

# Business Management and Financial Accounting



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# Module –I

Module 1: Introduction to Management Principles Definition - Management - Role of managers - Organization and the environmental factors – Trends and Challenges of Management in Global Scenario. PLANNING Nature and purpose of planning - Planning process - Types of plans – Objectives - Managing by objective (MBO) Strategies - Types of strategies - Policies - Decision Making - Types of decision - Decision Making Process - Rational Decision Making

# FUNDAMENTALS OF MANAGEMENT



# Management

- Management
- 5Ms of Management

# What is Management?

- “Management is the process involving planning, organizing, staffing, directing and controlling human efforts to achieve stated objectives in an organization.”



# Introduction

- Management is a universal phenomenon. It is a very popular and widely used term.
- All organizations - business, political, cultural or social are involved in management
- It is something that *directs group efforts* towards the attainment of certain *pre - determined goals*.
- It is the process of working with and through others to effectively achieve the goals of the organization, by efficiently using limited resources in the changing world.

# Management

- According to **Harold Koontz**, “**Management** is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals and can co-operate towards attainment of group goals”.
- According to F.W. Taylor, “Management is an art of knowing what to do, when to do and see that it is done in the best and cheapest way”.

## UNDERSTANDING MANAGEMENT

Management is a process of planning, decision making, organizing, leading, motivation and controlling the human resources, financial, physical, and information resources of an organization to reach its goals efficiently and effectively.



# Features / Nature of Management

- Management is an activity concerned with guiding human and physical resources such that organizational goals can be achieved. Nature of management can be highlighted as:-

1. **Management is Goal-Oriented:** The success of any management activity is assessed by its achievement of the predetermined goals or objective. Management is a purposeful activity.

2. **Management integrates Human, Physical and Financial Resources:** In an organization, human beings work with non-human resources like machines. Materials, financial assets, buildings etc.



3. **Management is Continuous:** Management is an ongoing process. It involves continuous handling of problems and issues.
4. **Management is all Pervasive:** Management is required in all types of organizations whether it is political, social, cultural or business because it helps and directs various efforts towards a definite purpose.
5. **Management is a Group Activity:** Management is very much less concerned with individual's efforts. It is more concerned with groups.
6. Intangible.
7. An Art as well as Science.

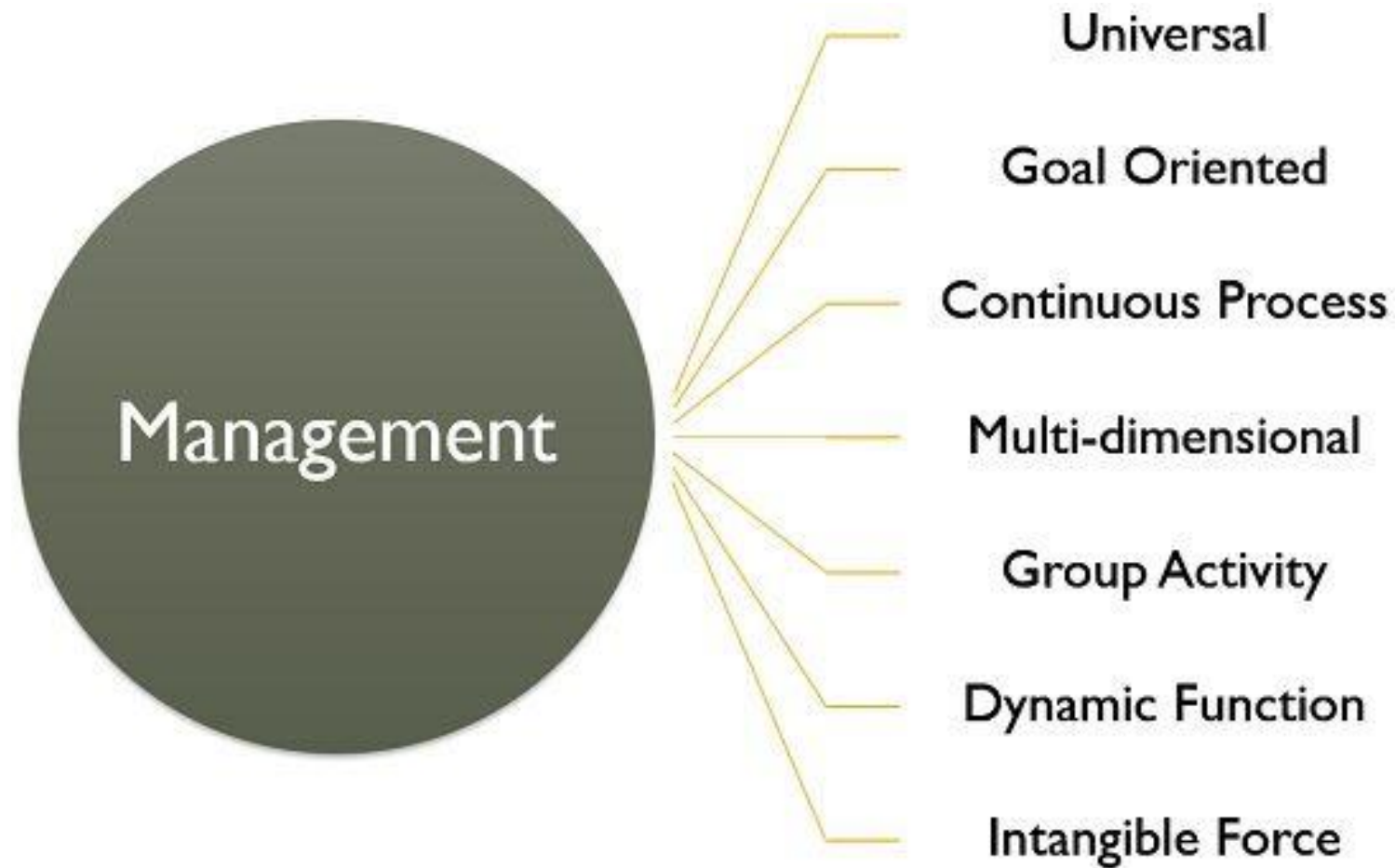
# Objectives of Management

- 1. Getting Maximum Results with Minimum Efforts** - The main objective of management is to secure maximum outputs with minimum efforts & resources.
- 2. Increasing the Efficiency of factors of Production** - Through proper utilization of various factors of production, their efficiency can be increased
- 3. Maximum Prosperity for Employer & Employees** - Management ensures smooth and coordinated functioning of the enterprise.
- 4. Human betterment & Social Justice** - Management serves as a tool for the up-liftment as well as the betterment of society.

# Importance of Management

1. **It helps in Achieving Group Goals** - It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals.
2. **Optimum Utilization of Resources** - Management utilizes all the physical & human resources productively. This leads to efficacy in management.
3. **Reduces Costs** - It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output.
4. **Establishes Sound Organization** - No overlapping of efforts (smooth and coordinated functions). To establish sound organizational structure is one of the objective of management
5. **Establishes Equilibrium** - It enables the organization to survive in changing environment. It keeps in touch with the changing environment.
6. **Essentials for Prosperity of Society** - Efficient management leads to better economical production which helps in turn to increase the welfare of people. Good management makes a difficult task easier by avoiding wastage of scarce resource.

