

# **PRINCIPLES OF MANAGEMENT**

## **UNIT - I**

# **INTRODUCTION TO MANAGEMENT**

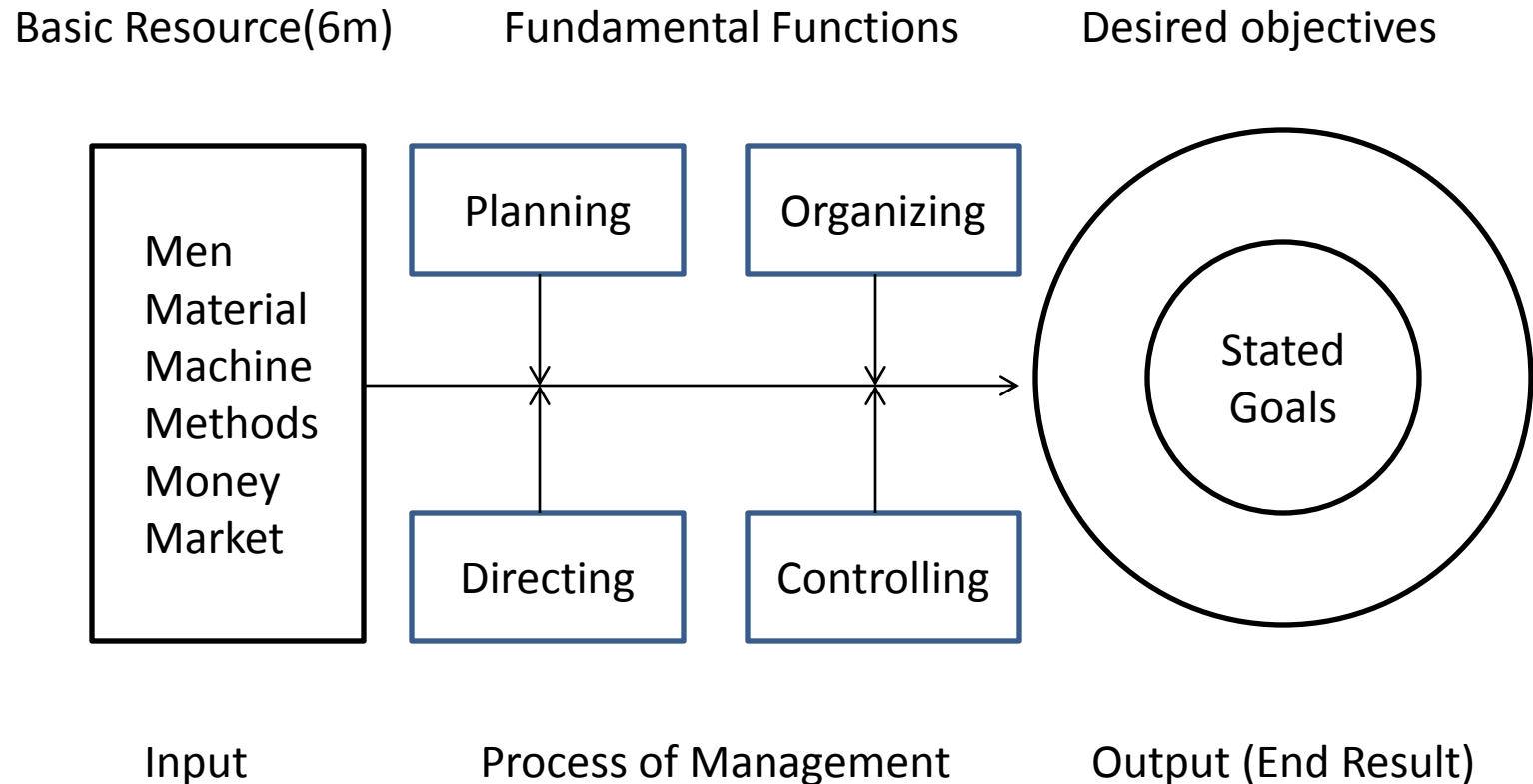
Management is an art and science of getting work done through people. It is the process of giving direction and controlling the various activities of the people to achieve the objectives of an organization.

