

Unit 1 - Introduction to Management

Syllabus: Entrepreneurship and Organization, Nature and Importance of Management, Functions of Management, Taylor's Scientific Management Theory, Fayol's Principles of Management, Maslow's Theory of Human Needs, Douglas McGregor's Theory X and Theory Y, Herzberg's Two-Factor Theory of Motivation, Systems Approach to Management, Leadership Styles, Social Responsibilities of Management.

1.1 Entrepreneurship and Organization:

1.1.1 Entrepreneurship: The concept of entrepreneurship can be understood differently by different entrepreneurs. Few consider it as 'risk-bearing' while others view it as 'innovating' and few others consider it as 'thrill-seeking'. "Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk-taking appropriate to the opportunity and through the communicative and management skills to mobilize human financial and material resources necessary to bring a project to fruition."

"Entrepreneurship is the purposeful activity of an individual (or) a group of associated individuals, undertaken to initiate, maintain (or) organize a profit-oriented business unit by production distribution of economic goods and services."

"Entrepreneurship is based on purposeful and systematic innovation. It includes not only the independent businessman but also company directors and managers who carry out innovative functions."

Entrepreneurship is a mixture of several qualities such as imagination, willingness to take risk, ability to make optimum utilization of resources i.e., land, labour, capital and organisation. The primary goal of an entrepreneur is to make profit out of the projects. Entrepreneurship results from the teamwork, creativity, ability to build and work as a team

1.1.2 Organisation: It is a system through which the resources of men, materials, machinery and money are brought together in an orderly way to turn out finished goods at the minimum cost and earning maximum profit. It can be defined as an identifiable group of people contributing their efforts towards attainment of common goals.

1.2 Nature and Importance of Management:

1.2.1 Management: Different experts have expressed their views on management.

"Management is a social process all functions commanding, coordinating and controlling." by Fayol. - planning, organizing,

"Management is concerned with the systematic organisation of economic resources and its task is to make these resources productive." by Peter.

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

1.2.2 Nature of Management: The following points describe the nature of management:

1. Management is a group activity: Management is an essential part of a group activity, as no individual can do all the work by himself, so he combines his efforts with fellow beings and works in an organised group to achieve what he cannot achieve individually.

2. Management also denotes a 'body of people' involved in decision making: Management denotes a body of people who are involved in

3. Management is an economic resource: Management is a factor of production and economic resources to coordinate production for achieving goals.

4. Management is multi-disciplinary: Management is multidisciplinary in nature. It draws knowledge and concepts from other disciplines such as Economics - theories of consumption & production, Psychology - theories of individual behaviour, Sociology theories of group behaviour, Statistics - probability theories and correlation & regression techniques, Operations Research-linear programming, PERT & CPM and Mathematics matrices, calculus, integration & differentiation etc. Management integrates the ideas and concepts drawn from other disciplines and uses them in managing the affairs of the organisation and develops new concepts to solve the complex problems which come up from time to time due to changes in industrial, economic and social scenario.

5. Management is omnipresent and universal: Successful organisations show that management principles apply to every kind of organisation and every level in it. Hence, it is called omnipresent and universal.

6. Management is both science and art: There is a controversy whether management is science or art. An art is personal skill of business affairs. Art is characterized by practical knowledge, personal creativity and skill. The more one practices an art, the more professional one becomes. Management can be considered as an art because it satisfies all these criteria of an art.

A science is a systematized body of knowledge of facts. It can establish cause and effect relationships among various factors. It involves basic principles, which are capable of universal application. Management can be considered as science because it satisfies all these criteria of a science.

7. Management is situational in nature: The same style of management cannot work for the same situation every time. The change in the situation may call for a change in the style of functioning of the manager. Similarly, at different points of time also, the style of functioning can be different.

8. Manager has four types of resources-the four M's: Men, money, materials, and machines are the four types of resources the manager must manage. Q

1.2.3 Importance of Management: Management is viewed as a significant tool for:

1. Effective utilisation of resources: Management tries to make effective utilisation of various resources. The resources are scarce in nature and resources must be effectively allocated and utilised in an optimum manner.

2. It ensures economy and efficiency: Without managers, it may be difficult to get the job performed efficiently. It is the manager who plans, coordinates, and monitors the progress of work and suggests. Whether the work is satisfactorily done or not. In case of shortfall, it is the

manager who helps the employees to perform better. Thus, organisational costs can be minimised through sound management practices.