# Nature of Management is:



# SCOPE OF MANAGEMENT

The scope of management is dynamic and may vary depending on the organization's size, industry, and specific managerial roles

- **FUNCTIONAL AREAS** (*covers functional areas within an organization, such as marketing, finance, operations, and human resources*)
- **PLANNING** (*Managers engage strategic planning*)
- **ORGANIZING** (*allocate resources, and define roles and responsibilities*)
- **Leading** (*involves leading and motivating employees to achieve goals*)
- **CONTROLLING** (*Monitoring performance* )

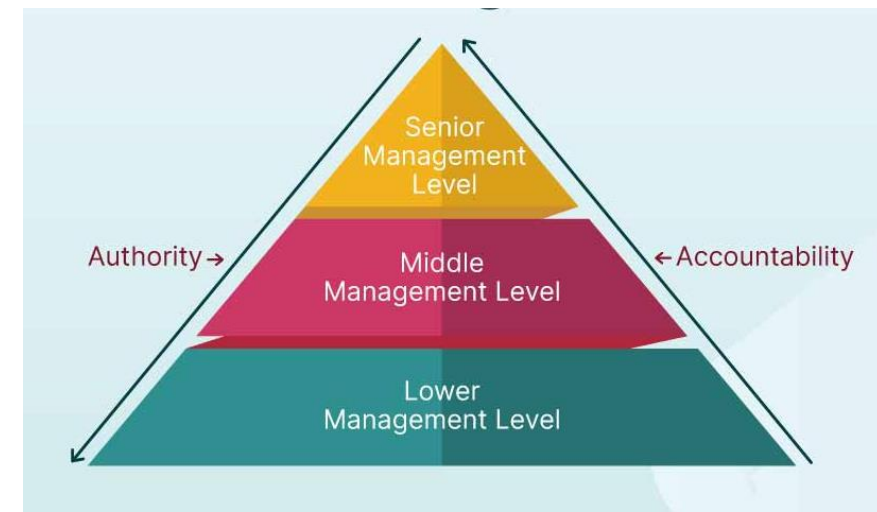
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- Decision-making (decisions at various levels)
- **COMMUNICATION** (Effective communication is vital in management)
- Stakeholder management (interact with various stakeholders)
- **Adaptation To The External Environment** (consider the external environment-PESTEL)
- Ethical and social responsibility (responsible for ensuring ethical behavior )

# LEVELS OF MANAGEMENT

The number of levels in management increases when the size of the business and work force increases and vice versa.

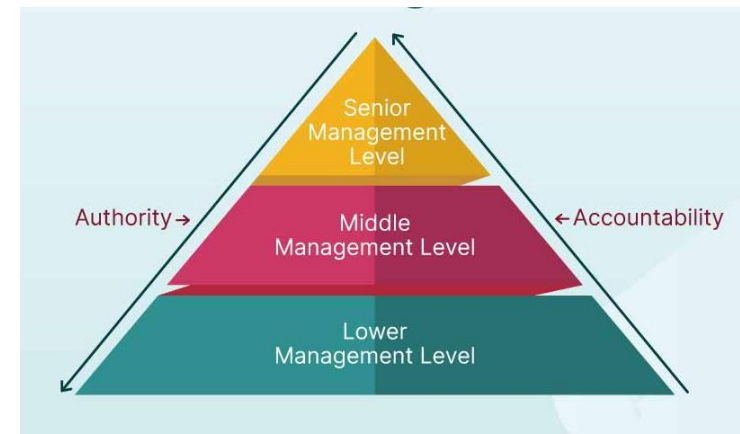
- **Top level** / Administrative level
- **Middle level** / Executory
- **Low level** / Supervisory / Operative / First-line managers



# Levels Of Management

## Top Level Management

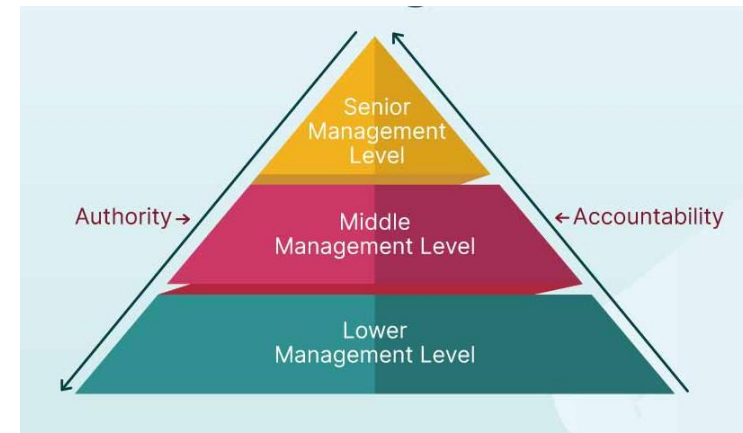
- **The** top-level management is generally occupied by the ownership group.
- It is the highest level in the managerial hierarchy and the ultimate source of authority in the organisation.





# Middle Level Management

- who are responsible for controlling and running an organization rather than making decisions about how it operates
- Middle-level management consists of departmental managers, deputy managers, foremen and administrative officers etc.