# DEFINITION

**According to Mary Parker Follett,**  
“Management is the art of getting things done through people.”

**According to George R. Terry's,**  
“Management is a distinct process, consisting of planning, organizing, actuating and controlling, performed to determine and accomplish stated goals by the use of human beings and other resources.”

# The following chart clearly presents this definition of management



# Nature/Characteristics of Management

- Management is an activity
- Management is a purposeful activity
- Management concerned with the efforts of a group.
- Management is getting things done.
- Management applies economic principles.
- Management involve decision-making.
- Management coordinates all activities and resources.
- Management is a universal activity.

# Cont...

- Management is an integrating process.
- Management is concerned with direction and control.
- Management is intangible.
- Management is both science and an art.
- Management is a profession.
- Inter-disciplinary approach.
- It is dynamic and not static.

# Scope of Management

- **Production Management**(Produce right goods in right quantity at the right time and at the right cost)
- **Marketing Management**(Identification of customer needs and supplying them the goods and services, which can satisfy those wants)
- **Financial Management**(Seeks to ensure the right amount and type of funds to business at the right time)
- **Personnel Management**(Recruiting right person for the right job)

# Function of Management

- **Henri Fayol** identifies five functions of management viz, Planning, Organizing, Commanding, Coordinating and controlling.
- **Luther Gulick**, states seven such functions under the catch word **“POSDCORB”** which stand for,  
**P**- **P**lanning, **O**- **O**rganizing, **S**- **S**taffing, **D**- **D**irecting, **Co**- **C**oordinating, **R**-**R**eporting, **B**- **B**udgeting



# Management Process

## PLANNING

- It is the function that determines in advance what should be done
- It is looking ahead and preparing for the future
- Process of deciding the business objectives and charting out the method of attaining those objectives

## ORGANIZING

- Coordinate human resources with other resources(4'M)
- Structure which results from identifying and grouping work
- Delegating responsibility and authority

## STAFFING

- Finding right person for each job
- Selecting and training the people with suitable system of compensation

## DIRECTING (Leading, Motivating, Actuating)

- Explain to the people what they have to do and help them do it to the best of their ability
- Selecting and training the people with suitable system of compensation

### Sub functions are,

- Communication, Leadership, Motivation

### Controlling

- Fixation of standards, Recording, Measurement, Reporting, Corrective action.

# Levels of Management

## 1. Top management

Consists of board of directors and the chief executives

### **Functions**

- To analyze and interpret changes in the external environment of the company
- To establish long term corporate plans of the company (goals, policies and strategies)
- To formulate and approve the master budget and departmental budget
- To design organization structure
- To appoint departmental heads and key executives
- To provide overall direction and leadership to the company
- To represent the company to the outside world
- To decide the distribution of profits

# Levels of Management

## 2. Middle management

Intermediate Management: **Comprises departmental or divisional heads**

Lower Middle Management : **Consist of sectional heads**

### **Functions**

- To Interpret and explain the plan and policies formulated by management
- To monitor and control the operating performance
- To train, motivate and develop supervisory personnel
- Lay down rules and regulations to be followed by supervisory personnel

