SYLLABUS

B.Com I Years (Hons.)

Subject – Principles of Management

UNIT – I	Basics of Management: Concept and Significance of Management, Evaluation of Management thought, some leading management thinker, F.W. Taylor, Henry Fayol, Functions of Management and Manager. Business Environment: Economic Political, Social Legal and Technical, Social Responsibilities of Manager, Ethics in Management.

renaissance

UNIT – I

Basics of Management

Introduction of Management:

Every human being has several needs and desires. But no individual can satisfy all his wants. Therefore, people work together to meet their mutual needs which they cannot fulfill individually. Moreover, man is a social being as he likes to live together with other people. It is by working and living together in organised groups and institutions that people satisfy their economic and social needs. As a result there are several types of groups, eg. family, school, government, army, a business firm, a cricket team and the like. Such formal groups can achieve their goals effectively only when the efforts of the people working in these groups are properly coordinated and controlled. The task of getting results through others by coordinating their efforts is known as management. Just as the mind coordinates and regulates all the activities of a person, management coordinates and regulates the activities of various members of an organisation.

Management is getting things done with effectiveness and efficiency. It is designing and maintaining an environment in which individuals working together accomplish selected aims efficiently.

Management is the first of the modern institutions to shape the society. It pays a vital role in modern world. It regulates man's productive energies. It organizes factors of production. Peter Drucker observes that without the leadership of management, a country's resources of production remain resources and never becomes production. Management converts a mob into an organization, and human efforts into performance. 'Management' is the catalyst which makes possible rapid economic and social development in freedom and with human dignity.

MEANING OF MANAGEMENT:

As the term 'management' is used in several contexts, it has different meanings to different people. Management has three different meanings:

1. **As a Noun:**

When used as a noun, management refers to all those who have both responsibility and authority to manage an organization and who are responsible for the work of others at all levels. W.J. Reddin states that "a manager is a person occupying a position in a formal organization who is responsible for the work of at least one other and who has formal authority over that person. Persons, whose work he is responsible for, are his subordinates."

2. **As a Process:**

Management is also tasks, activities and functions. As a process, management refers to what management does, i.e., the function performed by management 'Managing' is considered as a process which may include a variety of functions, principles, techniques, skills and other measures of accomplishing the work and activities of organization. Management as a process implies a series of actions or elements. These are planning, organization, staffing, directing, co-ordination etc.

3. As a Discipline:

Sometimes, the word 'management' is used to connote the body of knowledge and practice. In this sense, it becomes a separate subject, a field of learning, and an organized, formal discipline. It is young discipline.

DEFINITION OF MANAGEMENT :

Management is the coordination of all resources through the process of planning, organising, directing and controlling in order to attain stated objectives. —*Henry L. Sisk.*

Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way.

—*F.W. Taylor*

To manage is to forecast and to plan, to organise to command, to coordinate and to control.

—*Henry Fayol*

Management is a distinct process consisting of planning, organising, actuating and controlling performed to determine and accomplish the objectives by the use of people and resources.

George R. Terry

Management is guiding human and physical resources into dynamic organisational units which attain their objectives to the satisfaction of those served and with a high degree of morale and sense of attainment on the part of those rendering service.

—*American Management Association*

Management is a multipurpose organ that manages a business and manages Managers and manages Workers and work.

—*Peter Drucker*

NATURE OF MANAGEMENT:

To understand the basic nature of management, it must be analyzed in terms of art and science, in relation to administration, and as a profession, in terms of managerial skills and style of managers.

Management as a Science:

Science means a systematic body of knowledge pertaining to a specific field of study. It contains general principles and facts which explains a phenomenon. These principles establish cause-and-effect relationship between two or more factors. These principles and theories help to explain past events and may be used to predict the outcome of actions. Scientific methods of observations, and experiments are used to develop principles of science. The principles of science have universal application and validity.

Thus, the essential features of science are as follows:

(i) Basic facts or general principles capable of universal application
(ii) Developed through scientific enquiry or experiments
(iii) Establish cause and effect relationships between various factors.
(iv) Their Validity can be verified and they serve as reliable guide for predicting future events.

Let us now examine as to what extent management satisfies the above conditions:

(i) ***Systematic body of knowledge:*** Management has a systematic body of knowledge consisting of general principles and techniques. These help to explain events and serve as guidelines for managers in different types of organisation.

(ii) ***Universal principles:*** Scientific principles represent basic facts about a particular field enquiry. These are objective and represent best thinking on the subject. These principles may be applied in all situations and at all times. Exceptions, if any, can be logically explained. For example, the Law of Gravitation states that if you throw an object in the air it will fall on the ground due to the gravitational force of the earth. This law can be applied in all countries and at all points of time. It is as applicable to a football as it is to an apple falling from tree. Management contains sound fundamental principles which can be universally applied. For instance, the principle of unity of command states that at a time one employee should be answerable to only one boss. This principle can be applied in all types of organization - business or non business. However, principles of management are not exactly like those of physics or chemistry. They are flexible and need to be modified in different situations.

(iii) ***Scientific enquiry and experiments:*** Scientific principles are derived through scientific investigation and reasoning. It means that there is an objective or unbiased assessment of the problem situation and the action chosen to solve it can be explained logically. Scientific principles do not reflect the opinion of an individual or of a religious guru. Rather these can be scientifically proved at any time. They are critically tested. For example, the principle that the earth revolves around the sun has been scientifically proved. Management principles are also based on scientific enquiry and investigation. These have been developed through experiments and practical experience of a large number of managers. For example, it has been observed that wherever one employee has two or more bosses simultaneously, confusion and indiscipline are likely to arise, with regard to following the instructions.

(iv) ***Cause and effect relationship:*** Principles of science lay down a cause and effect relationship between related factors. For example, when water is heated up to 100ºC, it starts boiling and turns into vapor. Similarly, the principles of management establish cause and effect relationship between different variables. For instance lack of balance between authority and responsibility will cause management to become ineffective.

(v) ***Tests of validity and predictability:*** Validity of scientific principles can be tested at any time and any number of times. Every time the test will give the same result. Moreover, the future events can be predicted with reasonable accuracy by using scientific principles. For example, the Law of Gravitation can be tested by throwing various things in the air and every time the object will fall on the ground. Principles of management can also be tested for their validity. For example, the principle of unity of command can be tested by comparing two persons, one having a single boss and other having two bosses. The performance of the first person will be higher than that of the second.

Thus, management is undoubtedly a science. It contains a systematic body of knowledge in the form of general principles which enjoy universal applicability. However, management is not as exact a

science—Physics, Chemistry, Biology and other Physical sciences. This is because management deals with people and it is very difficult to predict accurately the behavior of living human beings. Management principles are universal but they cannot be expected to give exactly the same results in every situation. That is why management is known as a soft science. Management is a social science. It is still growing, with the growing needs of human organisations.

Management as an Art:
Art implies the application of knowledge and skills to bring about the desired results. The essential elements of arts are:

(i) Practical knowledge
(ii) Personal skill
(iii) Result oriented approach
(iv) Creativity
(v) Improvement through continuous practice

Let us judge how far management fulfils these requirements:

(i) ***Practical knowledge:*** Every art signifies practical knowledge. An artist not only learns the theory but also its application in practice. For example, a person may have adequate technical knowledge of painting but he cannot become a good painter unless he knows how to make use of the brush and colours. Similarly, a person cannot become a successful manager simply by reading the theory and getting a degree or diploma in management. He must also learn to apply his knowledge in solving managerial problems in practical life. A manager is judged not just by his technical knowledge but by his efficiency in applying this knowledge.

