



**SYLLABUS**

**Class – B.Com II Year (All)**

**Subject: Principles of Management**

Unit –I	Management- Meaning, Nature and Importance, Functions and Principles of Management, Management V/S Administration. Development of Managerial Thought, Contribution by Taylor and Fayol Management by Exception and Management by objectives social responsibility of management.
Unit – II	Planning: Concept, Process and Techniques, Decision Making, Concept and Process. Organisation – Concept, Nature, Principles and Significance.



## UNIT-I

### INTRODUCTION

Management is essential for all organizations big or small, profit or non-profit, services or manufacturing. Management is necessary so that individuals make their best contribution towards group objectives. It consists of a series of interrelated functions that are performed by all managers.

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 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".

**Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims.**

### DEFINITION:

1. **In the words of Henry Fayol:** "Management is defined as, to manage is to forecast, to plan, to organize, to command, to coordinate and to control."
2. **Koontz O'Donnell:** Management is the task of manager to establish and maintain internal environment in which people working together in groups can perform effectively towards the attainment of group goals.

In short management may be defined as the agency that provides leadership, guidance, and control for the achievement of the objective set by administration.

### NATURE OF MANAGEMENT

**1) Management as Science-** Science is a systematic body of knowledge pertaining to a specific field of study that contains general facts which explains a phenomenon. Since the principles of management are not as exact as the principles of science their application and use is not universal. They have to be modified according to on given situation.

#### **2) Management as an Art-**

Art implies application of knowledge & skill to trying about desired results. An art may be defined as personalized application of general theoretical principles for achieving best possible results. Art has the following characters –

1. **Practical Knowledge**
2. **Personal Skill**
3. **Creativity**
4. **Perfection through practice**
5. **Goal-Oriented**

#### **3) Management as a Profession-**

A profession may be defined as an occupation that requires specialized knowledge and intensive academic preparations to which entry is regulated by a representative body. The practice of management is an art. However, managers can work better if their practice is based on the principles of management. These principles constitute the science of management. Management as an art and a science are therefore not mutually exclusive, but complement each other.



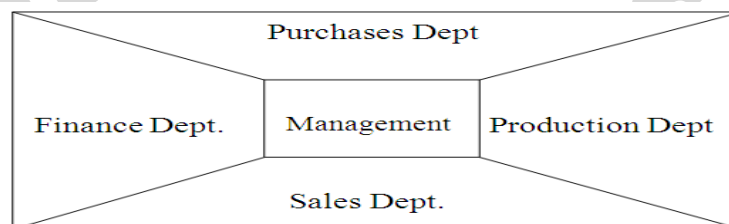
The essentials of a profession are:

1. Specialized Knowledge
2. Formal Education & Training
3. Social Obligations
4. Code of Conduct
5. Representative Association

### FEATURES 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
2. Management integrates Human, Physical and Financial Resources
3. Management is Continuous.
4. Management is all Pervasive
5. Management is a Group Activity
6. Management is the art of getting things done through and with people.
7. Management is primarily direction.



8. **Management is the development of people:** It is the selection, the training the supervision and the development of people.

By American Corporation "We do not build automobiles, refrigerators, shoestring; we build men. The men build products.

**The two important elements which make up the art of management are:**

(A) Human Resources	(B) Physical Resources
(a) Personnel Admission	(a) Finance or Money
(b) Training	(b) Raw Materials
(c) Development of Human Environment	(c) Buildings
(d) Development of natural talent of the people.	(d) Machinery or Plant
(e) Development of Human personality.	(e) Other Equipments

### IMPORTANCE OF MANAGEMENT

Management is a must for every enterprise. The existence of management ensures proper functioning and running of an enterprise. Management can plan the activities to achieve the objectives and utilize the available resources at minimum cost. Every business needs a direction. This direction is given by the management. The resources of production are converted into production. The resources will remain as resources in the absence of management. The conversion process is performed through the coordination of management. The significance or importance of management is briefly explained below:



1. **Management meets the challenge of change:** In the modern business world, there are frequent changes. The changes place the business in a dangerous position. Only an efficient management can save the business from the dangers brought in by the challenges.
2. **Accomplishment of group goals:** The achievement of objectives of a business depends upon three factors. The proper planning of available resources, adjusting possibility of business unit with existing business environment and the quality of decision taken and control made by the business unit are the factors responsible for achieving objectives.
3. **Effective utilization of business:** There are eight M's in the business. These are said to be man, money, materials, machines, methods, motivation, market and management. Management is the topmost of all other 'Ms'. Management has control over other remaining 'Ms'.
4. **Effective functioning of business:** Ability, experience, mutual understanding, co-ordination, motivation and supervision are some of the factors responsible for the effective functioning of business. Management makes sure that the abilities of workers are properly used and co-operation is obtained with the help of mutual understanding. Besides, management can know the expectation of workers and the expectation is fulfilled through motivation techniques.
5. **Resource development:** Efficient management is the life boat of any developed business. The resources of the business may be identified and developed by the management. The term 'resources' includes men, money, material and machines.
6. **Sound organization structure:** Management lays down the foundation for sound organization structure. Sound organization structure clearly defines the authority and responsibility relationship-who is responsible to whom, who will command whom and who is responsible for what. Care is taken in appointing qualified persons to the right job by the management.
7. **Management directs the organization:** The human mind directs and controls the functioning of human body. Similarly, the management directs and controls the functioning of an organization.
8. **Integrates various interests:** Each person has his own interests these interests are different in nature. Management takes steps to integrate various interests to achieve the objectives of an organization.
9. **Stability:** The fluctuations of business are stabilized by the management. The fluctuations of business are caused by the changing policy of the government, pressures on the part of competitors and changing preference of customers. The efficient management can run the business as per the policy framed by the government, face the competitors in the market and produce the articles as per the preference of customers.
10. **Innovation:** New ideas are developed by the management and implements in the organization. Better performance is achieved through new ideas.
11. **Co-ordination and Team-spirit:** All the activities of business are grouped department-wise. Management co-ordinates the activities of different departments and establishes team-spirit to achieve the objectives.
12. **Tackling problems:** Good Management acts as a friend or a guide of workers while tackling problems. When workers get over confidence of solving the problems for effective performance of a job, they fail in tackling the problems efficiently.
13. **A tool for personality development:** Management gives direction to workers for effective performance of a job. Besides, new methods or techniques are taught to workers. The training facilities are arranged by the management. In this way, management is a tool to develop the personality of workers to raise their efficiency and productivity ability.

### FUNCTIONS OF MANAGEMENT

Management functions are the activities that a manager must perform as a result of the position held in the organization. The best way to analyse the management process is in terms of what a manager does. Generally the basic functions of management are: planning, organizing, staffing, directing and controlling. As managing is a dynamic and challenging activity, it includes three kinds of functions and tasks which are common to all managerial jobs. The list of management functions can be presented as follows:



## I. Main Functions

1. Planning
2. Organizing
3. Staffing
4. Directing
5. Co-ordination
6. Motivation
7. Controlling

## II. Subsidiary Functions

1. Communication
2. Decision Making
3. Innovation

## BASIC FUNCTIONS

### 1. Planning

Planning is one of the most important functions because it sets the pattern for the other activities to follow. Planning function for the new era is more broadly described as delivering strategic value. It is a primary and crucial function which determines how to achieve an objective-deciding what is to be done and when to do it. It is looking ahead and preparing for the future.