# Levels of Management

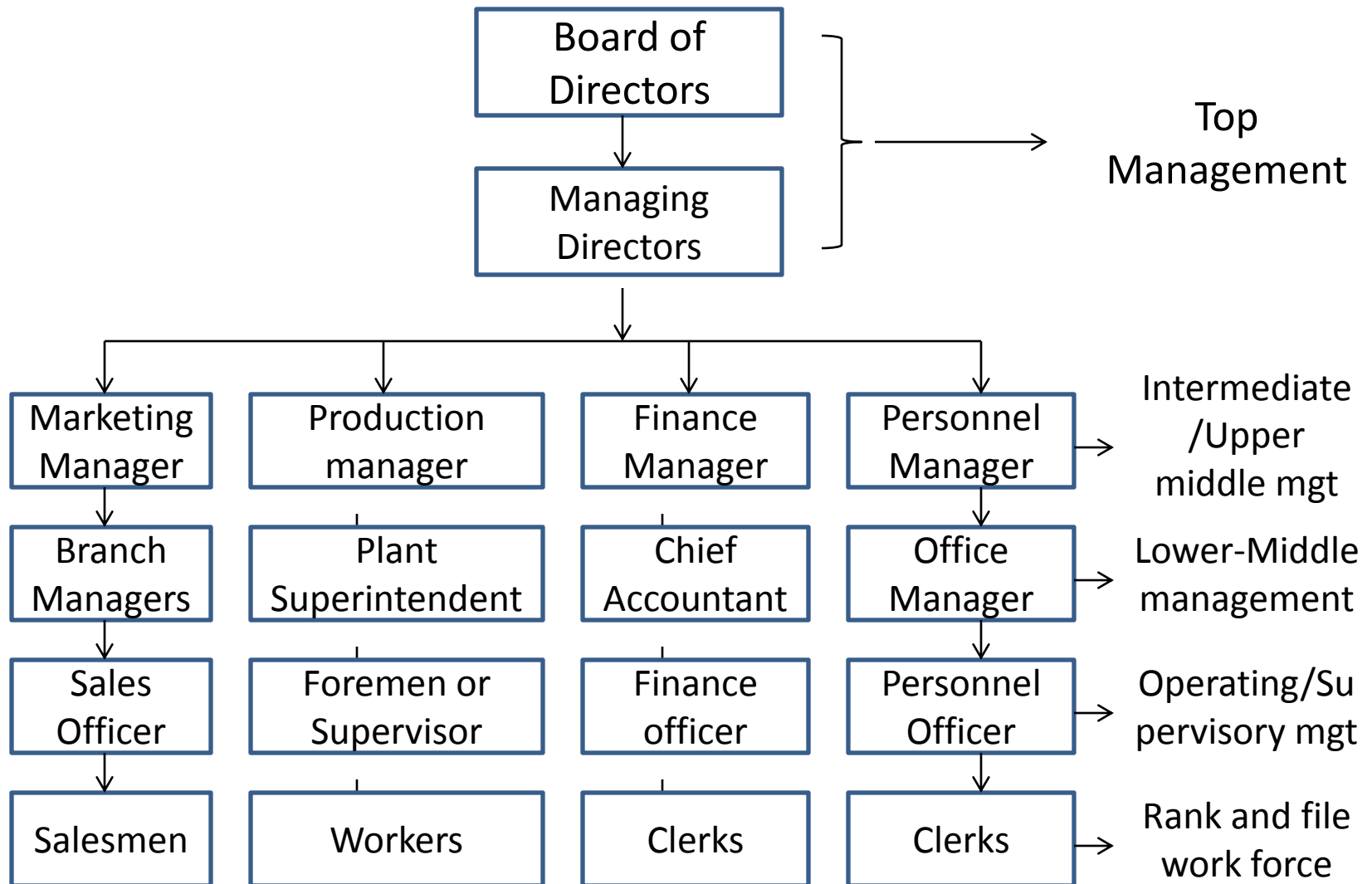
## 2. Supervisory/Operating management

Lowest or first level of management in an organization

### Functions

- To play day to day production with in goals laid down by higher officials
- To assign job to workers and to make arrangements for their training and development
- To issue orders and instructions
- To supervise and control workers operations and to maintain personal contact with them
- To maintain discipline and good human relations among workers
- To report feedback information and workers problems to the higher authorities