(ii) ***Personal skill:*** Every artist has his own style and approach to his job. The success of different artists differs even when all of them possess the same technical knowledge or qualifications. This is due to the level of their personal skills. For example, there are several qualified singers but Lata Mangeshkar has achieved the highest degree of success. Similarly, management is personalised. Every manager has his individual approach and style in solving managerial problems. The success of a manager depends on his personality in addition to his technical knowledge.

(iii) ***Result-oriented approach:*** Arts seeks to achieve concrete results. The process of management is also directed towards the accomplishment of desirable goals. Every manager applies certain knowledge and skills to achieve the desired results. He uses men, money, materials and machinery to promote the growth of the organisation.

(iv) ***Creativity:*** Art is basically creative and an artist aims at producing something that had not existed before. Therefore, every piece of art requires imagination and intelligence to create. Like any other art, management is creative. A manager effectively com-bines and coordinates the factors of production to create goods and services. Moulding the attitudes and behaviour of people at work, towards the achievement of the desired goals is an art of the highest order.

(v) ***Improvement through people:*** Practice makes one perfect. Every artist becomes more and more efficient through constant practice. A dancer, for example, learns to perform better by continuously practicing a dance. Similarly, manager gains experience through regular practice and becomes more effective.

Thus, "***Management is both a science as well as an art***". It is a science because it has an organised

body of knowledge consisting of certain universal facts. It is known as an art because it involves creating results through practical application of knowledge and skills. How-ever, art and science are complementary to each other. They are not mutually exclusive. Science teaches one to know and art to do. Art without science has no guide and science without art is knowledge wasted.

For example, a person cannot be a good surgeon unless he has scientific knowledge of human anatomy and the practical skill of applying that knowledge in conducting an operation.

Similarly, a successful manager must know the principles of management and also acquire the skill of applying those principles for solving managerial problems in different situations. Knowledge of principles and theory is essential, but practical application is required to make this knowledge fruitful. One cannot become an effective manager simply by learning management principles by heart. Science (theory) and art (practice) are both essential for the success of management.

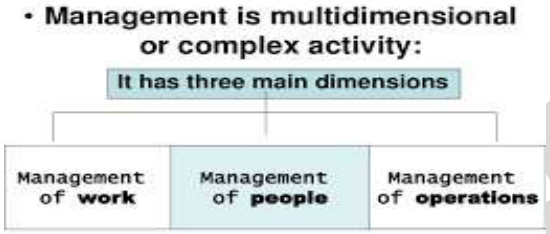
CHARACTERISTICS OF MANAGEMENT:

An analysis of the definition of management indicates the following features of management:

1. **Management is goal-oriented:**
   Management is not an end in itself. It is a means to achieve certain goals. Management has no justification to exist without goals. Management goals are called group goals or organisational goals. The basic goal of management is to ensure efficiency and economy in the utilisation of human, physical and financial resources. The success of management is measured by the extent to which the established goals one achieved. Thus, management is purposeful.

2. **Management is an Activity:**
   Management is a process of organized activity. It is concerned with the efficient use of resources of production. This process is made up of some interrelated elements-planning, organizing, leading and controlling. Terry says, "Management is not people, it is an activity." Those who perform this activity are designated as 'Managers'.

3. **Management is Multidimensional:**
   A single activity of business includes three main acts.
   - **i.** Management of work- planning, organizing, controlling
   - **ii.** Management of people- staffing, directing
   - **iii.** Management of operations- production, sales, purchase



4. **Management is a continuous Process:**
   Management is a dynamic and an on-going process. The cycle of management continues to operate so long as there is organised action for the achievement of group goals.

5. **Management is Intangible:**
   Management is an unseen or invisible force. It cannot be seen but its presence can be felt everywhere in the form of results. However, the managers who perform the functions of management are very much tangible and visible.

6. **Management is multidisciplinary:**
   Management has to deal with human behaviour under dynamic conditions. Therefore, it depends upon wide knowledge derived from several disciplines like engineering, sociology, psychology, economics, anthropology, etc. The vast body of knowledge in management draws heavily upon other fields of study.

7. **It is Dynamic:**
   Management is not a static activity. It adapts itself to the new changes in society. It also introduces innovation in its style and techniques. It accepts environmental changes.

8. **Hierarchical Nature:**
   Management has several positions, ranks, authority and hierarchies flowing from top to bottom across all levels in the organization. It has top, middle and bottom levels with superiors and subordinates. Management contains a chain of authority and command with attached responsibility. This is known as the managerial hierarchical system of authority.

9. **Group Activity:**
   It is concerned with the efforts of a group. It works in 'cooperative group'. Managers are vital to joint activity. Management is essential wherever people work together for a common cause. Management plans, organizes, go-ordinates, directs and controls the group efforts, not the individual efforts.

10. **Management is Universal:**
    Management is needed in all types of organized activities and in all types of organizations. In fact, it is present in all walks of life. Fayol writes, "Be it a case of commerce, industry, politics, religion, war or philanthropy, in every concern there is a management functions to be performed." Also, the techniques and tools of management are universally applicable.

11. **Separate Identity:**

Management represents a separate class of managerial personnel who are quite different from the identity of workers and capitalists. It is a class of administrators and planners. Managers need not to be owners. In modern industrial society Labour, Management and Capital are different entities.

12. It Involves Decision-making:

Making decision is a real identity of a manager. He is a planner and thinker. He decides the course of action, strategies, policies and programmes. Drucker states, "Whatever a manager does, he does through making decisions." Thus, management is always a decision-making process,

.

13. Pervasive at all Levels:

Managerial activity pervades all levels of the organization. It is required at top, middle and supervisory levels for getting things done through others. Every manager, whether he works at top or low level, performs the same managerial tasks to do his role

14. Management is a Social Process:

Management is done by people, through people and for people. It is a social process because it is concerned with interpersonal relations. Human factor is the most important element in management. According to Appley, "Management is the development of people not the direction of things. A good manager is a leader not a boss. It is the pervasiveness of human element which gives management its special character as a social process".

15. Management is an Integrative Force:

The essence of management lies in the coordination of individual efforts in to a team. Management reconciles the individual goals with organisational goals. As unifying force, management creates a whole that is more than the sum of individual parts. It integrates human and other resources.

Levels of management:

Every business organisation, irrespective of its size, has many managerial positions in its structure. These positions are created through the process of delegation of authority from top to lower levels. Each position is marked by authority, responsibility, functions, roles and relationships. The contents and nature vary, depending in the level at which the position lies. As one moves upward in the organisation, the managerial position plays an important role, larger the contribution, greater the authority and higher the responsibility. These managerial positions lying in the chain of command may be classified into various groups or levels of management. Broadly speaking, an organisation has two important levels of management, namely functional and operative. The functional level is concerned with the process of determining primary objectives, formulating basic policies, making vital decisions and controlling and coordinating activities of personnel. The operative level of management is related to implementation of plans and decisions, and pursuit of basic policies for achieving the objectives of the organisation.