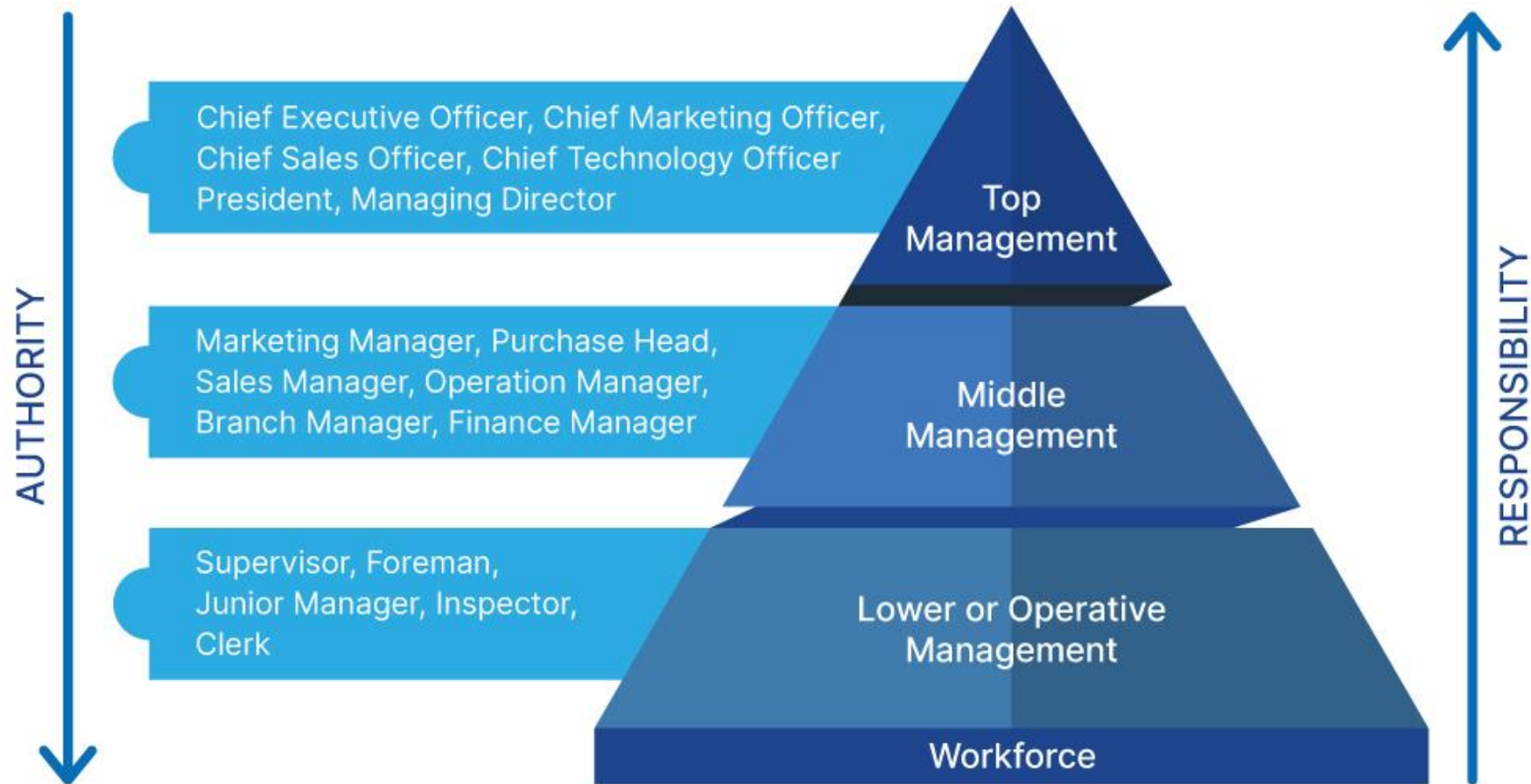


# Lower Level or Supervisory Level Management

- It consists of factory supervisors, superintendents, foremen, sales supervisors, accounts officers etc.
- They directly guide and control the performance of workers. They issue orders and instructions and guide day to-day activities.

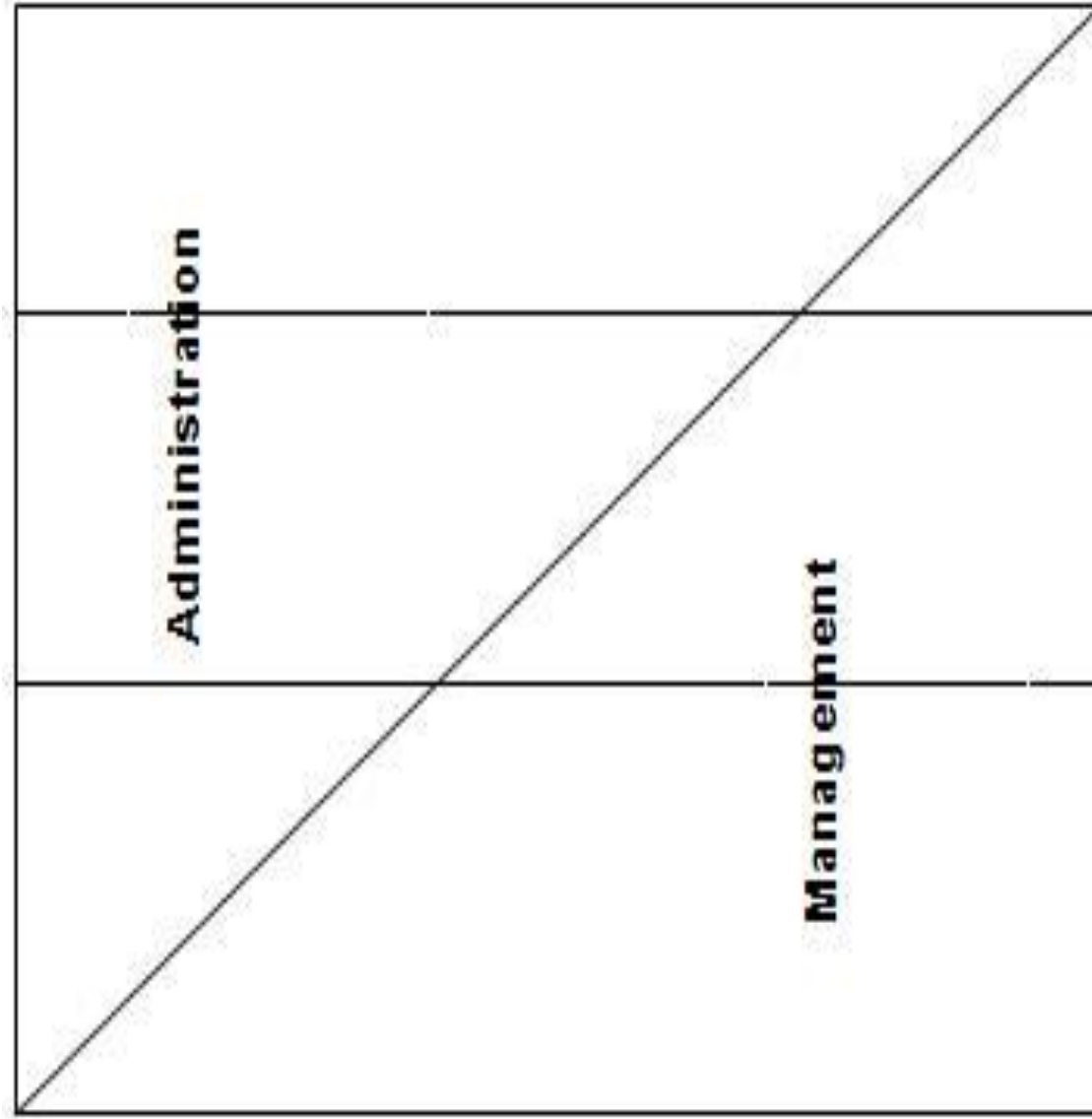


# LEVELS OF MANAGEMENT



# Management and Administration

Basis	Management	Administration
Meaning	Management is an art of getting things done through others by directing their efforts towards achievement of pre-determined goals.	It is concerned with formulation of broad objectives, plans & policies.
Nature	Management is an executing function.	Administration is a decision-making function.
Process	Management decides who should do it & how should he do it.	Administration decides what is to be done & when it is to be done.
Function	Management is a doing function because managers get work done under their supervision.	Administration is a thinking function because plans & policies are determined under it.
Skills	Technical and Human skills	Conceptual and Human skills
Level	Middle & lower level function	Top level function



Top Level

Middle Level

Lower Level

# Functions of Management

- According to Henry Fayol, “To manage is to forecast and plan, to organize, to command, & to control”.
- Whereas Luther Gullick has given a keyword '**POSDCORB**' where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting.
- But the most widely accepted are functions of management given by KOONTZ and O'DONNEL i.e. **Planning, Organizing, Staffing, Directing and Controlling**.



# PLANNING

- It is the basic function of management. It deals with **chalking out a future course of action & deciding in advance** the most appropriate course of actions for achievement of pre-determined goals.
- According to KOONTZ, “Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be”.
- A plan is a future course of action. It is an exercise in problem-solving & decision-making.
- **Planning is systematic thinking** about ways & means for the accomplishment of pre-determined goals.



# Organizing

- It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals.

## Organizing as a process involves:

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

# ORGANIZING





# Staffing

- The main purpose of staffing is to put the right man on the right job
- Staffing involves:
  - Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
  - Recruitment, Selection & Placement.
  - Training & Development.
  - Remuneration.
  - Performance Appraisal.
  - Promotions & Transfer.



# Directing

***Directing is a key  
managerial function***



- It means guiding, inspiring and supervising the people to work for the betterment of the organisation.

Direction has following elements:

- **Supervision** -implies overseeing the work of subordinates by their superiors.
- **Motivation** -means inspiring, stimulating or encouraging the sub-ordinates with zeal to work.
- **Leadership** -guides and influences the work of subordinates in desired direction.
- **Communication** -is the process of passing information, experience, opinion etc from one person to another.