Planning emphasizes the fact that if one knows where he is going, he is more likely to get there. Good managers endeavour to draft a plan which will make things happen in the desired way. This is also stressed by the saying "Good manager make things happen, things do not just happen to them."

### 2. Organizing

Organizing is the process by which the structure and allocation of jobs are determined. To organize a business is to provide it with everything useful to its functioning. The whole process of forming groups and allocating jobs is organization.

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 relationships.

**3. Staffing:-** is concerned with ensuring that the right type of personnel is available to undertake and execute the varied activities required to attend the planned objectives of the organization. Staffing is the process of planning, recruiting, developing, compensating and maintaining human resources in an organization. In staffing, a manager recruits and selects suitable personnel for manning the jobs.

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.

**4. Directing:-** is that part of the management process which activates the organization members to work efficiently and effectively for the attainment of organizational objectives. The fourth basic function of management is directing. This is also termed leading or actuating. While planning tells us what to do and organizing tells us how to do it, directing tells us why the employees should want to do it. Directing is





concerned with guiding and leading people. It consists of supervising and motivating the subordinates towards the achievement of set goals.

- (i) Communication :- Exchanging ideas and information in order to create mutual understanding.
- (ii) Command:- Issuing orders and instructions to subordinates.
- (iii) Motivation: - Inspiring employees to work with zeal.
- (iv) Leadership :- Influencing people
- (v) Supervision: - overseeing of subordinates at workplace with a view to guide and regulate their efforts.
- (vi) Controlling:- is evaluating the performance and applying corrective measures so that the performance takes place according to plans.

**5. Co-ordination:** It may be defined as the synchronizing of effort from the stand point of time and the sequence of execution. Co-ordination leads to the completion of the production and other functions as per planned schedules.

**6. Motivation ;** It is psychological technique of executing the plans and policies through the effort of others. It is through motivation that the manager inspires the subordinates to do what he wants them to do.

**7. Controlling :-** Breach defines control as “the process of checking actual performance against the agreed standards or plans with a view to ensuring adequate progress or satisfactory performance.” Controlling is evaluating the performance and applying corrective measures so that the performance takes place according to plans. It is reviewing the performance of the employees in the light of the targets and goals.

Controlling has following steps:

- Establishment of standard performance.
- Measurement of actual performance.
- Comparison of actual performance with the standards and finding out deviation if any.
- Corrective action.

### SUBSIDIARY FUNCTIONS

1. **Communication:** In business management ideas, objectives, instructions, suggestions etc. have to be exchanged among the managerial staff for the purpose of planning, executing or operating the business policies.
2. **Decision Making:** Decision making is the process by which a course of action is consciously chosen from available alternatives. Decision making is inherent in every managerial function.
3. **Innovation:** Innovation means developing new ideas, new products, new quality or devising new methods of work. In other words, the real manager is always an innovator. Innovation is the specific function of entrepreneurial managers, the means by which they exploit change as an opportunity.

### PROCESS OF MANAGEMENT

According to Stoner, Freeman and Gilbert, “a process is a systematic way of doing things.” In simple words, it is a step-by-step sequence. We refer to management as ‘process’ to emphasize that all managers engage in certain interrelated activities in order to achieve their desired goals. David Hampton says, “management is a common set of processes which, when competently carried out, contribute to organizational effectiveness and efficiency. The basic parts of this process are planning, organizing, leading, and controlling.”

### CHARACTERISTICS

The main characteristics of management process are as follows:



## Features or Characteristics of Management

- Art as well as science
- Management is an activity
- Management is a continuous process
- Management achieving pre-determined objectives:
- Organized Activities
- Management is a factor of production
- Management as a system of activity
- Management is a discipline
- Management is a purposeful activity
- Management is a distinct entity

### PRINCIPLES OF MANAGEMENT

According to Koontz and O'Donnell 'Principles are fundamental truths which are believed to be truths at a given time, expressing relationship between two or more its of variables.' Management principles increase managerial efficiency, crystallize the nature of management, encourage research and help in attaining the social objectives.

#### Following are the important principles of Management

1. **Principle of Objective:** Knootz & O'Donnell suggest that "The organisation as a whole and every part of it must contribute to the attainment of enterprise objectives."
2. **Principles of Planning:** Planning is an important element for good management. Policies, programmes etc must be prepared to execute them properly.
3. **Principles of Span of Control:** Span of control means the number of subordinates under the direct supervision of a superior. The number of persons to be supervised depends upon the nature and type of work, ability of the supervisor etc.
4. **Principle of Balance:** This principle states that different parts or units of an organisation should be in balance.
5. **Principle of Coordination:** Human efforts and other resources should be coordinated in order to achieve organisation goals effectively.
6. **Principle of Exception:** Superior should not interfere in the routine work of his subordinates so long as they do their work according to the plans & within the scope of their authority.
7. **Principle of Participation:** Managers must encourage participation of their subordinates in taking decisions on matters directly offering them.

#### Management V/S Administration

**Management and Administration** – "Administration means overall determination of policies, setting of major objectives, the identification of general purposes and laying down of broad programmes and projects". It refers to the activities of higher level. It lays down basic principles of the enterprise. According to Newman, "Administration means guidance, leadership & control of the efforts of the groups towards some common goals".

Whereas, management involves conceiving, initiating and bringing together the various elements; coordinating, actuating, integrating the diverse organizational components while sustaining



the viability of the organization towards some pre-determined goals. In other words, it is an art of getting things done through & with the people in formally organized groups.

**The difference between Management and Administration can be summarized under 2 categories–**

1. Functions
2. Usage/Applicability

**On the Basis of Functions:-**

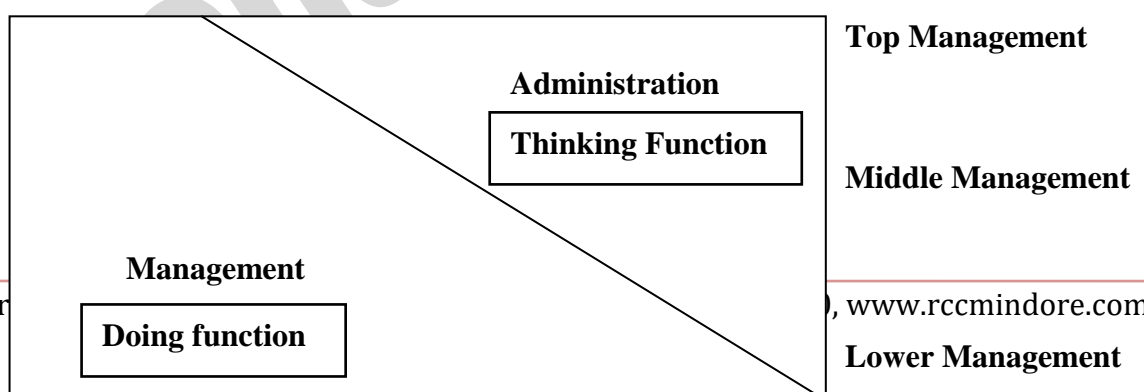
<b>Basis</b>	<b>Management</b>	<b>Administration</b>
<b>Meaning</b>	Management is an art of getting things done through others by directing their efforts towards achievement of pre-determined goals.	It is concerned with formulation of broad objectives, plans & policies.
<b>Nature</b>	Management is an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

