PRINCIPLES OF MANAGEMENT AND PROFESSIONAL ETHICS

Subject Code - SBAA4002

UNIT - 1

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Management Theories

Definition of management - science or art - manager Vs entrepreneur. Types of managers - managerial roles and skills.

Evolution of management-scientific, human relations, system and contingency approaches; Types of Business.

Organizations - sole proprietorship, partnership, company, public and private enterprises.

Organization culture and environment; Current trends and issues in management.

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Management

Objectives of this lesson are

- To know the concept and meaning of management.
- To understand about basic nature of management.
- To get knowledge of overall importance of management.
- To understand the difference between management and administration.
- To learn about the application of management principles.

Management

- Today's manager combine traditional management abilities with novel ways that stress the human touch, increase flexibility, and engage personnel.

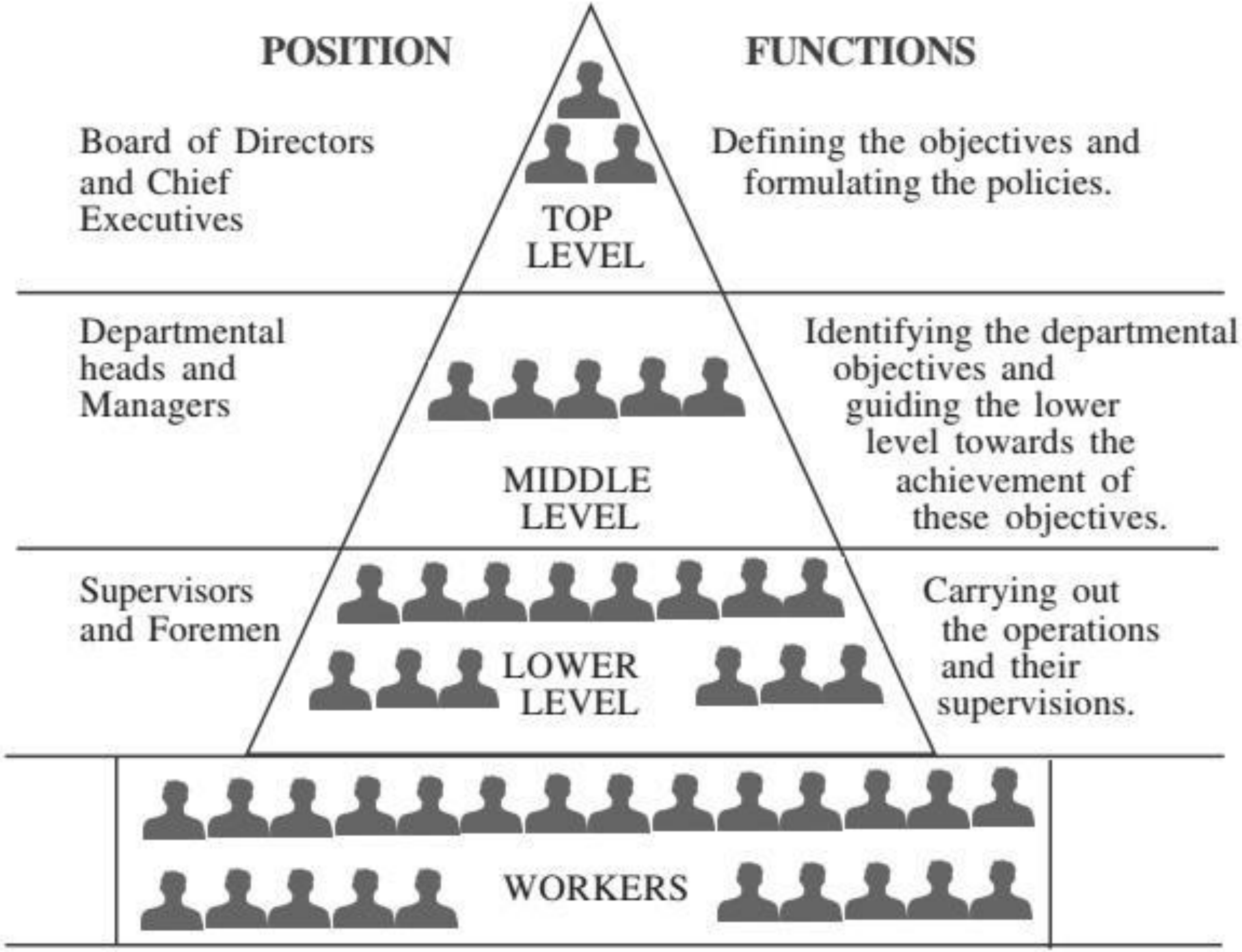
Management = Manage + men + t(tactfully)

- According To **Harold Koontz** "Management is the art of getting things done through others and with formally organised groups.“
- According to **George R. Terry** "Management Is a distinct process consisting of planning, organising, actuating and controlling; utilising in each both science and art, and followed in order to accomplish pre-determined objectives.
- According to **Massie & Douglas** “Management is the process by which co-operative group directs actions towards common goals."

Levels of Management

- **Top managers** are responsible for the overall direction and operations of an organization.
  - Particularly, they are responsible for setting organizational goals, defining strategies for achieving them, monitoring and implementing the external environment, decisions that affect entire organization.
- **Middle managers** are responsible for business units and major departments.
  - Examples of middle managers are department head, division head, and director of the research lab. The responsibilities of middle managers include translating executive orders into operation, implementing plans, and directly supervising lower-level managers.
- **First-line managers** are directly responsible for the production of goods and services.
  - Particularly, they are responsible for directing nonsupervisory employees. First-line managers are variously called office manager, section chief, line manager, supervisor.