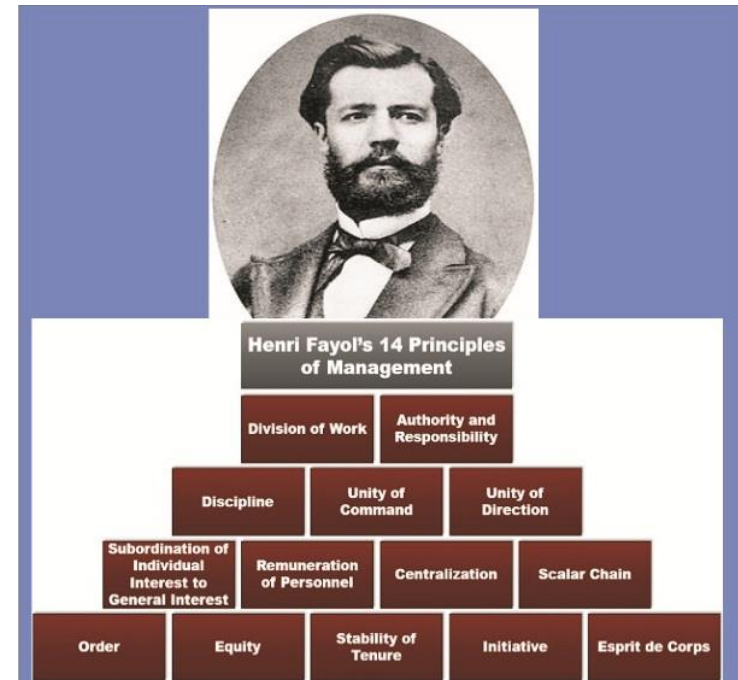
# Controlling

- The purpose of **controlling** is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur.
- According to *Theo Haimann*, “**Controlling is the process of checking whether or not proper progress** is being made towards the objectives and goals and acting **if necessary, to correct any deviation**”.
- According to Koontz & O’Donell “**Controlling is the measurement & correction of performance activities** of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished”.



# Management Principles

- Henri Fayols 14 Principles of Management
- A principle refers to a fundamental truth. It establishes cause and effect relationship between two or more variables under given situation. They serve as a guide to thought & actions. Therefore, **management principles are the statements of fundamental truth based on logic which provides guidelines for managerial decision making and actions.** These principles are derived: -
  - **On the basis of observation and analysis i.e. practical experience of managers.**
  - **By conducting experimental studies.**

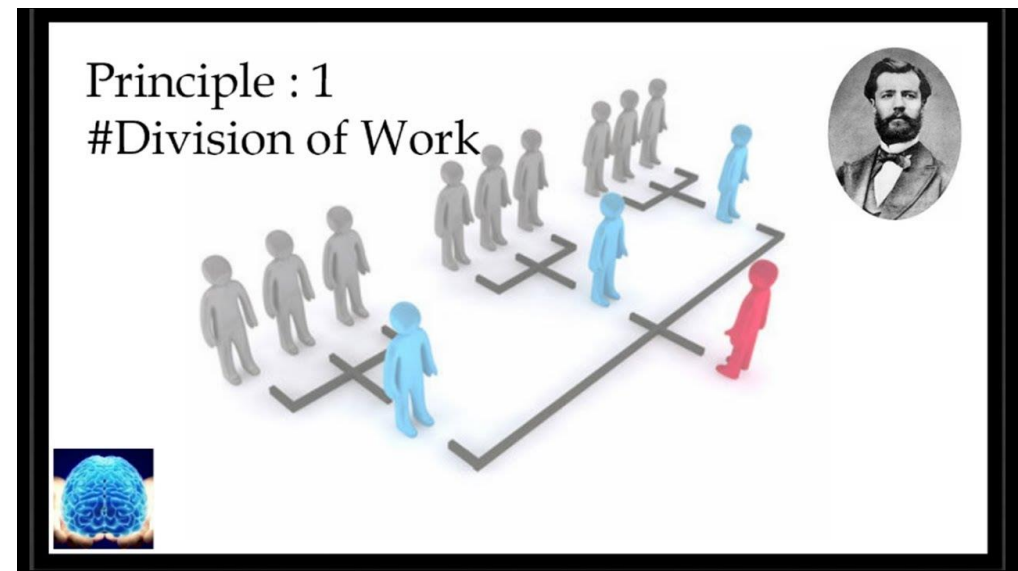


# Henri Fayol's 14 Principles of Management

- 1 • Division of Work
- 2 • Authority and Responsibility
- 3 • Discipline
- 4 • Unity of Command
- 5 • Unity of Direction
- 6 • Subordination of Individual Interest
- 7 • Remuneration
- 8 • The Degree of Centralization
- 9 • Line of Authority/Scalar Chain
- 10 • Order
- 11 • Equity
- 12 • Stability of Tenure of Personnel
- 13 • Initiative
- 14 • Esprit de Corps/Team Spirit

# 1. DIVISION OF WORK:

- **Work should be divided among individuals** and groups to ensure that effort and attention are focused on special portions of the task. Fayol presented work specialization as the best way to use the human resources of the organization.



## 2. AUTHORITY

- The concepts of Authority and responsibility are closely related. Authority was defined by Fayol as the right to give orders and the power to exact obedience. Responsibility involves being accountable, and is therefore naturally associated with authority. Whoever assumes authority also assumes responsibility.



### 3. DISCIPLINE

- A successful organization requires the common effort of workers. Penalties should be applied judiciously to encourage this common effort.





## 4. UNITY OF COMMAND

- Workers should receive orders from only one manager.



## 5. UNITY OF DIRECTION:

- The entire organization should be moving towards a common objective in a common direction.



## 6. SUBORDINATION OF INDIVIDUAL INTERESTS TO THE GENERAL INTERESTS:

- The interests of one person should not take priority over the interests of the organization as a whole.



# 7. REMUNERATION

- Many variables, such as cost of living, supply of qualified personnel, general business conditions, and success of the business, should be considered in determining a worker's rate of pay.



## 8. CENTRALIZATION:

- Fayol defined **centralization as lowering the importance of the subordinate role**. Decentralization is increasing its importance. The degree to which centralization or decentralization should be adopted depends on the specific organization in which the manager is working.



# 9. SCALAR CHAIN:

- **Managers in hierarchies are part of a chain like authority scale.** Each manager, from the first-line supervisor to the president, possess certain amounts of authority.
- The **President possesses the most authority**; the first-line supervisor the least. Lower-level managers should always keep upper-level managers informed of their work activities.

## □ Scalar chain.

- The line of authority from top management to the lowest ranks represents the scalar chain. Communications should follow this chain.




# 10. ORDER:

- For the sake of efficiency and coordination, all materials and people related to a specific kind of work should be treated as equally as possible.

## 10. ORDER

14

- This principle is concerned with **systematic arrangement** of men, machine, material etc.
- There should be a **specific place** for every employee in an organization.



53400 McDonald's Fast food Hamburger: 113 Sandwiches: 1

The illustration depicts a McDonald's kitchen layout designed for efficiency. Staff members are positioned at specific stations: one at the grill, another at the fry station, and others at the assembly and service counters. Equipment and ingredients are systematically arranged within reach of each worker. The layout demonstrates the 'ORDER' principle by ensuring that every employee has a designated and organized workspace to minimize movement and maximize productivity.



# 11. EQUITY:

- All employees should be treated as equally as possible.