**On the Basis of Usage:-**

<b>Basis</b>	<b>Management</b>	<b>Administration</b>
<b>Applicability</b>	It is applicable to business concerns i.e. profit-making organization.	It is applicable to non-business concerns i.e. clubs, schools, hospitals etc.
<b>Influence</b>	The management decisions are influenced by the values, opinions, beliefs & decisions of the managers.	The administration is influenced by public opinion, govt. policies, religious organizations, customs etc.
<b>Status</b>	Management constitutes the employees of the organization who are paid remuneration (in the form of salaries & wages.)	Administration represents owners of the enterprise who earn return on their capital invested & profits in the form of dividend.

Practically, there is no difference between management & administration. Every manager is concerned with both – administrative management function and operative management function as shown in the figure. However, the managers who are higher up in the hierarchy devote more time on administrative function & the lower level devote more time on directing and controlling worker's performance.

**Management V/S Administration**







There has been a sharp division of opinion, disagreement and terminological conflict about the use of the two terms management and administration. Some experts assert that and some consider them as two separate functions. There are different views regarding management and administration which are as follows.

**1. Administration is above Managements:** the American thinkers like Allover Sheldon, William, Spiegel, Haimann view that administration is a higher level activity and involves thinking function while management is lower level activity and is doing/executing function.

**2. Administration is part of Management:** British school of management considers management as wider term including administration and organisation. This view says that administration is a subordinate function to overall management function.

**3. Management and Administration are Synonymous:** authors like Henry Fayol, George Terry Treat Management and administrations as same concept. They believe that both the terms can be used interchangeably.

## EVOLUTION OF MANAGEMENT THOUGHTS

Application of management knowledge is as old as human civilization but development of management thought and theory is relatively of recent origin. Management thoughts may be placed under three main categories which are discussed below:-

### 1. Classical or Traditional Management Approach : Classical or Traditional Management Approach includes the following

**(a) Scientific Management:** - This theory was propounded by Sir F.W. Taylor. Sir Taylor has expressed the basic philosophy of scientific management in the following terms :-

- (I) Science, not rule of thumb
- (II) Harmony, not discord
- (III) Cooperation, not individualism
- (IV) Maximum, not restricted output
- (V) Development of each employee to his greatest efficiency and prosperity.

Sir Taylor based on his experience at the shop floor, developed guide lines to the practice of management which are as under –

- (i) Scientific study and planning of work –  
The work to be assigned to and performed by workers should be studied, analysed and planned as to determine a day's fair work for each worker.
- (ii) Scientific selection, placement and training: - Employees selection should be made by using scientific methods, instead of relying on intuition and judgment of the foremen.
- (iii) Standardization: - Standard quality tools and equipments, raw material used and physical working conditions should be provided to the workers.
- (iv) Division of responsibility between management and workers: - Planning of work should be a responsibility of managers whereas role of workers should be confined to implementation of these plans.



- (v) Functional Foremanship: - According to Sir Taylor, instead of having one foreman, there should be eight supervisors to guide and command the activities or workers.
- (vi) Mental Revolution: - In order to get desired results of scientific management, outlook, behaviour and attribute of the workers as well as management should be changed.
- (vii) Wage incentives :- The worker producing more should be given higher wages according to differential piece rate plan,

**(b) Administrative theory of Management/Management process school:-**

This theory was given by Sir Henri Fayol. He wrote a monograph titled as 'General and Industrial Management' published in 1916. It is in four parts which are discussed below:-

**First part of monograph deals with classification of business activities as:-**

- Technical activities (manufacturing and production)
- Commercial activities (buying, selling and exchange)
- Financial activities (raising and optimum use of capital)
- Accounting activities (recording, costing and statistics)
- Managerial activities (POSDCORB)
- Security activities (Protection of persons & property)

**Second part of the monograph contained basic managerial functions viz:-**

- Planning and forecasting.
- Organising
- Commanding
- Co-ordinating
- Controlling

**Third part consists of Fayols 14 principles of management viz :-**

- Division of work
- Authority and responsibility
- Discipline
- Unity of command
- Unity of direction
- Subordination of individual's interest to interest of organisation
- Remuneration
- Centralisation
- Scalar chain
- Order
- Equity
- Stability of tenure of personnel
- Initiative
- Espirit-de-corps

**The fourth part of monograph deals with managerial qualities which should be possessed by managers. These are:-**

- Physical qualities (health, vigour, personality)



- Mental ability (ability to understand & learn, make decisions etc.)
- Moral education (loyalty, dignity, ethical values etc.)
- Special knowledge
- General education
- Experience (knowledge arising out of practice)

**(c) Bureaucratic Organization:-**

This model developed by sir Max Weber is based on the following characteristics:-

**(i) Division of labour:-**

It implies to divide and assign activities to various employees on the basis of their skills, abilities and aptitude.

**(ii) Hierarchy of authority: -** All employees are attached to each other in the relationship of authority.

**(iii) Rigidity in compliance with procedures and frame work of rules without any deviation.**

**(iv) Impersonality :-**

In a bureaucratic organization, there is no place of emotions, sentiments and personal attachment.

**(v) Technical competence: -** People ought to be hired and promoted on the basis of what they know about job.

**2. Behavioural or Neo-Classical Approach: -** Neo-Classical approach included Human relation approached behavioural sciences approach.

**(a) Human relation Approach :-** It is based on the following factors –

**(i) Human organization was considered as psycho-social system.**

**(ii) Apart from economic needs, the employees have other social and psychological needs such as dignity, recognition, appreciation etc.**

**(iii) Regarding human nature, highly optimistic assumptions were made about workers such as they want to work, assume responsibility provided they are given an opportunity.**

**(iv) There should be no conflicts or clashes in organization and at all if it arises, it must be removed completely.**

**(v) As to secure maximum contribution the manager should get along with employees and workers.**

**(vi) In order to inotivate individual employee his motivating desire should be ascertained in terms or his emotions beliefs, attitudes and habits.**

**(vii) Sense of belongingness should be created among employees by giving them more importance and getting them involved in decision-making.**

**(b) Behavioural Science Approach:** This approach also known as ‘Organizational Behaviour Approach’.

Advocates of behavioral Science strongly believe that organisation is socio-technical system which consists of individuals and their interpersonal and social relationship with each other on one hand and on the other various techniques methods and procedures used by them for performing several jobs assigned to them.

This approach highlights that individual goals and interests of employees can be integrated with organizational goals as to avoid conflict and clash between them.

According to this approach conflict and co-operation co-exist in organization.

Behavioural scientists recognize individual differences in terms of their personality. Goals, beliefs, values and perceptions.

