

Principles of Management

①

Unit 1

Introduction to Management and Organizations

Definition of management - science or art - managers vs. entrepreneur - types of managers - managerial roles and skills - Evolution of management - scientific - human relations, systems and contingency approaches - Types of business organizations - sole proprietorship - partnerships, public and private sector enterprises - organization culture and environment - current trends and issues in management.

* Who is a manager?

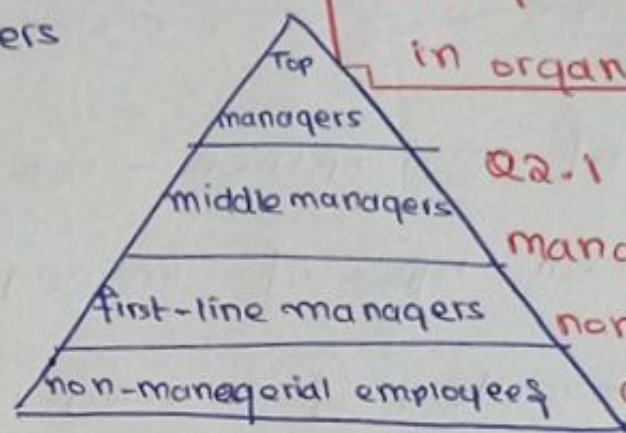
Q1. Who are managers?

- someone who coordinates and oversees the work of other people so that organizational goals can be accomplished.
- A manager's job is not about personal achievement - it is about helping others do their work.
- Managers may coordinate the work of a departmental group or it might mean supervising a single person.
- Managers may also have work duties not related to coordinating and overseeing others' work.

* Classification of managers in an organization

→ In traditionally structured organizations, which have a pyramid structure, managers can be classified as:

- (i) first line managers
- (ii) middle managers
- (iii) top managers



Q2. How are managers classified in organizations?

Q2.1 diff. btwn managerial & non managerial employees

First-Line Managers

→ manage the work of non-managerial employees, who are typically involved with producing the organization's products or servicing the organization's customers.

→ may be called supervisors, shift managers, dept. managers or office managers

Middle managers

→ those found between the low and top-levels of the organization

→ manage the work of first-line managers

→ may be called regional managers, project leaders, store managers or division manager

Top Managers

→ at the upper levels of the organization

→ make organization wide decisions and establish plans & goals that affect the entire org.

→ have titles like executive VP, vice president, COO, CEO

* Management

Q3. Define management

③

→ Management involves coordinating and over-seeing the work activities of others, so that their activities are completely efficiently and effectively.

* Efficiency vs. Effectiveness

Q4. Explain why efficiency & effectiveness are important for management.

Efficiency - getting the most output from the least number/amount of inputs

- managers deal with scarce inputs like resources, people, money, those resources must be used efficiently
- efficiency = "doing things right"

Effectiveness - described as "doing the right things", i.e. doing those work activities that will help the organization reach its goals.

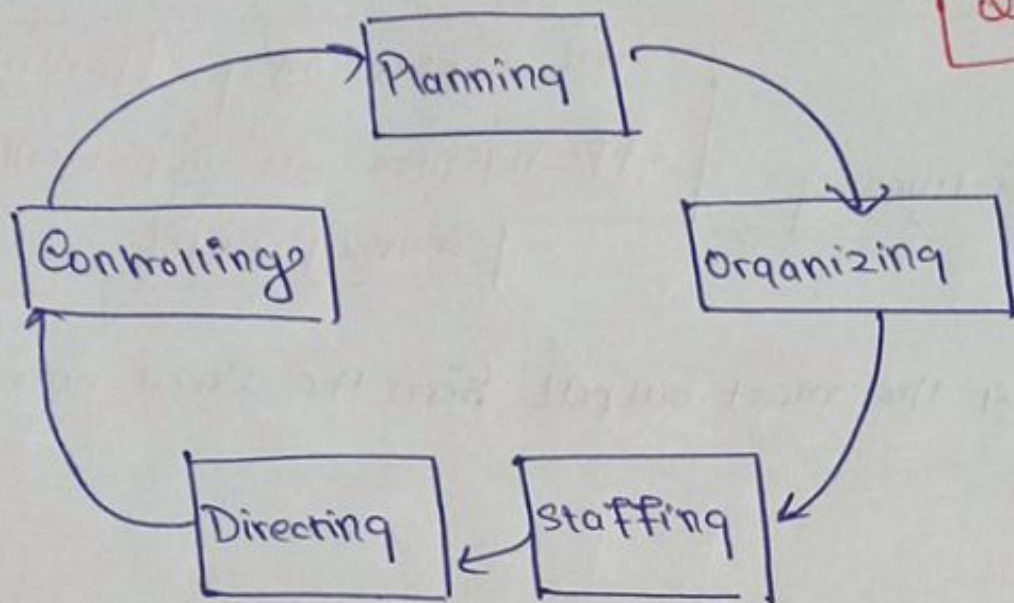
→ Goals can include meeting customers' rigorous demands, executing manufacturing strategies, making employee jobs easier & safer.

While efficiency is concerned with the means of getting things done, effectiveness is concerned with the ends, or the attainment of organizational goals.

→ High efficiency and high effectiveness typically go hand in hand

* Functions of Management

→ The most widely accepted functions of management are
Planning, Organizing, Staffing, Directing & Controlling



Q5. Describe the functions of management.

A. Planning

- chalk out future course of action
- advance in the most appropriate course for achievement of goals
- Planning is deciding in advance - what to do, when to do & how to do
- a systematic thinking of ways & means for accomplishing pre-determined goals
- all pervasive in nature
- an intellectual activity
- helps avoid confusion, uncertainties, risks, wastage.

