

PRINCIPLES OF MANAGEMENT

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PREFACE

Principles of Management is a paper to commerce and management students. This book covers the syllabi of all the Indian Universities at the maximum. This book is written from the point of view of students in simple language. The concept of management is explained in a detailed manner. The subject matter of this book has been collected from authentic literature. With a view to facilitating proper understanding of concepts, the concepts are defined with the help of a large number of definitions. Eminent author's comments are incorporated in appropriate places throughout this book.

A good book is free from technical and uncommon words as far as possible. Block letters are used to differentiate the point from the explanation. The author will be very thankful to readers if they offer constructive suggestions for improvement of this book.

—Author

Chapter 1

BASICS OF MANAGEMENT

1.1. INTRODUCTION TO MANAGEMENT

The managers achieve organizational objectives by getting work from others and not performing in the tasks themselves.

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.

1.2. DEFINITION OF MANAGEMENT

There are numerous definitions of management. Different experts have defined different points of view.

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

Harold Koontz defined as, "Management is the art of getting things done through and with people in formally organized groups. It is the art of creating an environment in which people can perform and individuals could cooperate towards attaining of group goals."

In view of Joseph Massie, "Management is defined as the process by which a cooperative group directs actions towards common goals."

George.R.Terry's point of view, "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."

According to this definition, management is a process a systematic way of doing things. The four management functions included in this process are planning, organizing, directing and controlling.

Planning refers manager's think of their actions in advance. Their actions are usually based on some method, plan or logic, rather than on a hunch.

Organizing refers manager's coordinate the human and material resources of the organization.

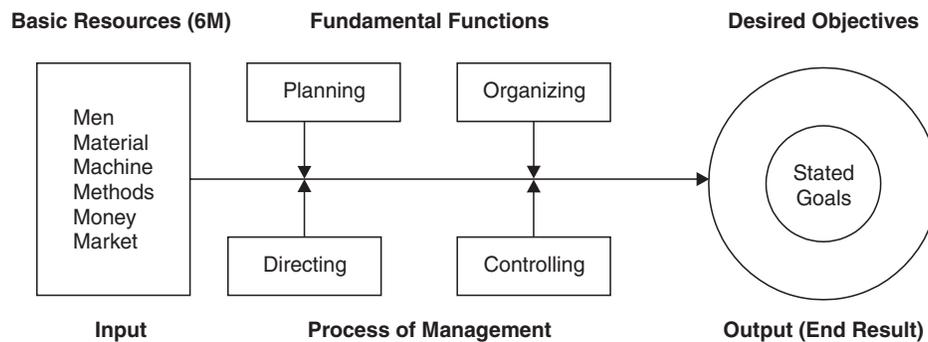
Actuating refers managers motivate and direct subordinates

Controlling refers attempts to ensure that there is no deviation from the plan or norms.

This definition also indicates that managers use people and other resources such as finance, equipment's etc. in attaining their goals.

Finally, the definition states that the management involves the act of achieving the organization's objectives. These objectives will, of course, vary with each organization.

The following chart clearly presents this definition of management.



1.3. NATURE/CHARACTERISTICS OF MANAGEMENT

Following are the nature and characteristics of Management

- 1. Management is an activity.** It is a process of organized activity concerned with efficient utilization of resources of production like men, material, machine, money etc.
- 2. Management is a purposeful activity.** It is concerned with the achievement of an objective through its functions. Objectives may be explicit or implicit.
- 3. Management concerned with the efforts of a group.** Management is concerned with management of people and not the direction of things. It motivates the workers to contribute their best.
- 4. Management is getting things done.** A manager does not do any operating work himself but gets it done through others.
- 5. Management applies economic principles.** Management is the art of applying the economic principles that underlie a control of men and materials in the enterprise under consideration.