Behavioural approach also assumes that people are the key to productivity.



**Modern Approach to Management:** Modern approach includes the following three approaches

- (a) **Quantitative Approach:** - This approach also known as 'management science approach' has been developed during 1950. It is based on the approach of scientific management. It offers systematic and scientific analysis and solution to the problems faced by managers. The quantitative approach aims at achieving high degree of precision, perfection and objectivity by encouraging the use of mathematical and statistical tools for solving complex problems.
- (b) **System Approach:** - System approach of management represents new thinking and latest developments related to organisation and management. It was developed after 1950 emphasizing interdependence and interrelationship among various activates or organization. The term system may be defined as a set of interrelated and interacting components assembled in in a particular sequence as to produce some results, these components may also be viewed as sub-systems of larger system. It is only through these sub-systems the larger system operates, thus larger system can be view as a whole entity or totality.
- (c) **Contingency Approach:** - The theme behind contingency approach is that there is no single best way of managing applicable to all management situations. According to this approach, managers instead of applying principles & practices of management uniformly to every situation a they should study, analyze & diagnose the situation in terms of it's variables & requirement s& then prepare a plan to deal with it effectively.

### DEVELOPMENT OF MANAGEMENT THOUGHT

The major historical stages or events in the development of management thought can be discussed under the following heads:

- I. Management in ancient civilizations.
- II. Management during the medieval period.
- III. Management during the period of Industrial Revolution.
- IV. Period of systematized management. This period can be sub-divided into the following categories:
  - 1. Era of scientific management.
  - 2. Era of administrative management.
  - 3. Era of behavioural science.
  - 4. The modern era of new approaches to management.

### Scientific Management

Systematic development of management thought started with the scientific management movement which is said to have its origin as early as 1830s.

The man who popularised the movement is Fredrick Winslow Taylor. He is known as the father of scientific management.

### Philosophy and Principles of Taylor:

- 1. **Develop a science to replace rules of thumb:** Taylor wanted to make management as a science. He, therefore, recommended that every activity of an organisation **must rest on well organized, clearly defined principles**, instead of depending on more or less hazy idea.
- 2. **Maximisation of output or production:** Taylor believed **maximum output instead of restricted output**. It is because the prosperity for both employer and employees could be achieved only through maximising productivity.





3. **Equal division of responsibility:** There should be equal division of responsibility between managers and workers. Managers must fulfill their responsibility of planning and organising effectively. On the other hand, workers must fulfill their responsibility by executing the work as per the directions of the 'bosses'.
4. **Job specialisation:** Taylor believed that each worker should be specialist in his job. At the same time, each worker must be supervised by different specialist supervisors.
5. **Scientific selection, training and development of workers:** Taylor realized the importance of right person for the right job to attain highest efficiency. He therefore, stressed the need for proper selection and training of the workers.
6. **Standardisation:** Taylor believed standardisation of methods, tools, time, materials etc. for each activity is very important. Therefore, standards should be fixed for each of them.
7. **Wage incentives:** Taylor believed that wage incentives should be integral part of each job. Taylor suggested the differential wage rate for different job.
8. **Mental revolution:** Taylor firmly believed that the principles of scientific management could succeed only when there is a complete mental revolution on the part of management and worker. In other words, both the parties should change their mental attitudes. For this, he suggested the following three things:
  - (i) They must create a spirit of mutual trust and confidence.
  - (ii) Both must make efforts to increase production and productivity.
  - (iii) Both must develop a scientific attitude towards the work and should not leave their arbitrary approach.The mental revolution requires change in the attitude of both. Management must create congenial working conditions and develop best method and tools for optimum efficiency of the workers.



### **Contribution of Taylor**

1. **Scientific task setting:** Taylor suggested that the task of every worker for every day should be determined through scientific investigation. Taylor called it “a fair day’s work”. Every manager must know in advance the fair day’s work for each worker.
2. **Experimentation or work study:** Work study means **organised, systematic and objective analysis and assessment** of the operational efficiency of all the elements connected with the work.
  - (i) **Method study:** It is a survey of production process. It aims to evolve the best method of doing a particular job by simplifying the production process, methods, tools etc.
  - (ii) **Motion study:** Motion study relates to the study of movements of a worker or a machine in doing a job. It aims at eliminating unnecessary motions and to find out the best method of doing of doing a job efficiently.
  - (iii) **Time study:-** Time study is the process of recording the exact time taken for doing a job with a view to find out a standard time for doing the job.
  - (iv) **Fatigue study:** Fatigue study is the study of the reduction or diminution of human energy or capacity in doing in his job. Fatigue is caused by over-work without rest pause, poor working conditions, stress, strain etc. The fatigue study is undertaken to know the level and nature of fatigue and to find out the ways to eliminate or minimize the fatigue on the job.
3. **Planning:** Taylor advocated that planning function should be separate from the doing function. Planning department should decided about the type, shape, and quality of the goods to be produced and the time schedule for delivery of the products.
4. **Scientific selection and training of workers:** Taylor realised the importance of the right person on the right job. Therefore, he advised for proper selection of the workers and their training.
5. **Specialisation:** Taylor suggested that scientifically selected and trained workers should be allocated the tasks according to their specialisation.
6. **Standardisation:** Taylor advocated for standardisation of materials, tools, equipments, methods etc. Standardised working environment should also be provided to the workers. Standardisation will increased efficiency and eliminate or minimise wastage of resource.
7. **Incentive wage plan:** Taylor considered that incentive wage plan is an integral part of the scientific management. He, therefore suggested a differential wage payment plan. According to this plan, worker is to received a bonus in addition to his wages if the completed his job before the standard time fixed for the job.

### **Henri Fayol (1841-1925):**

Henri Fayol was a French mining engineer and chief executive officer of a coal mine company. He propounded the administrative or functional theory of management.

1. **Administrative management thought era** run almost parallel to the scientific management thought era. **Henri Fayol** is regarded as the herald of the administrative thought. Other contributors include Urwick, Mooney and Reiley, Davis etc.
2. **Elements of administration or management function:** Fayol described five elements of administration or management functions. They are as follows:
  - (i) **Planning**, consisting of activities for making plans to achieve goal of the organisation. This function includes forecasting and decision-making.
  - (ii) **Organising**, consisting of activities necessary for mobilising human and other resources of the organisation to implement the plans.
  - (iii) **Commanding**, which consists a activities relating to directing, leading, motivating and communicating for getting things done.
  - (iv) **Coordinating**, which is concerned with activities necessary for harmonising the efforts of all in order to achieve a common goal.
  - (v) **Controlling**, which is concerned with ensuring performance in accordance with plans.
3. **Principle of management:** Fayol proposed **fourteen principles** of management.



- 4. Flexible and adaptable principles:** Fayol made it clear that the principle of management are flexible and adaptable to every need.
- 5. Universal principles:** He believed that principles of management are universally applicable. The principles are applicable in all organisations large or small, industrial, commercial, political, religious, or any other.
- 6. Management education and training:** Fayol realised the need for management education and training. He strongly pleased for introducing management education and training in schools and universities. He also suggested for conducting organizational 'in-house' training programmes.