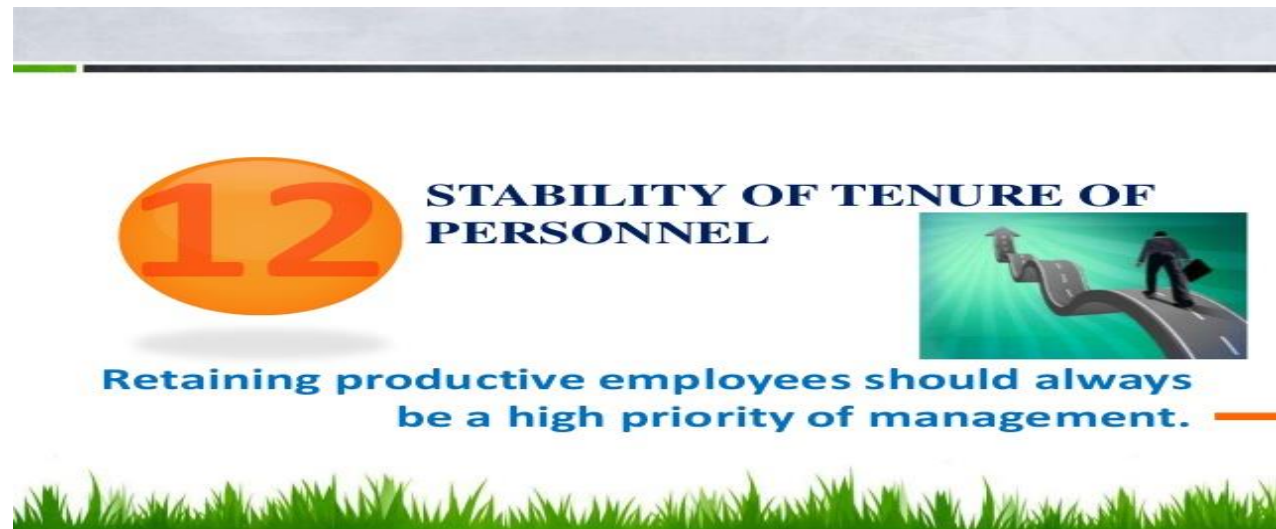
**EQUITY:** All employees should be treated as equally as possible.





## 12. STABILITY OF TENURE OF PERSONNEL:

- Retaining productive employees should always be a high priority of management. Recruitment and Selection Costs, as well as increased product-reject rates are usually associated with hiring new workers.



## 13. INITIATIVE:

- Management should take steps to encourage worker initiative, which is defined as new or additional work activity undertaken through self direction.



# 14. ESPIRIT DE CORPS:

- Management should encourage harmony and general good feelings among employees.

## Esprit de Corps

- Management should encourage harmony and general good feelings among employees.



# MANAGER

- A person who plans, organizes, directs and controls the allocation of human, material, financial, and information resources in pursuit of the organization's goals.



# Key **ROLES** and functions commonly associated with **MANAGER**ial positions

- Planning and goal-setting
- Organizing and resource allocation
- Leading and motivating
- Decision-making
- Communication and coordination
- Performance management
- Problem-solving
- Change management
- Budgeting and financial management
- Relationship management

# ROLE OF MANAGER

## Management Roles by Henry Mintzberg



- Figurehead
- Leader
- Liasion



- Monitor
- Disseminator
- Spokeperson



- Entrepreneur
- Disturbance Handler
- Resource Allocator
- Negotiator

# ORGANIZATION AND THE ENVIRONMENTAL FACTORS – in Management

- Economic factors:
- Technological factors:
- Social and cultural factors:
- Legal and regulatory factors:
- Political factors:
- Environmental factors:
- Competitive factors:
- Demographic factors:



Fig. 37.2 Constituents of business environment



# TRENDS AND CHALLENGES OF MANAGEMENT IN GLOBAL SCENARIO

- Globalization
- Digital transformation
- Remote and virtual work
- Talent management and workforce diversity
- Sustainability and corporate social responsibility (CSR)
- Changing consumer behavior
- Flexible management approaches
- Geopolitical and economic uncertainties
- Ethical and governance challenges
- Lifelong learning and skill development





# Planning

## What is Planning?

- It is one of the primary managerial duties
- Planning is ascertaining prior to what to do and how to do.

According to Koontz and O' Donnell," Planning is deciding in advance what to do, how to do it, when to do it and who is to do it." Planning bridges the gap between where we are and where we want to go. It makes possible things to occur which would not otherwise occur".

## Importance of Planning - Why Planning is Important?

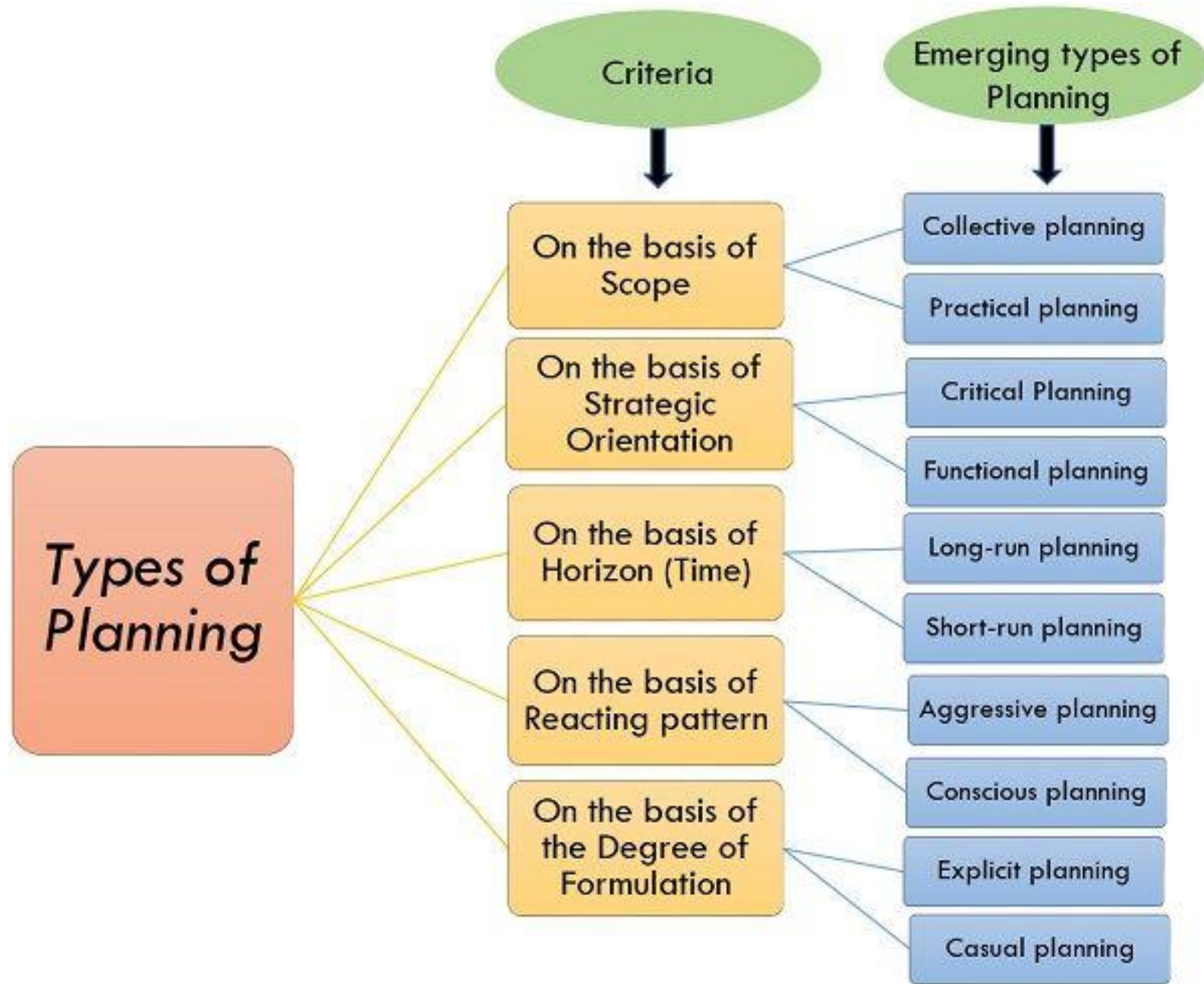
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1. Increases Efficiency
  2. Reduces Business-related Risks
  3. Facilitates Proper Coordination
  4. Aids in Organising
  5. Gives Right Direction
  6. Keeps Good Control
  7. Helps to Achieve Objectives
  8. Motivates the Personnel
  9. Encourages Creativity and Innovation
  10. Helps in Decision Making