Generally, the levels of management consisting of various managerial positions in the structure of an organisation, differ from one organisation to another, depending on the size of business activity, philosophy of management, span of control and other related factors. But, in a joint stock company, for conducting its business efficiently, managerial personnel may be placed in three levels, that is, top, middle and lower or supervisory level.

Managerial skills:

In modern business the job management has become very difficult. Several skills are required to manage successfully a large organisation in a dynamic environment. These skills of managers have been classified into four categories, namely technical, human, diagnostic and conceptual skills.

(i) Technical Skills:
Technical skills refer to the ability and knowledge in using the equipment, technique and procedures involved in performing specific tasks. These skills require specialised knowledge and proficiency in the mechanics of particular job. Ability in programming and operating computers is, for instance, a technical skill. There are two things a manager should understand about technical skills. In the first place, he must know which skills should be employed in his particular enterprise and be familiar enough with their potentiality to ask discerning questions of his technical advisors. Secondly a manager must understand both the role of each skill employed and interrelations between the skills.

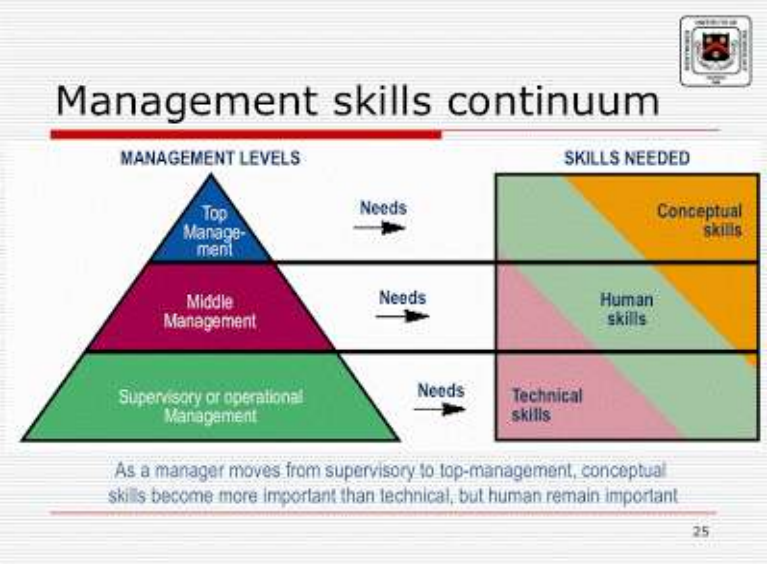
(ii) Human Skills:
Human skills consists of the ability to work effectively with other people both as individual and as members of a group. These are required to win cooperation of others and to build effective work teams. Such skills require a sense of feeling for others and capacity to look at things from others point

of view. Human skills are reflected in the way a manager perceives his superiors, subordinates and peers. An awareness of the importance of human skills should be part of a managers orientation and such skills should be developed throughout the career. While technical skills involve mastery of 'things' human skills are concerned with understanding of 'People'.

(iii) Conceptual Skills:
Conceptual skills comprise the ability to see the whole organisation and the interrelationships between its parts. These skills refer to the ability to visualise the entire picture or to consider a situation in its totality. Such skills help the manager to conceptualise the environment, to analyse the forces working in a situation and take a broad and far-sighted view of the organisation. Conceptual skills also include the competence to understand a problem in all its aspects and to use original thinking in solving the problem. Such competence is necessary for rational decision-making.

Thus technical skills deal with jobs, human skills with persons and conceptual skills with ideas. These types of skills are interrelated. But the proportion or relative significance of these skills varies with the level of management.

Technical skills are most important at the supervisory or operating level where a close understanding of job techniques is necessary to guide workers. As one moves up the management hierarchy, technical skills become less important. Higher level managers deal with subordinate managers and specialised technical knowledge is comparatively less important for them. Conceptual skills are very important for top management in formulating long-range plans, making broad policy decisions, and relating the business enterprise to its industry and the economy. Thus, the relative importance of conceptual skills increases as we move to higher levels of management. This would be self evident as management is the process of getting things done through people. Human skills are equally important at all levels of management because every manager has to deal with people.



Objectives of management:

The objectives of management are narrated as under.

(i) ***Organisational objectives:*** Management is expected to work for theachievement of the objectives of the particular organisation in which it exists. Organisational objectives include:
  (a) Reasonable profits so as to give a fair return on the capital invested in business
  (b) Survival and solvency of the business, i.e., continuity.
  (c) Growth and expansion of the enterprise
  (d) Improving the goodwill or reputation of the enterprise.

(ii) ***Personal objectives:*** An organisation consists of several personswho have their own objectives. These objectives are as follows:
  (a) Fair remuneration for work performed
  (b) Reasonable working conditions
  (c) Opportunities for training and development
  (d) Participation in management and prosperity of the enter-prise
  (e) Reasonable security of service.

(iii) ***Social objectives:*** Management is not only a representative ofthe owners and workers, but is also responsible to the various groups outside the organisation. It is expected to fulfil the objectives of the society which are given below:
  (a) Quality of goods and services at fair price to consumers.
  (b) Honest and prompt payment of taxes to the Government.
  (c) Conservation of environment and natural resources.
  (d) Fair dealings with suppliers, dealers and competitors.
  (e) Preservation of ethical values of the society.

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. **Achievement of group goals***:* A human group consists of several persons, each specializing in doing a part of the total task. Each person may be working efficiently, but the group as a whole cannot realize its objectives unless there is mutual cooperation and coordination among the members of the group. Management creates team-work and coordination in the group. He reconciles the objectives of the group with those of its members so that each one of them is motivated to make his best contribution towards the accomplishment of group goals. Managers provide inspiring leadership to keep the members of the group working hard

2. **Optimum utilization of resources***:* Managers forecast the need for materials, machinery, money and manpower. They ensure that the organisation has adequate resources and at the same time does not have idle resources. They create and maintain an environment conducive to highest productivity. Managers make sure that workers know their jobs well and use the most efficient methods of work. They provide training and guidance to employees so that they

can make the best use of the available resources.

3. **Minimisation of cost***:* In the modern era of cut-throat competition no business can succeed unless it is able to supply the required goods and services at the lowest possible cost per unit. Management directs day-to-day operations in such a manner that all wastage and extravagance are avoided. By reducing costs and improving efficiency, managers enable an enterprise to be competent to face competitors and earn profits.

4. **Survival and growth***:* Modern business operates in a rapidly changing environment. An enterprise has to adapt itself to the changing demands of the market and society. Management keeps in touch with the existing business environment and draws its predictions about the trends in future. It takes steps in advance to meet the challenges of changing environment. Changes in business environment create risks as well as opportunities. Managers enable the enterprise to minimise the risks and maximise the benefits of opportunities. In this way, managers facilitate the continuity and prosperity of business.

5. **Generation of employment***:* By setting up and expanding business enterprises, managers create jobs for the people. People earn their livelihood by working in these organisations. Managers also create such an environment that people working in enterprise can get job satisfaction and happiness. In this way managers help to satisfy the economic and social needs of the employees.

6. **Effective utilization of business:** There are seven M's in the business. These are said to be man, money, materials, machines, methods, markets and management of information & time. Management is the topmost of all other 'Ms'. Management has control over other remaining 'Ms'.

7. **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.