Levels of Management



Management is an activity

Management is an activity just like playing, studying, teaching etc. It is an art of getting things done through efforts of other people.

The management activities consist of

- Interpersonal activities
- Divisional Activities
- Informative Activities

Interpersonal Roles

- **Figurehead** – includes symbolic duties which are legal or social in nature.
- **Leader** – includes all aspects of being a good leader. This involves building a team, coaching the members, motivating them, and developing strong relationships.
- **Liaison** – includes developing and maintaining a network outside the office for information and assistance.

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Decisional Roles

- **Entrepreneur** – involves all aspects associated with acting as an initiator, designer, and also an encourager of innovation and change.
- **Disturbance handler** – taking corrective action when the organization faces unexpected difficulties which are important in nature.
- **Resource Allocator** – being responsible for the optimum allocation of resources like time, equipment, funds, and also human resources, etc.
- **Negotiator** – includes representing the organization in negotiations which affect the manager's scope of responsibility.

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Informational Roles

- **Monitor** – includes seeking information regarding the issues that are affecting the organization. Also, this includes internal as well as external information.
- **Disseminator** – On receiving any important information from internal or external sources, the same needs to be disseminated or transmitted within the organization.
- **Spokesperson** – includes representing the organization and providing information about the organization to outsiders.

Management as a process

Management as a process – Management is considered as process as it comprises of
series of interrelated functions which lead to achievement of organization goals.
Management as a process has following implications.

- Social Process
- Integrated Process
- Continuous Process
- Interactive Process

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Social process

- **Management is a social process** - Since human factor is most important among the other factors, therefore management is concerned with developing relationship among people. It is the duty of management to make interaction between people - productive and useful for obtaining organizational goals.

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Integrating process

- **Management is an integrating process -** Management undertakes the job of bringing together human physical and financial resources so as to achieve organizational purpose. Therefore, is an important function to bring harmony between various factors.

Continuous Process

Management is a continuous process - It is a never ending process. It is concerned with constantly identifying the problem and solving them by taking adequate steps. It is an on-going process.

Management – As an Art

- An art requires the qualities: practical knowledge, personal skill, creativity, perfection through practice, goal oriented.
- Every art requires practical knowledge therefore learning of theory is not sufficient.
- It is very important to know practical application of theoretical principles. (Apply various principles in real situations).

Management – An art as well as science

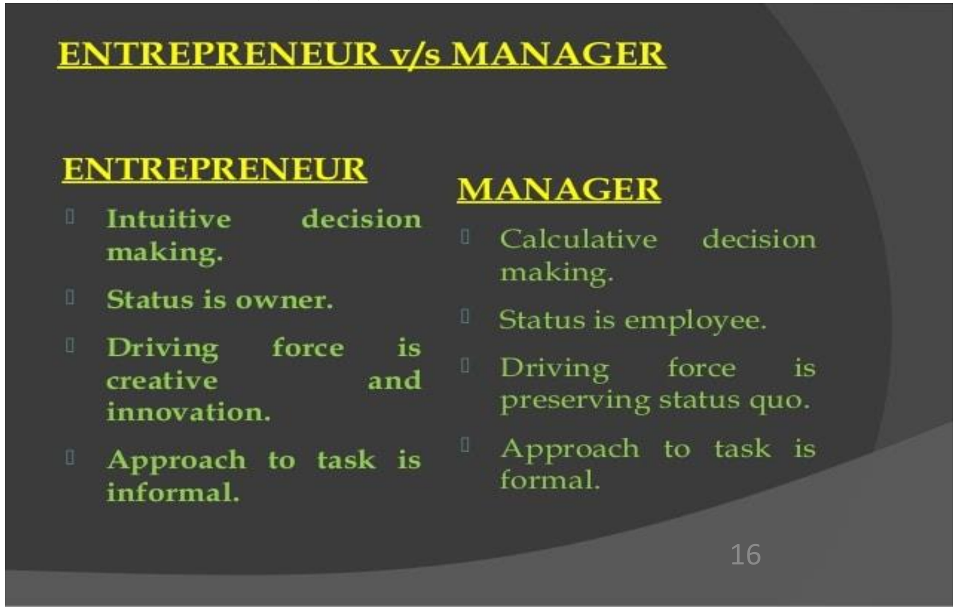
- It is considered as a science because it has an organized body of knowledge which contains certain universal truth.
- It is called an art because managing requires certain skills which are personal possessions of managers.
- Science teaches to ’know’ and art teaches to ’do’.
- A manager to be successful in his profession must acquire the knowledge of science & the art of applying it.

Science	*Art*
Advance by knowledge	By practicle
Proves	Feels
Predicts	Guesses
Defines	Describes
Measures	Opines
Impresses	Expresses

Functions of Manager and Entrepreneur

Manager - Performs the basic functions such as *planning, organising, directing and controlling*.

Entrepreneur - Main function is to reform or revolutionize the factors of production such as: *land, capital, labour, organization, enterprise*.



Functions of a Manager

Henri Fayol, a French businessman, first proposed in the early part of 20th century the various functions of a manager.

A manager is someone whose primary activities are a part of the management process. In particular, a manager is someone who plans, organizes, leads, and controls human, financial, physical, and information resources.