## FEATURES OF PLANNING

- ➔ Primary function on management
- ➔ Focuses on achieving objectives
- ➔ Involves decision making
- ➔ Healthy public policy
- ➔ Continuous Process
- ➔ Futuristic
- ➔ Pervasive

# Planning Process





Planning	Controlling
<b>Definition</b>	
It is the first step on deciding what to do, how, where and when a specific work has to be done	Controlling is the main goal and responsibilities of all management in any enterprise
<b>Function</b>	
Planning is about looking ahead	Controlling is looking back
<b>Process</b>	
It is the first process in building a business	It is the last structure any business
<b>Features</b>	
Planning, arranging, employee, direction	Controls all the planning features





# Management o

- A management objective refers to the primary goal of a management team or system.
- An objective is a measurable, specific action an employee or team needs to take to meet the needs of a larger company goal.

# Importance of objectives

- Help define goals,
- Identify conflicting activities,
- Guide elements of the decision-making process,
- And ensure accountability of personnel within an organization.



# Management by Objectives

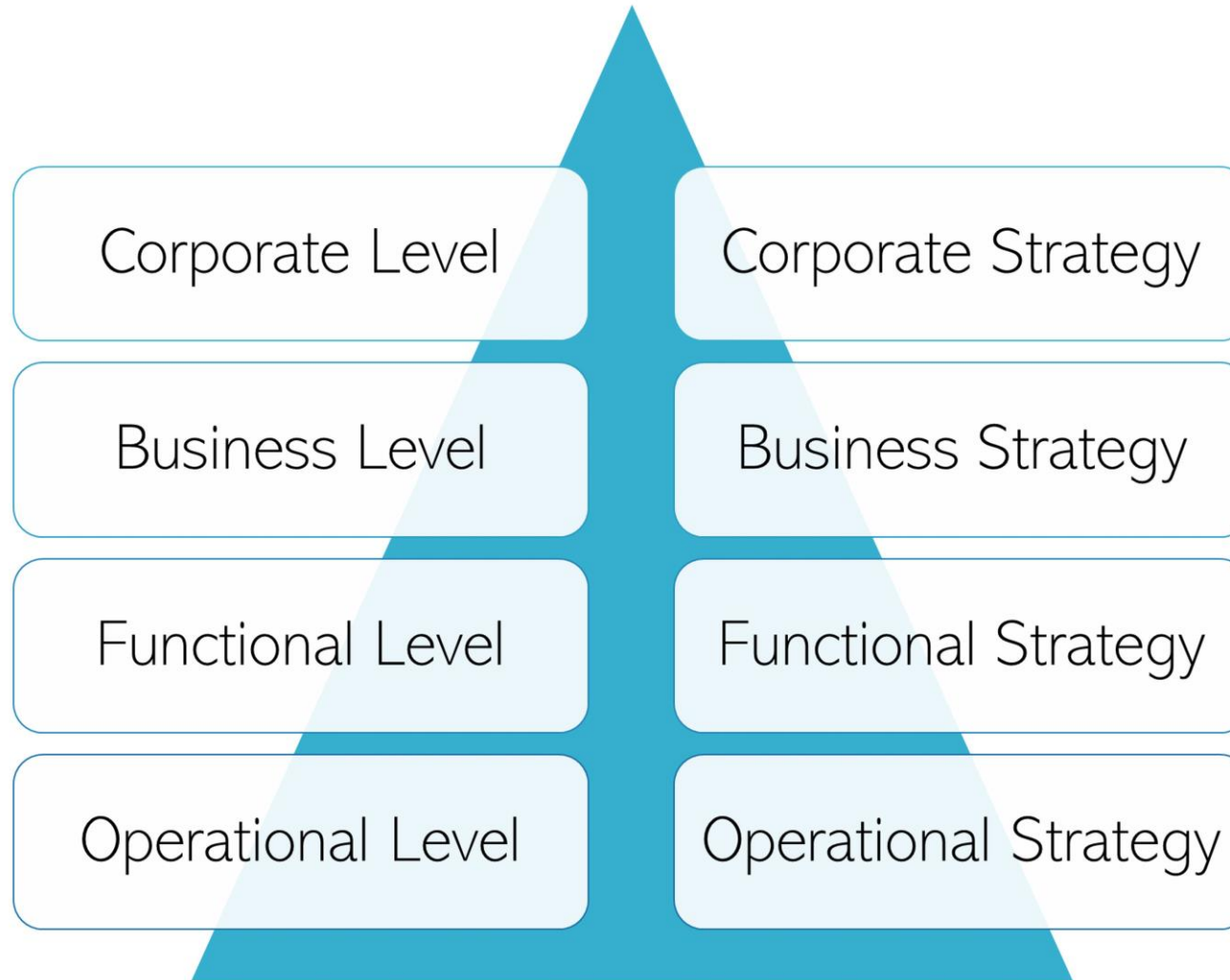
- MBO stands for Management by Objectives and is a framework designed to manage businesses based on their needs and goals
- Management by Objectives (MBO) is a strategic approach to enhance the performance of an organization. It is a process where the goals of the organization are defined and conveyed by the management to the members of the [organization](#) with the intention to achieve each objective.



# Strategy

- A strategy is a general plan or set of plans intended to achieve something, especially over a long period.
- **a detailed plan for achieving success in situations** such as war, politics, business, industry

# Types of Strategy



# Corporate Strategy

- Corporate strategy refers to the overall plan and direction a [company](#) decides to follow to achieve its long-term goals and objectives. It's like a roadmap that guides the company's actions, decisions, and resource allocation to ensure it moves in the right direction to be successful.
- In simpler terms, a [corporate strategy](#) as a big-picture plan that helps a company decide what it wants to achieve and how it will get there.



- ***Business strategy*** is related to the particular market, product or resources

# Functional Strategy

- Functional strategy refers to the specific plans and actions of a company's different parts or functions. Like departments or teams, develop to support the business's overall goals. It's like a detailed game plan for each part of the company to do its best work and contribute to its success.

# Policy

- A policy is a set of rules or guidelines for your organization and employees to follow in order to achieve a specific goal (i.e. compliance).
- Effective policies answer questions about what employees do (such as directions, limits, principles, and decision-making guidance) and why they do it.
- Policy is a deliberate system of guidelines to guide decisions and achieve rational outcomes.
- A policy is a statement of intent and is implemented as a procedure or protocol.