8. **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.

9. **Development of the nation***:* Efficient management is equally important at the national level. Management is the most crucial factor in economic and social development. The development of a country largely depends on the quality of the management of its resources. Capital investment and import of technical know-how cannot lead to economic growth unless wealth producing resources are managed efficiently. By producing wealth, management increases the national income and the living standards of people. That is why management is regarded as a key to the economic growth of a country.

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 analyses 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. Basic Functions
1. Planning
2. Organizing
3. Staffing
4. Directing
5. Controlling

II. Dynamic Functions
1. Co-ordinating
2. Decision Making
3. Representation
4. Innovation
5. Administration

III. Challenging Functions
1. Managing Work
2. Managing People
3. Managing Operations
4. Managing Change
5. Managing Time
6. Strategy Formulation and Action
7. Making Work Productive and the Worker Achieving
8. Managing Social Impacts and Social Responsibilities

I. 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.
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.
3. Staffing:
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.
4**. Directing:**

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 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
(ii) Command
(iii) Motivation
(iv) Leadership
(v) Supervision
(vi) Controlling

5. Controlling:
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.

II. DYNAMIC FUNCTIONS :

1. **Co-ordinating**: To co-ordinate is to harmonize all the activities, decisions and efforts of an organization so as to achieve the unity of action. It is blending the efforts of all employees for and efficient running of an organization.
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. **Representation:** the manager's job also includes representing his organization in dealings with outside group-government officials, unions, civic groups, financial institutions, customers, suppliers, and the general
4. **Innovation**: innovation means developing new ideas, new products, new quality or devising new methods of work. In other words, the real manger is always an innovator. Innovation is the specific function of entrepreneurial managers, the means by which they exploit change as an opportunity.
5. **Administration**: this is a new task of manager which is described by peter F. drucker he says, "The manger has to administer. He has to manage and improve what already exists and is already known. He has to redirect resources from areas of low or diminishing results to areas of high or increasing results. He has to slough off yesterday and to render obsolete what already exists. He has to create tomorrow.

III. CHALLENGING FUNCTIONS:

1. **Management of Work**: In an organization, work must be performed. For example, in a factory, the product must be manufactured; in a retail store, the customer's need must be satisfied.
2. **Management of People**: Recently a lot of attention has been given to the 'human factor' in managing the business. Human forces are employed, they need to be unified, coordinated, welded into a team effort and directed towards a given purpose. In this lies the challenging task of management.
3. **Management of Operations**: Every organization has some products or service that it must supply in order to exist. Through operations process, these products are manufactured. To manage these operations, managers ensure the flow of input materials, labour, technology and equipments regularly. This is inextricably interwoven with their daily task.

4. **Management of Change**: Change is an inevitable feature of organizational life every organization operates under the conditions of continuous change. Good mangers exhibit a rational response to changing environment. Mangers who undertake appropriate changes at the right time achieve success.
5. **Management of Time**: It can be noted that 'time dimension' is ever-present is every management problem, every decision and every action. Thus, mangers must make efforts to administer the things within time. They must be conscious of the time element.
6. **Strategy Formulation and Action:** In this age of competitive environment, managers have to take decisions and actions that determine the long-run performance of a company. To maintain the lead in fast-paced industry and global markets, strategy formulation and implementation has become an important function of mangers.
7. **Making Work Productive and the Worker Achieving**: According to drucker, the next task of managers is to make work productive and the worker achieving. He says that business enterprise has only one true resource: man. Manager gets his work done by making human resources productive.
8 **Managing Social Impacts and Social Responsibilities**: The another challenging task of managers, according to drunker, is managing social impacts and the social responsibilities of the enterprise. Drucker says that none of our institutions exist.

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
- Staffing

- Directing
- Controlling

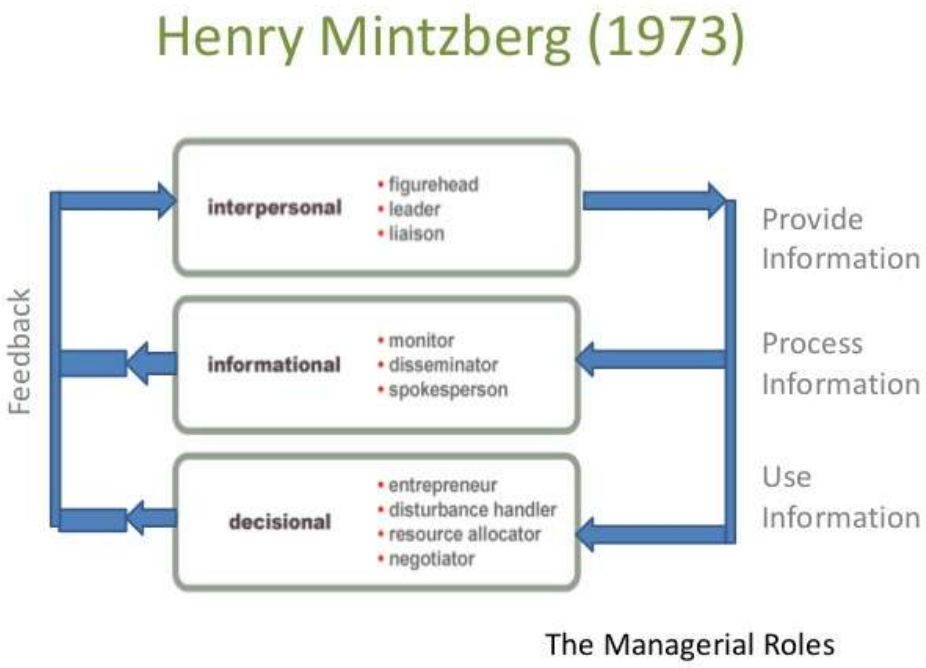
ROLES OF MANAGER IN AN ORGANIZATION:

1. **Interpersonal roles: -** In the process of management needs to interact with subordinates to get things done by them, and also communicates with superiors, peers, trade union leaders, customers, government and other agencies whose interest is involved in the business. Its importance is evident from that a manager spends nearly 80 percent of his time, in interacting with these parties.
   a) **Figure head role:** The manager works in a line of authority. His position is identified in terms of formal authority, responsibility, obligations and relationship. As a symbol of formal authority, he performs various ceremonial duties e.g. receiving visitors, attending weddings of subordinates, singing various documents, delivering speeches and lectures in important social gathering such as schools, clubs and other religious places.
   b) **Leadership role:** The most important role of the manager is to lead, guide and motivate subordinates and get work done properly. A manager is responsible not only for his own acts but for the activities performed by his subordinates. The leadership qualities of the manager help him in influencing the working behaviour of subordinates, contributing to a higher level of efficiency.
   c) **Liaison role:** A manager serves as connecting link, vertically with superiors and subordinates, and horizontally, with other managers at the same level. Outside the organization, the managers have to undertake liaison to assess the external environment to enable the organization to cope with it.
2. **Informal role: -** To preserve and protect the identify of an organization and to secure its smooth functioning, the manager has to scan the external environment on a regular basis and to deal with outside parties, effectively for which he has to gather a lot relevant information on the various matters concerning the organizations.
   The manager plays three important informational roles while managing the operations of an organization.
   a) **Role of monitor:** The managers interact and deal with insiders and outsiders and scan the external environmental constantly to get useful information. He collects information on the various aspects of the organization and its environment through reports, informal relations dealings and liaison work. He is the most well-informed member of his work group. While managing, he monitors every situation closely and minutely, collects information regarding it and finally, solves it effectively.
   b) **Role of disseminator:** The manager continuously transmits selected information which he has complied through the role of monitor to his subordinates. He keeps them well-in-formed regarding any change in the process, structure, policies and other plans of the organization. The needed information is disseminated among the subordinates by him through formal and informal meetings, memorandums, orders and instructions issued from time to time.
   c) **Role of spokesperson:** A manager acts as a spokesperson of his group while supplying information to superiors and peers. Similarly, he keeps outside parties well-informed on behalf of the organization. He negotiates and enters into comprise with internal and external parties.
3. **Decision-making roles: -** By interacting with insiders and outsiders, the manager gets important information, which he can use or taking decisions and solving problems.
   a) **As an entrepreneur:** The managers have a primary responsibility of improving the overall functioning of their respective work units. They act as an entrepreneur; take bold decisions, seek better results from subordinates, initiate required changes, implementing them for the betterment of organization. To initiate and implement changes, managers have to be dynamic, innovative and creative.
   b) **As a disturbance or conflict handler:** An organization is a collective entity with diversity of interest and duality of roles for managers. For example, the owners group may be interested in

