

## CHAPTER 2

# MANAGEMENT

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## INTRODUCTION

### 2.1 MEANING

Managing is one of the most important activities of human life. To accomplish aims that could not be achieved individually, people started forming groups. Managing has become essential to ensure the coordination of individual efforts. Management applies to all kinds of organizations and to managers at all organizational levels. Principles of management are now used not only for managing business but in all walks of life viz., government, military, social and educational institutions. Essentially, management is same process in all forms of organization. But it may vary widely in its complexity with size and level of organization. Management is the life giving element of any organization.

Definitions suggested by some of the management experts are presented below:

**Henri Fayol:** “Management is conduct of affairs of business, moving towards its objective through a continuous process of improvement and optimization of resources”.

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

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

**George R. Terry:** “Management is a process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish the objectives by use of people and resources”.

**ILO:** “Management is the complex of continuously coordinated activity by means of which any undertaking administration/public or private service conducts its business”.

**Lawrence A. Appley:** “Management is guiding human and physical resources into a dynamic, hard hitting organization until that attains its objectives to the satisfaction of those served and with a high degree of morale and sense of attainment on the part of those rendering the service”.

- Deciding in advance what to do, how to do, who has to do, when to do and where to do.
- Planning bridges the gap from where we are now to where we want be in future.

**Organising:** Organising is a part of management that involves in establishing an intentional structure of roles for people to fill in an organization. To organize a business well, it is required to provide all the useful things for its proper functioning. They are raw materials, tools, capital and personnel. The purpose of an organization structure is to help in creating an environment for human performance. This involves in:

- Determination of activities required to achieve goals.
- Grouping these activities into department.
- Assigning such groups of activities to managers.
- Forming deligation of authority.
- Making provisions for coordination of activities.

**Staffing:** Staffing is considered as an important function which makes provision for man power to fill different positions. It involves in building the human organization by filling, and keep filling the staff. This is done by identifying work-force requirements, taking inventory of people available, recruiting new staff, selecting, placing, promoting, apprising, planning their career, training the staff to accomplish their tasks effectively and efficiently. This involves in:

- Finding the right person for right job.
- Selecting the personnel.
- Placement, training and developing new skills required for present and future jobs.
- Creating new positions.
- Apprising the staff and planning their growth and promotions etc.

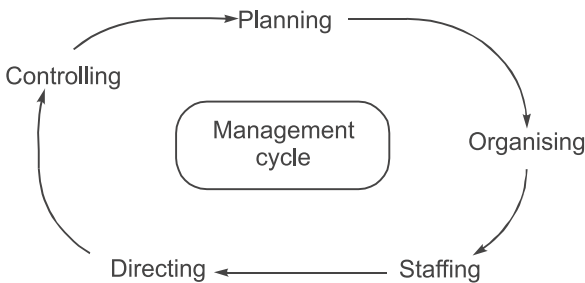
**Directing:** After planning, organizing and staffing, the next important function of management is directing or leading the people towards the defined objectives. Directing involves three sub-functions namely communication, leadership and motivation. Communication is the process of passing information and understanding from one person to another. Leadership is the process by which a manager guides and influences the work of his subordinates. Motivation means arousing desire in the minds of employees of an organization to perform their best. If properly motivated, the employees will put their best efforts with dedication, loyalty and carry out the assigned task effectively. There are two types of motivations viz., financial and non-financial. Financial motivations

are in the form of salary, bonus, profit-sharing, rewards etc. The common non-financial motivations are job security, promotions, recognition, praise, felicitation etc.

**Controlling:** Controlling is measuring and correcting of activities of subordinates to make sure that the work is going on as per the plans. It measures performance against goals and plans, shows where short falls or deviations exist and takes necessary corrective actions to achieve the goals. Controlling generally relates to the measurement of achievement. This involves three elements.

- Establishing standards of performance.
- Measuring performance and comparing with established standards.
- Taking necessary corrective action to meet the set standards.

With accomplishment of this function, the “Management Cycle” is said to be complete.



**Management Cycle**

## 2.5 MANAGEMENT AS A SCIENCE, ART OR PROFESSION

Managing, like any other practice – whether medicine, music composition, engineering, accounting or even cricket – is an art. It is a know-how. It is doing things in the light of the realities of a situation. Under ‘art’ one normally learns the “how” of a phenomenon. It is the art of getting things done through others in dynamic and mostly non-repetitive situations.

Science is an organized knowledge. A discipline can be called scientific if its methods of inquiry are systematic and empirical, information can be accumulated and analysed and results are commutative and communicable. The essential feature of any science is the application of scientific methods to the development of knowledge. Being systematic means being orderly and unbiased. All the scientific information collected first as raw data is finally arranged in order and analysed with the help of statistical tools. Science is also cumulative in that what is discovered is added to that which has been found

before. We learn from past mistakes and go in right direction in future. On the basis of the above discussions of science, it can be accepted that management is also a science.