B. Organizing

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→ bring together physical, financial and human resources & develop a productive relationship between them.

→ determining and providing human and non-human resources to the organizational structure.

→ Organizing involves:

- (i) identification of activities
- (ii) classification / grouping of activities
- (iii) assignment of duties
- (iv) delegate authority, create responsibility
- (v) coordinating authority

C. Staffing

→ Function of manning the organization and keeping it manned

→ put the right man on the right job

→ should be done through proper and effective selection, appraisal and development of personnel

→ Staffing involves:

- (i) manpower planning
- (ii) recruitment, selection & placement
- (iii) training and development
- (iv) remuneration
- (v) performance appraisal

D. Directing

→ actuates the organizational methods to work efficiently for achievement of organizational purposes

→ deals with :

- (i) supervision - overseeing subordinates
- (ii) motivation - inspiring & motivating subordinates with zeal to work - may be +ve, -ve, monetary / non-monetary incentives
- (iii) Leadership - manager guides & influences subordinates in the right direction
- (iv) communication - process of passing info, experience, opinion from one person to another.

E. Controlling

→ ensures that everything occurs in conformity with standards

→ An efficient system of control helps predict deviations before they actually occur.

→ check whether proper progress is being made towards meeting objectives

→ Controlling involves :

- (i) establishment of a standard performance
- (ii) measurement of actual performance
- (iii) comparison of actual performance w/ standards & finding deviations
- (iv) corrective action.

* Management Skills

Q6. Describe Katz's 3 essential (7) managerial skills and how these skills change depending on managerial level

→ It is believed that managers (Katz's Theory) need 3 essential skills.

(i) technical

(ii) human

(iii) conceptual

A. Technical Skills

→ refer to job specific knowledge and techniques needed to proficiently perform work tasks

→ more important for first-line managers because they typically manage employees who use tools and techniques to produce the organization's products / services

B. Human Skills

→ involve the ability to work well with other people both individually and in groups

→ Since all managers deal w/ people, this skill is equally important to all levels of management.

→ Managers with good human skills get the best out of their people - they communicate, motivate, lead & inspire enthusiasm and trust

C. Conceptual Skills

→ skills managers use to think and conceptualize about abstract and complex situations

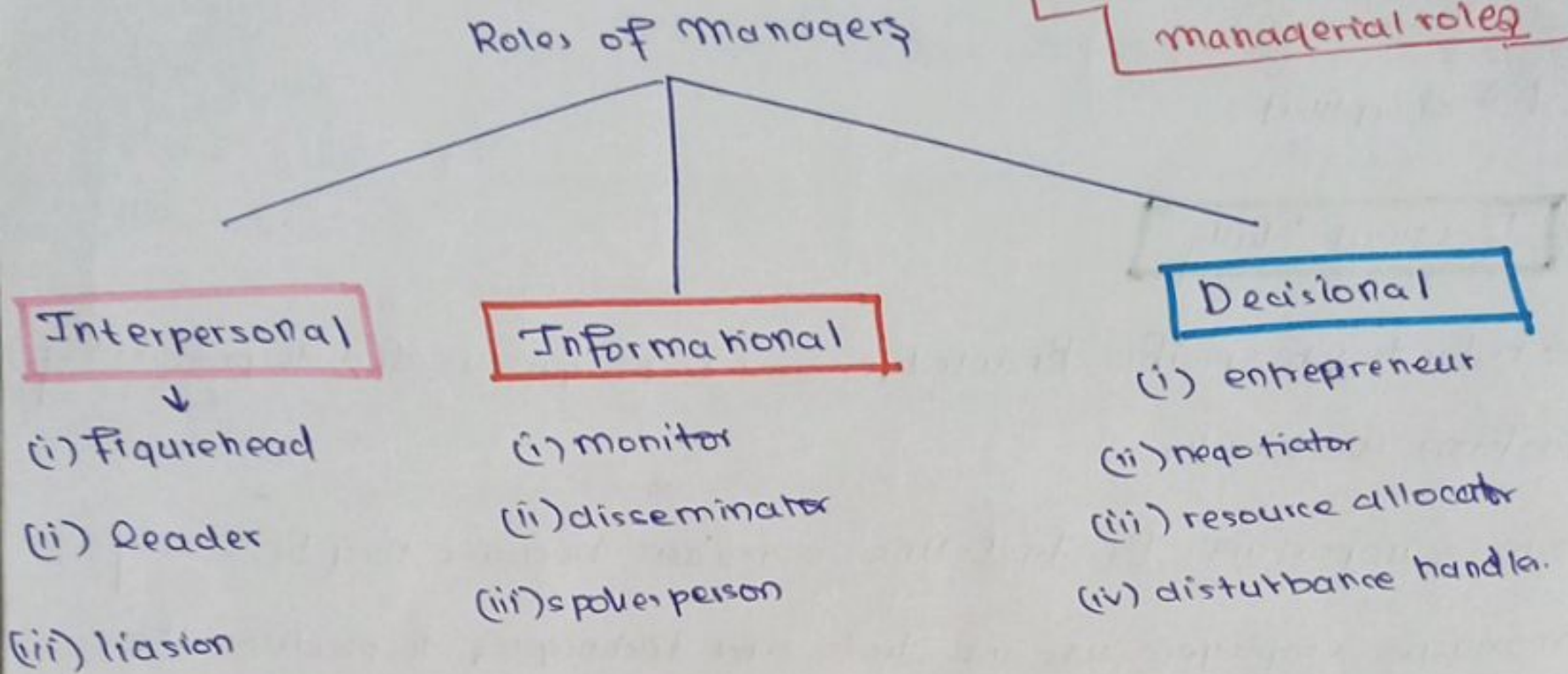
→ managers see the org. as a whole & understand relationships between subunits

→ most important for top managers

* Roles of Managers (Mintzberg's Theory)

→ The roles of managers are classified as follows:

Q7. Explain Mintzberg's managerial roles



A. Interpersonal Roles

→ involves people and ceremonial duties

Leader - responsible for staffing, training & associated duties

Figurehead - symbolic head of org.