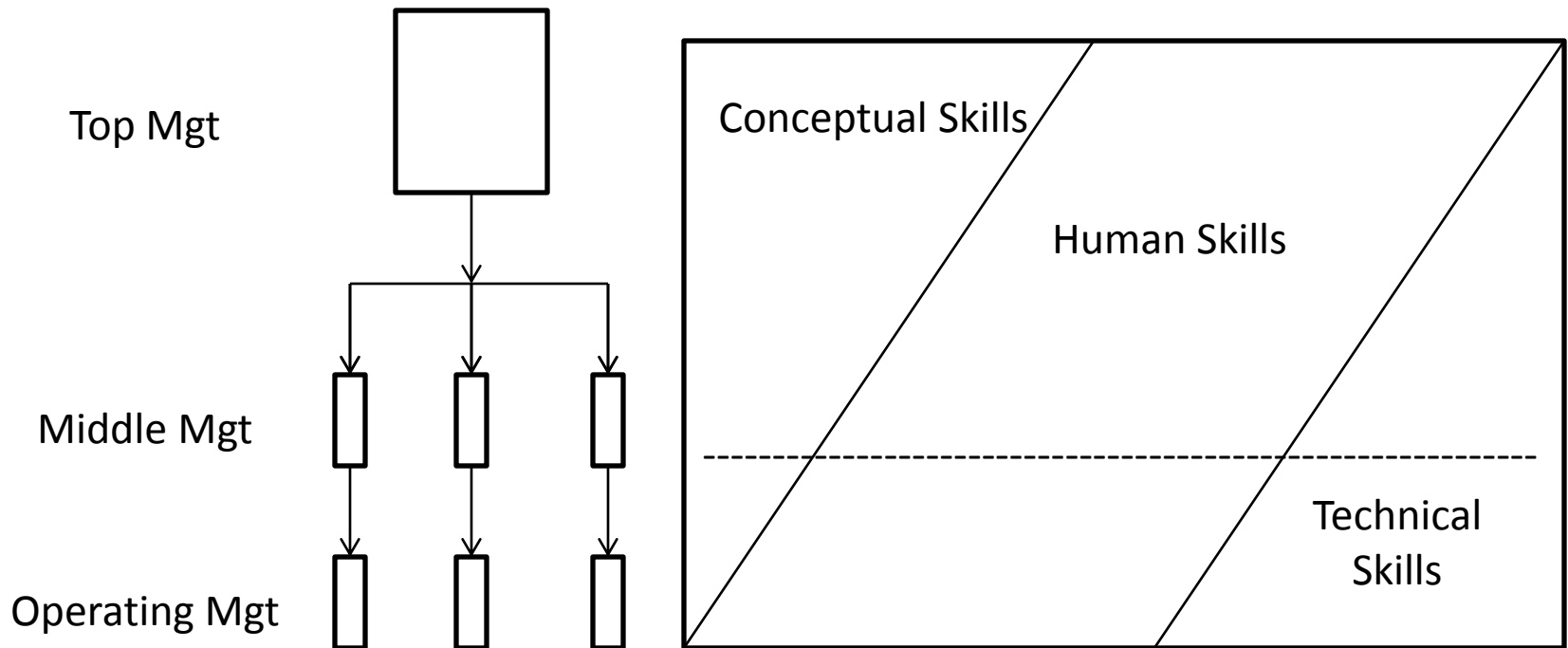
# Levels of Management



# Skills of Managers

- Technical skills
- Human skill or Behavioral skills
- Conceptual skills

# Managerial Skills at Various Levels of Management



# Role of Managers

- **Interpersonal Roles**
  - **Figure head**(Symbolic duties required by the status of his office)
  - **Leader**(relationship with his subordinates)
  - **Liaison**(relationship with his outsiders)
- **Informational Roles**
  - **Monitor**(Seeking and receiving information about his organization and external events)
  - **Disseminator**(Transmitting information and judgment to the members of the organization)
  - **Spokesman**(Speaks for his organization)
- **Decision Role**
  - **Entrepreneur**(initiating change)
  - **Disturbance handler**(taking charge when organization faces a crisis)
  - **Resource allocator**(approves budgets and schedules, sets priorities and distributes resources)
  - **Negotiator**(bargain with suppliers and dealers)



# **Evolution of Management Thought**

- I. Classical or traditional management approach
- II. Behavioral or neo-classical approach
- III. Modern approach to management

# I. CLASSICAL OR TRADITIONAL MANAGEMENT APPROACH

## 1.1 Theory of scientific management

- Taylor's Theory of Scientific Management  
F.W.Taylor(1856-1915) is known as “**Father of scientific Management.**”

Taylor expressed the basic philosophy of scientific management in the following terms:

- Science, not rule thumb(adopt scientific thinking and method ,Hit or Miss approach should be replaced)
- Harmony, not discord(coordination in functioning)
- Cooperation, not individualism (Group effort should be recognized)
- Maximum, not restricted output(Carried out upto the maximum capacity available in the unit)
- Development of each man to his greater efficiency and prosperity(training and development)

## 2. Administrative theory of Management

Henry Fayol's Administrative theory of Management( 14 Principles of Management)

1. Division of work
2. Authority and Responsibility
3. Discipline(obedience to authority,observanceof the rules)
4. Unit of Command(Receive instructions from one superior only)
5. Unity of Direction(individual and organizational goals on the one hand)
6. Subordination of individual interest to General Interest

Cont...

