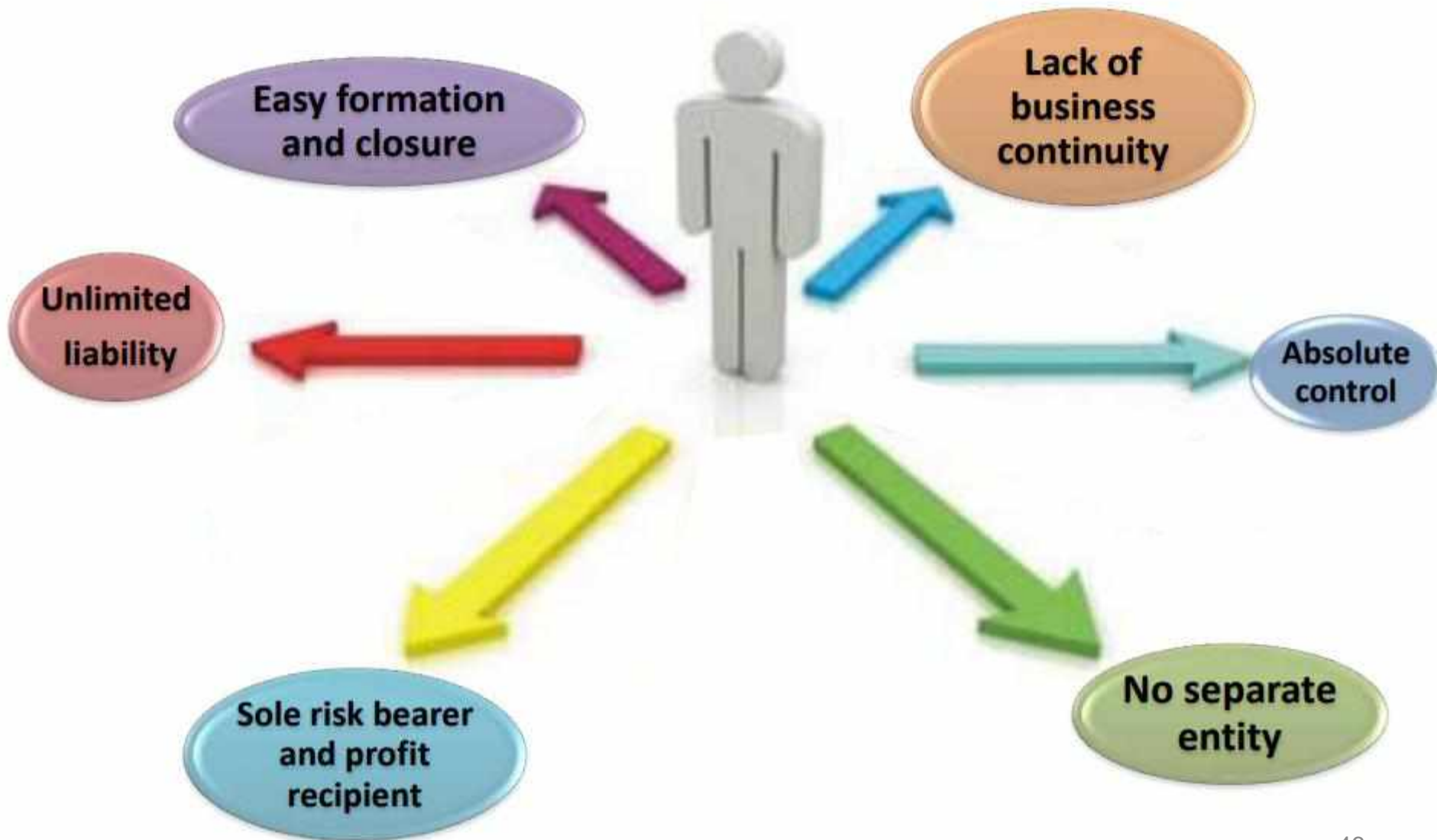
- ❖ SOLE PROPRIETORSHIP
- ❖ PARTNERSHIP

# SOLE PROPRIETORSHIP

Sole proprietorship refers to a form of business organization which is owned, managed and controlled by an individual who is the recipient of all profits and bearer of all risks.