Liaison - maintains communication between all contacts & informers

B. Informational Roles

→ related to collecting, receiving and disseminating information

Monitor - seek and receive info

Disseminator - transmit all info from outside org. to org members

spokesperson - transmit plan's, policies & actions to outsiders

C. Decisional Roles

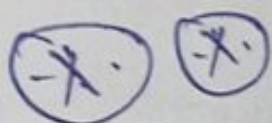
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Entrepreneur - seek opportunities, change, respond & exploit them

Negotiator - represents the organization at major negotiations

Resource allocator - makes / approves decisions related to allocation of resources

Disturbance handler - responsible for corrective action when the organization faces disturbances



Evolution of Management

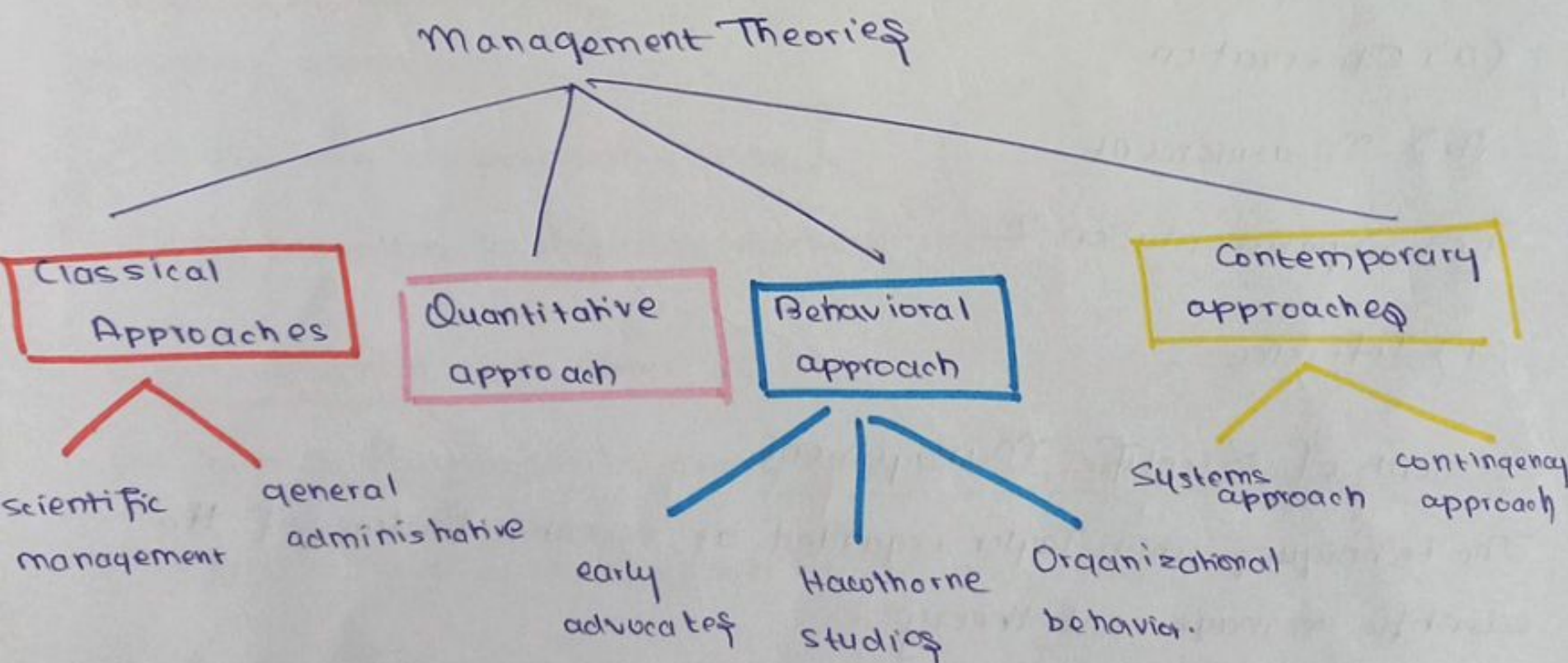
Q8. Discuss changes that are impacting manager's jobs

Ans

→ increasing importance of customers

→ innovation

There are different approaches to management as below:



A. Classical Approach

- emphasized rationality and making organizations and workers as efficient as possible
- The two major theories are (i) scientific management - Taylor
(ii) general administrative - Fayol

1. Taylor's Scientific Management

- emphasized the need to adopt a scientific approach to the task of managing an enterprise.
- He tried to diagnose the causes of low efficiency industry - concluded that it was due to the lack of order & system
- The scientific method proposed consists mainly of:
 - (a) Observation
 - (b) Measurement
 - (c) Experimentation &
 - (d) Inference

Elements of Scientific Management

The techniques which Taylor regarded as essential features of the scientific management theory:

- ① Scientific Task & Rate Setting - systematic & critical examination of all factors governing the operational efficiency of any activity
 - (i) Methods Study - ensure that the plant has the best equipment and machinery.