1) Planning
2) Organizing
3) Commanding
4) Coordinating
5) Controlling

Managerial Functions

Planning

- Forecasting
- Decision making
- Strategy formulation
- Policy making
- Scheduling
- Budgeting
- Problem-solving
- Innovation
- Investigation and research

Organizing

- Grouping of Functions
- Departmenting
- Delegation
- Decentralisation
- Activity analysis
- Task allocation

Staffing

- Manpower planning
- Job analysis
- Recruitment
- Selection
- Training
- Placement
- Compensation
- Promotion
- Appraisal

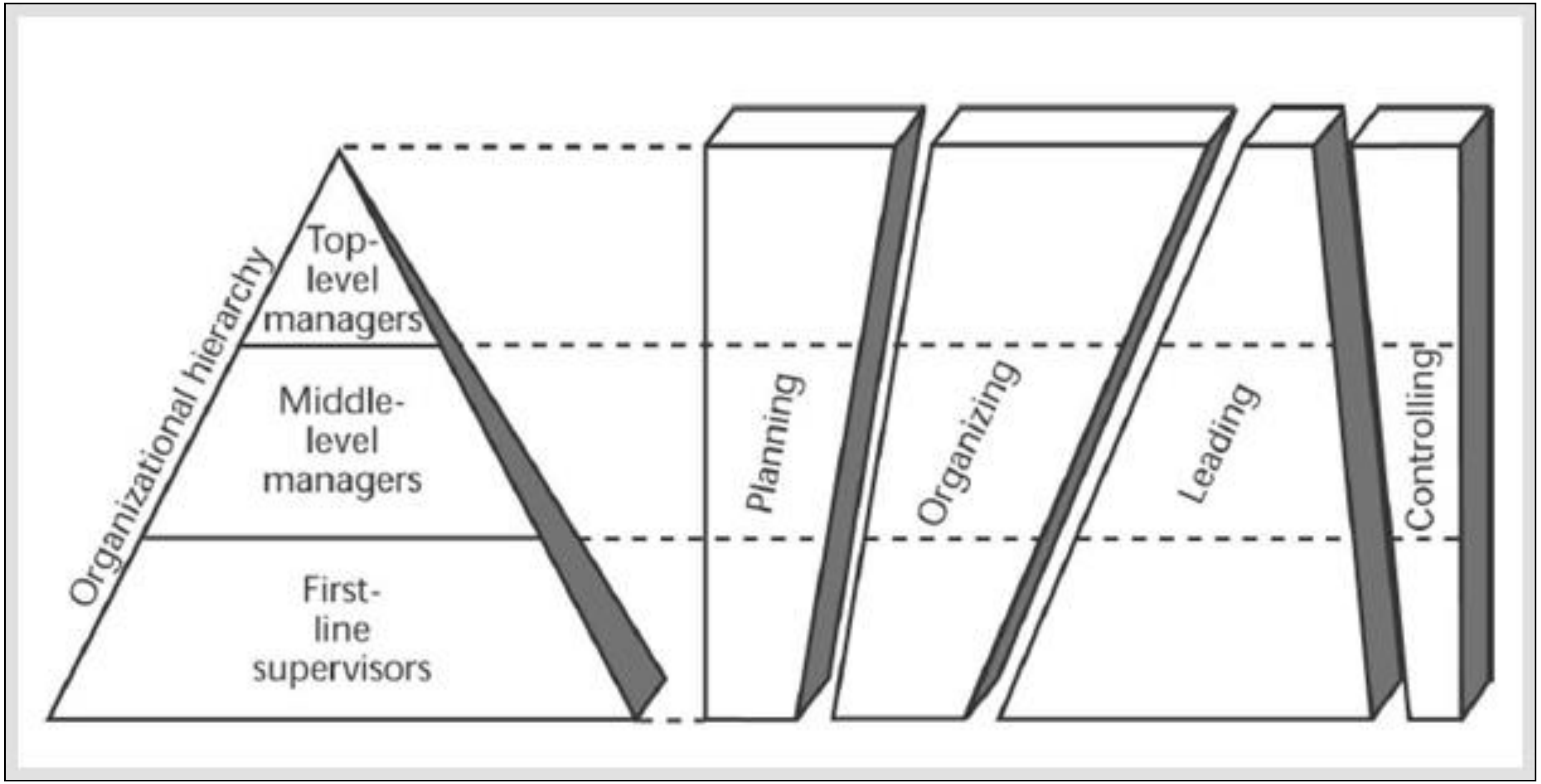
Leading

- Supervision
- Motivation
- Communication
- Leadership

Controlling

- Fixation of standards
- Recording
- Measurement
- Reporting corrective actions

Managerial Functions



Time Spent in Carrying Out Managerial Functions

Evolution of Management

The practice of management is as old as human civilization. The ancient civilizations of Egypt (the great pyramids), Greece (leadership and war tactics of Alexander the great) and Rome displayed the marvellous results of good management practices.

Evolution of Management

The origin of management as a discipline was developed in the late 19th century. Over time, management thinkers have sought ways to organize and classify the voluminous information about management that has been collected and disseminated. These attempts at classification have resulted in the identification of management approaches.

Evolution of Management

The different approaches of management are:

a) Classical approach,

b) Behavioural approach,

c) Quantitative approach,

d) Systems approach,

e) Contingency approach.

Classical approach

DEFINITION OF CLASSICAL APPROACH

"Classical approach of management professes the body of management thought based on the belief that employees have only economical and physical needs and that the social needs & need for job satisfaction either does not exist or are unimportant. Accordingly it advocates high specialization of labour, centralized decision making & profit maximization."

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Behavioural approach

The behavioural management theory had a profound influence on management by focusing on understanding the human dimensions of work.

It is also called human relations movement as behavioural theorists focused on managing productivity by understanding factors of worker motivation like their needs and expectations, personality, attitudes, values, group behaviour, conflict, and group dynamics.

It advocated the use of psychological techniques to motivate employees.

Quantitative approach

The quantitative management approach is used to enhance decision making power by using quantitative tools.

As well as techniques including computer simulations, information models, optimization models and statistics.

Therefore decision making is directly contributed by quantitative management approach in the planning and control.