# *FEATURES*





# MERITS

**Sense of accomplishment**

**Quick decision making**

**Confidentiality of information**

**Direct incentive**

**Ease of formation and closure**



# *LIMITATIONS*

**Unlimited  
liability**



**Limited life  
of a business  
concern**

**Limited  
Resources**

**Limited  
managerial  
skills**

# Partnership

According to The Indian Partnership Act, 1932,  
“Partnership is the relation between 2 persons who have agreed to share the profit of the business carried on by all or any one of them acting for all.”





# FEATURES

**Joint decision making**

**Maximum members in other business-10**

**Equal Risk bearing**

**Maximum members in banking-10**

**Continuity is ensured**



**Mutual Agency**

**Minimum members required-2**

# *MERITS*

Balanced  
decision  
making

Ease of  
formation  
and closure

More funds

Sharing of  
risks

Secrecy



# ***LIMITATIONS***

**Lack of public  
confidentiality**

**Unlimited  
liability**

**Possibility  
of conflicts**

**Limited  
Resources**



**Lack of  
continuity**



# *TYPES OF PARTNERS*

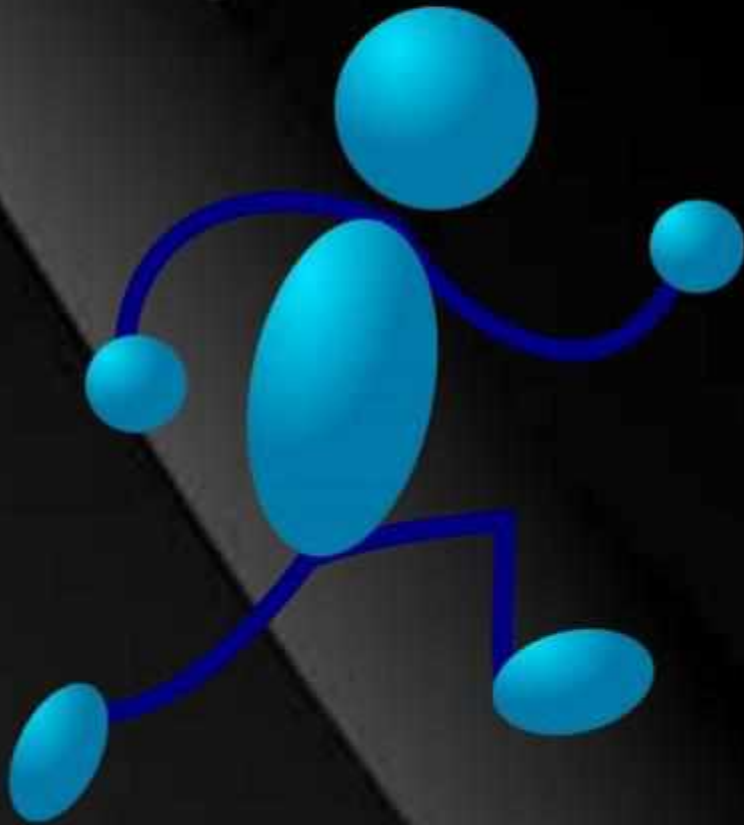
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business partnership