high profits whereas the employees may seek more benefits in the form of higher wages and better working conditions. In such situations, it is only by applying managerial knowledge and playing the role of conflict handlers, thinking analytical and acting practically, that the managers can hope to effectively integrate the interest of employees with the organization. Similar conflicts may arise with outside parties which would have to be resolved through meetings, negotiations and compromise.

c) **As a resource allocator:** To manage the organization, physical and human resources are mobilized and utilized efficiently by managers for the accomplishment of pre-determined objectives. They have to play the role of resources allocators. And, in the case of multiple objectives, they set priorities for allocation of resources.

d) **As a negotiator:** Managers work on behalf of the organization or work unit, and subordinates, not only as a spokesperson but as negotiator. They enter into an agreement on behalf of the organization. For example, the personnel manager negotiates with trade unions and representatives of workers.



The Managerial Roles

Management and Administration:

According to Theo Haimann, "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 two categories: -

1. **Functions**
2. **Usage / Applicability**

On the Basis of Functions: -

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

On the Basis of Usage: -

Basis	Management	Administration
Applicability	It is applicable to business concerns i.e. profit-making organization.	It is applicable to non-business concerns i.e. clubs, schools, hospitals etc.
Influence	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.
Status	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 denote more time on administrative function & the lower level denote more time on directing and controlling worker's performance i.e. management.

AREAS OF MANAGEMENT:

Production management:

Production means creation of utilities by converting raw material in to final product by various scientific methods and regulations. It is very important field of management. Various sub-areas of the production department are as follows.

Plant lay out and location: This area deals with designing of plant layout, decide about the plant location for various products and providing various plant utilities

Production planning: Managers has to plan about various production policies and production methods.

Material management: This area deals with purchase, storage, issue and control of the material required for production department.

Research and Development: This area deals with research and developmental activities of manufacturing department. Refinement in existing product line or develop a new product are the major activities.

Quality Control: Quality control department works for production of quality product by doing various tests which ensure the customer satisfaction

Marketing management:

Marketing management involves distribution of the product to the buyers. It may need number of steps. Sub areas are as follows

Advertising: This area deals with advertising of product, introducing new product in market by various means and encourage the customer to buy thee products.

Sales management: Sales management deals with fixation of prices, actual transfer of products to the customer after fulfilling certain formalities and after sales services.

Market research: It involves in collection of data related to product demand and performance by research and analysis of market.

Finance and accounting management:

Financial and accounting management deals with managerial activities related to procurement and utilization of fund for business purpose. Its sub areas are as follows

Financial accounting: It relates to record keeping of various financial transactions their classification and preparation of financial statements to show the financial position of the organization.
Management accounting: It deals with analysis and interpretation of financial record so that management can take certain decisions on investment plans, return to investors and dividend policy
Taxation: This area deals with various direct and indirect taxes which organization has to pay.
Costing: Costing deals with recording of costs, their classification, analysis and cost control.

Personnel Management:

Personnel management is the phase of management which deals with effective use and control of manpower. Following are the sub areas of Personnel management

Personnel planning: This deals with preparation inventory of available manpower and actual requirement of workers in organization.
Recruitment and selection: This deals with hiring and employing human being for various positions as required.
Training and development: Training and development deals with process of making the employees more efficient and effective by arranging training programmes. It helps in making team of competent employees which work for growth of organisation.
Wage administration: It deals in job evaluation, merit rating of jobs and making wage and incentive policy for employees.
Industrial relation: It deals with maintenance of overall employee relation, providing good working conditions and welfare services to employees.

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.

THEORIES OF MANAGEMENT :

I. CLASSICAL SCHOOL:

A. 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.

Life and works of Taylor (1856-1915): Fredrick Winslow Taylor, who is known as the father of scientific management, was born in 1856 in Philadelphia, USA. He started his career as an apprentice in a small machine-making shop in 1875. Thereafter, Taylor served in three companies:
(i) Midwell Steel Co., (ii) Simonds Rolling Machine Co., and (iii) Bethlehem Steel Co.
Taylor joined Midwell Steel Works in 1878 where he did time study and evolved one best method of doing each part of a job. He introduced **differential rate system of wages.**

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 sprit 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 decide 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 receive a bonus in addition to his wages if he completes his job before the standard time fixed for the job.

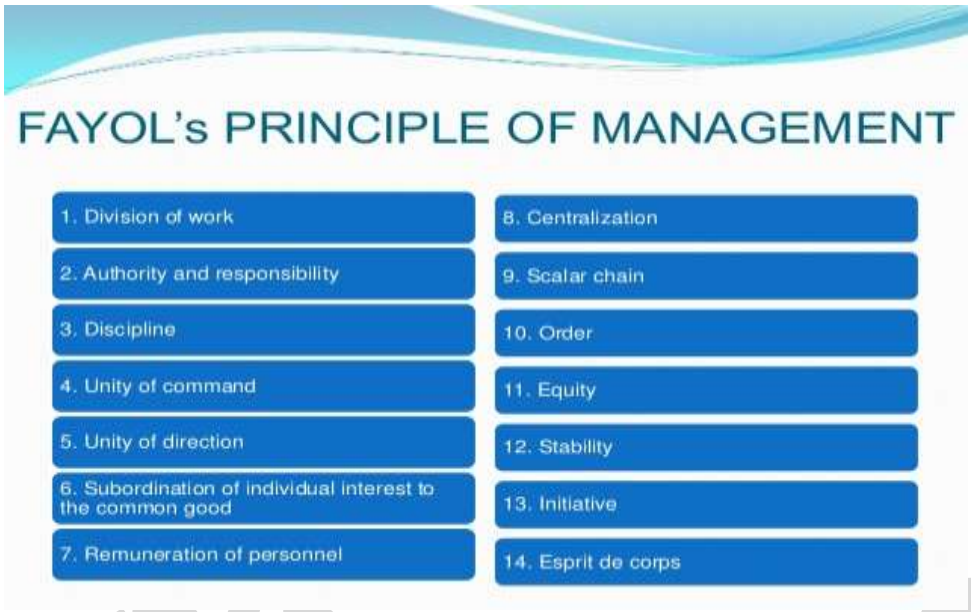
B. Administrative Theory:

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,** whichis 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.