## General principles

### Division of Work

To divide work among departments and employees according to requirement & owned activities & skills to get benefit of specialization & avoid time wastage. It says that every employee should be assigned only one of type of work else there will be waste of time and effort caused by changes from one work process to another.

### Authority and Responsibility

Authority means right to give orders and power to exact obedience.

Responsibility is assignment of tasks and act to be completed in availability of resources accountability extent to which person can be made liable to answer for acts. Fayol said Authority and Responsibility are co existence in nature and must go hand in hand with proper parity in between. Authority without responsibility heads to irresponsible behaviour & responsibility without authority makes manager in effective.

### Discipline

Implies compliance with organizational directions and rules, orders and instructions of superior & to co-operation with fellow workers. He considered discipline as the chief strength of organization and essential for smooth operation. Discipline generally depends essentially on ability of its leaders.

Fayol said best means of maintaining discipline are

- Goods superiors at all levels
- Clear & fair agreements between employees & employer
- Judicious application of penalties

### Unity of command

According To this principle one subordinate should get orders and institutions regarding his work only from one superior. If a subordinate has more than one superior. It will undermine authority weaken discipline create divided loyalty and Lead to confusion, delays due to conflict in instructions & most important it would be difficult to pinpoint responsibility to him.

### Unity of Direction

Means that the there should be complete identify between individual and organizational goals on one hand and between departmental goals on the other i.e. one head & one plan for a group of acts having the same objective. In other words the related acts should be put under one group, these should be one plan of action for them & they should be under the control of one particular manager.

### Subordination of individual interest to General interest

This principle emphasises that the interest of one employee or group of employees should not prevail over that of the concern Fayol suggested these means to protect the general interest. They are

- Firmness and good ex on part of superiors
- Agreement as join as in possible
- Constant supervision

### Remuneration of personnel

Fayol said that the remuneration & methods of payment should be fair and afford the maximum possible satisfaction to employees & employer. Time, job, piece rates, bonus, profit saving, welfare work, Non-financial incentives should be included in best scheme of payment.

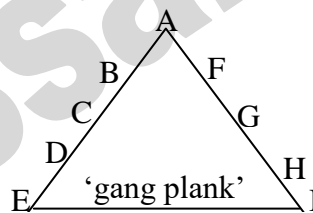


### Centralization

Centralization refers to decreasing role of subordination in decision making. Fayol says Centralization is not a system of management goods or bad of itself. Centralization implies the Centralization of authority at the top management. Relationship between Centralization & decentralization of authority is a matter of proportion & optimum balance should be maintained according to needs of organization.

### Scalar chain

Scalar chain refers to the chain of superiors ranging from the ultimate authority to lowest ranks. There should be clear line of authority ranging from top to bottom of organization the line of authority is the route followed via every link in the chain by all communication which start from as go the ultimate authority. Fayol suggested the concept 'gang plank' which is used to prevent the scalar chain from bogging down action.



### Order

To run well an organization should have a place of everything and everything should be in its place. These should be an orderly rationally thought out plan for arranging the things and material in their suitable places. There are two order material and social

### Equity

The organizations runs best when there is a feeling of kindness and justice among managers. Desire for equity & equality of treatment are the common aspirations of employees.

### Stability of tenure of personnel

Efficiency is promoted when job security is assured to employees, Time is required for an employee to get used to new work & succeed in doing it well. An employee cannot render worth while service if he is removed from the job before he is adjusted.

### Initiative

Initiative refers to the freedom to thinks out a plan and use discretion in executing. It is a freedom to propose and to execute.

### Esprit de corps -

This principle says that "in union there is strength" Harmony, teamwork and union among the employees is a great strength in a concern the morale of an organization people is an asset. Fayol exhorts that the misguided motto 'divide and rule' and the abuse of written communication should be avoided by manager rather they should strive to maintain cooperation among employees.

### Similarities of Taylor and Fayol:

1. Both devoted to put science into management.
2. Both devoted to the development of management thought.
3. Both were concerned with the **improvement of practice** of management.
4. Both men favoured the development of **theory and principles to improve management practice**.
5. Both emphasised the need for **cooperation between** labour and management.
6. Both realised the **universality of management**.

### The Dissimilarities between the two are as follows:

1. Taylor's work is primarily concerned with the **operative level** at the shop level while Fayol's work is concerned with **management at top and middle levels**.





2. Taylor started from the bottom of the managerial hierarchy and had **worker upwards** whereas Fayol started from the top executive position and **worked downwards**.
3. Taylor was concerned with increasing **efficiency of labour** whereas Fayol was concerned with with increasing **efficiency of total organisation**.
4. Taylor aimed at increasing productivity by **eliminating or reducing inefficiency and waste**. On the other hand, Fayol aimed at organisational **efficiency through application of management principles**.
5. Taylor described his philosophy as '**Scientific management**' whereas Fayol called his views as 'General theory of administration'.
6. Taylor is known as the **father of scientific management** whereas Fayol is recognised as the **father of modern management theory**.
7. Fayol recognised the need of **education and training** in schools and colleges whereas **Taylor did not so realise**.
8. Fayol was a top executive, and therefore, was in a better position to look at the functions of a manager than Taylor.

### Management by objectives (MBO)

Management by objective is a process whereby superior and subordinates jointly identify the law of objectives, set the results that should be achieved by the subordinates, assess the contribution of each individual, and integrate individuals with the organization so as to make best use of organizational resources. It is a way of managing which involves:

- (a) Identification of organizational, divisional, departmental, group and individual objectives.
- (b) Formulations of effective managerial strategies, policies and procedures
- (c) Measurement of performance in terms of objectives

### Definition of management by objectives

"MBO is a comprehensive managerial system that integrates many key managerial activities in a systematic manner, consciously directed towards the effective and efficient achievement of organizational objectives."

**Koontz and O' Donnell**

"Management by objectives is regarded as a system for improving performance, both the individual managers and the enterprise as a whole by setting of objectives at the corporate departmental and individual managerial level."

**Peter Druker**

### Characteristics of MBO

1. A Philosophy of management
2. Goal oriented approach
3. Common objectives and individuals goal
4. Participation and involvement
5. An interactive approach
6. A comprehensive approach
7. A system approach
8. Aims of optimum results
9. Universal approach
10. Increasing competence



**Process of MBO**



**Steps involved in MBO**

- |                               |                            |                    |
|-------------------------------|----------------------------|--------------------|
| 1. Diagnosis                  | 4. Goal Setting            | 7. Joint agreement |
| 2. Planning                   | 5. Developing action plans | 8. Interim Review  |
| 3. Defining the Employees job | 6. Superior Review         | 9. Final Review    |

**Advantages of MBO**

1. Encourages result oriented philosophy
2. Clearer goals
3. Effective planning
4. Clarification of organizational roles
5. Coordination
6. Encourages commitment
7. Self direction and control
8. Motivation
9. Facilitate control
10. Improved performance appraisal
11. Cordial relations between superior and subordinates
12. Development of managerial skills.
13. Facilities organizational change and development
14. Improves communication
15. Boosts employees morale

**Limitations of MBO**

1. Lack of guidelines
2. Difficulty of setting goals
3. Emphasis on short term and quantitative goals



4. Unethical means
5. Inflexibility
6. Time consuming
7. Excessive paper work
8. Uncertain environment
9. Neglect of personal development goals
10. Complex system.