# 1. Active partner



Contributes capital

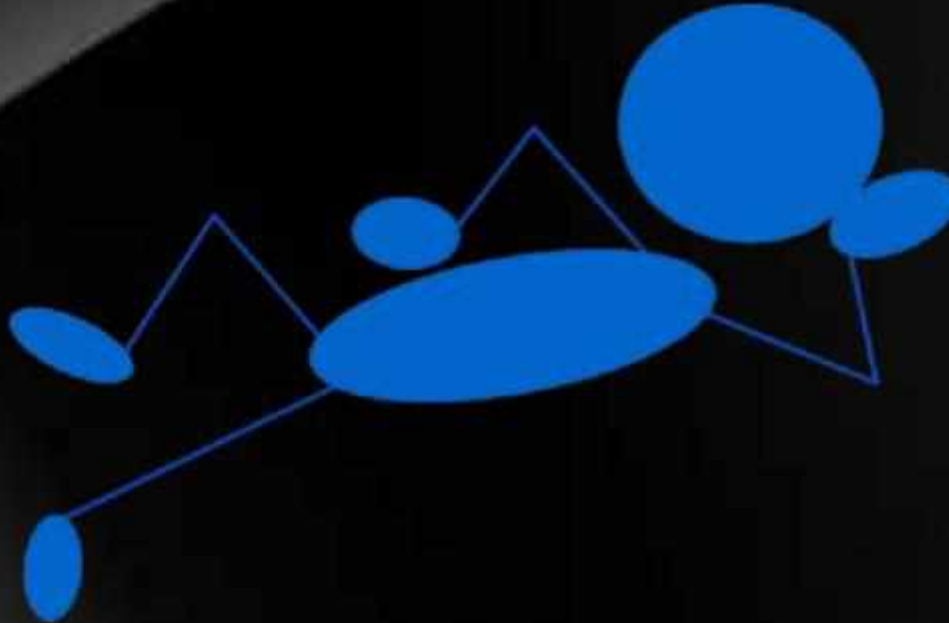
Participates in  
management of  
firm

Shares profits and  
losses

Unlimited liability

Takes part in  
carrying out  
business on others  
behalf

# *1. Sleeping or dormant partner*



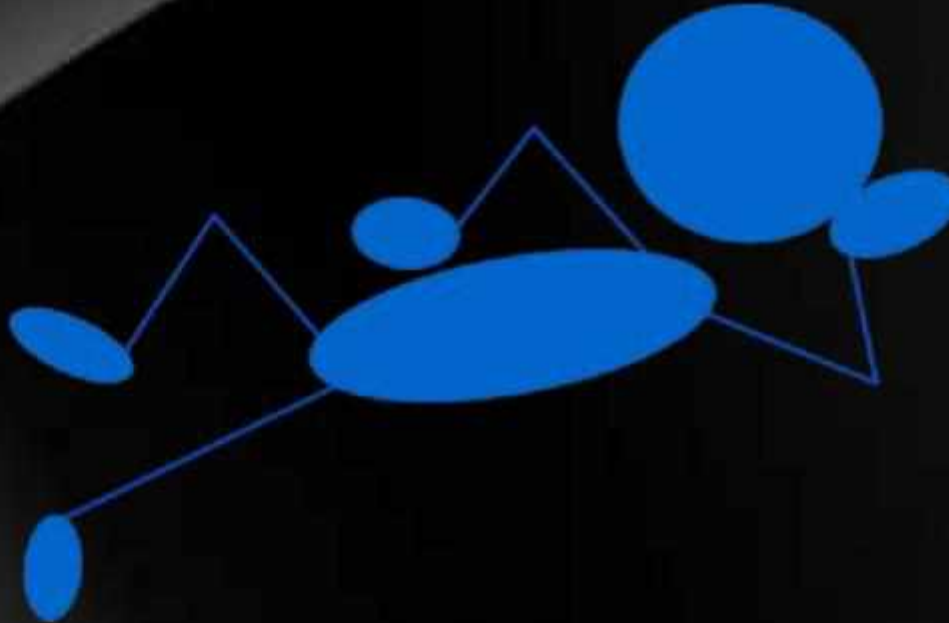
Contributes capital

Does not  
Participate in  
management of  
firm

Shares profits and  
losses

Unlimited liability

# *1. Sleeping or dormant partner*



Contributes capital

Does not  
Participate in  
management of  
firm

Shares profits and  
losses

Unlimited liability

# 1. Nominal partner



Allows the use of  
his name by a firm

Does not  
Participate in  
management of  
firm

Does not Share  
profits and losses

Unlimited liability

Does not  
Contribute capital

# 1. Secret partner



Contributes  
capital

Participates in  
management of  
firm

Shares profits and  
losses

Unlimited liability

His association is  
not known to the  
general public



# 1. Partner by estoppel



Gives impression  
that he is a partner  
of firm through his  
behaviour

Does not  
Participate in  
management of  
firm

Does not Share  
profits and losses

Unlimited liability

Does not  
Contribute capital



# 1. Partner by holding out



Allows himself to  
be represented as a  
partner but is not a  
partner

Does not  
Participate in  
management of  
firm

Does not Share  
profits and losses

Unlimited liability

Does not  
Contribute capital

# Status of a Minor



Cannot become a partner in any firm as is incompetent to enter into a valid contract with others.