7. Remuneration(Fair compensation)
8. Centralization
9. Scalar chain(hierarchy of authority)
10. Order(orderliness in work)
11. Equity(equality of fair treatment)
12. Stability of Tenure of Personnel(security of job by management)
13. Initiative(Freedom to think out)
14. Esprit De-Corps(Unity is strength )

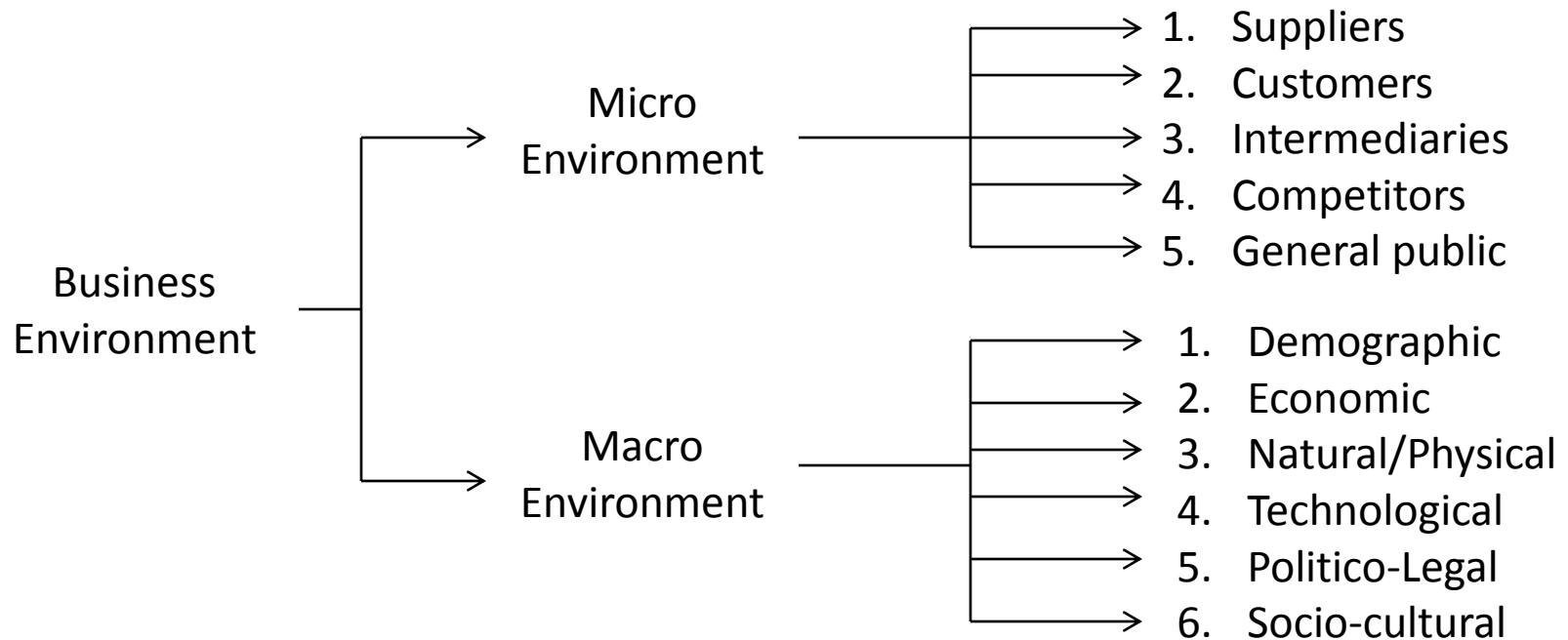
## II. BEHAVIOURAL OR NEO-CLASSICAL APPROACH