#### **Management by Execution (MBE)**

Management by exception or the exception principle asserts that every subordinate should be authorized to manage or perform his routine jobs without any intervention from his superior manager. superior manager should be called to interfere only in exceptional circumstances. So long as the problem is within the scope of subordinates authority of the performance is within the limits of the standards manager need not interfere in their working similarly, the subordinates should refer the matters only of exception nature to his superior manager this practice of management is known as the MBE

#### **Definition of MBE**

##### **Acc. To Lister Bitter**

“Management by exception is an information and control technique that provides management with signals that tell when a condition or operation is within its prescribed standard and when it is not.”

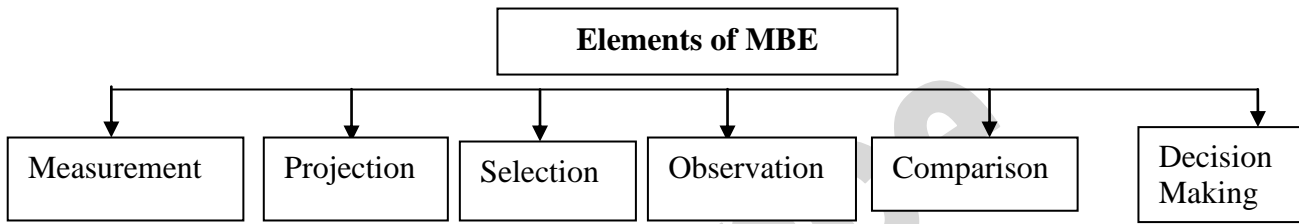
##### **Acc. To Thomas Divining**

“Exception principle of management states that only significant deviations from policies and procedures should be brought to the attention of managers.”

#### **Characteristics of Management by Exception**

Following are the main characteristics of management by exception:

1. Management by exception is a system under which only those matters and problems are brought to the notice of high level managers which are of great importance.
2. Matters of routine nature or problems related to day to day working are resolved by subordinates on their own.
3. In this system, there is stress on decentralization of authority.
4. High management officials have complete trust on their subordinates and they delegate authority to them.
5. This management technique lays stress on improving skills and working capabilities of the subordinates.
6. High level managers concentrate their attention only on important matters in system of management by exceptions.
7. In this system, effective communication is arranged and stress is laid on development of cordial relations.



### Advantages

According to F.W. Taylor, “The principle provides leverage for the use of management time and enables the managers to accomplish far more than if they were to apply themselves indiscriminately to every problem that arose. The main advantages of MBE are as follows:

1. It conserves the time effort and talent of subordinates as well as superiors.
2. Subordinates may easily concentrate on their routine job without any interference.
3. Superior can pay more attention on exceptional matters. They may concentrate on long-range strategic planning and control in key areas.
4. It focuses the paper use of standards for doing the things and evaluating performance.
5. It can limit or reduce the deviations in performance.
6. It provides freedom to subordinates in their routine jobs.
7. Subordinates have better opportunities of using their knowledge and expertise in performing their jobs.
8. It helps in installing effective control system
9. It helps in separating important information from unimportant information.

### Disadvantages/Limitations:

In spite of benefits, MBE suffers from the following limitations:

1. It requires establishment of clear and broad standards of performance. But it is very difficult to do so.
2. It requires detailed reporting system, which is also not so easy.
3. It is not easy for the subordinates to measure and evaluate the performance and find out deviations.
4. Sometimes, it becomes very difficult to measure performance accurately. Therefore, the principle cannot be effectively applied.
5. It requires delegation of authority which many managers do not want to do so.
6. It requires too much paper work which renders it a costly and time consuming practice.

### Distinction between MBO and MBE:

MBO and MBE may be distinguished as follows:

1. MBO is technique of decentralization of authority and seeking participation in management of subordinates. On the other hand, MBE is a technique of managerial control.
2. In MBO subordinates establish their own goals with the help of superior managers. On the other hand, in MBE superior managers control the exceptional problem in performance when they seek their help.





3. In MBO, performance is jointly evaluated by the superior and the subordinate and former guides the latter to improve the performance. In MBE, superior uses his authority to correct the deviation or problem in performance.
4. It is very difficult to remove deviation immediately in MBO whereas in MBE deviations may be corrected immediately.

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## Unit II Planning

Planning is the process of defining organisational objective and selecting best possible future courses of action for achieving these objectives efficiently and effectively. Planning governs the survival, progress and prospering of any organisation in a competitive and ever changing environment. It requires anticipating future and decision making that is choosing from among alternative future courses of action. It provides the blueprints of actions to achieve goals.

Planning involves the selection of policies, procedures methods, rules and resources for achieving the objectives, thus, planning is a process which helps in getting answer of following questions:

- What is to be done
- Why it is to be done
- How it is to be done
- By whom to be done
- When to be done
- Where to be done
- What resources are required for doing it

### **Definition of planning**

#### **According to George R. Terry**

“Planning is the selecting and relating of facts and making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results.” It is deciding what needs to be done, when and how it needs to be done, and who is to do it. It requires anticipating future and decision making, that is, choosing from among alternative future courses of action. It provides the blueprints of actions to achieve goals.

### **Characteristics or nature of planning :**

1. Primary task of management
2. Intellectual process
3. Future oriented
4. Decision oriented
5. Goal oriented
6. Forecasting is the essence of planning
7. Pervasive function
8. Planning and action are twins of management
9. Planning is wider than decision making
10. Inter dependent activity
11. Continuous and dynamic activity
12. Planning is the basis of control
13. Planning follows a systematic and reutilized procedure.
14. It is participative in nature
15. Planning always has a dimension of time.
16. Planning also implies “managerial innovation” (Koontz and Weihrich)

### **Need /Importance and advantages of Planning**

1. Basis of success
2. Keystone management function
3. To manage by objectives
4. To offset growing complexity of business
5. Better utilization of resources
6. To gain economy in operation



7. Establishes coordinated effort
8. Facilitates control
9. Coping with change
10. Improves competitive strength
11. Creates forward looking attitude
12. Promotes order
13. Prevents hasty judgment and haphazard action
14. Stay on track
15. Managing crises
16. Providing motivation
17. Promotes growth and improvement
18. Encourages creativity
19. Facilitates decentralization
20. It provides alternative courses of action
21. Efficient methods and procedures of action can be developed.