It is seen that management is partly an art and partly a science. Management does not possess the characteristics of a profession. A profession is expected to have organized and systematic knowledge, formalized methods of acquiring training and experience, ethical code to regulate the behaviour of the members of the profession, charging of fees based on service etc. Unlike medicine and law, the management does not have any fixed norms of managerial behaviour. There is no uniform code of conduct or licensing of managers. Lawyers and doctors take up profession after obtaining a valid academic qualification whereas a manager job is not restricted to individuals with a special academic degree only. Based on this, it can be concluded that management is not a profession. However, the present trend is towards the professionalisation of management.

Nowadays, it has become essential to acquire management degrees or training in management to be called as good manager. There is increased demand for qualified managers with M.B.A degree after graduation. This gave scope for establishment of large number of business schools in India. Managing a business is no longer just a matter of a family or institution. In this contest, one should remember Peter Drucker's opinion on management. "A degree in management does not by itself make an individual a professional manager any more than does a degree in philosophy make an individual a philosopher". By insisting on holding a degree, we are over emphasizing knowledge and completely over looking skill. This leads to losing of good and skilled managers who do not have required degree. There have been good examples of efficient managers without any professional managerial degree. Some of them are, Ford of Ford Motors, Bill Gates of Microsoft, Jemshedji Tata, Birla, Dhiru Bhai Ambani of Reliance group etc.

But nowadays, management has become a profession than art or science.

## **2.6 MANAGEMENT AND ADMINISTRATION**

There is lack of concurrence among management writers over the meaning and use of the words management and administration.

One group of management writers feels that administration involves "thinking". It is a top level function that centers around the preparation of plans, rules, policies and objectives of an organization. Whereas management involves "doing" and is a lower level function, concerning with execution and direction of policies and operations. Hence, administration is more important at lower levels.

Another group of management writers feels management as comprehensive generic term that includes administration. Management is regarded as comprehensive generic function covering entire process of planning, organizing, directing and controlling. Administration is regarded as a branch of management that comprises of two functions – planning and controlling. According to them, the function of management is divided into two categories – the upper level management usually called as administrative management and the lower level management which is termed as operative management.

According to Peter Drucker, the basic difference between management and administration lies in use of these terms in different fields. According to him, managing of business enterprises is called management and managing non-business organizations is called administration. Hence financial performance plays key role in management. But in managing non business organizations like educational institutions, government offices, military etc., administration is more priority than financial decisions.

Administration is the function in industry concerned with determination of the corporate policy, the coordination of finance, production and distribution, the settlement of compass of the organization under the ultimate control of the executives”.

“Management is the function in industry concerned with the execution of policy within the limits setup by the administration and the employment of the organization for the particular objects set before it”. (Oliver Sheldon)

“Administration is primarily the process and the agency used to establish the object or purpose which an undertaking and its staff are to achieve, secondarily, administration has to plan and stabilize the broad lines of principles which will govern action. These broad lines are in turn called policies. Management is the process and the agency through which the execution of policy is planned and supervised”. (G.E. Milward)

“Administration is that phase of business enterprise that concerns with overall determination of institutional objectives and the policies necessary to be followed in achieving those objectives. Administration predetermines the specific goals and lays down the broad areas within which those goals are to be attained. Administration is a determinative function, management on the other hand is an executive function – which is primarily concerned with the carrying out of the broad policies laid down by the administration. (William R. Sprigal)

Thus administration is a “thinking” function and management is a “doing” function. According this concept, managers get salary and administration staff get dividends.

Administration determines the policies upon which the enterprise is to be conducted while the function of management is to carry out the policies that are laid down by the administrative group.

The differences between administration and management are listed below:

Characteristic	Administration	Management
1. Main functions	Planning, Organising and Staffing	Leading, motivating and controlling.
2. Status	Acts as owner	Acts as an agency
3. Skills	Requires good administrative skills	Requires more technical skills.
4. Level in the organization	Top level	Lower level
5. Position	Managing Director, Owner, CEO, etc.,	Managers, Supervisors, Foremen etc.,
6. Objectives	Makes the policies, objectives and goals to be achieved.	Implements the plans and policies
7. Involvement	No direct involvement in production or services	Directly involves in the execution of plans and achieving goals.

## 2.7 ROLES OF MANAGEMENT

Manager in any organization plays variety of roles responding to a particular situation. The three important roles played by a manager are Interpersonal roles, Decision roles and Informational roles.