Systems approach

System approach integrates goals of different parts of the organisation (sub-systems or departments) with the organisation as a whole.

It also integrates goals of the organisation with goals of the environment or society in which it operates.

Integration of goals maintains equilibrium or balance and enables organisations to grow in the dynamic environment.

Contingency approach

- The Contingency Theory of Management is an extension of the Systems Organisational Theory.
- The organisational design and the managerial decision of the Contingency Theory depend on the situation, that is, whether it is contingent on the circumstances and the situation.
- Therefore, the Contingency Theory is commonly referred to as a Situational Theory.

Introduction to Organization

- Organization is designed on the basic principles of labour and span of management.
- *Experience* and *Competence* of the entire management necessary for success of the organization.
- *Nature*, *Scale* and *Size* determines the structure of the organization.

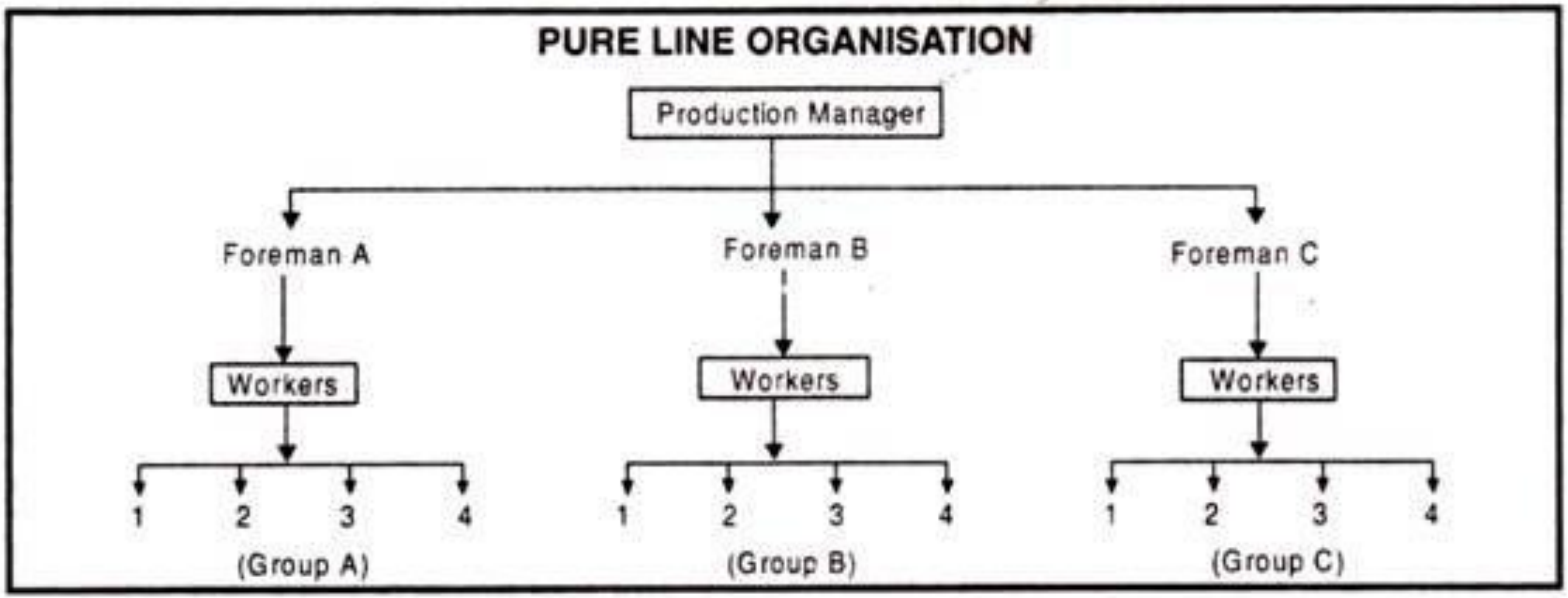
Organization Types

Types of Organizational structures:

1. Line, Military or Scalar
2. Functional
3. Line and Staff
4. Committee
5. Project
6. Matrix
7. Freeform

1. Line Organization

Simplest and oldest type of organization



Line Organization

MERITS	DEMERITS
Simplicity	Lack of Specification
Division of Authority and Responsibility	Over Loading
Unity of Control	Lack of Initiative
Speedy Action	Scope for favouritism
Discipline	Dictatorial
Economical	Limited Communication
Co-ordination	United Administration
Direct Communication	Subjective Approach
Flexibility	Instability