# POLICY

*The formal guidance needed to coordinate and execute activity throughout the district. When effectively deployed, policy statements help focus attention and resources on high priority issues - aligning and merging efforts to achieve the district's vision. Policy provides the operational framework within which the district functions.*

- Widespread application
- Changes less frequently
- Usually expressed in broad terms
- States "what" and/or "why"
- Answers operational issues

# PROCEDURE

*The operational processes required to implement district policy. Operating practices can be formal or informal, specific to a department or building or applicable across the entire district. If policy is "what" the district does operationally, then its procedures are "how" it intends to carry out those operating policy expressions.*

- Narrow application
- Prone to change
- Often stated in detail
- States "how", "when", and/or "who"
- Describes process



# DECISION MAKING



# Meaning

- Decision-making is the **process of selecting the best course of action** among several alternatives to achieve a specific goal or solve a problem.
- **It involves** gathering information, assessing potential options, considering their consequences, and making a choice that aligns with the decision-maker's objectives and constraints.
- Decision-making **occurs in various contexts**, from personal choices in daily life to complex business and organizational decisions.



## Importance of Decision-Making in Management

1. • Better Utilisation of Resources
2. • Facing Problems and Challenges
3. • Business Growth
4. • Achieving Objectives
5. • Increases Efficiency
6. • Facilitates Innovation
7. • Motivates Employees



# 7 STEPS TO EFFECTIVE DECISION MAKING

Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions.

Using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives. This approach increases the chances that you will choose the most satisfying alternative possible.

1  
IDENTIFY  
THE DECISION

2  
GATHER  
INFORMATION

3  
IDENTIFY  
ALTERNATIVES

4  
WEIGH THE  
EVIDENCE

5  
CHOOSE  
AMONG  
ALTERNATIVES

6  
TAKE ACTION

7  
REVIEW YOUR  
DECISION





# 5 Simple Steps For Decision Making

1



## Identify that you have to make a decision.

When a situation arises and you have to make a decision, it is important to pause and identify that you have to decide about something.

2



## Think about the different choices that you have.

There are always many choices that you can make in any given situation. Were you given choices or is it up to you to come up with the choices and then decide?

3



## Create a Pro and Con List.

Before making a decision, create a quick T-chart with one side labeled "pros" and one side labeled "cons". The pros represent the ideas in favor of something and the cons represent the ideas against doing something.

4



## Try it out!

After you make your decision, put your decision into action.

5



## Reflect!

Think about how your decision worked out. How does it effect you and others? Are you happy with your decision, or are you going to change your mind.