Fayol's Fourteen principle of Manangement

renaissance



1. 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.

2. 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 hard with proper parity in between. Authority without responsibility heads to irresponsible behaviour & responsibility without authority makes manager in effective.

3. 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

4. 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.

5. 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.

6. Reading subordinate 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

7. Remuneration of personnel

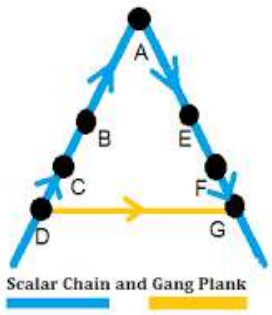
Fayol said that the remuneration & methods of payment should be fair and afford the maximum possible satisfaction to employees & employer. Time, job, piece rates, bonus, profit saving, welfare work, Non-financial incentives should be included in best scheme of payment.

8. 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.

9. 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.



Scalar Chain and Gang Plank

10. 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

11. Equity

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

12. 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.

13. Initiative

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

14. 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. 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.**

C. Bureaucratic Management Approach of Max Weber:

Max Weber (1864-1920), a German sociologist; he described a theory to operate an organization in effective way which is known as the Bureaucratic management approach or Weberian bureaucracy.

Max Weber was a lawyer who got interested in the social aspects of organizations. During his time markets were booming and his lifelong work on the study of organizations led to believe that specific kind of organizations called "bureau" (desk), will help in the growth of markets. Max Weber's work was

oftentimes interpreted as a caricature ofmodern bureaucracies with all of their shortcomings.. He gave following main characteristics of the bureaucracy:

Features of Bureaucratic Organization:

- High degree of Division of Labor and Specialization.
- There is a well-defined chain of command.
- It follows the principle of Rationality, Objectively and Consistency.
- The relationship among the member of the organization is Formal and Impersonal relations. And it's based on positions and not on personalities.
- Rules and Regulations are well defined and it indicates the duties and rights of the employees. These rules apply to everyone from to bottom of organization and must be strictly followed.
- Selection and Promotion is based on Technical qualifications.
- Only Bureaucratic or legal power is given importance.

Criticism of Bureaucratic Organization:

Bureaucratic Management Approach of Max Weber also has some fault-lines and received criticism for it.

- The emphasis was only on rules and regulations.
- There will be unnecessary delay in decision-making due to formalities and rules of Bureaucratic Organization.
- Coordination and communication hampered because of too much formality and rules.
- Bureaucracy involves a lot of paper work and has just too much level of authority which results in lot of wastage of time, effort and money. Not ideal for efficiency.
- Because of its too much formality, Bureaucratic approach is not suitable for business organizations. Bureaucratic model may be suitable for government organizations.
- Too much importance is given to the technical qualifications of the employees for promotion and transfers. Dedication and commitment of the employee is not considered.
- Limited scope for Human Resource (HR). No importance is given to informal groups and neither any scope is given to form one.
- Max Weber's bureaucratic approach worked as a solution to problems of traditional administrative systems. But it was not the prefect or "close to perfect" solution. The bureaucratic structure gives

all the importance and power to the top level management.

And the rules and levels of authority are just too much. It gives a greater sense of security to the employees. But bureaucratic management gives window for "red-tapism".

II. NEO-CLASSICAL SCHOOL:

A. The Human Relations Approach:
Hawthorne studies (1924-1932) by George Elton Mayo and his team members gave rise to new movement which is known as the human relations movement. It may be recalled that Hawthorne studies revealed that better physical environment and more economic benefits were not sufficient to motivate workers for higher productivity. It showed that socio-psychological needs have a powerful influence on the productivity of workers. Moreover, these studies also revealed that informal/social relationship, informal supervision at work also play a crucial role in increasing productivity. These conclusions of the studies gave birth to human relations movement.

Characteristics/Assumptions/ Beliefs: The human relations approach was founded upon the following beliefs or assumptions:

1. It assumes that an organization is a social system.
2. It regards that this system is composed of many interacting groups.
3. It believes that monetary gains alone cannot motivate workers. Satisfaction of socio-psychological needs also has a powerful influence on the motivation of workers.
4. It considers that workers participation in planning and decision making can boost both morale and productivity of workers.
5. It believes that a sound two-way communication system is essential for a healthy working climate in an organization.

Contribution and limitations: Human relations approach has made significant contribution to management thought and practice particularly in the following areas:

1. The thoughts and practice of managers began to be human oriented.
2. Management training was revolutionized with the emphasis on development of people-oriented skills in managers.
3. Managers became sensitive and responsive to the needs and feelings of the workers in the work place.
4. Selection and placement activities began to be given more importance along with improved incentive systems.

Criticism: The human relations approach was criticized on the following counts:

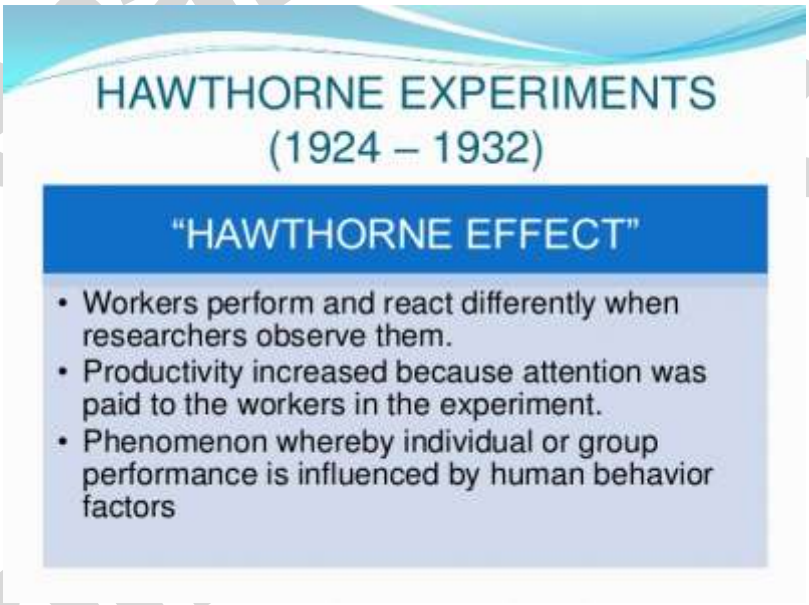
1. It over-emphases on keeping workers happy whereas happiness alone cannot make workers more productive.
2. It emphasizes on manipulation of workers emotions for the organizational purposes.

Hawthorne Experiments:

1. **Illumination or test room study:** The illumination study was conducted to determine the relationship between light intensity and productivity or efficiency of workers. For this purpose, three different experiments were conducted in which researchers changed light intensity.

Researchers were surprised to note that productivity of select group of employees tended to improve in spite of the change in their physical surroundings. Productivity increased even when the lights were dimmed to moonlight intensity.