(ii) Motion Study - study of the movement of an operator in performing an operation with the purpose of eliminating useless motions.

(iii) Time Study : determine the proper time for performing the operation

(iv) Fatigue Study : regulate working hrs & provide rest pauses at scientifically determined intervals.

(v) Rate-Setting : pay workers according to rate of completion of work

② Planning the Task - set the task where an avg. worker must strive to perform better to get the higher piece-rate - ensure that production has no bottlenecks.

③ Selection and Training - entrust task of selection to a central personnel department.

→ make selection procedure systematic

→ pay attention to training workers

④ Standardization - in terms of

(i) Tools & Equipment - choose tools that are the best of their kind

(ii) Speed - use optimum speed for every machine

(iii) Conditions of work - maintain standard conditions of ventilation, heating, cooling, humidity, safety, floor space

(iv) Materials - ensure standard quality of materials

⑤ Specialization - There are special 'functional foremen' who manage the performance of operations

(i) Route Clerk - lay down sequence of operations

(ii) Instruction Card Clerk - make detailed instructions regarding different aspects of work

(iii) Time & Cost Clerk - send info about pay to work

(iv) Shop Disciplinarian - deals w/ cases of breach and absenteeism

(v) Gang Boss - assemble & set up tools and teach workers to use them efficiently

(vi) Speed Boss - ensures machines are run at their best speeds

(vii) Repair Boss - ensures machines are in good order

(viii) Inspector - shows the worker how to do his work

⑥ Mental Revolution - gains should be shared by both the management & workers more proportionately, in the form of increased profits and increased wages.

→ also includes Weber's Theory, based on bureaucracy

2. General Administrative Principles - Fayol's 14 Principles of Management

① Division of work - division of workload as per specialization

② Authority and Responsibility: authority = right to give order
responsibility = obligation to accomplish
they are complementary and mutually interdependent

(3) Discipline - objectives, rules & regulations, policies and

Procedures must be honored

(4) Unity of Command - each member must receive orders only from

one superior

(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

(7) Remuneration - should have fair pay, employees should not be

exploited

(8) Centralization - there must be a good balance between centralization

and decentralization of authority & power.

(9) Scalar Chain - a chain or hierarchy linking all members of the

organization

(10) Order - order of system → sound organization & efficient

management

(11) Equity - group of people in 'joint effort' w/ justice

(12) Stability of Tenure - employees and managers must have job

security

(13) Espirit of Cooperation - unity & cooperation among employees

(14) Initiative - creative thinking & capacity to take

initiative

B. Quantitative Approach → focuses on making improved decisions via the application of quantitative techniques. This can be categorized into two:

① Management Science (Operations Research)

- uses mathematical and statistical approaches to solve management problems
- developed during WW2 to apply scientific knowledge to

② Production and Operations Management

- focuses on the operation and control of the production process that transforms resources into finished goods and services.
- It uses many tools of the management science approach
- emphasizes productivity and quality of both manufacturing and service organizations.
- includes capacity planning, facilities location, facilities layout, materials requirement planning, scheduling, quality control etc.

C. Behavioral Approach

- tries to overcome weaknesses of the classical approach, which disregarded certain aspects of organizational life, as it relates to human behavior as well
- focuses on trying to understand the factors that affect human behavior at work.

① Early advocates for behavioral approach

- based on the opinion that people were the most important asset of the organization and should be managed accordingly.
- proposed ~~the~~ idealistic workplaces
- argued that money spent improving labor was a smart investment.
- felt that organizations should be based on group ethics

② Hawthorne Studies

- workers' attitudes are associated with productivity
- the workplace is a social system and informal group influence could exert a power effect on individual behavior
- the style of supervision was an important factor in increasing workers' job satisfaction

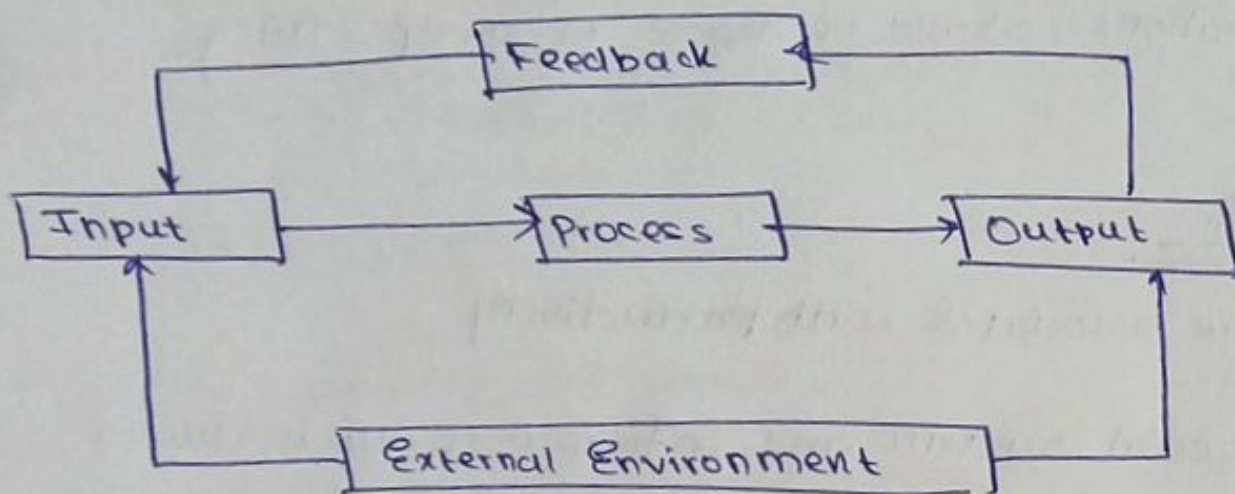
③ Behavioral Science & Organizational Behavior

- a natural progression of the human relations movement
- apply conceptual & analytical tools to the problem of understanding and predicting behavior in the workplace
- focuses on personality, attitude, values, motivation, communication, conflict etc.