2. Functional Organization

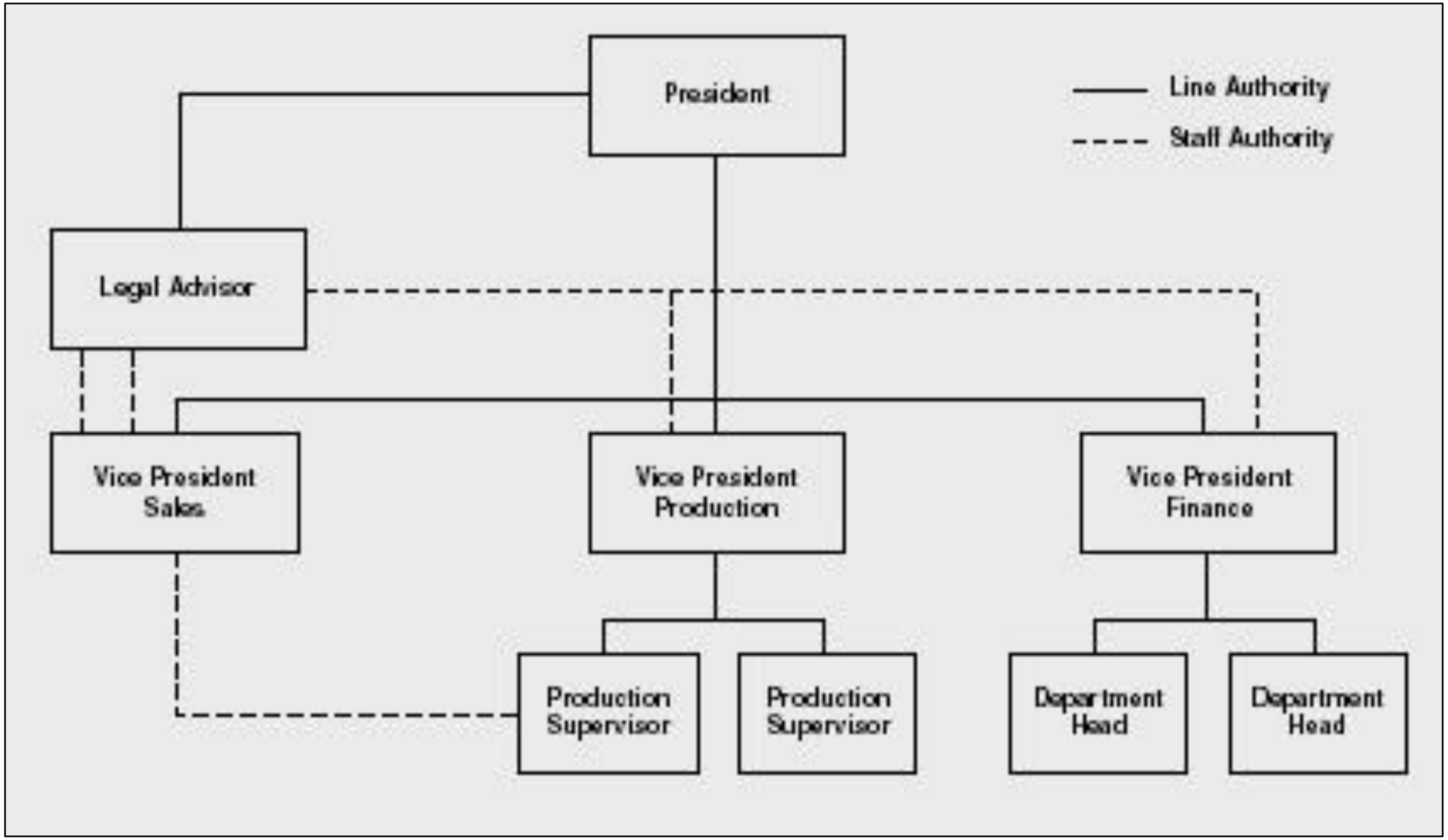
Functional specialists dedicated to attend and lead common functions of various departments.

Functional Organization

MERITS	DEMERITS
Benefit of Specialization	Complex Relationship
Application of Expert Knowledge	Discipline
Reducing the Work Load	Over-specialization
Efficiency	In-effective Co-ordination
Adequate Supervision	Speed of Action
Relief to Line Executive	Centralization
Co-operation	Lack of Responsibility
Economy	Poor Administration
Flexibility	Increasing Overhead Expenses

3. Line and Staff Organization

Line officers of each division may be assisted by staff officers. Staff officers are advisory and do not have authority.