### TYPES OF PLANS

#### On the basis of Managerial Hierarchy

1. Strategic Plans
2. Administrative plans
3. Operating Plans

#### On the basis of Frequency of Use

1. Standing plans
2. Single use plans

#### On the basis of Time Frame

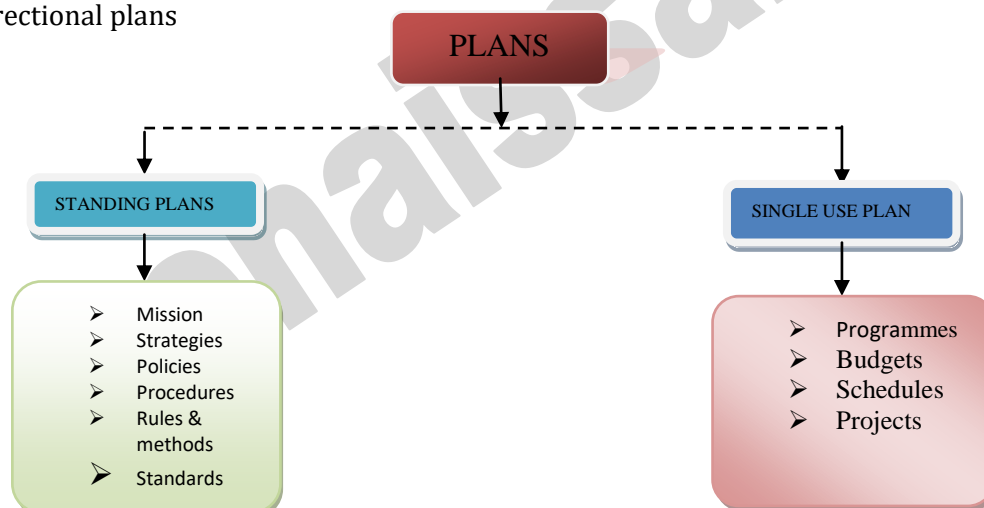
1. Short range plans
2. Medium or Intermediate plans
3. Long range plans

#### On the basis of Organizational Scope

1. Business or divisional level plans
2. Unit or functional level plans

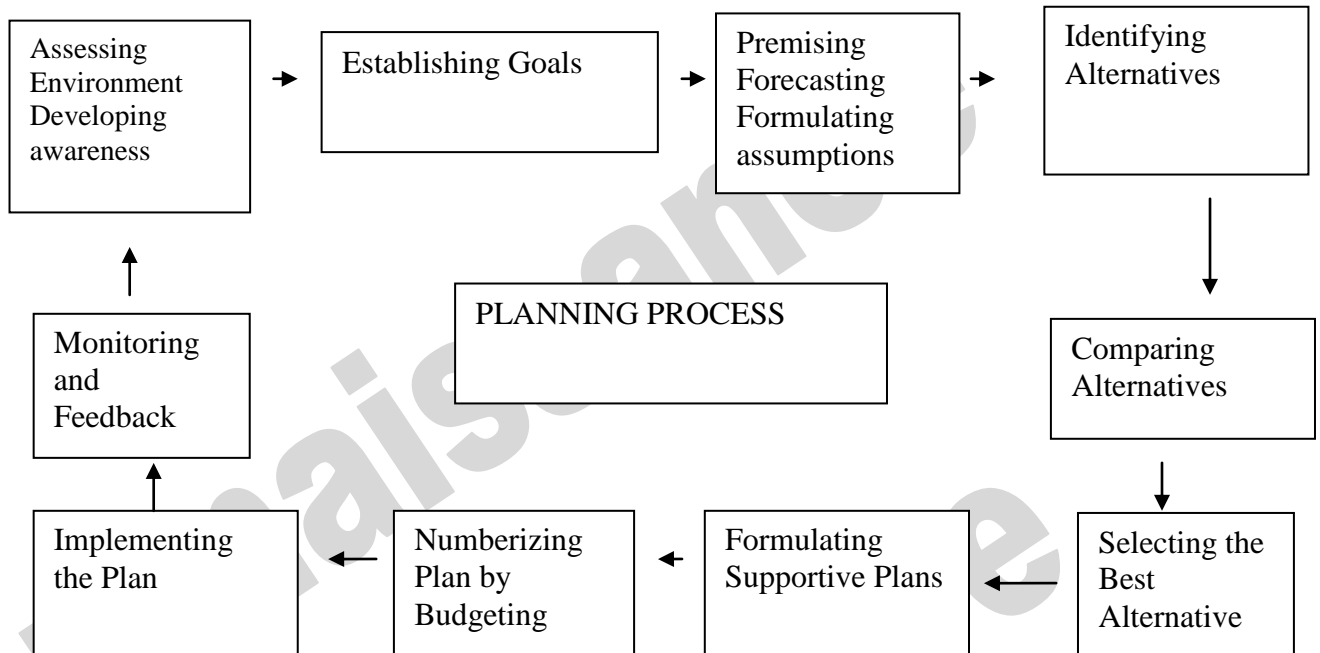
#### On the basis of Specificity

1. Specific plans
2. Directional plans





## PLANNING PROCESS



### Limitations of Planning

1. Lack of reliable facts and information
2. Inaccurate premises
3. Rigid philosophy or lack of pragmatism
4. Resistance to change
5. Inflexibility of existing objectives and plans
6. Lack of planning skills
7. Failure to integrate with other functions
8. Attitudes and conflicts among managers
  - a. Conflict on the goals and priorities of planning.
  - b. Conflict on the selection of the courses of action and resources.
  - c. Conflicts on their roles in the implementation of plans.
  - d. Conflict between line and staff managers due to their role in planning.
  - e. Conflict on the issue of usefulness of the planning itself.
9. Psychological barriers.
  - i. Some managers feel that present is more important than the future. They regard present is more desirable and has certainty. Hence, they neglect the significance of planning.
  - ii. Some managers feel that certain things are bound to happen in future. Such things cannot be changed by planning.
  - iii. Some feel that planning is not successful always. Therefore, it is a waste of time, energy and money.
  - iv. Plans serve as standards for evaluating performance. Therefore, many managers fear that others will know their weaknesses at the time of performance evaluation.
11. Expensive
12. Inadequate resources
13. Delay in actions
14. Difficulties in implementation
15. Rapid and random changes



### Essentials of effective planning

1. Well defined objectives
2. Simple and easy to understand
3. Comprehensive
4. Flexible
5. Balanced
6. Economical
7. Stable
8. Continuity
9. Unity
10. Consistency
11. Participation
12. Practicable
13. Written
14. It should be logical and rational
15. It must be time bound.

### Principles of Planning

1. Principle of contributions to objectives
2. Principle of objective
3. Principle of primacy of planning
4. Principle of efficiency of plans: It means that the amount contribution of plans should exceed the costs involved in their formulation and implementation.
5. Principle of planning premises: Planning premises means the assumptions regarding environment which are likely to affect the implementation of plans. This Principle emphasizes the need for consistent planning premises.
6. Principle of strategy and policy framework
7. Principle of limiting factor: A limiting factor is one which creates problems in the way of achieving predetermined objectives. This Principle states that Planner must recognize and solve the limiting factors in order to formulate Effective plans.
8. Principle of commitment
9. Principle of flexibility
10. Principle of navigational change: This principle states that a manager must constantly monitor and review the conditions affecting the plans and redraw the plans if required by the changed conditions.
11. Principle of pervasiveness
12. Planning coordination
13. Principle of timing
14. Principle of participation/acceptance
15. Principle of competitive strategies

### TOOLS AND TECHNIQUES OF PLANNING

Different tools and techniques are used in formulating and implementing plans. Some of the most important tools and techniques are as follows :

1. Forecasting
2. Budgeting
3. Break even analysis
4. Marginal analysis
5. Linear programming

6. Waiting line or Queuing theory
7. PERT/CPM
8. Theory of probability





**DECISION MAKING**

1. Decision making is a process of selecting a course of action from among the available alternatives in order to achieve a desired goal in a given situation. This process involves the functions of searching and evaluating alternative courses of action in order to select a best possible course of action.
2. Decision making is all pervasive.
3. Decision making is a process but a decision is a particular stage of that process.