D. Contemporary Approaches

- Look at what is happening in the external environment outside the boundaries of the organization
- Two contemporary perspectives are the systems approach and the contingency theory.

① Systems Approach



- Focuses on understanding the organization as an open system that transforms inputs into outputs
- could allow managers to relate different specialities & parts of the company to one another
- Focuses on the org. as a whole, its interaction with the environment and achieving equilibrium.

② Contingency Approach

contingency variables — org. size
— routineness of tech size
— environmental uncertainties
— individual differences & unique characteristics of

- apply management principles based on each system
- emphasizes that there is no one best way to manage and that it depends on many situational factors

→ explicitly criticize classical approaches

→ techniques depend on external env, technology, organizational characteristics, manager characteristics, & characteristics of subordinates.

Q. What are organizations, and their characteristics

* Organizational Culture - the shared values, principles, traditions and ways of doing things that influence the way organizational members act -

Ans. An organization is a deliberate arrangement of people to accomplish a specific goal - that individuals could not do alone.

* Types of Business Organizations

① Sole Proprietorships

Characteristics - (i) distinct purpose
(ii) composed of people
(iii) have a deliberate structure

- Firms owned by one person
- individual has day to day responsibility to run business
- an individual owns all the assets, holds complete responsibility

Merits

- easiest & least expensive
- in complete control
- profits directly to individual
- easy to dissolve

Demerits

- legally responsible for all debts
- business & personal assets 100% at risk
- limited to using funds from savings or loans
- no employee benefits
- cannot attract high caliber employees

② Partnerships

- two or more people share ownership
- partners should have a legal agreement about how decisions are

made, how profits are shared, how to resolve disputes, how to dissolve the partnership

→ must decide how much time & capital to contribute

Merits

- easy to establish
- may be easier to raise funds
- new people may join, if there is a chance to become a partner

Demerits

- must share profits
- disagreements
- partnerships have limited life

③ Corporations

- chartered by the state in which it is headquartered
- can be taxed, sued, can enter into contractual agreements
- corporation owned by shareholders
- there exists a board of directors for major policies
- has a life of its own - does not dissolve w/ ownership change

Merits

- limited liability for shareholders
- can raise funds by selling stocks
- can deduct benefits provided to employees

Demerits

- time & money to set up
- monitored by federal, state regulations
- higher overall taxes

④ Joint Stock Company

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- raise capital by selling shares, people become shareholders
- Board of Directors is the managing body - make financial and technical decisions
- There are 2 types

(i) Private limited company - max no. of memberships is 50, transfer of shares is within members, no govt. interference

(ii) Public limited company - membership open to general public - min no. to form company is 7, but there is no upper limit - under greater supervision

Merits

- limited liability to shareholder
- risk of loss is divided
- not affected by death / retirement of shareholders

Demerits

- difficult to preserve secrecy
- many legal formalities
- lack of personal interest

⑤ Public Corporation

- owned by govt.
- established by a special act of the parliament
- special statute manages power duties & jurisdiction

Merits

- better working condns
- quick decisions
- more flexibility

Demerits

- alteration in power in corp. requires amendment change
- possess monopoly, not interested in betterment

⑥ Government Companies

- any of the share capital is held by central govt, or by central state govt.
- managed by an elected body, which may include private individuals
- annual report must be submitted to parliament / state legislature

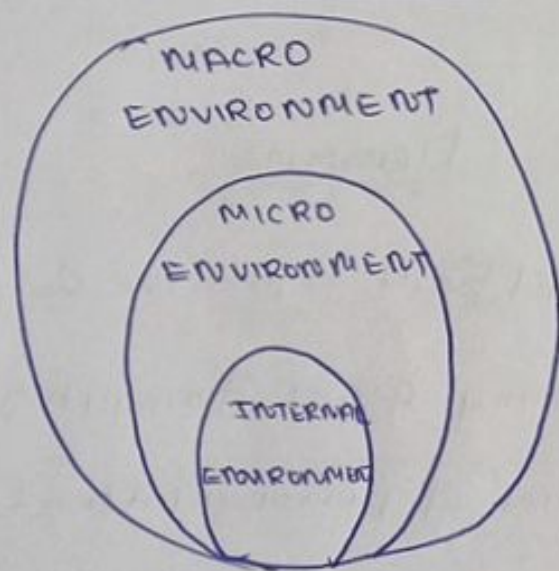
Merits

- easy to form
- not bound by rigid rule & regulation

Demerits

- misuse of excessive freedom
- political agendas, inefficient mgmt

* Classification of Environmental Factors



A. Internal Environment Factors

- env. that has a direct impact on the business
- mostly controllable - can alter / modify
- The internal factors are as follows:

(i) Resources

Tangible resource - easy to identify & evaluate - financial resources &

physical assets

Intangible Resource - invisible, but imp

(2)

- reputational assets

- technological know ~~how~~ how

Human resource - services human being offer the firm with their skills

(ii) Capabilities - a firm's capacity for taking up a particular productive activity

(iii) Culture - values and norms shared by people and groups in an org.