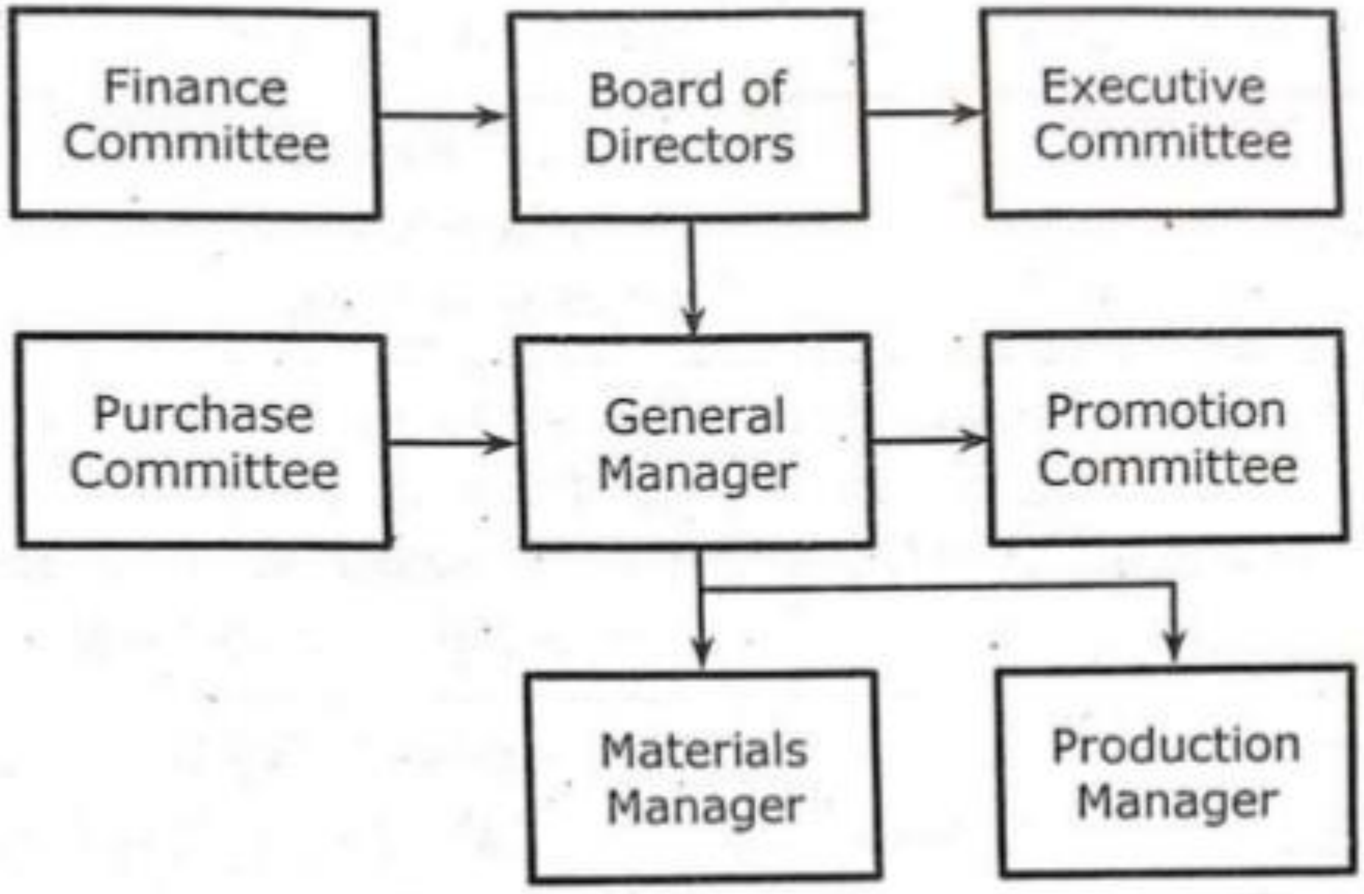


Line and Staff Organization

MERITS	DEMERITS
Facilitates to work faster and better.	Undefined line of commands lead to confusion
Specialization is attained	Advices could get rejected for no reason.
Enables to utilize experience and advice	Staff officers not responsible if the advice did not produce favourable results
Officers can take sound advice	Power conflicts may arise between line and staff officers
New technology or procedures can be included without any dislocation	Officers may get blamed or rewarded for the wrong reasons.
Efficient functioning of line officers	
Opportunity available for training	

4. Committee Organization

Committee is a group of people either appointed or elected to meet and execute the functions assigned to it.



Committee Organization

4. Committee Organization

MERITS	DEMERITS
Pooling Option	Time and Cost
Improved Cooperation	Compromise
Motivation	Personal Prejudice
Representation	Logrolling
Dispersion of Power	The strain on Interpersonal relation
Executive training	Lack of effectiveness