3. It ensures continuity in the organization: Continuity is very important in the organisations. Where there are no proper guidelines for decision making continuity cannot be guaranteed. It is quite natural that new people join while some others retire (or) leave the organization. It is the management that keeps the organization continuing.

4. It focuses on group efforts: If each individual is allowed to plan and organise independently of what others are doing, then it will not give good results. Therefore, management is needed to guide and direct group efforts.

5. It is the key to the economic growth: Efficient management is equally important for the nation in terms of social and economic development. By producing wealth, managers facilitate the increase in national income and the living standard of the people. Thus, management is the key to the economic growth.

1.3 Functions of Management: To achieve the organisational objectives managers at all levels of organization should perform different functions A function is a group of Similar activities. The list of management functions varies from author to author with the number of functions varying from 3 to 8

Writers	Management Functions
Henry Fayol	Planning, Organizing, Commanding, Coordinating, Controlling.
Luther Gullick	POSDCOR - Planning, Organising, Staffing, Directing, Coordinating, Reporting, Directing
R. Davis	Planning, Organising, Controlling
E.F.L. Breech	Planning, Organising, Motivating, Coordinating, Controlling.
Koontz	Planning, Organising, Staffing, Leading, Controlling.

Different authors presented different variations. By combining some of functions, these are broadly grouped into Planning, Organising, Staffing, Directing, and Controlling.

1. Planning: It refers to deciding what is to be done in the future. It bridges the gap between the present and the future. This involves why an action, what action, how to take action, and when to take action. Planning is also referred to as the process of determining the best course of action to achieve the given goals.

Planning involves essentially four stages: (a) identifying the goal to be achieved. (b) exploring the courses of action available to reach this goal. (c) evaluating each course of action on merits. (d) finally selecting the best course of action for implementation.

The following are the elements of planning:

- i. Forecasts: These are predictions of what is going to happen in the future based on, the past and present data The process of preparing forecasts is called forecasting
- ii. Objectives: Objectives are set for every individual and department in the organisation. Everyone works to achieve the given objectives. The performance of an individual (or) a department can be reviewed (or) evaluated considering whether the objectives are achieved or not.

iii. Policies: These specify what can be done (or) what cannot be done to achieve the given objectives.

iv. Strategies: These refer to the course of action to be followed and how the resources are to be deployed to achieve the given objectives.

v. Programmes: These specify what is to be done.

vi. Procedures: These outline, how a task is to be carried out.

vii. Schedules: These indicate what is to be done at a given point of time.

viii. Budgets: These are the plans expressed in quantifiable details such as sales Budget expense budget etc

2. Organising: Organising is the process of dividing work into convenient tasks or duties, grouping of such duties in the form of positions, grouping of various positions into departments & sections, assigning duties to individual positions and delegating authority to each position so that the work is carried out as planned. It is viewed as a bridge connecting the conceptual idea developed in creating and planning to the specific means for accomplishment these ideas.

3. Staffing: Staffing involves filling the various positions created by the organization. It includes preparing inventory of personnel available and identifying the sources of people, recruitment, selecting people, training & developing them, fixing financial compensation, appraising them periodically, promotion and career planning.

4. Directing: When people recruited in the organization, they must guide to achieve the common goals of organization. Directing is a process of issuing orders & instructions to guide subordinates, the proper methods of work and ensuring that they perform their jobs as planned. Once subordinates are oriented, the superiors have continuous responsibility of guiding & leading them for better work performance and motivating them to work with zeal & enthusiasm. Thus, directing includes leading, motivating, communicating and Coordinating.

i. Leading: It is a decisive function of the management in which the workers/employees are led and directed so that the objectives of the organisation will be successfully achieved.

Motivating: The process of stimulating the employees to perform more effectively using their abilities and full potential is called motivation. The factors of motivation can be broadly categorised into a. Financial and b. Non-financial

a. Financial factors include competitive salary package, which includes monthly/annual salary, perquisites, bonus, overtime, allowances, reimbursement of medical and telephone bills etc.

b. Non-financial factors include appreciation from the top, good work environment, career growth, minimal supervision, flexible working hours, opportunity to work on live projects, team building and self-managed work teams.

iii. Communicating: It is the process of creating, transmitting, and interpreting messages, ideas, facts, opinions, and feelings. The role of the manager is to communicate to his staff as to what they should do through orders, meetings, circulars, and notices. The employees also will report the manager about their progress in completing the tasks. An important part of the communication process is feedback.

iv. Coordinating: It refers to the process of arranging group efforts in such a way that the common purpose is achieved effectively and efficiently.