B. Micro Environmental Factors

→ external factors close to the company that have a direct impact on the org. process. Those factors include

(i) shareholders - pressure to go public

(ii) suppliers - supplier relations & prices

(iii) distributors - provide manpower & cash support

(iv) customers - meet their needs

(v) competitors - orgs in the same industry become more efficient, reduce costs

(vi) media - +ve or -ve attention on orgs.

C. Macro Environmental Factors

→ consists of non-specific aspects in the org's surroundings, less direct, limited impact.

- (i) political factors - tax policy, employment laws, env. regulations
- (ii) economic factors - economic growth, exchange rate, inflation rate
- (iii) social factors - health consciousness, age distribution, population
- (iv) technological factors - R & D activity, automation, rate of tech. change.

* Trends and Challenges of Management in a Global Scenario

① Planning and Decision Making

- understand environment & competitive issues
- understand market & tech condns.
- domestic & foreign competitor analysis
- make goals & plan for expansion to a global org

② Organizing in a Global Scenario

- managers in an international business must address the org structure & design, managing change & dealing w/ human resources
- eg. GE = local managers - large responsibility
- Japanese firms = local managers - limited responsibility

③ Leading in a Global Scenario

- deal w/ cultural variations
- understand how cultural factors affect individuals

- leadership changes across cultures
- communication, interpersonal & group process based on cultural background

④ Controlling in a Global Scenario

- control distance, time zone differences, cultural factors
- supervision variations across cultures
- Basic control issues revolve around international operations management productivity, quality, technology & info systems

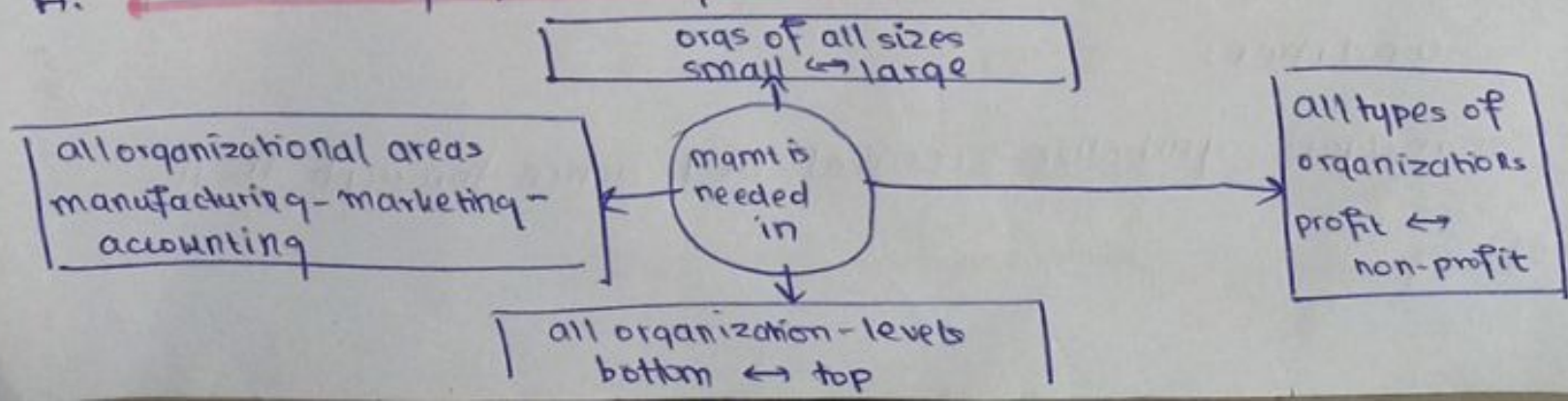
* The value of studying management

Q10. Discuss why it is important to understand management.

- A. Universality of management - good management is needed in all organizations
- B. Encompasses the reality work - all employees are managed or manage

Q11. Explain the universality of management concept

A. Universality of management



c. Rewards and Challenges of being a manager QW Describe challenges and rewards of being a manager

Rewards

- make an env. where members can work to the best of their ability
- think creatively & use imagination
- help others find fulfillment & meaning
- support, coach and nurture others

Challenges

- do hard work
- may have clerical duties as well
- have to deal with a variety of personalities
- motivate workers in chaotic & uncertain situations
- success depends on others' performance

* Organizational Culture and Environment (PPT-3)

* Omnipotent and Symbolic View of Managers

A. Omnipotent - managers are directly responsible for an organization's success or failure

- quality of an organization is determined by quality of managers, held accountable for an organization's performance.

B. Symbolic - much of the organization's success or failure is due to external forces outside the manager's control

- factors may be economy, customers, competitors, industry conditions
- managers symbolize control and action through their actions.

* Parameters of Managerial Discretion

(QB) Explain parameters

of managerial discretion

(2B)

→ depends on two major parameters :

- (i) organizational environment
- (ii) organizational culture

(i) organizational environmental - factors both inside & outside the org

(ii) organizational culture - a system of shared meanings and common beliefs held by org. members that determines how they act towards to each other.

Q14. Describe the 7 dimensions of organizational culture

* Dimensions of Organizational Culture

- ① Attention to detail - employees expected to exhibit precision
- ② Outcome Orientation - degree to which managers focus on results / outcomes rather than how they are achieved.
- ③ People Orientation - degree to which mgmt. decisions take into account the effects on people in the organization
- ④ Team Orientation - degree to which work is organized around teams rather than individuals
- ⑤ Aggressiveness - degree to which employees are aggressive and competitive rather than cooperative

⑥ Stability - degree to which org. decisions emphasize on maintaining the status quo.