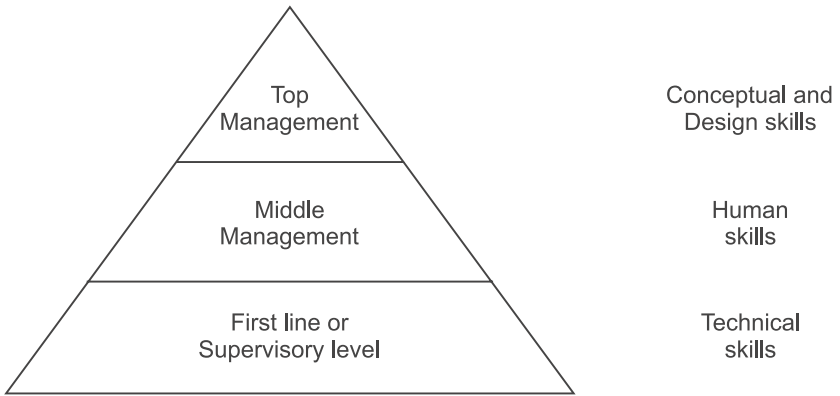
(i) **Interpersonal roles:** These includes figurehead, leader and liaison roles:

In figurehead role, the manager will perform some duties that are casual and informal ones like, receiving and greeting visiting dignitaries, attending to social functions of employees, entertaining customers by offering parties and lunches etc.

As a leader, managers motivate, direct and encourage his subordinates. He also reconciles the needs with the goals of the organization.

In the role of liaison, the manager works like a liaison officer between top management and the subordinate staff. He also develops contacts with outside people and collects useful information for the well being of the organization.

The various levels and skilled required at different management levels are shown below.



***Skills at different Management level***

## 2.9 DEVELOPMENT OF MANAGEMENT THOUGHT

Management has emerged as a powerful and innovative force on which the today's society depends for material support from a unrecognized situation in the past one or two centuries. Seventeen and Eighteen centuries had seen Industrial Revolution. Lots of inventions and new technologies had emerged. The importance of management was focused. Division of labour concept was evolved. Importance of planning was identified. But management as a separate field of study had emerged only during early 20th century when new industrial era began. Business organizations had a stage shift from ownership towards joint stock companies. As an answer to the problems like insufficient systems, inefficiency of labour and discrepancy in wage payment, "management" has been recognized as a separate and important field of study. Subsequently, management has evolved as a scientific discipline of study and practice.

The evolution of management can be divided into two parts – Early management approach and Modern management approach.

### 2.10 EARLY MANAGEMENT APPROACHES

History of the management is as old as a man. Evidence of well organized principle of management can be seen in ancient Greece and India. Those Kings used the concepts of management like planning, organizing, leading and controlling the various activities.

The process of early management approaches are:

- Psychological development

- Scientific management
- Administrative management and
- Human relations movement.

### **2.10.1 Psychological development: (Before 17<sup>th</sup> century)**

In olden days when there was no experience and knowledge of business, they had to depend upon their inborn abilities. This gave rise to management that was totally based on Psychological process. As a result, people were having universal belief that managers are born and cannot be made such as artists, directors, poets, kings etc.

### **2.10.2 Scientific management: (18<sup>th</sup> – 19<sup>th</sup> century)**

During this time the development was brought about by the following two important factors.

- The effort of scientists to demonstrate the application of science and scientific methods.
- The effort of establishing standard practices.

Thus during this development, management was adopted with scientific approach. The work made use of scientific methods for achieving standard practice and higher efficiency. Thus, scientific management came into existence. Many pioneers have contributed for this development.

Frederik Winslow Taylor (1856 – 1915) has been considered to be father of scientific management. He had conducted series of experiments and promoted the development of management thought through his experiments and writings. Some of the contributions of F.W. Taylor for the scientific management are explained here.

#### **(i) Work study**

Work-study includes time and motion study. Taylor observed that the workers were not producing their full capacity for the fear that their piece rate would be cut with rise in production. Hence he started time and motion study. He recorded the time required for each motion of a job with the help of stopwatch. Shorter and fewer motions were developed. Unwanted motions were eliminated. The best way of doing a particular job was arrived at. With this, the time required to complete one job was calculated called standard time.

#### **(ii) Differential payment**

Motion and time study and establishment of standard time further helped in arriving at the production rate of a particular piece or job. Taylor also intro-



- (ii) He evolved principles of motion economy.
- (iii) He established Therbligs that are the fundamental motions involved in doing any activity.
- (iv) He had carried out study on fatigue due to repetitive work by conducting experiments.

### **Objectives of Scientific Management**

The objectives of scientific management are:

- (i) To assess industrial and market tendencies and to regularize continuous operation.
- (ii) To earn a larger profit from a given expenditure on man and materials by minimizing waste work and waste movements.
- (iii) To provide healthy and safe working environment.
- (iv) To build character through proper work.
- (v) To develop self realization and self satisfaction among workers there by improving their morale.
- (vi) To give better opportunity for individual through scientific methods of working.
- (vii) To ensure happier and social life to workers.
- (viii) To promote justice among the workers by treating them equal.
- (ix) To perform planned and balanced operations.

