

UNIT-1 (Introduction To Management)

Management, Organization, Administration & Entrepreneurship

1. Management

Definition:

Management is the process of planning, organizing, directing, and controlling resources (human, financial, physical) efficiently and effectively to achieve the organizational goals.

Key Points:

- Involves achieving objectives through others.
- Focuses on planning, coordinating, motivating, and controlling.

2. Organization

Definition:

Organization is the structured arrangement of resources, responsibilities, and authority to achieve specific goals.

Key Points:

- Defines roles and responsibilities.
- Establishes a hierarchy of authority.
- Can be formal (planned structure) or informal (natural relationships).

3. Administration

Definition:

Administration refers to the process of setting objectives, policies, and broad strategies for an enterprise.

Key Points:

- Mainly concerned with *policy-making and decision-making*.
- Typically associated with top-level management.
- Focuses on *what to do* rather than *how to do it*.

4. Entrepreneurship

Definition:

Entrepreneurship is the ability to identify business opportunities, take calculated risks, and organize resources to establish and run a business.

Key Points:

- Entrepreneurs innovate, invest, and manage business ventures.
- Drives economic growth and employment.
- Requires risk-taking, decision-making, and resource management.

Forms of Ownership

1. Proprietorship (Sole Proprietorship)

Definition:

A business owned and managed by a single individual.

Features:

- Single owner, unlimited liability.
- Owner receives all profits.
- Easy to form and dissolve.
- Decision-making is fast.

Limitations:

- Limited capital.
- Heavy dependence on one person.
- Risk of unlimited liability.

Applications:

- Small businesses, shops, freelancers, service providers.

2. Partnership

Definition:

A business owned by two or more persons who contribute capital, share profits and losses, and have mutual agency.

Features:

- 2–20 partners (in India).
- Shared capital and responsibilities.
- Mutual agency: each partner can bind the firm.

Limitations:

- Unlimited liability (except limited partnership).
- Possibility of conflicts between partners.

- Limited life (partnership dissolves if a partner leaves or dies).

Applications:

- Professional firms (lawyers, accountants), small-medium businesses.

3. Joint Stock Company

Definition:

A company is a legal entity formed by a group of people to undertake business, where capital is divided into shares and liability is limited.

Features:

- Separate legal entity.
- Ownership divided into shares.
- Limited liability.
- Perpetual existence.
- Managed by board of directors.

Limitations:

- Complex formation process.
- Regulations and compliance requirements.
- Separation of ownership and management may cause conflicts.

Applications:

- Large businesses, industries, multinational corporations.

Management vs Administration vs Organization

- **Management:** Daily running of business. (Ex: Factory supervisor controlling workers).
- **Administration:** Policy making, top-level. (Ex: Government making rules).
- **Organization:** Structure of people and work. (Ex: School – Principal, Teachers, Students).

Easy example:

- **Administration:** Decides exam rules.
- **Management:** Teacher conducts exam.
- **Organization:** Students + Teachers + Principal together

Management – Concept & Principles

Definition:

Management is a process of planning, organizing, staffing, directing, and controlling resources (men, material, money, machines, methods) to achieve goals efficiently and effectively.

Key Features of Management:

- Goal oriented (achieves objectives).
- Continuous process (ongoing).
- Universal (applies in all fields – business, government, hospital, school).
- Integrating (brings people together).

Application of Principles of Management

Henry Fayol gave **14 Principles of Management**. These principles act as **guidelines** to managers in practical situations.

Here's how they can be applied:

1. **Division of Work** – Assign work according to specialization (e.g., in a factory, separate workers for welding, painting, assembly).
2. **Authority & Responsibility** – A manager should have the right to give orders and take responsibility (e.g., a project manager approving tasks).
3. **Discipline** – Employees must follow rules and regulations (e.g., attendance policies, quality standards).
4. **Unity of Command** – Each employee should receive orders from only one superior (avoids confusion).
5. **Unity of Direction** – All activities with the same objective must be directed by one plan (e.g., one marketing campaign for a product).
6. **Subordination of Individual Interest to General Interest** – Organizational interest is above personal interest.
7. **Remuneration** – Fair wages, incentives, and rewards for motivation.
8. **Centralization & Decentralization** – Balance between decision-making power at top (centralization) and distribution (decentralization).
9. **Scalar Chain** – Clear chain of command (e.g., flow of communication from top manager → supervisor → worker).