⑦ Innovation and Risk Taking - degree to which employees are encouraged to be innovative and take risks

* Strong vs. Weak Cultures

Strong Cultures - key values are deeply & widely held

- have a strong influence on organizational members

- influenced by size, age, rate of emp. turnover, strength of OG culture, clarity of beliefs

Benefits

- strong employee commitment to the organization
- aids in recruitment & socialization of new employees
- fosters higher organizational performance.

Weak Cultures - values limited to a few people - just the top mgmt.

- culture sends contradictory messages about what is important

- employees have little knowledge of company history

* Sources of Organizational Culture

- founder

- past practices

- behavior of top mgmt

Q16. sources of org. culture

* Continuation of Organizational Culture - recruitment of
like-minded individuals

(27)

- socialization of new employees to help them
adapt to the culture.

* How employees learn culture

Q17. how is org. culture transmitted
to employees

→ It can be through (i) stories

(ii) rituals

(iii) material symbols

(iv) languages (acronyms specific to an
organization)

Q15. Discuss impact of a strong
culture on organizations &

* How Culture Affects Managers

managers - for org. see
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→ Managers are subject to several cultural constraints. Those include

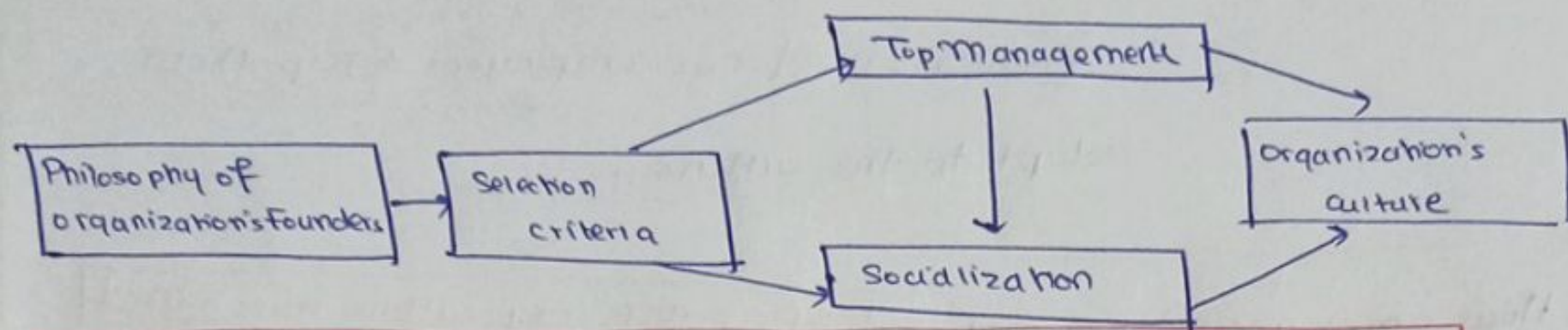
being constrained to

(i) whatever managerial actions the organization recognizes as
proper or improper

(ii) whatever organizational activities the organization values &
encourages

(iii) the overall strength or weakness of the organizational culture.

* How an organization's culture is created and maintained.



Q18. Describe characteristics of an ethical, innovative & customer responsible culture

* Organization Culture Issues

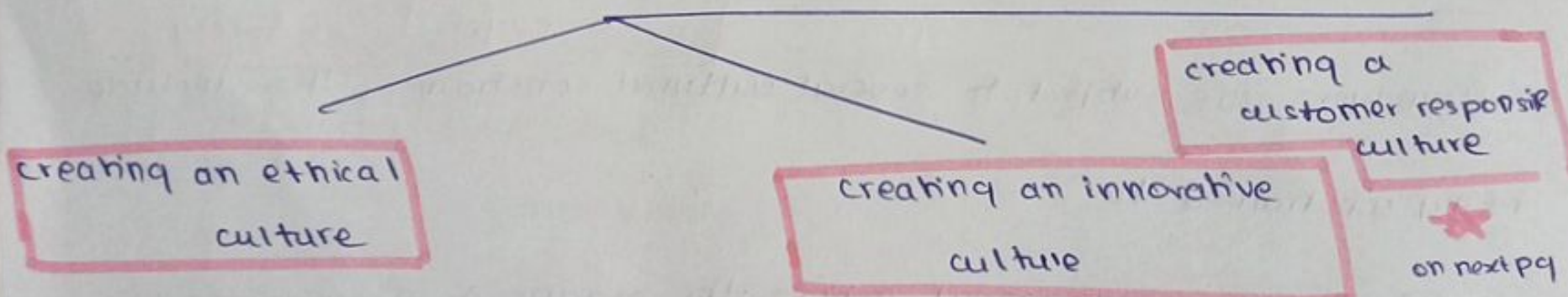
→ can exist on ~~two~~ ^{three} facets

- (i) creating an ethical culture
- (ii) creating an innovative culture
- (ii) creating a customer-responsive culture

Managerial decisions affected by culture

Planning, Organizing, Leading
Controlling - write in terms of degree of freedom within org. scope

Organization Culture Issues



- (i) high in risk tolerance
- (ii) low to moderate aggressiveness
- (iii) Focus on means & outcomes



To resolve this managers should

- be visible role models
- communicate ethical expectations
- reward ethical & punish unethical ones
- provide protective mechanisms

- (i) trust
- (ii) openness
- (iii) playfulness/humor
- (iv) conflicts
- (v) debates

creating a customer-responsive culture

- hiring the right kind of employees
- having few rigid rules
- providing role clarity to employees