5. Controlling: It is the process of measuring the current performance of the employee and assess whether the given objectives are achieved (or) not. It involves (a) measuring the actual performance of the employee, (b) comparing it with the target, and (c) taking follow up action for improving the performance, if necessary.

1.4 Taylor's Scientific Management Theory: Frederick Winslow Taylor is known as the father of scientific management. Scientific management is the process of application of scientific principles to systematically analyse the work and to find solutions for all the problems associated with improving the efficiency of the working methods.

1.4.1 The principles of scientific management suggested by F.W. Taylor are:

1. Separation of planning and doing: Taylor suggested that planning should be left to the supervisor and the worker should emphasize only on operational work.

2. Functional foremanship: Taylor evolved the concept of functional foremanship based on specialization of functions, which could improve the planning work sufficiently and easy supervision on workers.

3. Job analysis: Job analysis is undertaken to find out the best way of doing things with the least movements, using less time and cost.

4. Standardization: Standardization should be maintained with instruments, work duration and working conditions etc.

5. Scientific selection and training of workers: Taylor has suggested that workers should be selected on scientific basis considering their education, work experience,

6. Financial incentives: According to Taylor, wages should be based on individual performance and not on the position which he occupies.

7. Economy: Taylor suggested adequate consideration to be given to economy and profit.

1.4.2 Benefits of Scientific Management: They are:

1. Scientific management improved working methods and brought enormous increase in productivity.

2. It developed a rational approach to measure tasks and processes with a considerable degree of accuracy.

3. It initiated certain improvements in working methods and plant design etc., based on information generated by measurement of tasks and processes.

4 It laid the foundation for work study and other related techniques

1.4.3 Criticism of Scientific Management: They are:

1. It ignores the functional areas of management such as marketing and finance etc.

2. Individual creativity is ignored by favouring only one best way.

3. It emphasised more on the analysis and organisation of individual task (or) operations making the worker more mechanical.

4. Workers were not involved in the planning part of the job. As a result, some of the jobs created continued to be repetitive and boring.

1.5 Fayol's Principles of Management: Henry Fayol is a French Industrialist and the father of modern operational management theory. Fayol has given 14 principles of management. The Principles are:

1. Division of work: Here, the work is divided among the members of the group based on the employee's skills and talents. It can be applied at all levels of the organization. It also provides an opportunity to specialise in different problem areas.

2. Authority and responsibility: Authority refers to the right (or) power to give orders. It must also be adequately supported by responsibility.

3. Discipline: All the personal serving in an organization should be disciplined. Both the employer and employees should respect each other by observing the rules.

4. Unity of command: Unity of command means that an employee should receive instructions from only one superior.

5. Unity of direction: Where the objectives are similar, the action plans also should be similar. In other words, similar activities should be grouped together, placed under one manager and there should be one action plan.

6. Subordination of individual interest to general interest: Group interests (or) goals of organisation must prevail any time over the individual interests (or) personal goals.

7. Remuneration: The wages & salaries must be fair and bring out the best possible commitment in the employees to achieve the organisational goals.

8. Centralization: Authority is said to be centralised when decision making powers are retained at the top level. The degree of centralisation (or) decentralisation is determined by the needs of the company.

9. Scalar Chain: It indicates how the authority flows from top to bottom. It suggests that each communication going up (or) coming down must flow through each position in the line of authority.

10. Order: This is a principle relating to the arrangement of things and people. It means keeping the right man (or) a right thing in the right place.

11. Equity: Equity is the combination of justice and kindness. This implies that all the dealings with the employees should be fair and open that they will reinforce their commitment to the organisation. Be kind and fair to them.