1. Human Relation Movement(Hawthorne study)
2. Behavioral Science Approach

# III. MODERN APPROACH TO MANAGEMENT

1. Quantitative Approach(systematic and scientific analysis and solution to the problems faced by managers)
2. System Approach(identifying the nature of relationship among various activities of organization)
  - a. Physical system
  - b. Mechanical system
  - c. Biological system
  - d. Social systems
3. Contingency Approach(situation oriented )

# BUSINESS ENVIRONMENT



# Managing Globally

- 1. The trends affecting organizations in a global economy**
- 2. Country's culture can affect an organization's business practices**
- 3. Political—legal forces impact global business**
- 4. Major international trade agreements affect global competition and cooperation**
- 5. Strategies used by organizations to grow globally**



# The Global Economy: Snapshot

*“It is now possible for more people than ever to collaborate and compete in real time with more people on different kinds of work from different corners of the planet and on more equal footing than at any previous time in the history of the world using computers, e-mail, teleconferencing and dynamic software.”*



**Thomas L. Friedman, Author, *The World is Flat***

# Strategies for International Business



# Exporting Strategy



**Maintaining facilities within a home country and shipping goods and services abroad for sale in foreign markets (e.g., California Sunshine; Thomson Publishing)**

## ☐ **Benefits:**

- no cash outlays
- extends products/services to other countries
- most sales done via Internet

# Licensing Strategy



**Firm (the licensor) in one country giving other domestic or foreign firms (licensees) the right to use a patent, trademark, technology, production process, or product in return for the payment of a royalty or fee (e.g., Coca-Cola; PepsiCo)**

## **□ Benefits:**

- little financial risk
- increase market awareness
- no production plants



## **□ Risks:**

- violation of intellectual property rights
- licensee fails to pay royalty or fee
- licensee steals technology



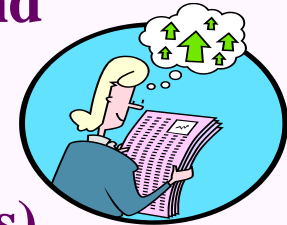
# Franchising Strategy

Parent organization (the franchiser) granting other companies or individuals (franchisees) the right to use its trademarked name and to produce and sell its goods or services (e.g., KFC, Marriott)



## □ Benefits:

- parent company maintains control of brand image, manufacturing and services
- increase global presence
- franchisee tailors marketing to local area(s)



## □ Risks:

- need to monitor franchisee
- franchisee operates independently and doesn't perform services according to contract



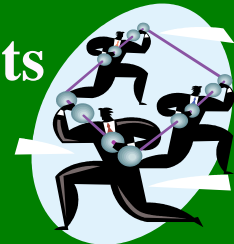
# Alliance Strategy



An agreement between two or more organizations to pool physical, financial, and human resources to achieve common goals (e.g., Nestlé; L'Oreal)

## □ Benefits:

- share costs and risks of capital intense projects
- desire for partners to learn from each other
- partners shape competition in the industry



## □ Risks:

- political uncertainty
- partners can become competitors
- economic uncertainty
- partners develop different goals



# Multidomestic Strategy

Adjusting products, services, and practices to individual countries or regions (e.g., Pacific Rim versus Western Europe versus North America) (e.g., Domino's Pizza; Procter & Gamble)

## ❑ Benefits:



- firm taps into country values for product customization
- marketing campaigns tailored to country
- firm understands local distribution system
- extending global brand name

## ❑ Risks:



- large financial investment required
- shared services
- high level of coordination needed across firm
- reliance on local managers to implement strategy

# Multidomestic Strategy: Snapshot



*“Procter and Gamble chose a multidomestic strategy because we believe that this leads to superior understanding of consumers and their needs and it develops close relationships with suppliers. This structure also enables product divisions to share information and key activities.”*

**A.G. Lafley, CEO and President, Procter and Gamble**



# Global Strategy



Stresses worldwide consistency, standardization and relatively low cost (e.g., Black & Decker, Kodak)

## ❑ Benefits:

- worldwide standards
- promotes brand recognition
- coordination of global manufacturing
- distribution advantages

## ❑ Risks:

- assumes customers needs are similar across globe
- high level of financial investment in plants and equipment
- national currency fluctuations
- loss of flexibility between plants