10. **Order** – Proper arrangement of men, money, materials (5M's).
11. **Equity** – Treat employees fairly and justly.
12. **Stability of Tenure** – Job security increases efficiency.
13. **Initiative** – Encourage employees to share ideas.
14. **Esprit de Corps (Team Spirit)** – Promote unity and teamwork.

Levels of Management

Management is divided into **different levels** to ensure smooth operation, proper coordination, and effective decision-making. The three main levels are:

1. Top-Level Management

Examples: Board of Directors, Chief Executive Officer (CEO), Managing Director, General Manager.

Functions:

- Framing overall objectives, policies, and strategies.
- Long-term planning and decision-making.
- Representing the company to government, public, and stakeholders.
- Coordinating activities of all departments.
- Ensuring resources are available.

Focus: Planning, policy formulation, and overall control.

2. Middle-Level Management

Examples: Departmental Managers (Production Manager, Sales Manager, Finance Manager), Branch Heads.

Functions:

- Implementing policies and plans framed by top management.
- Preparing departmental budgets and schedules.
- Assigning duties and responsibilities to lower-level managers.
- Motivating employees to achieve departmental goals.
- Acting as a **link** between top management and lower management.

Focus: Organizing and coordinating departmental activities.

3. Lower-Level (Supervisory) Management

Examples: Supervisors, Foremen, Office Superintendents, Team Leaders.

Functions:

- Directing and supervising workers' day-to-day activities.
- Maintaining discipline and good working conditions.
- Ensuring quality and timely completion of work.
- Providing feedback and reports to middle management.
- Motivating workers through guidance and rewards.

Focus: Direct supervision and execution of plans.

Comparison Table

Level	Key Role	Time Focus	Examples
Top-Level	Policy & Strategy	Long-term (5–10 yrs)	CEO, Board, MD
Middle-Level	Implement policies, coordination	Medium-term (1–5 yrs)	Dept. Managers, Branch Heads
Lower-Level	Supervision & execution	Short-term (Daily/Weekly)	Supervisors, Foremen

Summary:

- **Top Level** → Strategy, vision, policies.
- **Middle Level** → Implementation, coordination.
- **Lower Level** → Supervision, daily execution.

Application of Functions of Management

The functions of management are **Planning, Organizing, Staffing, Directing, Coordinating, and Controlling.**

Here's their practical application:

1. **Planning** – Deciding production targets, financial budgets, or marketing strategies.
 - Example: A startup planning its launch strategy.
2. **Organizing** – Creating departments, assigning tasks, and arranging resources.

- Example: HR department handling recruitment, Finance department handling accounts.
3. **Staffing** – Hiring the right people, training, and developing skills.
 - Example: IT company recruiting developers and training them.
 4. **Directing** – Giving instructions, motivating employees, resolving conflicts.
 - Example: A manager guiding sales team to meet targets.
 5. **Coordinating** – Ensuring different departments work together.
 - Example: Marketing and Production teams coordinating before launching a product.
 6. **Controlling** – Monitoring progress, comparing with standards, and taking corrective actions.
 - Example: Checking monthly sales performance vs. target and making changes.
 7. **Decision-making** – Choosing the best alternative solution.
 - Example: Selecting whether to expand business in domestic or international markets.

Application Example: In a hospital, planning ensures medical supplies, organizing assigns duties to doctors/nurses, staffing hires staff, directing motivates them, coordinating ensures patient care across departments, and controlling checks quality standards.

Forms of Ownership

When starting a business, choosing the **right form of ownership** is very important. Ownership structure decides **who controls, who invests, who takes profits/losses, and liability of owners**.