# **TYPES OF DECISION MAKING**

**1 PROGRAMMED AND NON-PROGRAMMED**

**2 ROUTINE AND STRATEGIC DECISIONS**

**3 ORGANIZATIONAL AND PERSONAL**

**4 POLICY AND OPERATIONAL DECISIONS**

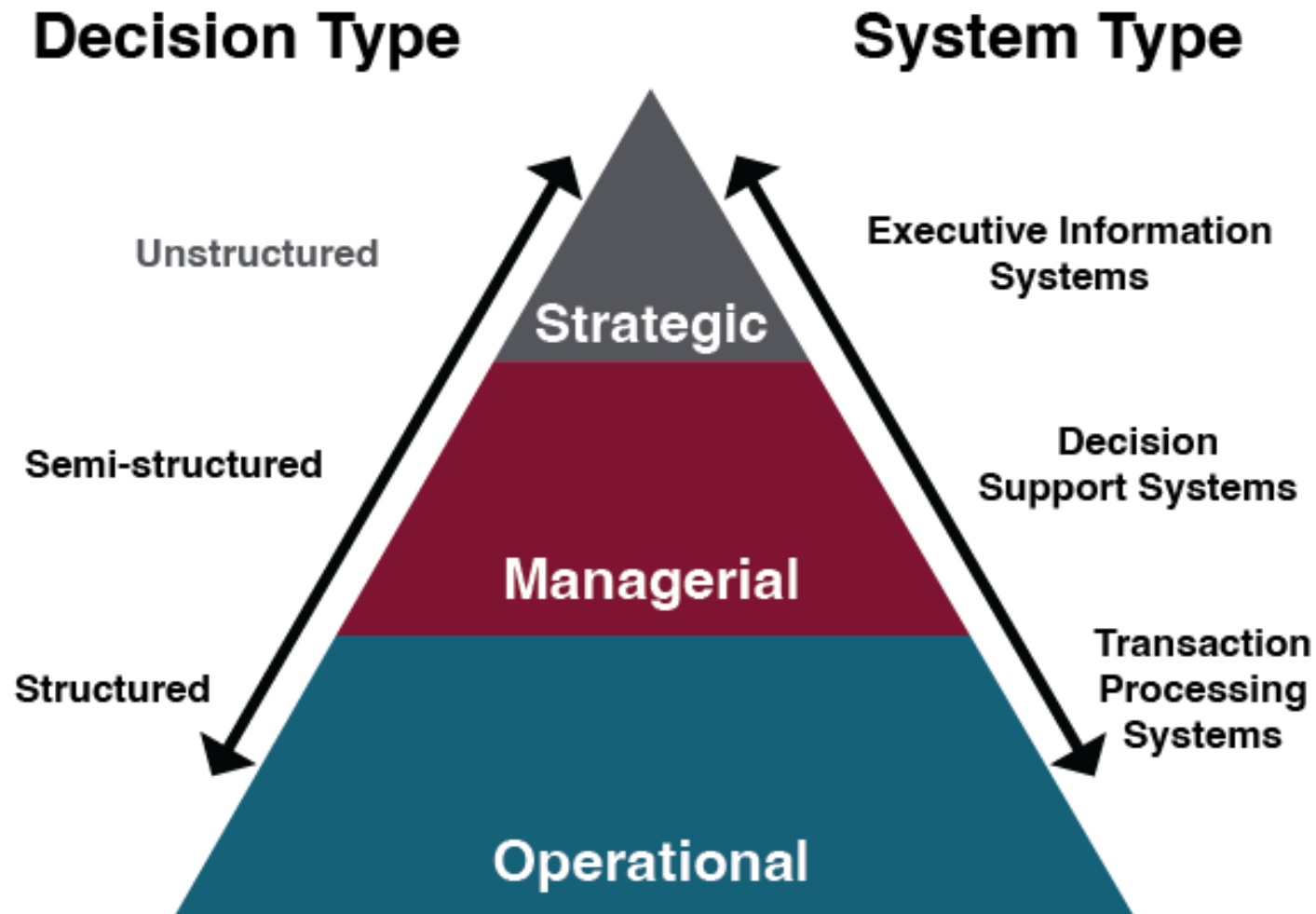
**5 INDIVIDUAL AND GROUP DECISIONS**

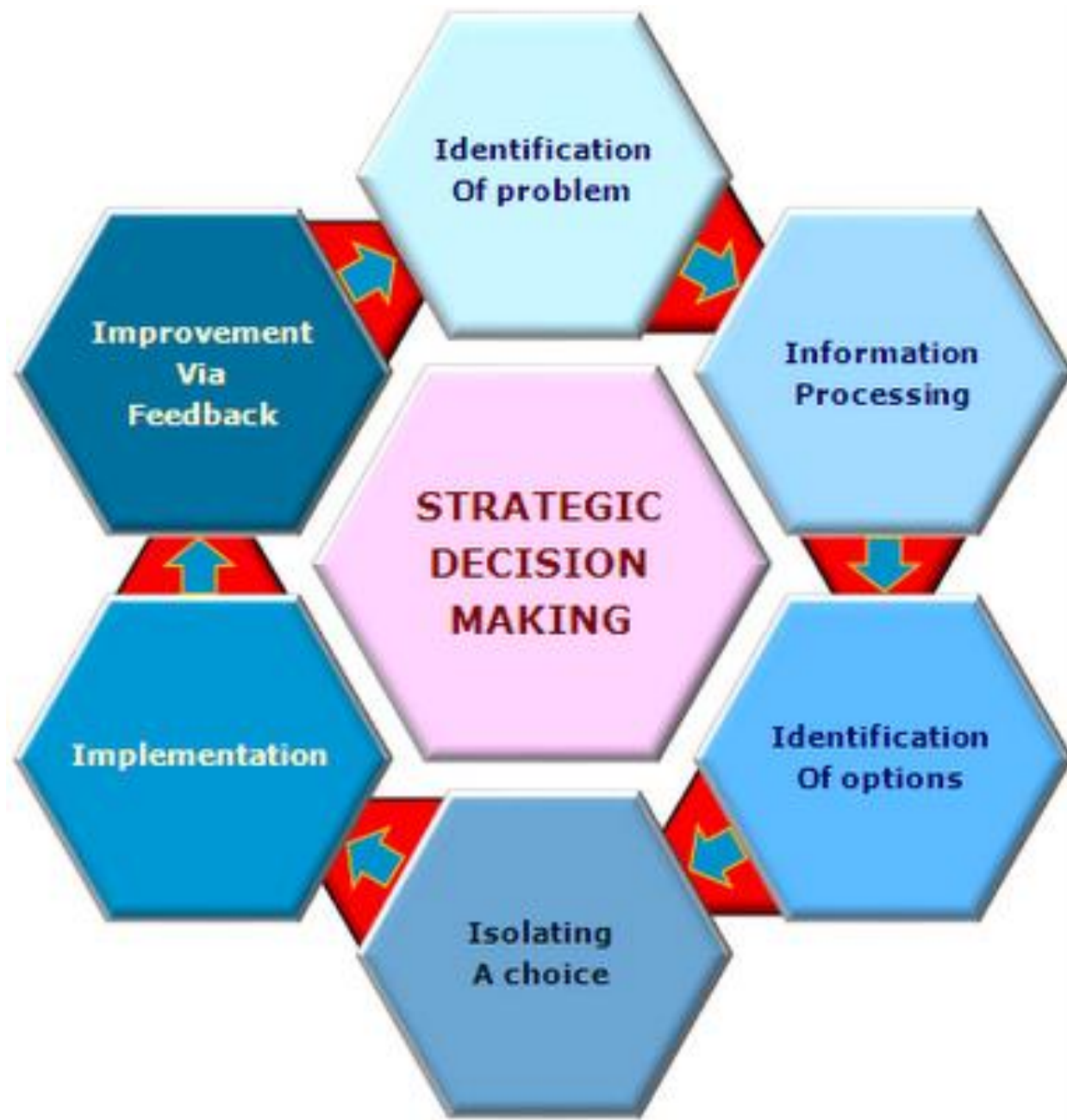
**6 MAJOR AND MINOR DECISIONS**

# TYPES OF DECISION

- **Routine and Strategic Decisions:** tactical or routine decisions are made repetitively following certain established rules, procedures and policies.
- **Programmed and Non-programmed Decisions:** The programmed decisions are of routine and repetitive natures which are to be dealt with according to specific procedure.
- **Policy and Operating Decisions:** Policy decisions are of vital importance and are taken by the top management.
- **Organisational and Personal Decisions:** Organisational decisions are those which a manager takes in his official capacity.
- **Individual and Group Decisions:** When a decision is taken by an individual in the organisation, it is known as individual decision.

# Level of Management and Decision types





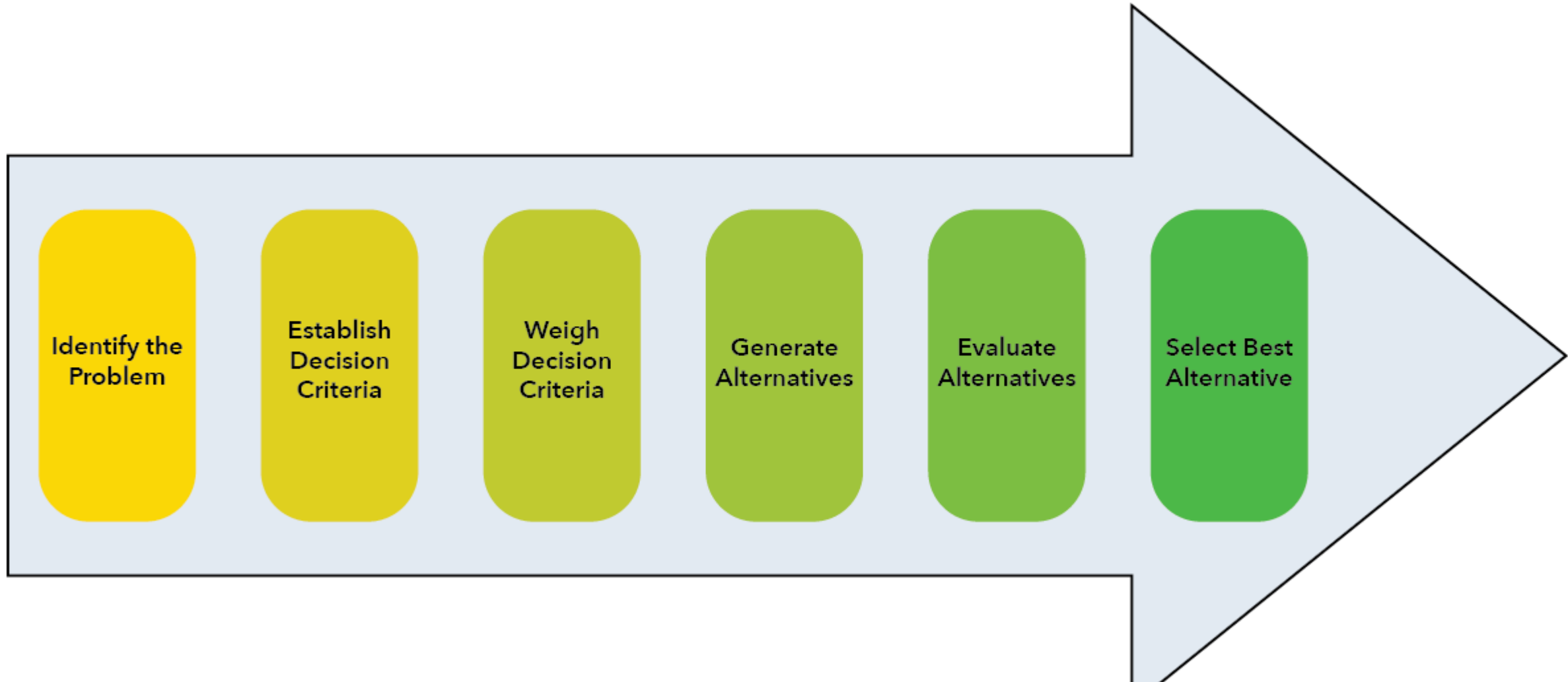
# Rational decision-making

- Rational decision-making refers to a systematic and logical approach to making choices based on careful analysis, objective reasoning, and the consideration of available information and alternatives.





# The Rational Decision-Making Process



# Elements of Decision Making