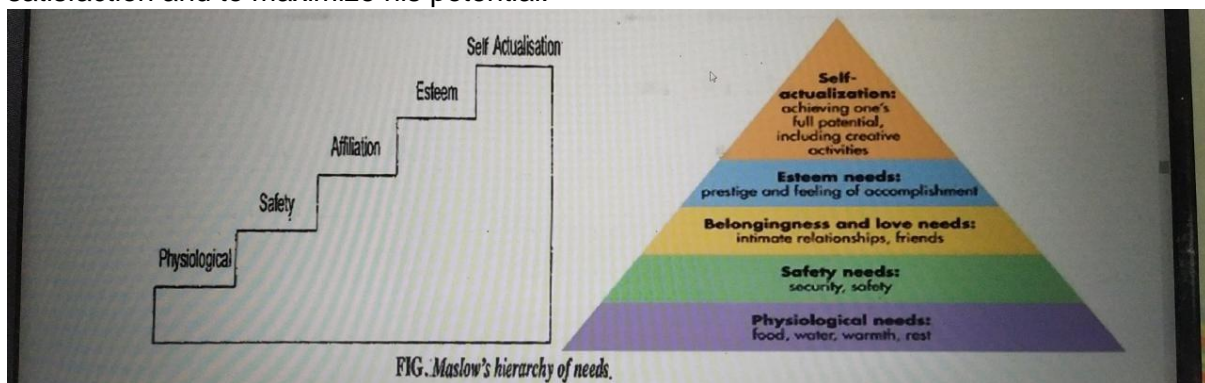
12. Stability of tenure: This indicates avoiding frequent transfers of the employees much before they settle in their jobs. Stability of tenure is essential to get an employee accustomed to new work and succeeding in doing it well.

13. Initiative: Within the limits of authority and discipline, managers should encourage their employees for taking initiative. Initiative is concerned with thinking out and execution of a plan.

14. Esprit de corps: It is a French word which means 'unity is strength', which is used for establishing team work. The manager should encourage esprit de corps among employees. his

1.6 Maslow's Theory of Human Needs: Abraham Maslow was a psychologist. He identified human needs in the form of a hierarchy, ascending from the lowest to the highest. The hierarchy theory assumes that most people are motivated by the desire to satisfy specific groups of needs, as shown in Fig. The human needs which is identified by Maslow can be elaborated as follows:

- i. Physiological needs: It include need for food, sleep, warmth and shelter etc. These are basic needs and if these are not satisfied one does not think of needs at the higher level
- ii. Safety needs: Safety needs are also called security needs. These cover security, protection, job security, safety of property, availability of food and shelter on a continuing basis etc.
- iii. Affiliation or acceptance needs: Man cannot live in isolation. He wants to live in society as a member of society. He feels great when others recognise his efforts and accept him as a member of their group. Affiliation (or) acceptance needs include desire to seek (or) show affection & recognition, need for companionship and identification with a group etc.
- iv. Esteem needs: To satisfy the esteem needs, people want to feel more prestigious, politically very strong and powerful (or) enjoy better status.
- v. Self-actualisation needs: These needs indicate the strong desire to works for his own satisfaction and to maximize his potential.



1.7 Douglas McGregor's Theory X and Theory Y: Douglas McGregor's presented two sets of assumptions named as theory X and theory Y that managers make about the nature of their employees. These sets are named as theory X and theory Y:

Assumptions of Theory X:

1. Employees are lazy and avoid responsibilities.
2. No ambition but seeks security.
3. They require constant guidance and support.

4. They resist changes.
5. Given an opportunity, they would like to avoid responsibility.

Assumptions of Theory Y:

1. Some employees consider work as natural as play (or) rest. 2. Employees are capable of directing and controlling performance on their own. They are much committed to the objectives and goals of the organisation.
3. Higher rewards make these employees more committed to organisation.
4. Employees are highly imaginative, creative, and display ingenuity in handling organisational issues.
5. Given an opportunity, they not only accept responsibility but also look for opportunities to outperform others.

1.8 Herzberg's Two - Factor Theory of Motivation: Herzberg developed a two- factor theory of motivation. The two factors are:

1. Hygiene factors: Hygiene factors are the basic requirements such as company policies, salary, security, supervision, working conditions, personal and social life etc. Hygiene factors do not motivate. If these are provided, people can work in the organisation in the normal way. But if these are not provided, it results in dissatisfaction.
2. Motivators: It refers to the higher order needs such as recognition on the job front, awards & rewards, challenging assignments and promotion etc. These factors lead to satisfaction.

1.9 Systems Approach to Management: A system is a collection of inter-related parts called sub-systems, which constitute one whole unit. Systems approach facilitates the study of each of these parts in detail to have a close understanding of the whole system. From the systems point of view, the functions of management are:

- a. Interlinked: The Fig. shows that functions of management are linked to each other.