Q19. Discuss why workplace spirituality is important & its characteristics

* Spirituality and Organizational Culture

- (*) Workplace Spirituality - recognition that people have an inner life that nourishes and is nourished by meaningful work that takes place in the context of community

Characteristics of a Spiritual Organization

- strong sense of purpose
- focus on individual development
- trust and openness
- employee empowerment

Benefits of Spirituality

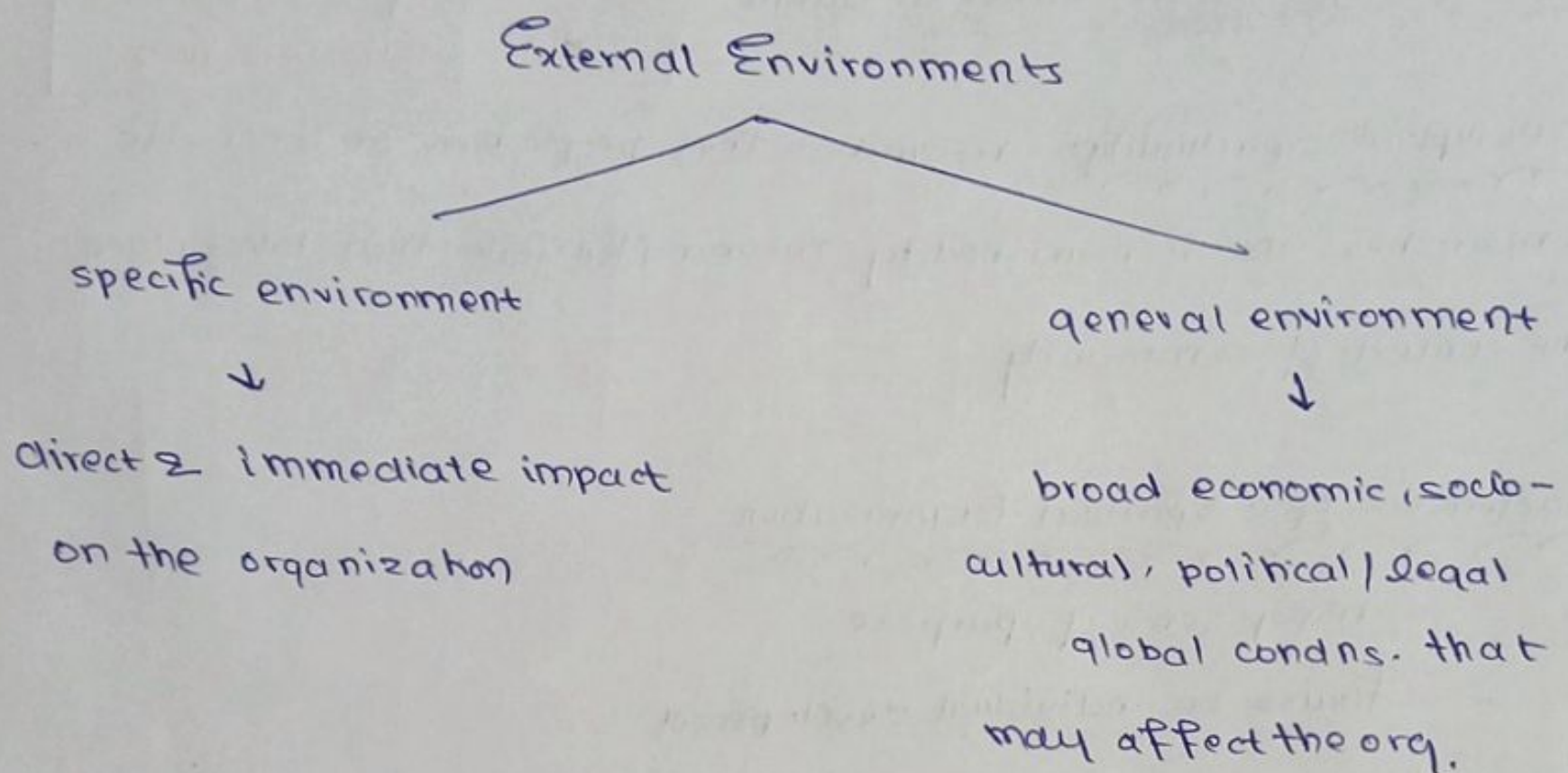
- improved employee productivity
- reduction of employee turnover
- stronger organizational performance
- increased creativity
- increased employee satisfaction

* External Environment

Q20. Describe the components of specific & general environments

→ Factors and forces outside the organization that affect its performance.

→ External environments can be categorized as:



* How the environment affects managers

→ The extent to which managers have knowledge of and are able to predict change depends on:

Q21. Discuss the 2 dimensions of environmental uncertainty

- (i) complexity of the env.
- (ii) degree of change in env. components

Environmental Uncertainty Matrix

		degree of change	
		stable	dynamic
degree of complexity	simple	• stable & predictable • similar components	• dynamic & unpredictable • similar component
	complex	• stable & predictable • dissimilar components	• dynamic & unpredictable • dissimilar components

* Stakeholder Relationships

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Stakeholder - any constituencies in the organization's environment that are affected by the organization's decisions & actions

- can be employees, customers, govt., media, communities, unions, competitors

Why should stakeholder relationships be managed?

→ improve organization performance

→ org. & stakeholders are interdependent ⇒ should be maintained

Steps in Managing Stakeholder Relationships

Q22. Explain the 4 steps in managing external stakeholder relationships

1. Identify the org's external stakeholders
2. Determine their particular interests & concerns
3. Decide how critical each is
4. Decide how to manage each stakeholder relationship