CHAPTER - 1

What is Management?

Management is the process of designing and maintaining an environment in which individuals, working together in group efficiently accomplish selected aims.

The Definition Needs To Be Expanded:

- As managers people carry out the managerial functions of planning, organizing, staffing, motivating (leading) and controlling.
- Management applies to any kind of organization.
- It applies to managers at all organizational levels.
- The aim of managers is the same to create surplus.
- Managing is concerned with productivity, which implies effectiveness and efficiency.

The Functions of Management

1. **Planning**

   Selecting missions and objectives as well as the actions to achieve them,, which requires decision making.

2. **Organizing**
   Establishing and intentional structure of roles for people to fill in an organization..

3. **Staffing**
   Filling and keeping filled the positions in the organization structure.

4. **Motivating (Leading)**
   Influence people, so that they will contribute to organizational and group goals.

5. **Controlling**
   Measuring and correcting individual and organizational performance to ensure that events conform to plans.

Managers not only work to design an internal environment but also must operate in external environment.
Respond to many elements of the external environment.

- Economic
- Technological
- Social
- Ecological

- Political
- Ethical

Organizations now operate in different countries.

- Management applies to all, small or large organizations, profit and nonprofit enterprises, manufacturing as well as service industries.

  - ✓ **Enterprise:** A business, government agency, hospital, university or any other type of organization.

Managerial Functions at Different Organizational Levels:

Top Lever: are planning, organizing and controlling.
Middle Lever: they are equally sharing all functions.
First Line Supervisors: are only leading.

Managerial Skills and the Organizational Hierarchy

- Technical Skill (To know one's job)
- Human Skill (Interaction, Communication, Behavior, Team Building)
- Conceptual Skill (Understanding the organization as a whole)
- Design Skills (Analysis and problem solving ability)

The Goals of All Managers and Organizations

The aim of all managers should be to create a surplus, by establishing an environment in which people can accomplish group goals, with the least amount of time, money, materials, and personal dissatisfaction.

Productivity, Effectiveness, and Efficiency

- **Productivity:**

  The output-input ratio within a time period with due consideration for quality
  Productivity = Output / Input (Time & Quality)

- **Effectiveness:**

  The achievement of goals.

- **Efficiency:**

  The achievement of goals with the least amount of resources.

Advances in IT and Globalization

To be successful in the 21st century companies must take advantage of information technology especially the internet and globalizations
E-commerce & M-commerce
Managing: Science or Art?

Managing practice is an art; the organized knowledge underlying the practice is a science.

The Evolution of Management Thought

Frederick Taylor (1841 – 1925) & Scientific Management

- Gave up collage 1875 to work
- Became chief engineer later
- Got an engineering degree through evening studies
- Invented many steel cutting tools.

Frederick Taylor's Principles

1) Replacing rule of thumb with science
2) Achieving cooperation of human beings, rather than chaotic individualism
3) Obtaining harmony, rather than discord in group actions (coordination in team work)
4) Working for maximum output, rather than restricted output
5) Developing all workers to the fullest extended possible for their own and their company's highest prosperity)stressed on importance of capacity building)

Henry Fayol:

Perhaps the father of Modern Management Theory is a French industrialist Henry Fayol

- Gave up 14 principles which are still used by Managers and Organizations around the World.
    - Division of work
    - Authority and Responsibility
    - Discipline
    - Order
    - Unity of Command
    - Unity Of direction
    - Subordination of individual to General interest
    - Remuneration
    - Centralization (Degree Of)
    - Scalar Chain

- Equity
- Stability of Tenure
- Initiative
- Esprite de corps (in unity there is strength)

Fayol was a key figure in the turn-of-the-century Classical School of management theory. He saw a manager's job as:

- planning
- organizing
- commanding
- coordinating activities
- controlling performance

Notice that most of these activities are very task-oriented, rather than people-oriented. This is very like.