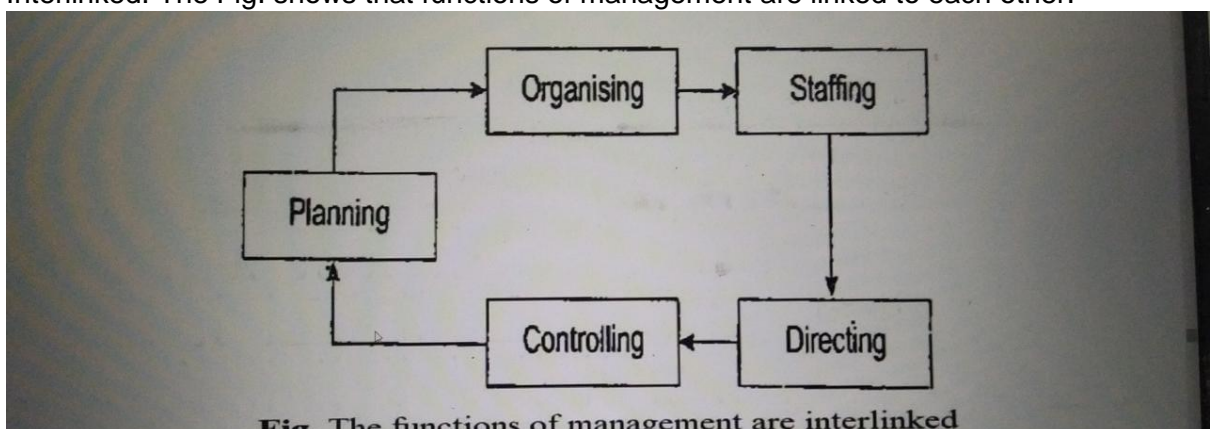
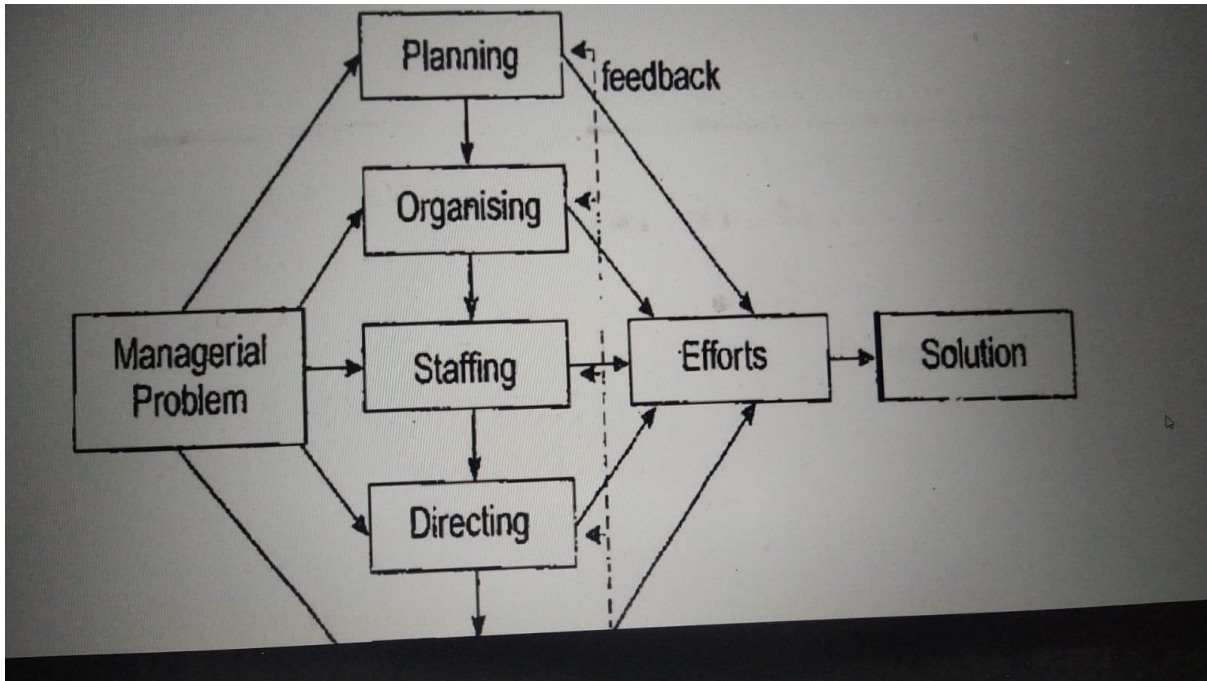