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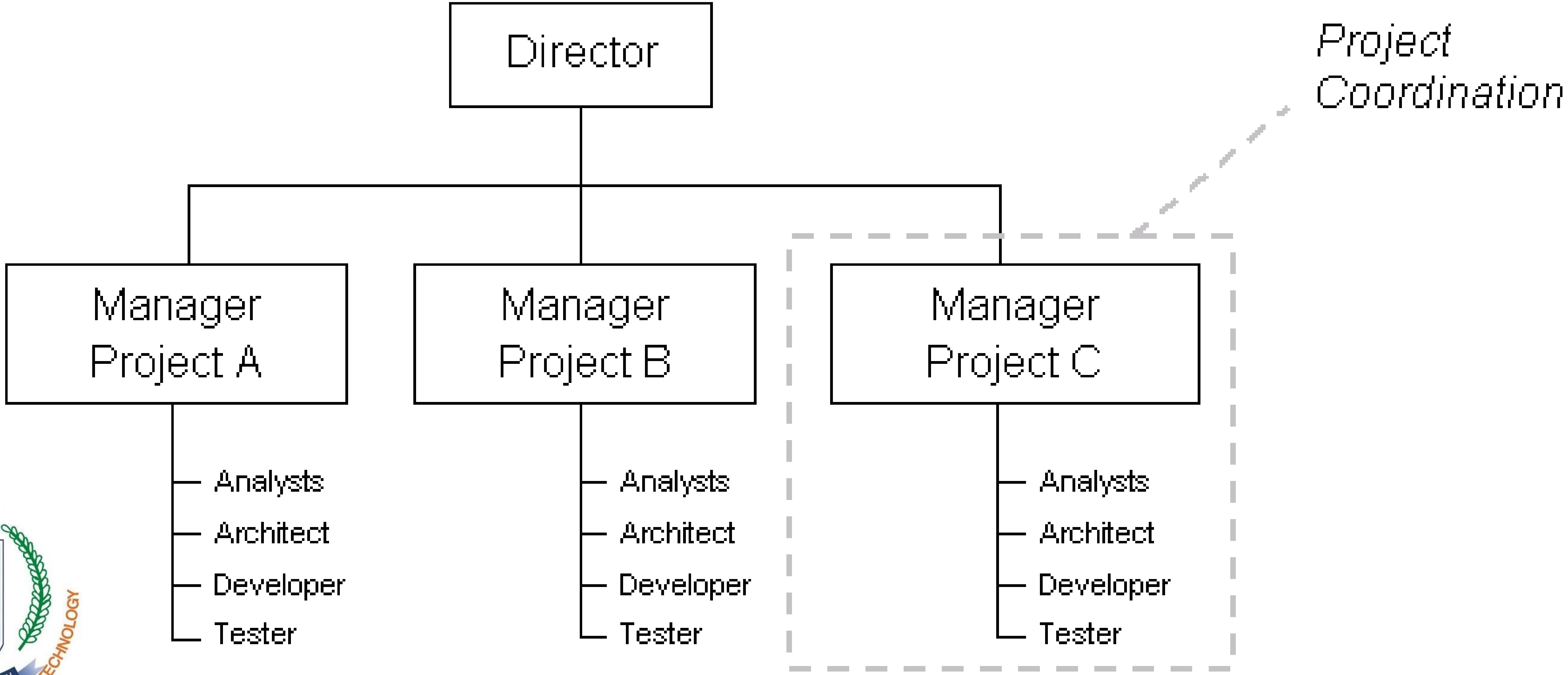
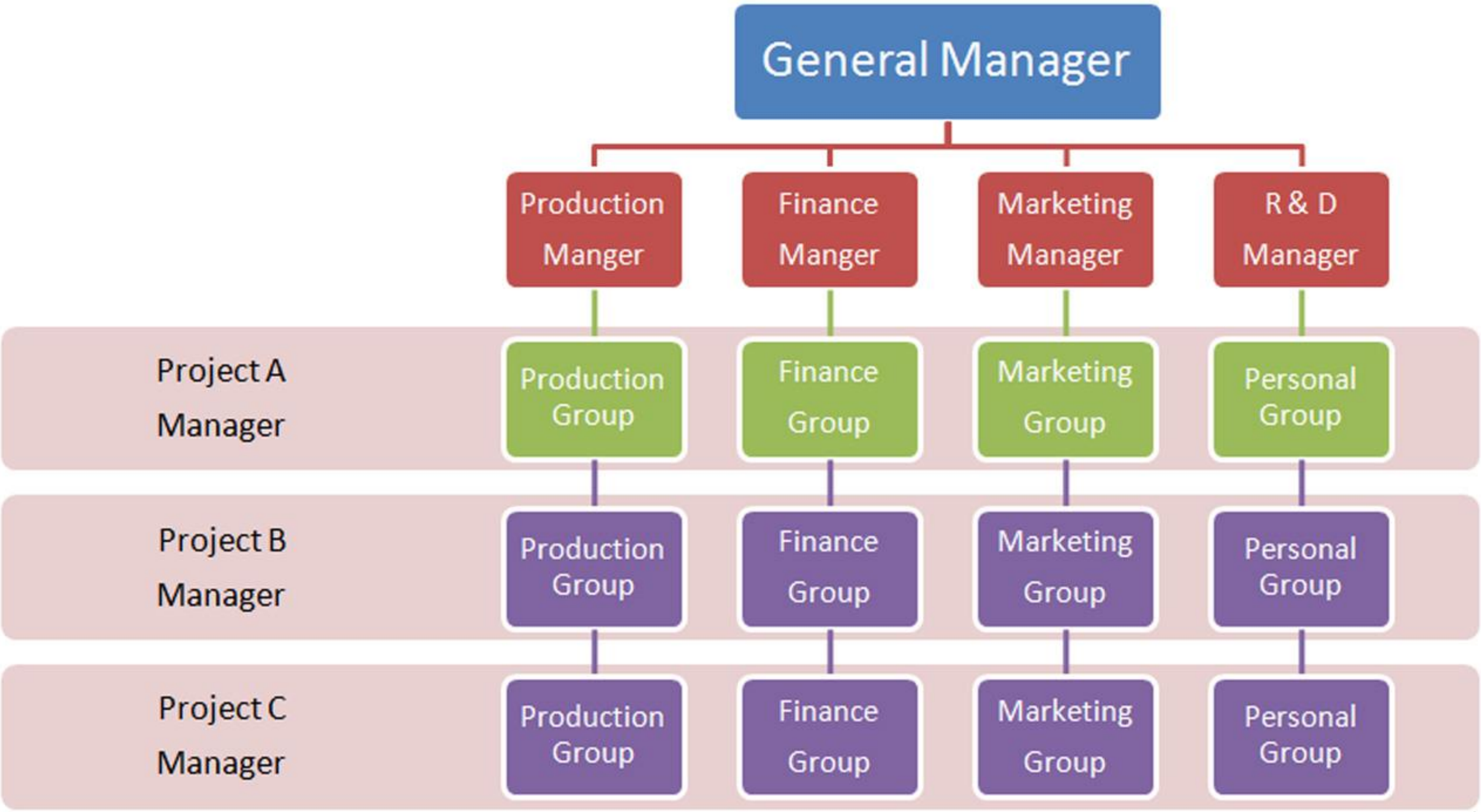
5. Project Organization

Grouping of workforce and activities assigned for each project.



6. Matrix Organization

Multiple command structure with support mechanisms and organizational culture.



7. Freeform Organization

- Forms whenever a need arises to form an organization to achieve a particular objective.
- Organization dissolves as soon as the objective is achieved.
- Otherwise called organic or dynamic organizational structure.

Types of Business Organizations

1. **Sole Proprietorships**:
   - Owned by one person – has day-to-day responsibility of running the business.
   - Owns all assets and profits but also responsible for liabilities and losses.
   - Has complete control and makes all decisions – keep or re-invest.
   - Total risk on business and personal assets.
   - Law does not distinguish between the business and the owner.
   - Limited to using funds obtained by personal means.
   - Unable to attract high-caliber employees.
   - Easy to dissolve when desired.

Types of Business Organizations

2. **Partnerships**:

- Two or more people (Partners) share the ownership of a single business.
- Partners should have legal agreement regarding assets and decisions.
- Easy to establish partnerships and high ability to raise funds.
- Employees can be attracted with incentive to become a partner.
- Partners are liable for the actions of the other partners.
- Profits are to be shared. Shared decisions could lead to disputes.
- Partnerships have limited life – partner(s) withdrawal or death.
- Dissolving of business is not easy.

Types of Business Organizations

3. **Corporations**:

- Owned by a group of shareholders.
- Is a separate entity apart from the owners. Can be taxed and sued.
- Does not dissolve when ownership changes.
- Shareholders have limited or no liability for the corporations.
- Can raise funds through sale of stock.
- The process of incorporation requires more time and money.
- Have more paperwork to comply with regulations.
- Higher overall taxes.