Fayol laid down the following principles of organization (he called them principles of management):

1. **Specialization of labor**. Specializing encourages continuous improvement in skills and the development of improvements in methods.
2. **Authority**. The right to give orders and the power to exact obedience.
3. **Discipline**. No slacking, bending of rules.
4. **Unity of command**. Each employee has one and only one boss.
5. **Unity of direction**. A single mind generates a single plan and all play their part in that plan.
6. **Subordination of Individual Interests**. When at work, only work things should be pursued or thought about.
7. **Remuneration**. Employees receive fair payment for services, not what the company can get away with.
8. **Centralization**. Consolidation of management functions. Decisions are made from the top.
9. **Scalar Chain (line of authority)**. Formal chain of command running from top to bottom of the organization, like military. **Scalar Chain** is the number of different levels of authority through which decisions are passed in the organization.
10. **Order**. All materials and personnel have a prescribed place, and they must remain there.
11. **Equity**. Equality of treatment (but not necessarily identical treatment)
12. **Personnel Tenure**. Limited turnover of personnel. Lifetime employment for good workers.
13. **Initiative**. Thinking out a plan and do what it takes to make it happen.
14. **Esprit de corps**. Harmony, cohesion among personnel.

Out of the 14, the most important elements are specialization, unity of command, scalar chain, and, coordination by managers (an amalgam of authority and unity of direction).

Fayol (1841-1925) Functions and Principles of Management

Henri Fayol, a French engineer and director of mines, was little unknown outside France until the late 40s when Constance Storrs published her translation of Fayol's 1916 “Administration Industrielle et Generale ".

Fayol's career began as a mining engineer. He then moved into research geology and in 1888 joined, Comambault as Director. Comambault was in difficulty but Fayol turned the operation round. On retirement he published his work - a comprehensive theory of administration - described and classified administrative management roles and processes then became recognized and referenced by others in the growing discourse about management. He is frequently seen as a key, early contributor to a classical or administrative management school of thought (even though he himself would never have recognized such a "school").

His theorizing about administration was built on personal observation and experience of what worked well in terms of organization. His aspiration for an "administrative science" sought a consistent set of principles that all organizations must apply in order to run properly.

F. W. Taylor published "The Principles of Scientific Management" in the USA in 1911, and Fayol in 1916 examined the nature of management and administration on the basis of his French mining organization experiences..

Fayol synthesized various tenets or principles of organization and management and Taylor on work methods, measurement and simplification to secure efficiencies. Both referenced functional specialization.

Both Fayol and Taylor were arguing that principles existed which all organizations - in order to operate and be administered efficiently - could implement. This type of assertion typifies a "one best way" approach to management thinking. Fayol's five functions are still relevant to discussion today about management roles and action.

1. **to forecast and plan - purveyance**
   examine the future and draw up plans of action
2. **to organize**
   build up the structure, material and human of the undertaking

3. **to command**
   maintain activity among the personnel
4. **to co-ordinate**
   bind together, unify and harmonies activity and effort
5. **to control**
   see that everything occurs in conformity with policy and practice

Fayol also synthesized 14 principles for organizational design and effective administration. It is worthwhile reflecting on these are comparing the conclusions to contemporary utterances by Peters, Kanter and Handy to name but three management gurus. Fayol's 14 principles are:

- **Specialization/division of labor**
  A principle of work allocation and specialization in order to concentrate activities to enable specialization of skills and understandings, more work focus and efficiency.
- **Authority with corresponding responsibility**
  If responsibilities are allocated then the post holder needs the requisite authority to carry these out including the right to require others in the area of responsibility to undertake duties. Authority stems from:
    - that ascribed from the delegation process (the job holder is assigned to act as the agent of the high authority to whom they report - hierarchy)
    - Allocation and permission to use the necessary resources needed (budgets, assets, and staff) to carry out the responsibilities.
    - Selection - the person has the expertise to carry out the responsibilities and the personal qualities to win the support and confidence of others.