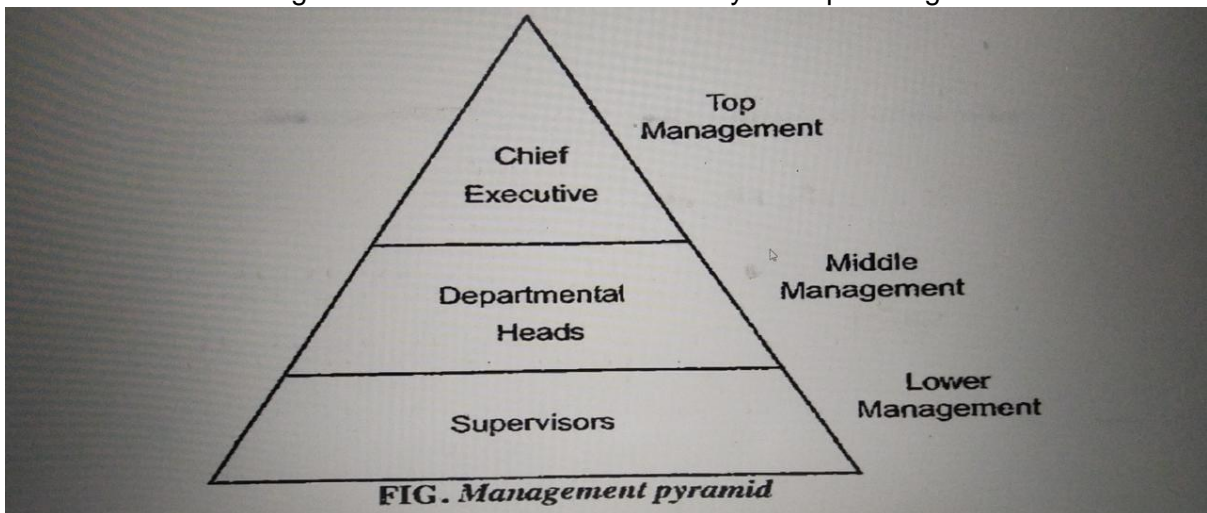
Fig. The functions of management are interlinked

B. interdependent: the functions of management are interdependent to each other, as shown in figure. The dotted line represents feedback line



1.9.1 Levels of Management and their functions: In most of the organisations, three broad levels of management (management pyramid) can be identified as:

- i. Top level management: It constitutes the chief executive and the directors. At this level, the mission, goals and corporate strategies are formulated. Long term plans are made, and major policy decisions are taken. The performance of the middle level managers is evaluated and controlled by the top management.



- ii. Middle level management: It is responsible for carrying out the decisions and policies made by the top management. It includes departmental managers, functional managers such as marketing manager and production manager etc. Here, the managers plan, organise, direct, and control for the activities within their respective departments only. They are responsible to their superiors for the operations of their department (or) unit only.

- iii. Lower level management: It is also called operational level, which includes foremen and supervisors etc. Managers at the operational level supervise their workers in their day-to-day tasks. As a part of this, they plan (make targets and schedules), organise (allocate task and time to meet daily targets), direct (instruct and motivate the employees to do the job better), and control (ensure that the work is completed

satisfactorily according to the schedules). They are responsible for the completion of the work of all employees under them.

1.10.1 Leadership: Leadership is the process of influencing the behaviour of other to work willingly and enthusiastically for achieving predetermined goals. "Leadership is interpersonal influence exercised in a situation and directed through communication process, towards the attainment of a specified goal or goals." - Tennenbaum.

"Leadership is the process of influencing and supporting others to work enthusiastically toward achieving objectives." - Barnard Key.

1.10.2 Leadership Styles: Leadership styles are the patterns of behaviour which a leader adopts in influencing the behaviour of his subordinates. Leaders can be differentiated into good (or) bad based on the styles they adopt (or) how they choose to influence. Behavioural pattern which the leader reflects in his role as a leader is often described as the style of leadership. It is the result of the philosophy, personality and experience of the leader. The important leadership styles are as follows:

1. Autocratic (or) Authoritarian leadership.
2. Participative (or) Democratic leadership.
3. Free rein (or) Laissez-faire leadership.