1. Sole Proprietorship

- **Meaning:** Business owned and managed by a single person.
- **Features:** Easy to start, complete control, unlimited liability.
- **Advantages:**
 - Simple and low cost.
 - Quick decisions.
 - Direct profit to owner.

- **Limitations:**
 - Limited capital.
 - Unlimited liability (personal property at risk).
 - No continuity (ends with owner's death).
- **Suitable for:** Small shops, retail trade, services.

2. Partnership

- **Meaning:** Business owned by 2–20 persons (in banking max 50).
- **Features:** Agreement-based, profit-sharing, unlimited liability (except limited partnership).
- **Advantages:**
 - More capital than sole proprietorship.
 - Combined skills and expertise.
 - Easy formation.
- **Limitations:**
 - Unlimited liability.
 - Conflicts among partners.
 - Ends on death/retirement of a partner.
- **Suitable for:** Medium-sized business, legal firms, consultancy.

3. Joint Hindu Family Business (*common in India*)

- **Meaning:** Business carried on by members of a Hindu Undivided Family (HUF).
- **Features:** Managed by *Karta* (head of family), liability of *Karta* is unlimited, others have limited liability.
- **Advantages:**
 - Stability and continuity.
 - Simple to form.
- **Limitations:**
 - Limited capital.
 - Only Hindu families can form it.
- **Suitable for:** Traditional family businesses.

4. Joint Stock Company

- **Meaning:** Separate legal entity owned by shareholders. Managed by board of directors.
- **Types:**
 - Private Company.
 - Public Company.
- **Advantages:**
 - Limited liability of shareholders.
 - Large capital collection.
 - Perpetual succession (independent of owners).
- **Limitations:**
 - Complicated legal formalities.
 - Costly and time-consuming.
 - Ownership vs. management conflict.
- **Suitable for:** Large-scale industries (IT, banks, manufacturing).

5. Co-operative Society

- **Meaning:** Voluntary association of people for mutual benefit.
- **Features:** Democratic management, “one member one vote”, service motive.
- **Advantages:**
 - Limited liability.
 - Easy formation.
 - Equal rights for members.
- **Limitations:**
 - Limited capital.
 - Lack of professional management.
- **Suitable for:** Dairy (Amul), Housing societies, Credit societies.

6. Public Sector Enterprises (Government Ownership)

- **Meaning:** Owned, controlled, and managed by Govt. (Central/State).

- **Forms:**
 - Departmental Undertaking (e.g., Railways).
 - Statutory Corporation (e.g., LIC).
 - Government Company (e.g., ONGC).
- **Advantages:**
 - Large capital investment.
 - Provides essential services.
 - Promotes welfare & employment.
- **Limitations:**
 - Bureaucracy, political interference.
 - Less efficient compared to private.
- **Suitable for:** National importance industries (defense, transport, power).

• Comparison (Quick View)

Form	Ownership	Liability	Capital	Continuity	Suitable for
Sole Proprietorship	One person	Unlimited	Limited	No (ends with owner)	Small shops
Partnership	2–20 persons	Unlimited	Medium	No (dissolves easily)	Medium firms
HUF	Hindu family	Karta unlimited	Limited	Yes	Family biz
Joint Stock Company	Shareholders	Limited	Very large	Yes	Large industries
Co-operative Society	Members (voluntary)	Limited	Limited	Yes	Mutual services
Public Sector	Government	Unlimited (for govt.)	Very large	Yes	National importance

Example:

- Small business → Sole Proprietorship.
- Medium business → Partnership.
- Large industries → Joint Stock Company.
- Service/mutual help → Co-operative Society.
- Public welfare/strategic industries → Public Sector.

Types of Co-operative Sector

1. Consumer Co-operative Societies

- Provide goods to members at reasonable prices.