  The **R = A** correspondence is important to understand. **R = A** enables accountability in the delegation process. Who do we cope with situations where **R > A**? Are there work situations where our **R< A**?

  "Judgment demands high moral character, therefore, a good leader should possess and infuse into those around him courage to accept responsibility. The best safeguard against abuse of authority and weakness on the part of a higher manager is personal integrity and particularly high moral character of such a manager..... This integrity is conferred neither by election nor ownership. “1916

A manager should never be given authority without responsibility--and also should never be given responsibility without the associated authority to get the work done.

- **Discipline**
  The generalization about discipline is that discipline is essential for the smooth running of a business and without it - standards, consistency of action, adherence to rules and values - no enterprise could prosper.

  "in an essence - obedience, application, energy, behavior and outward marks of respect observed in accordance with standing agreements between firms and its employees " 1916

- **Unity of command**
  The idea is that an employee should receive instructions from one superior only. This generalization still holds - even where we are involved with team and matrix structures which involve reporting to more than one boss - or being accountable to several clients. The basic concern is that tensions and dilemmas arise where we report to two or more bosses. One boss may want X, the other Y and the subordinate is caught between the devil and the deep blue sea.
- **Unity of direction**
  The unity of command idea of having one head (chief executive, cabinet consensus with agree purposes and objectives and one plan for a group of activities) is clear.
- **Subordination of individual interest to the general interest**
  Fayol's line was that one employee's interests or those of one group should not prevail over the organization as a whole. This would spark a lively debate about who decides that the interests of the organization as a whole are. Ethical dilemmas and matters of corporate risk and the behavior of individual "chancres" are involved here. Fayol's work - assumes a shared set of values by people in the organization - a unitary where the reasons for organizational activities and decisions are in some way neutral and reasonable.
- **remuneration of staff**

  “The price of services rendered. " 1916

  The general principle is that levels of compensation should be "fair" and as far as possible afford satisfaction both to the staff and the firm (in terms of its cost structures and desire for profitability/surplus).

- **Centralization**
  Centralization for HF is essential to the organization and a natural consequence of organizing. This issue does not go away even where flatter, devolved organizations occur. Decentralization - is frequently centralized-decentralization!!! The modes of control over the actions and results of devolved organizations are still matters requiring considerable attention.
- **Scalar chain/line of authority**
  the scalar chain of command of reporting relationships from top executive to the ordinary shop operative or driver needs to be sensible, clear and understood.
- **Order**
  The level of generalization becomes difficult with this principle. Basically an organization "should" provide an orderly place for each individual member - who needs to see how their role fits into the organization and be confident, able to predict the organizations behavior towards them. Thus policies, rules, instructions and actions should be understandable and understood. Orderliness implies steady evolutionary movement rather than wild, anxiety provoking, unpredictable movement.
- **Equity**
  Equity, fairness and a sense of justice "should" pervade the organization - in principle and practice.
- **Stability of tenure**
  Time is needed for the employee to adapt to his/her work and perform it effectively. Stability of tenure promotes loyalty to the organization, its purposes and values.
- **Initiative**
  At all levels of the organizational structure, zeal; enthusiasm and energy are enabled by people having the scope for personal initiative. (Note: Tom Peters recommendations in respect of employee empowerment)
- **Esprit de corps**
  Here Fayol emphasizes the need for building and maintaining of harmony among the work force, team work and sound interpersonal relationships.

In the same way that Alfred P Sloan, the executive head of General Motors reorganized the company into semi-autonomous divisions in the 1920s, corporations undergoing reorganization still apply "classical organization" principles - very much in line with Fayol's recommendations.

Hawthorne Studies

Elton Mayo (1880 – 1949)

The purpose of the study was to see the affect of illumination and lightening on productivity.

Mayo found that changing illumination, modifying rest periods, shortening workdays, and varying inventive pay systems did not seem to explain changes in productivity.

In general improvement in productivity was due to social factors such as morale, sense of belongingness and effective management.