2. **The relay assembly test room study:** The relay assembly test room study was conducted to ascertain the factors other than the light intensity, affecting the productivity. In this study six persons (Five girl assemblers put a layout operator) were placed in a room. In addition, the researchers put an observer with them in the room. The observer was to record everything that happened in the room and to maintain friendly atmosphere therein. The researchers changed working conditions such as rest periods, length of work days, refreshments, temperature, wage rates etc. during the study. In addition, girls were allowed to talk more freely among themselves.
3. **Bank writing observation room study:** In order to observe and analyse informal group behaviour more accurately, bank wiring observation room study was undertaken. This study was conducted in a room of the bank wiring department. In this room, 14 employees performing three interrelated jobs of the department were placed.
4. **Mass interviewing study:** The researchers therefore switched indirect questioning. Under this approach, the employees were allowed to talk about what they felt important. The interviewers patiently heard their views.



Conclusions/Contributions of Hawthorne Studies:

The main conclusions or contributions of Hawthorne studies are as follows:

1. **Work is a group activity**: Mayo concluded that work is a group activity. Workers work better in groups.
2. **Informal groups:** Workers form internal informal social cliques/ groups. Such groups may not be based on their occupation.
3. **Influence of social groups:** The informal social groups within the workplace greatly affect the behaviour and productivity of individual worker.
4. **Group cooperation is planned:** Group cooperation or collaboration does not occur accidentally. It must be planned and developed.

5. **Worker is not only rational economic being**: A worker is not only a rational economic being. He is not motivated solely by monetary means. His social needs have a powerful influence on his behaviour and productivity.
6. **Role of supervisor's behaviour:** The behaviour of supervisors does affect the behaviour of workers. When supervisors provide a more relaxed work environment, by paying special attention to the workers social situation changes.

Criticism of Hawthorne Studies:
Hawthorne Studies are criticized on the following grounds:

1. **Pro-management bias:** These studies are criticized on the ground that these had a pro-management bias.
2. **Not fully scientific:** Some experts allege that the studies were not fully scientific. According to them, there was no scientific basis in the selection of the work, the employees and the environment.
3. **Clinical bias:** Some experts also allege that the studies had a clinical bias. They say that the research was directed to preconceived ideas and conclusions.
4. **Discounted importance of Theory:** It is also argued that studies discounted the importance of theory and overemphasized the importance of observation and collection of facts.

B. Human Resource Approach or Behavioural science Approach:
Neo-classical school or human resource or behavioural approach to management through evolved gradually over the years from late 1920s to 1940s and continued to develop thereafter. This school of thought evolved in recognition of the importance of human behaviour in organization.

DISTINCTION BETWEEN HUMAN RELATIONS APPRAOCH AND BEHAVIOURAL SCIENCE APPROACH

Basis of Distinction	Human Relations and Approach	Behavioural Science Approach
1. Emphasis	This approach laid emphasis on studying individual, his needs and behaviour	**This approach emphasizes on studying groups, group behaviour and individual motivation.**
2. Similar set of needs	It believes that all workers have similar set of needs.	**It believes that individuals are different from each other. Their need structure is dynamic**
3. Conflict	This approach believes that conflicts in organizations and should be resolved	**This approach believes that conflicts are not always harmful. sometimes, they are inevitable in organizations.**
4. Relations	It focuses informal interpersonal relationships	**It focuses on group relationship.**
5. Origin	It originated from the conclusions of Hawthorne studies	**It emerged in the process of refinement of human relations approach**
6. Techniques	**Its major techniques are informal supervision, and satisfaction of**	**Its techniques are informal leadership, communication,**

social needs.	**motivation, organization change, conflict resolution.**

III. Modern Schools of Management Thought:

A. System Approach to Management:

The system approach to management has been evolved out of General System Theory or GST. Ludwing von Bertalanffy is credited for developing the GST. According to GST, study in any area should be based on the assumption that everything is a part of a larger interdependent and organized whole system. And in order to understand this whole system, the knowledge of its part and the relations between them is an essential. In other words, a whole system cannot be understood without an understanding of the parts that make-up the whole.

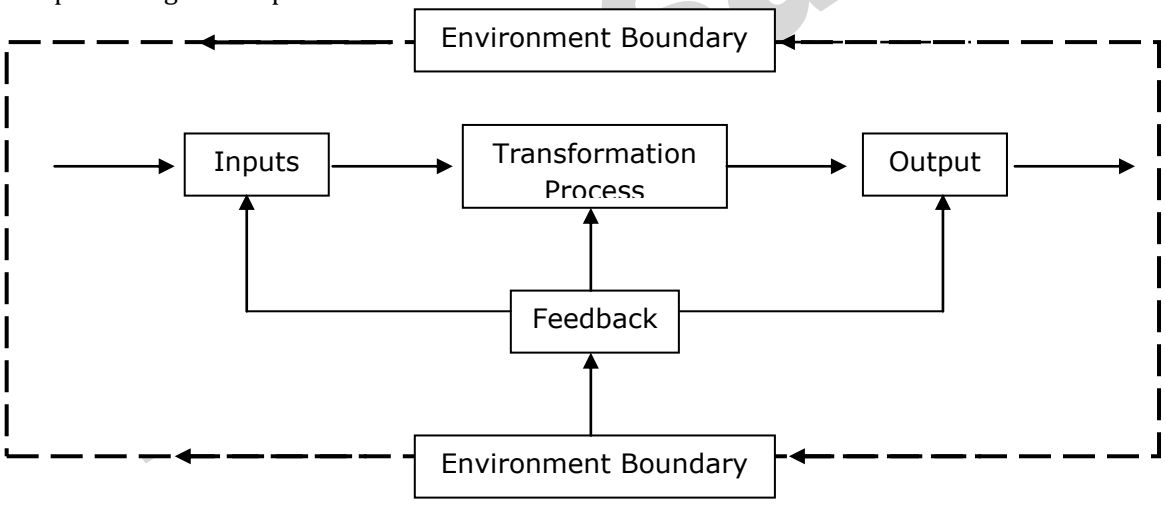
Definition of System:

According to **Bertalanffy,** "A system is a set of units with interrelationship among them."
In the words of **John A. Beckeet**, "A system is a collection of interacting system."

Types of Systems:

According to GST, there are two types of systems: (i) closed system, and (ii) open system.

1. **Closed system:** A closed system is independent of environment. Thus, it is a self-sufficient entity. Therefore, it does not interact with its outside environment. Its activities are not affected by the forces outside its boundary.
2. **Open system:** An open system is one which interacts or interplays with its environment. It interacts with people, things and forces in its environment. it is an input-output system. It takes inputs and gives outputs to its external environment.



Characteristics/Assumptions/Beliefs:

This approach to management is based on the following assumptions/beliefs:

1. It believes that managers manage an organization which is a unified or integrated system.
2. It believes that every organization is an open system to its environment. It affects and is affected by its environment.

3. It believes that whole organization system cannot be understood without an understanding of the parts that make-up the whole organization
4. It believes that managers have to manage the organization as the decision in the light of environmental situations.
5. It regards that organizational system is dynamic in which changes take place regularly.