- Example: Consumer co-op stores.
2. **Producer Co-operatives**
 - Producers join to process and market their products.
 - Example: Amul (milk producers' co-operative).
 3. **Credit Co-operatives**
 - Provide loans and financial support to members.
 - Example: Rural/agricultural credit societies.
 4. **Housing Co-operatives**
 - Provide housing facilities to members at low cost.
 5. **Marketing Co-operatives**
 - Help farmers/artisans sell products collectively to get fair prices.
 6. **Farming Co-operatives**
 - Farmers pool land and resources for joint cultivation.

Types of Public Sector

1. **Central Government Enterprises**
 - Owned and operated by Central Govt.
 - Example: Indian Railways, ONGC.
2. **State Government Enterprises**
 - Owned by State Government.
 - Example: State Transport Corporations, State Electricity Boards.
3. **Joint Sector Enterprises**
 - Owned jointly by Government and private individuals/companies.
 - Example: Maruti Suzuki (initially joint sector).
4. **Local Authority Enterprises**
 - Owned and managed by local bodies.
 - Example: Municipal water supply, transport services

Types of Government Undertakings

1. **Departmental Undertakings**
 - Run directly by government departments.
 - Features: financed through govt. budget, employees are govt. servants.
 - Example: Indian Railways, Post & Telegraph.
2. **Statutory Corporations**
 - Created by a special Act of Parliament/State Legislature.
 - Have separate legal identity, full autonomy, govt. provides capital.
 - Example: LIC, FCI, Air India (before privatization).
3. **Government Companies**
 - Company in which at least **51% of shares are held by government**.
 - Registered under Companies Act.
 - Example: ONGC, BHEL, SAIL, GAIL.

Summary:

- **Co-operative Sector** → Types: Consumer, Producer, Credit, Housing, Marketing, Farming.
- **Public Sector** → Types: Central Govt., State Govt., Joint Sector, Local Authority.

- **Government Undertaking** → Types: Departmental Undertaking, Statutory Corporation, Govt. Company.

Types of Organization

Organizations are structured to manage authority, responsibilities, and coordination. The main types are:

1. Line Organization

Meaning:

Authority flows in a **straight line from top to bottom**, with each subordinate reporting to only one superior.

Advantages:

- Clear authority and responsibility.
- Quick and simple decision-making.
- Easy discipline and control.

Limitations:

- Rigid structure → less flexibility.
- Top managers overloaded with decisions.
- Specialized advice is hard to incorporate.

Applications:

- Small businesses, factories with simple operations, military.

2. Functional Organization

Meaning:

Work is divided according to **specialized functions** (e.g., production, finance, marketing). Employees may report to **different functional managers**.

Advantages:

- Expertise is fully utilized.
- Increases efficiency and professionalism.
- Encourages specialization.

Limitations:

- Confusion due to multiple bosses.
- Conflicts between functional managers.
- Unity of command may be violated.

Applications:

- Large industrial enterprises, hospitals, universities, complex organizations.

3. Line & Staff Organization

Meaning:

Combines **line organization** (direct authority) with **staff specialists** who provide advice and support.

Advantages:

- Combines clear authority with expert advice.
- Reduces burden on line managers.
- Improves coordination and efficiency.

Limitations:

- Staff may interfere in line authority → conflict.
- More expensive due to specialist staff.
- More complex structure.

Applications:

- Large companies, hospitals, government departments, educational institutions.

Comparison Table

Feature / Type	Line Organization	Functional Organization	Line & Staff Organization
Authority Flow	Straight line	Divided by functions	Line + advisory staff
Unity of Command	Yes	May be violated	Mostly yes
Simplicity	Simple	Complex	Moderate
Decision-making	Quick	Slower due to coordination	Balanced
Cost	Low	Moderate	High
Specialization	Low	High	High
Applications	Small business, factories	Large organizations	Large companies, hospitals

Summary:

- **Line Organization** → simple, quick decisions, limited specialization.
- **Functional Organization** → specialization, professional efficiency, but complex.
- **Line & Staff Organization** → combines line authority with expert advice, best for medium/large organizations.