6. **Management involves decision-making.** It is a decision-making process and the decisions are involved in all the functions of management.
7. **Management coordinates all activities and resources.** It is concerned with coordination of all activities and resources to attain the specific objectives.
8. **Management is a universal activity.** The techniques and tools of management are universally applicable.
9. **Management is an integrating process.** It integrates the men, materials and machines for achieving stated objectives.
10. **Management is concerned with direction and control.** It is concerned with direction and control of human efforts to attain the specific objectives.
11. **Management is intangible.** It is abstract and cannot be seen. It is evidenced by the quality of organization and through its results.
12. **Management is both science and an art.** Management has certain universally applicable principles, laws etc. Hence, it is a science. It is also an art, because it is concerned with application of knowledge for the solution of organizational problems.
13. **Management is a profession.** It is becoming a profession because there is established principles of management which being applied in practice.
14. **Management is an inter-disciplinary approach.** Management as a body of discipline takes the help or other social science like psychology, sociology, engineering, economics, mathematics etc.
15. **Management is dynamic and not static.** Management adopts itself to the social changes and also introduces innovation in methodology.

1.4. SCOPE OF MANAGEMENT

The scope of management is very wide. The functional areas of management may be classified into the following categories.

- (i) Production Management
- (ii) Marketing Management
- (iii) Financial Management
- (iv) Personnel Management

(i) **Production Management.** *Production function so as to produce the right goods in right quantity at the right time and at the right cost.* It consists of the following activities.

- Designing the product
- Location and layout of plant and building
- Operations of purchase and storage of materials
- Planning and control of factory operations
- Repairs and maintenance

- Inventory control and quality control
- Research and development etc.

(ii) **Marketing Management.** *It refers to the identification of consumer's needs and supplying them the goods and services, which can satisfy those, wants.* The activities are as follows:

- Marketing Research to determine the needs and expectations of consumers
- Planning and developing suitable products
- Setting appropriate prices
- Selecting the right channels of distribution
- Promotional activities like advertising and salesmanship to communicate with the customers.

(iii) **Financial Management.** *Financial management seeks to ensure the right amount and type of funds to business at the right time and at reasonable cost.* The activities are as follows:

- Estimate the volume of funds requires for long term and short term needs of business
- Selecting the appropriate sources of funds
- Raising the required funds at the right time
- Ensuring proper utilization and allocation of raised funds
- Administration of earnings.

(iv) **Personnel Management.** *It involves planning, organizing, directing and controlling the procurement, development, compensation, maintenance etc. of the human resources in an enterprise.* It consists of the following activities:

- Manpower planning
- Recruitment
- Selection
- Training and Development
- Performance Appraisal
- Compensation and promotion
- Employee services and benefits
- Maintaining personnel records etc.

1.5. FUNCTIONS OF MANAGEMENT

Different authors offering different names for the same functions of management

Henri Fayol identifies five functions of management viz, *planning, organizing, commanding, coordinating and controlling.*

Koontz and O'Donnell, divides the management functions into *planning, organizing, staffing, directing and controlling.*

Warren Haynes and Joseph Massie classifies management functions into decision-making, planning, organizing, staffing, directing, controlling, and communicating.

Luther Gulick, states seven such functions under the catch word “**POSDCORB**”

Which stand for

- P – Planning
- O – Organizing
- S – Staffing
- D – Directing
- Co – Coordinating
- R – Reporting
- B – Budgeting

As per managers are concerned, the following five functions are essential. They are Planning, Organizing, Staffing, Directing, and Controlling. In addition to above five functions, the two functions such as Innovations and representation are also necessary for managers.

1.6. MANAGEMENT PROCESS

There is enough disagreement among management writers on the classification of managerial functions. Some classify these functions into four types, some into six or seven. The terminology is also not always alike, different authors offering different names for the same functions of management. **For managerial purpose, the following five functions are very essential for managers. They are planning, organizing, staffing, directing and controlling.**

(i) **Planning.** *Planning is the function that determines in advance what should be done. It is looking ahead and preparing for the future. It is a process of deciding the business objectives and charting out the methods of attaining those objectives. In other words, it is the determination of what is to be done, how and where it is to be done, who is to do it and how results are to be evaluated.* This is done not only for the organization as a whole but for every division or department or sub-unit of the organization. It is a function, which is performed by managers at all levels, like top, middle and supervisory levels of management. Plans made by top management of the organizations whole may cover periods as long as five or ten years. Also, plans made by middle or first line managers, cover such shorter periods. Such plans may be for the next days or weeks, or months, etc. for example, for a two-hour meeting to take place in a week.