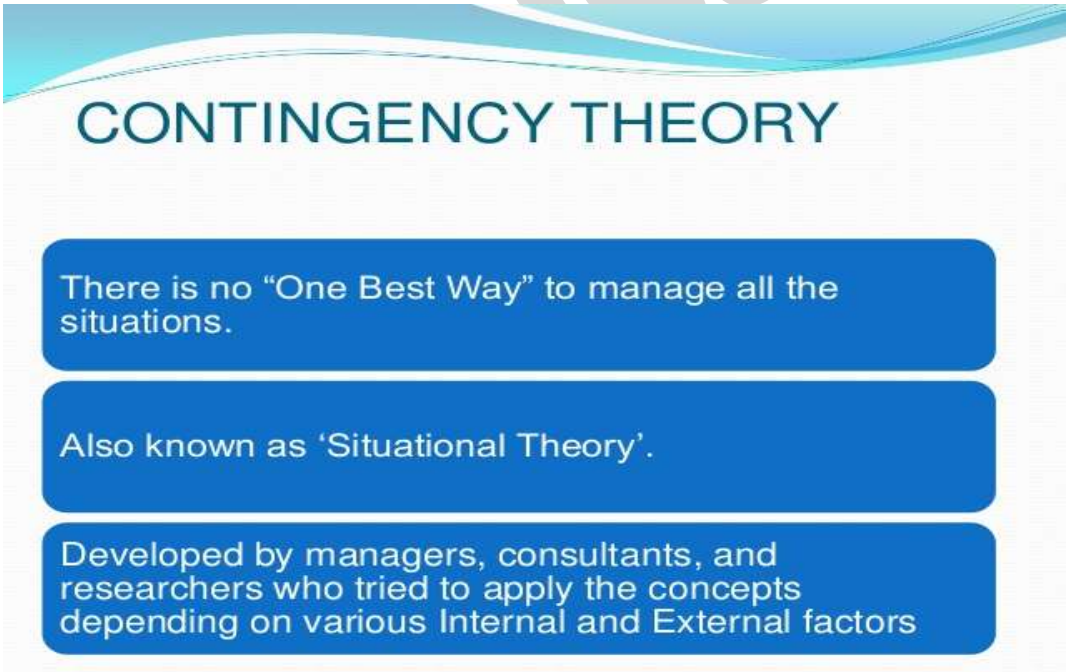
Contributions:

1. It provides a frame-work within which managers can plan actions and anticipate the expected results.
2. It also helps in understanding the unexpected consequences of plans and actions.
3. It helps managers in maintaining a balance between the needs of various parts of the organization and needs and goals of the organization as a whole. [Stoner and Wankel]
4. It helps in integrating various management theories because it has the concept of other management approaches.

Criticism/limitations:

1. Some experts argue that the application of this approach requires study of total organizational system and its sub-systems.
2. It does not lay down principles and techniques of management. It simply suggests the needs for study and understanding of the total organization system and its parts for better management.
3. It is also alleged that it is an abstract approach. It simply stated that an organization system consists of many sub-systems.
4. It is also alleged that it is simply an intellectual appeal but fails to provide verifiable facts and practical advice.
5. It is also criticized for the reason that it prescribed only the way of thinking about organizations but fails to give final answers about the problems of organizations.

B. Contingency/Situational Approach:



Contingency approach suggests that managers must do what the situation warrants or managers actions must be contingent upon the organizational situational situation or environment.
In the words of Stoner and Wankel, "According to contingency approach, the task of managers is to identify which technique will in a particular situation, under particular circumstances, and at a particular time, best contribute to the attainment of managerial goal."
Thus, according to consistency approach, actions managers vary with the situation or environment of the organization. There is no ready-made solution to the problems of every situation. Correct principles or techniques to be applied depend on the prevailing situation or environment.

Characteristics/assumptions/beliefs:

1. It assumes that each organizational is unique. The goals, operations, people, resources, technology, etc. of every organization are unique.
2. It also assumes that external environment of each organization is different and unique from the others.
3. If further assumes that all sub-systems of the organization are interrelated and affect each other.
4. In view of these facts, it believes that there cannot be one best way of doing a thing which can be universally prescribed for all situations.
5. It regards that best approach to management is situational or situation-oriented approach.

Contributions:

1. It makes it clear there are no universal, ultimate or absolute principles, techniques, theories of management which can be applied to every situation.
2. It keeps managers on high alert that next situation may be new and unique. Therefore, they go on finding and analyzing facts of each situation.
3. It widens freedom of operation of mangers. They are not bound by stereotype principles and solutions.
4. It encourages managers to innovate and develop new principles, techniques etc. to handle each new and unique situation.

Criticism/limitations:

1. In real-life, managers do not find enough time to analyze and understand every situation and to apply the principles and techniques accordingly.
2. Mangers are not at all times make decisions on rational basis. Sometimes, their rationality becomes limited. Hence, this approach serves no purposes.
3. All managers cannot analyze and understand all variables in a situation or environment. In such case, the approach loses its significance.
4. Sometimes, situations change so rapidly that managers are unable to understand them and make decisions accordingly.

BUSINESS ENVIRONMENT:

Business environment is the sum total of all external and internal factors that influence a business. You should keep in mind that external factors and internal factors can influence each other and work together to affect a business. For example, a health and safety regulation is an external factor that influences the internal environment of business operations.

Types of Business Environment:

1) Internal
2) External

1. Internal Environment- It consists of factors that are under the control of the organization.
It includes:
Value system
Mission & objectives
Management structure & nature
Internal power relationship
Human resources

2. External Environment- It consists of factors that are outside the control of the organization.
It is of two types:

a. Micro environment- Close with business and directly affects the capacity to work.

Micro Environment

- **Suppliers**
- **Customers**
  - Wholesalers
  - Retailers
  - Industries
  - Government and Other Institutions
  - Foreigners
- **Market Intermediaries**
  - Middleman
  - Marketing Agencies
  - Financial Intermediaries
  - Physical Intermediaries
- **Competitors**
- **Public**

b. Macro environment- Macro environment indirectly affects the work.

SOCIAL RESPONSIBILITY:

Social responsibility is an ethical framework and suggests that an entity, be an organization or individual, has an obligation to act for the benefit of society at large.

Social responsibility is defined as the obligation and commitment of managers to take steps for protecting and improving society's welfare along with protecting their own interest.

Arguments for assuming Social Responsibility:

1. Business received its license from society and consequently has to respond to the needs of society.

2. Society gains through better neighborhoods and employment opportunities; business benefits from a better community since the community is the source of its workforce and the consumer of its products and services.

3. Social involvement discourages additional government regulation and interventions. The result is greater freedom and more flexibility in decision making for business.

4. Business have a great deal of power which, should be accompanied with an equal amount of responsibility.

5. Modern society is an interdependent system, and the internal activities of the enterprise have an impact on the external environment.

6. Social involvement may be in the interest of stockholders.

7. Problems can constitute profits. Items that may once considered waste can be profitably used.

Areas of Social Responsibility:

- Responsibility towards owners
- Responsibility towards employers
- Responsibility towards consumers
- Responsibility towards government
- Responsibility towards community & society

ETHICS IN MANAGEMENT:

The word 'Ethics' has been derived from the Greek word "Ethikos" meaning character/ manner.
Ethics is a code of moral standards of conduct for 'what is good and right' as opposed to 'what is bad or wrong'.
Ethics refer to the rules and principles that define right and wrong conduct.
It refers to well-founded standards of right and wrong that prescribe what humans ought to do.

Examples of Ethics in Management:

- Honesty
- Loyalty
- Integrity
- Fair
- Caring
- Respect
- Obeying Law
- Excellence