Can be admitted to benefits of a partnership firm with the mutual consent of all other partners.

Liability is limited to the extent of capital contributed by him.

Not eligible to take part in active management

When he attains majority, he decides whether he would like to become a partner in the firm.

# **TYPES OF BUSINESS ORGANISATIONS**

- **Sole Proprietorship**
- **Joint Hindu Family Business**
- **Partnership Firm**
- **Joint Stock Company**
  - 1.) **Private Limited**
  - 2.) **Public Limited**
- **Co-operative Society**



# JOINT HINDU FAMILY BUSINESS

- Comes into existence as per the Hindu Inheritance Act of India
- This form of business found only in India
- All members of the Hindu Undivided Family(HUF) own the business jointly
- The affairs of the business are managed by head of the family called “Karta”. All other members are called “Co-parceners”





- **Membership is restricted only to members of the Joint family. No outsider can become the member**
- **Karta has unlimited liability while all other members have limited liability**
- **The share of each member keeps on fluctuating**
- **Business continues to exist upon the death of any member or Karta.**





# ADVANTAGES OF HUFs

- Every co-parsener has an assured share in profits
- The business has continued existence
- Decision making is quick as the powers are with the Karta
- No corporate tax
- People use it mostly for tax benefits these days




# DISADVANTAGES OF HUFs

- Absolute power in the hands of Karta.
- Instability
- Limited Resources can be raised
- Scope for conflict



# PARTNERSHIP FIRM

**A Partnership consists of two or more individuals in business together**

The image shows the front cover of a book. The cover is a solid blue color. In the center, the title 'The Indian Partnership Act-1932' is printed in a white, serif font. Below the title, the publisher's name 'Mercantile Law' is printed in a smaller, white, italicized serif font.

**The Indian Partnership  
Act-1932**

*Mercantile Law*

# **CHARACTERISTICS OF PARTNERSHIP**

- **Minimum 2 number of partners and maximum 20 partners**
- **The relation between the partners is created in the form of a contract. Written contract is called “Partnership Deed”**
- **The firm means partners, the partners mean the firm**
- **The profit is divided in any as ratio as agreed**
- **No partner can sell/transfer his interest in the firm to anyone without the consent of other partners**

# ADVANTAGES OF PARTNERSHIP

- Easy Formation
- Larger Resources
- Sharing Of Risk
- Better Management and Flexibility of Operation
- No corporate income tax
- Subject to fewer regulations as compared to companies





# DISADVANTAGES OF PARTNERSHIPS

- **Unlimited Liability**
- **Limited Life**
- **Difficult to raise capital**
- **Chances of Dispute**



# JOINT STOCK COMPANY

A joint stock company is a voluntary association of people who contribute money to carry on business



# CHARACTERISTICS OF A CORPORATION

- It is considered as a separate legal entity
- It comes into formation after all formalities under the Indian Companies Act 1956 are completed
- Management and ownership is completely separate
- Capital is raised through shares which are transferable



Board  
of Directors

# DISADVANTAGES OF A CORPORATION

- Formation is not easy
- Excessive Government Regulation
- Subject to Corporate Tax and Dividend Tax (Double Taxation)
- Delay in Policy Decisions
- Control by a Group





# **TWO TYPES OF CORPORATIONS**

## **1. PRIVATE COMPANY**

- **Closely held by a few people**
- **Minimum 2 and maximum 50 shareholders**
- **Stocks cannot be traded on exchanges and private equity cannot be raised**
- **Less regulations as compared to Public Companies**



## 2. PUBLIC COMPANY

- Stocks are held by a large number of people
- Minimum 7 shareholders and no limit for maximum
- Can be listed on stock exchange and can go public
- Have to follow many laws with regards to the board composition and AGM.