Management Theory of Jangle

The variety of approaches to management analysis, amount of research, and the great number of differing views have resulted in much confusion as to what management is, what management theory and science is, and how managerial events should be analyzed.

Systems Approach to Management

The system approach defines an organization as a system which interacts with it's environment and the process of management of an organization aims at using inputs to produce outputs and consists of the five functions of planning, organizing, staffing, motivating and controlling.

CHAPTER - 4

Essentials of Planning and Managing by Objectives

What is Planning?

Planning is selecting missions and objectives as well as the actions to achieve them, which requires decision making, that is choosing a course of action from among alternatives.

Types of plans:

1) **Missions or Purpose**
2) **Objectives or Goals**
3) **Strategies**
4) **Policies**

5) **Procedure**
6) **Rules**
7) **Programs**
8) **Budgets**

Missions or Purposes
The basic purpose or function or tasks of an enterprise or agency or any part of it

Synergy: The whole is greater than its parts.

Objectives or Goals
The end toward which activity is aimed, objectives and goals should be **SMART**

Specific
Measurable
Assigned to
Realistic
Time-bound

Strategies
The determination of the basic long-term objectives, of an enterprise, and the adoption of courses of actions, and allocation of resources, necessary to achieve these goals.

Policies
General statement or understandings that guide channel thinking in decision making

Rules
Rules spell out specific required actions or non-actions, allowing no discretion.

Rules and Policies: The Difference
Rules are different from policies in that policies are meant to guide decision making by marking off areas in which managers can use their discretion, while rules allow no discretion in their application.

Procedure
Plans that establish a required method of handling future activities.

Example: Some times the procedures and rule are imposed by outsiders, general dynamics.

Programs
A complex of goals, policies, procedure, rules, tasks, assignment, steps to be taken, resources to be employed, and other elements necessary to carry out a given course of action.

Budgets

A statement of expected results expressed in numerical terms.

Steps in Planning

1) Being Aware of Opportunities
2) Setting Objectives or Goals
3) Considering Planning Premises
4) Identifying Alternatives
5) Comparing Alternatives in Light of Goals
6) Choosing Alternatives
7) Formulating Supporting Plans
8) Qualifying Plans by Making Budgets

Being Aware of Opportunities
(SWOT Analysis)
Strengths
Weaknesses
Opportunities
Threats

Setting Objectives or Goals
Where we want to be and what we want to accomplish and when we want to accomplish.

Considering Planning Premises
Assumptions about the environment in which the plan is to be carried out.

- No matter how well objectives are designed if the appropriate environment is not provided for them they can not be achieved.
- Forecasting and adjusting to the changes is also important at this stage.

Identifying Alternatives
What are the most promising alternative to accomplish our objectives? Alternatives are different courses of actions or ways that can take us to our goals.

Comparing Alternatives in Light of Goals
Which alternative will give us the best chance of meeting our goals at the lowest cost and highest profit?

Choosing an Alternative
After a through analysis of the strengths and weaknesses of all possible alternatives the most suitable alternative is selected.

Formulating Supporting Plans
A main plan needs the support of the smaller plans for its completion, such as plans to;

- Buy Equipments
- Buy Materials
- Hire and train workers

- Rent a place

Qualifying Plans by Making Budgets
The last stage of planning is to numerate our plans with budgets. Developing such budgets as:

- Salaries to the Staff
- Operating expenses necessary for plans
- Expenditure for capital equipments

Objective
Objectives are the ends towards which organizational and individual activities are directed.
An objective is verifiable when at the end of the period one can determine whether or not it has been achieved. Objective should be **SMART**.

Verifiable Vs. Non-verifiable Objectives

Non-verifiable
To make a reasonable profit

Verifiable
To achieve a return on investment of 12% at the end of the current fiscal year.

Non-verifiable
To improve productivity of the production department

Verifiable
To increase production output by 5% by 31-12-05, without additional cost while maintaining the current quality.