The time and motion study of scientific management had created awareness of using right tools and minimizing waste movements while performing a work. Further the scientific management also insisted the scientific selection of workers and made the management to realize the training needs to do a job. The scientific management suggested the work design, that is, one best way of doing a job. The scientific management had developed a rational approach to solve the problems of an organization and contributed to the professionalisation of management.

But Taylor's concept of monetary benefits to motivate workers did not fetch expected results. Taylor's time and motion study was not accepted as entirely scientific because there is no "one best way" of doing a job. Separation of 'planning' and 'doing' functions coupled with greater specialization led to greater monotony of work.

### **2.10.3 Administrative Management**

Henri Fayol (1841-1925) is considered as father of administrative management. His theory was focused on the development of administrative principles

applicable to middle and top level managers. He used the word ‘administration’ which is otherwise known as management nowadays. He wrote a book titled “General and Industrial Administration”, in which he explained the process of administration. His thinking is beyond the worker and shop level production but of a wider perspective, covering the common administrative and managerial functions and processes of the managers. He suggested that activity of any business organization could be divided into six groups viz., financial, technical, accounting, commercial, managerial and security. His main focus was on managerial or administrative activity. He divided the management function into five functions:- Planning, organizing, commanding, coordinating and controlling. These functions are very similar to what are being practical in today’s management. He also told that these activities are same at all levels of any organization and are same for all organizations. Fayol had suggested 14 principles of management as a guideline to the process of management practice. They are given below:

### **Principles of Management:**

- (i) Division of work
- (ii) Authority and responsibility
- (iii) Discipline
- (iv) Unity of command
- (v) Unity of direction
- (vi) Subordination of individual interest to general interest
- (vii) Union is strength
- (viii) Initiative
- (ix) Equity
- (x) Scalar chain
- (xi) Order
- (xii) Stability of tenure of personnel
- (xiii) Remuneration and
- (xiv) Centralisation.

### **2.10.4 Human Relations Movement**

Taylor and Fayol’s management techniques did not completely achieve the efficient production and harmony at work place. The unpredicted and irrational pattern of behaviour of workers made the task of managers more difficult. These two theories did not consider or focus on human side of the organization. Hence there was a need to focus on human side. Elton Mayo conducted series of experiments at Western Electric Company, which are commonly known as Hawthorne experiments. They are broadly classified as:

### 2.11.2 Quantitative Approach

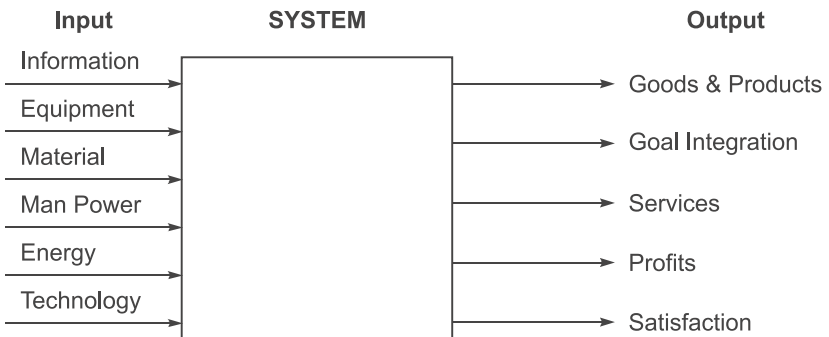
Quantitative approach is also known as management science approach which was developed during Second World War to find solutions to some complex new problems in warfare. As a result the quantitative approach called Operations Research (OR) was developed by a team of interdisciplinary members. This deals with formulating a mathematical model to simulate a given problem that includes the feasibilities, constraints, costs of events etc. An optimum mix of these critical variables is arrived at, either for minimizing time or cost, or maximizing profit or production or service etc., enabling the management to take up a logical decision.

OR techniques are widely used in project planning and control where better benefits have been obtained with its use.

### 2.11.3 Systems Approach

The classical approach emphasizes on the structure and task, the behavioural approach emphasizes on people and the quantitative approach on mathematical modeling and decision-making based on the model. But systems approach provides the management the integrated approach of problem solving.

A system is defined as a set of independent parts together form a unitary whole that performs a defined task. Organisation is a system that consists of people, task, structure and technology. Each part of the system has an independent relation with other part. The systems approach tries to emphasize to regard the organizations as a whole, rather than dealing the parts separately. A system can be either an open system or closed system. A system that interacts with outside environment is called open system and a system that works with in closed boundary is called closed systems.



**Systems Approach**