1. Autocratic Leadership: It is also known as authoritarian, directive (or) monothetic style. He structures the complete work situation for his employees. He does not entertain and suggestions (or) initiative from subordinates. He gives orders and assigns tasks without taking subordinates opinion. Here the leadership may be negative because followers are uninformed, insecure and afraid of the leader's authority.

There are three categories of autocratic leaders:

a. Strict Autocrat: He follows autocratic styles in a very strict sense. His method of influencing sub-ordinates behaviour is through negative motivation that is by criticizing subordinates and imposing penalty etc.

b. Benevolent Autocrat: He also centralizes decision making power in him, but his motivation style is positive. He can be effective in getting efficiency in man situations. Some like to work under strong authority structure and they drive satisfaction by this leadership.

c. Incompetent autocrat: Sometimes, superiors adopt autocratic leadership style just to hide their incompetency, because in other styles they may exposed before their subordinates. However, this cannot be used for a long time.

Advantages:

1. It provides strong motivation and reward to a manager exercising this style.
2. It permits very quick decisions as most of the decisions are taken by a single person.
3. Strict discipline will be maintained.
4. Less competent subordinates also have scope to work in the organisation under his leadership style.

Disadvantages:

1. Employees lack motivation, frustration, low morale and conflict develop in the organisation.
2. There is more dependence and less individuality in the organisation. As such, future leaders will not develop in the organisation.
3. People in the organisation dislike it especially when the leader strict and the motivational style is negative.

2. Participative Leadership: This style is also called democratic, consultative (or) ideographic. A participative is defined as mental and emotional involvement of a person in a group situation which encourages him to contribute to group goals and share responsibility in them. A participative manager decentralizes his decision- making process, instead of taking unilateral decisions, he emphasis on consultation and participation of his subordinates. He can win the cooperation of his group and can motivate them effectively and positively.

Advantages:

1. Employees are highly motivated.
2. The productivity of employees is very high.
3. Subordinates share the responsibility with the superior and try to safeguard them.

Disadvantages:

1. Complex nature of organisation requires as through understanding of its problems which lower level employees may not be able to do.
2. Some people in the organisation want minimum interaction with their superior.
3. Some leaders may use this style as a way of avoiding responsibility.

3. Free Rein Leadership (or) Laissez-faire leader: A free-rein leader does not lead the group but leaves the group entirely to itself. In this style, manager once determines policies, programmes with limitations for action and the entire process is left to subordinates. Group members performs everything and the manager usually maintains contacts with outside persons to bring the information & materials which the needs. group

1.11 Social Responsibilities of Management: Social responsibility refers to the process which includes several activities ranging from providing safe products and services to giving a portion of the company's profits to welfare organisations with a philanthropic perspective.

Social responsibility of a business is also viewed as conducting its operations in a free and fair manner by discharging its commitment towards different segments of its operational environment as explained below:

1. Responsibility towards shareholders: The business enterprise has the responsibility to provide fair return on capital to the shareholders. The firm must provide them regular, accurate and full information about the working of the enterprise.

2. Responsibility towards consumers: The management must provide quality products and services to the customers at reasonable prices. It should consider customer suggestions and plan its services more effectively through consumer satisfaction surveys, which focus on unfulfilled customer expectations.

3. Responsibility towards employees: Good working conditions motivate workers to contribute their best. It is the responsibility of the management to recognise their unions and respect their right to associate with a union of their choice. The management must provide a fair deal to its employees by planning for social security, profit sharing, growth & development promotions, grievance settlement machinery, and employee welfare.

4. Social responsibility towards creditors: The business has to repay the loans it has taken from the financial institutions as per the repayment schedule. Also, it should inform the creditors about the developments in the company from time to time. The business firm has to live up to the ethical and moral expectations of its creditors by fulfilling its commitments.

5. Responsibility towards the government: The business firm has to pay its taxes. It should also support the government in community development projects.

6. Responsibility towards competitors: The business firm should always maintain the highest ethical standards and maintain cordial relations with each of the competitors, which is a critical and sensitive segment.

7. Responsibility towards general public: Business units have responsibility towards the general public to support the cause of community development. Most of the companies maintain public relations departments exclusively to maintain good relations with the community.