**CHARACTERISTICS/NATURE OF DECISION MAKING**

1.	Intellectual and logical process.
2.	Process in human mind
3.	Largely an intuitive process
4.	Purposeful
5.	Solves problem

6.	Commitment
7.	Environmental influence
8.	Pervasive activity
9.	Essence of management

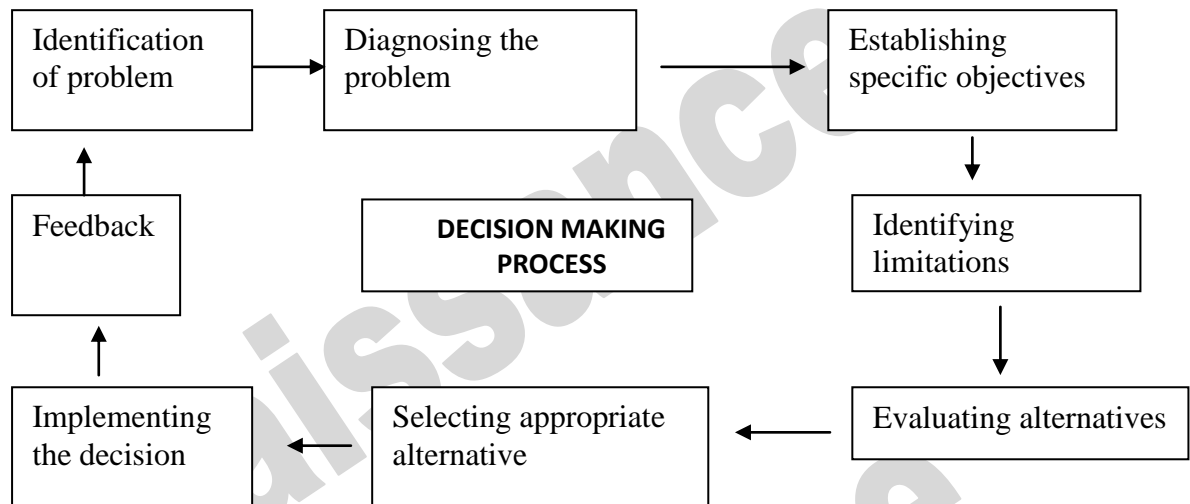
**IMPORTANCE/SIGNIFICANCE OF DECISION MAKING**

1.	To perform management functions
2.	To ensure success of management process
3.	For evaluating managers
4.	For solving problems

5.	To limit risk
6.	For optimum utilization of resources
7.	To achieve objectives effectively
8.	To face challenges

**CLASSIFICATIONS OF DECISIONS**

1. Organizational and personal decisions: Organization decisions are those that are taken by a manager in his official capacity.
2. Personal decisions are those that are taken in a manager's personal capacity.
3. Routine decisions are those that relate with the day to day routine operations of the Organization. These are repetitive decisions.
4. Non routine decisions are those that deal with the unusual problems or situations of the Organization.
5. Strategic or policy decisions are those that related with the basic objectives and policy of the Organization whereas decisions are non routine decisions.
6. Tactical or operational decisions are those that are made to implement the strategic decisions.
7. Programmed decisions are those that deal with the routine or day to day recurring problems.
8. Non programmed decisions are those that deal with noval, unusual or exceptional or non recurring problems.
9. Individual group decision: A decision taken by any individual manager is known as the individual decision.
10. Group or collective decisions are those that are taken by small or large group of persons.



**The main principles of sound decision making:**

1. Principle of problem ascertainment
2. Principle of reliable information
3. Principle of alternatives
4. Principle of limiting factor
5. Principle of efficiency and effectiveness
6. Principle of rationality
7. Principle of participation
8. Principle of flexibility
9. Principle of timing
10. Principle of integration of interests
11. Principle of communication
12. Principle of feedback
13. Principle of economy.

**The techniques of decision making:**

1. Experience or judgmental
2. Intuition
3. Habits
4. Standing plans and procedures
5. Organization structure
6. Principles of management
7. Economic and financial techniques
8. Linear programming
9. Game theory
10. Waiting line or queuing theory
11. Simulation
12. Network techniques
13. Heuristic technique
14. Participative technique



## ORGANIZATION

### INTRODUCTION:-

"Organization may be considered as the vehicle, or the ways and means, to release and channel the intellectual and physical energies of men for the achievement of desired goals or results."

The word organization is generally used in two senses. First as a collective noun which means, an organization is a group of individuals who share authority and accountability relationships and secondly as a verb which mean process of organization. It refers the process of identifying and grouping of activities as signing duties, delegating authority, established relationships among the purpose of accomplishing specific objectives. The terms 'organization' refers to a mechanism which enables men to live together. In a static sense an organization is a structure manned by group of individuals who are working together towards a common goal. In a dynamic sense organization is a process of welding together a frame work of positions which can be used as a Management tool for the most effective pursuit of an enterprise.

### Definition

**Chester I. Barnard:** 'Organization system of co-operative activities of two or more persons'.

**Oliver Sheldon:** 'Organization is the process of combining the work which individuals and groups have to performs with the faculties necessary for its execution that the duties so formed provide the best channels for efficient, systematic, positive and coordinated application of the available effort.'

### Characteristics

- ❖ Group of persons
- ❖ Common objectives
- ❖ Deliberate creation
- ❖ Management, function
- ❖ Continuous process
- ❖ Division of work
- ❖ Cooperative relationships
- ❖ Hierarchy of authority
- ❖ Dependence or environment
- ❖ Dynamic and Flexible

### Importance

- Ensures survival and success of enterprise.
- Facilitates performance of other Managerial functions
- Promotes speciation
- Clarifies authority relationships'
- Ensures flow of activities
- Facilitates communication
- Avoids overlapping and duplication Of work
- Facilitates coordination.
- Ensures sound human relations
- Ensures Optimum use of resources
- Stimulate Creativity
- Facilitates change
- Increase efficiency & effectiveness

### Principles of Objectives

1. Principles of objectives
2. Principle of Division of work & specialization
3. Principle of functional definition
4. Principle of scalar chain
5. Principle of span, of control
6. Principle of Authority & Responsibility
7. Principle of flexibility
8. Principle of communication
9. Principle of continuity
10. Unity of direction
11. Facilitation of leadership
12. Principle of coordination
13. Unity of command
14. Principle of Balance
15. Principle of human element

### Significance

1. Facilitates administration
2. Facilitates growth and diversification



3. Provides for optimum use of technological improvement

4. Encourages human use of human beings  
5. Stimulates creativity

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