# CO-OPERATIVE SOCIETY

It is a voluntary association of people or business to achieve a an economic goal with a social perspective



# **CHARACTERISTICS OF CO-OPERATIVE**

- **Voluntary association**
- **Minimum membership requirement is 10 and there is no maximum limit**
- **Registration of Co-operative is must under the “Co-operative Societies Act” is a must. After the registration it enjoys certain privileges of a Joint Stock Company**

# ADVANTAGES OF CO-OPERATIVE

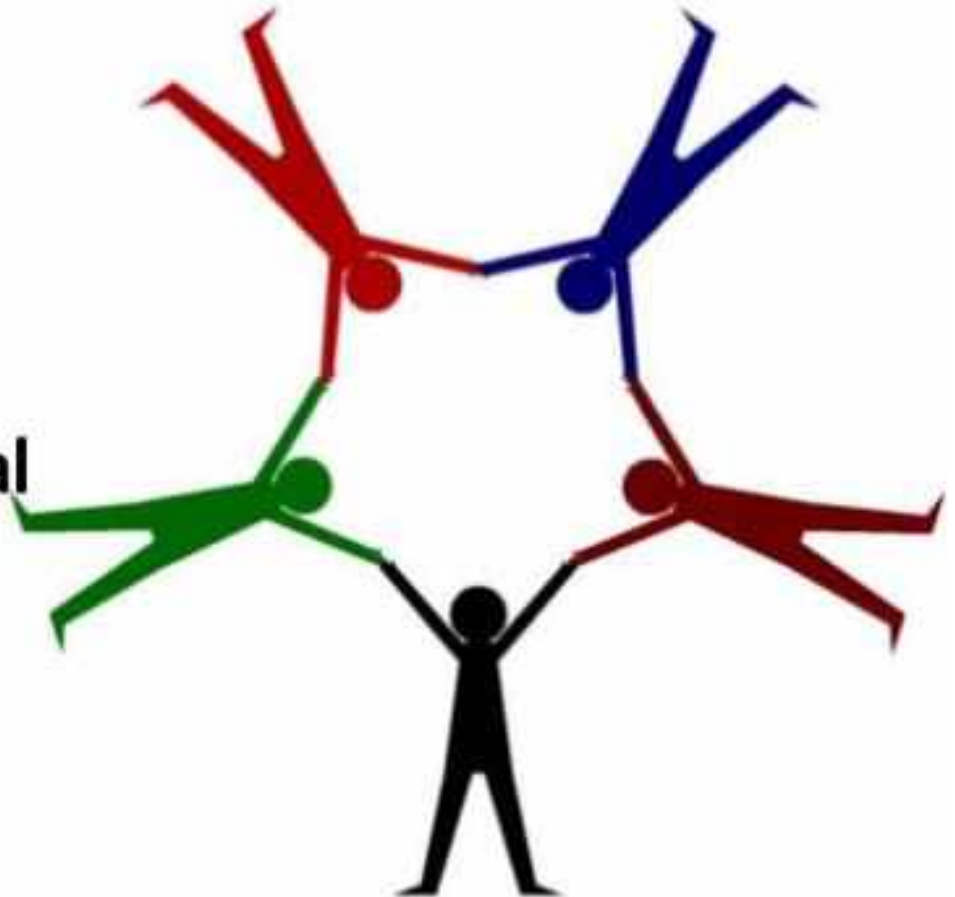
- Easy Formation
- Limited Liability
- Stability
- Democratic Management
- State Assistance





# DISADVANTAGES OF A CO-OPERATIVE

- Possibility of conflict
- Long decision making process
- Not enough capital





# Caselet

- Three young aspiring engineers decide to set up an apps company whilst still at college
- Their capital requirement is minimal since at this stage they all feel they need to do is to develop specific apps – something each one is good at. They don't need to hire anyone for this stage
- They would however like to “sell” the downloadable apps to consumers in a pilot mode before deciding the next course of action
- They have thought of a name for their business – Zappapp – and have decided to pool in about Rs 1,50,000/= as start up capital for any miscellaneous expenses that may be required
- They plan to build a portal and to host it on the cloud
- They are not sure if they want to take up jobs after graduating or want to stay with their startup
- They do realize that for them to grow and scale they will need to infuse money in the future from investors. They don't know how much and when



What form of enterprise would you advise them to set up?