Following are the sub functions of planning: forecasting, decision-making, strategic formulation, policy-making, programming, scheduling, budgeting, problem solving, innovation and research activities.

(ii) **Organizing.** *It refers to coordinate human resources with other resources such as material, machine, money etc. Once managers have established objectives and developed plans to achieve them, they must design and develop a human organization that will be able to carry out those plans successfully.* According to Allen, this organization refers to the “Structure which results from identifying and grouping work, defining and delegating responsibility and authority, and

establishing relationships." According to Amitai Etzioni, "An organization is a social unit or human grouping, deliberately structured for the purpose of attaining specific goals".

The process of organizing involves the followings:

- *Identifying the activities necessary to achieve the objectives.*
- *Grouping activities into various departments.*
- *Assigning duties or tasks to appropriate individuals.*
- *Delegating necessary authority to individuals and fixing responsibilities for results.*
- *Defining authority and responsibility relationship among individuals.*

Sub-functions of organizing functions are as follows: Functionalisation, divisionalisation, departmentation, delegation, decentralization, activity analysis, task allocation.

(iii) **Staffing.** Staffing may also be considered an important function involved in building the human organization. *In staffing, the manager attempts to find the right person for each job. Staffing fixes a manager's responsibility to recruit and to make certain that there is enough manpower available to fill the various positions needed in the organization. Staffing involves the selection and training of future managers and a suitable system of compensation.* Staffing obviously cannot be done once and for all, since people are continually leaving, getting fired, retiring and dying. Often too, the changes in the organization create new positions, and these must be filled.

According to Koontz and O'Donnell, "The managerial function of staffing involves manning the organizational structure through proper and effective selection, appraisal and development of personnel to fill the roles designed into the structure".

Staffing function has the following sub functions. They are manpower planning, recruitment, selection, training and development, placement, compensation, promotion, appraisal etc.

(iv) **Directing.** After plans have been made and the organization has been established and staffed, the next step is to move towards its defined objectives. *This function can be called by various names: 'Leading', 'Directing', 'Motivating', 'Actuating', and so on. But whatever the name used to identify it, in carrying out this function the manager explains to his people what they have to do and helps them do it to the best of their ability.*

Directing thus involves three sub-functions. They are as follows

- **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 workers to give their best to the enterprise. It is the act of stimulating or inspiring workers. If the workers of an enterprise are properly motivated they will pull their weight effectively, give their loyalty to the enterprise, and carry out their task effectively.*

Two broad categories of motivation are financial and non-financial. Financial motivation takes the form of salary, bonus, profit sharing, etc., while non-financial motivation takes the form of job security, opportunity of advancement, recognition, praise, etc.

(v) **Controlling.** *The manager must ensure that everything occurs in conformity with the plans adopted, the instructions issued and the principles established.*

Three elements are involved in the controlling function.

- *Establishing standards of performance.*
- *Measuring current performance and comparing it against the established standards.*
- *Taking action to correct any performance that does not meet those standards. In the absence of sound control, there is no guarantee that the objectives, which have been set, will be realized. The management may go on committing mistakes without knowing them. Control compels events to conform to plans.*

Controlling function has the following sub functions. They are

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

1.7. LEVELS OF MANAGEMENT

In every company, there is a managerial hierarchy or chain of command, which consists of several levels of authority. The number of management levels may differ from company to company. In a big company the management levels may be classified into three categories viz.

- (i) Top management
- (ii) Middle management
- (iii) Supervisory or Operating management

In a very large enterprise the middle management levels may be subdivided into upper middle management and lower middle management

(i) **Top Management.** *Top management consists of the board of Directors and the chief executives. Chief executives may be an individual, for example, Managing Director, General Manager etc., or a group of chairman and functional executive Directors.* Board of directors is accountable to the shareholders in the annual general meetings of the company. The chief executive is concerned with the overall management of the company's operations. He maintains coordination among different departments/sections of the company. He also keeps the organizations in harmony with its external environment.

Functions

- *To analyse and interpret changes in the external environment of the company*
- *To establish long term corporate plans (goals, policies and strategies) of the company*

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