Types of Business Organizations

4. **Joint Stock Company**:

- Owned by shareholders; managed by Board of Directors.
- Private limited – formed by two persons upto 50. Transfer of shares limited to members only. Government does not interfere in the working.
- Public limited – membership open to general public. Minimum of seven persons (no upper limit) required to form. Supervision and control.
- No liability risk to shareholders and any risk of loss is divided.
- Difficult to preserve secrecy.
- Large amounts of legal formalities.

Types of Business Organizations

5. Public Corporations:

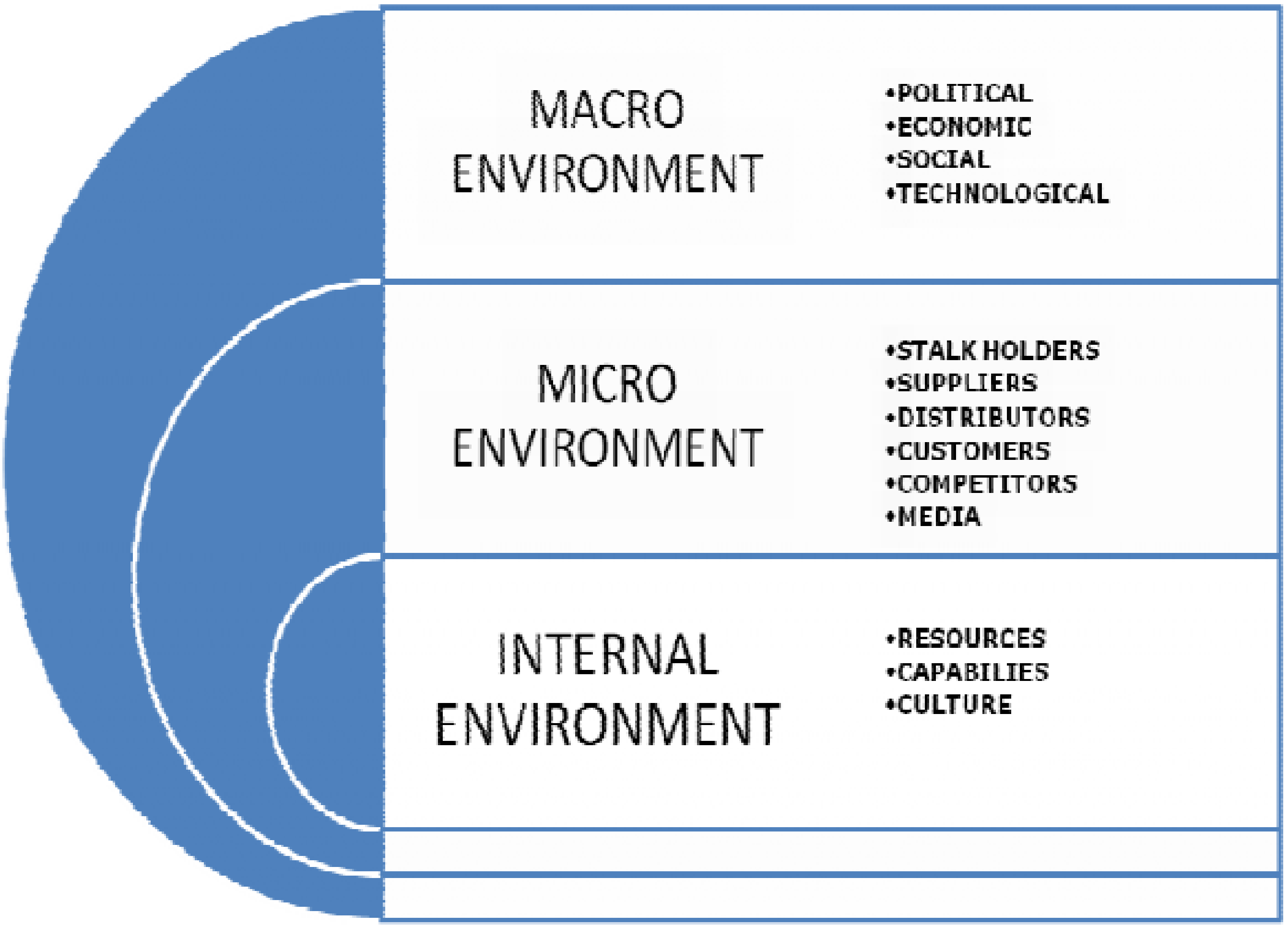
- Wholly owned by the Government.
- Established usually by a special Act of the Parliament.
- Total capital provided by Government but are separate entities.
- Good benefits and working conditions for employees.
- Any alteration in power and constitution requires amendment in the particular act and hence difficult and time consuming.
- No particular efforts for adopting new techniques or improvements.

Types of Business Organizations

6. Government Companies:

- Share capital held wholly or partly by central government.
- Board of directors managing the organization are accountable for its working to the concerned ministry or department.
- Easy to form.
- Directors are free to take decisions and are not bound by certain rigid rules and regulations.
- Misuse of excessive freedom.
- Directors spend time in pleasing the “government”.

Classification of Environmental Factors



Classification of Environmental Factors

Internal Factors:

- Direct impact on business.
- Company has control over these factors and can alter or modify.
- Resources, capabilities and culture.

External Factors:

- Indirect influence on the business.
- Not under the control of the company.
- Micro and Macro – based on the influence spread.

Reference books

Unit 1

1. Robins S.P. and Couiter M, Management, Prentice Hall India, 11th Edition, 2012.
2. Harold Koontz and Heinz Weihrich, ‘Essentials of Management’ Tata McGraw Hill, 10th Edition, 2015

THANK YOU

Any Queries..?