

AN INTRODUCTION TO PRINCIPLES OF MANAGEMENT

UNIT – I

Management – Definitions – Nature and scope of Management.

UNIT – II

Contributions of experts to management thought, F.W.Taylor – Henry Fayol – Elton Mayo – Management by objectives.

- **Text Book & materials taken from : Principles of Management – DR. J.Jayasankar**

Management – Definition

- According to Mary Parker Follet “Management is getting things done through people”.
- According to Henry Fayol, “To manage is to forecast, to plan, to organize, to command, to coordinate and to control”.
- According to F.W. Taylor, ‘ Management is an art of knowing what to do when to do and see that it is done in the best and cheapest way ‘.
- According to Harold Koontz, ‘Management is an art of getting things done through and with the people in formally organized groups.

Nature of Management

- It is an Universal activity
- It is goal oriented
- It is an intellectual activity
- It is a process
- Management is both science and an art.
- It is a social process
- It adopts an integrated approach
- It is an on going activity.
- It is intangible.
- Management is an profession.
- It is a factor of production

Nature of Management

An analysis of the nature of management will bring out the following salient features:

1. It is a Universal Activity – Management is relevant in every sphere of activity. It has relevance not only in business but also in household work, in army, in governmental activities and so on. The work can be done in a more systematic manner with the application of the techniques of management. The material and human resources can be effectively handled and the goal can be attained with maximum efficiency. For example, a student who has to prepare for his board exam can either study at random or prepare in a systematic manner. In the latter case, the level of performance is bound to be much more superior to that in the former case.

2. It is goal oriented – Management focuses attention on the attainment of specific objectives. For example, a business may aim for a particular level of sales. This can be achieved in an effective and efficient manner by adopting the techniques of management. By making a proper forecast of the sales, by planning production, by fixing targets for the salesmen and by properly co-ordinating all the activities, the targeted level of sales can be achieved.

3. It is an intellectual activity – The practice of management requires application of mind and intelligence. Management does not accept the hit or miss approach to work. Every work needs to be properly planned and executed. The necessary resources have to be acquired. Work has to be assigned to different individuals and responsibilities have to be fixed on them. Proper co-ordination of activities is essential. For example, in a manufacturing unit, production, finance and marketing are the important activities performed. Separate departments are established to look after these activities. Although, each department is

independent, it has to work in proper co-ordination with the other departments. Only then, the overall objective of the business can be achieved. Finally, the success of the plan must be verified. Thus, it becomes clear that without applying mind and intelligence, it is not possible to practise management.

4. It is a process – Management is essentially a process consisting of various stages/functions. Planning is the starting point of management and control is its last stage. In between there are other functions like organising, directing and co-ordinating. Each of these functions will have to be done in the sequential order. Control, for example can be done only at the end. Organising cannot precede planning.

5. Management is both a Science and an Art – The practice of science needs knowledge of the theory as well as the formulae. On the otherhand, the practice of art requires skill. Management is a social science. It focuses attention on the behaviour of individuals and groups. It does not believe in the methodology alone. Sometimes, theoretical knowledge may not help. In such a situation, the skill of the manager will come to his rescue. For example, if the workers in a factory demand more pay and threaten to go on strike if their demand is not conceded, the skill of the factory manager will help to avert the strike more than his theoretical knowledge. Thus, it becomes clear that to be a successful manager, one needs to have a strong theoretical background plus skill.

6. It is a social process – As mentioned in the previous point, management deals with the behaviour of individuals and groups. In a work place individuals work as a team. The behaviour of an individual is bound to be different while he is part of a group. For example, an individual worker may be forced to join a strike programme because the union, of which he is a member, has taken the decision to go on strike. The behaviour of the individual, is thus, influenced by the group to which he belongs. Such a group may be a formal group like the trade union or an informal group based on friendship and other personal relationships. A marketer, similarly, will study the behaviour of the consumers.

7. It adopts an integrated approach – The goal of an individual employee and that of his organisation must synchronise. In practice, it may not. A worker, for example, may be wasting his time during working hours and may not realise that such an attitude on his part will prove to be detrimental to his organisation. Similarly, an employee may be regularly coming late for work and may give certain unacceptable reasons. *Management practice* will reconcile the individual goals with those of his organisation.

8. It is an on-going activity – Management is a continuous process. A stage will not be reached where one can say that management is irrelevant. Planning, organising etc., have unlimited use. Management will exist as long as there are human activities.

9. **It is intangible** – Management is invisible. It cannot be seen. But it can be felt. The significance of management will become clear if a comparison is made between the performance of a person working at random and the performance of the same individual working in a more systematic manner.

10. **Management is a Profession** – Like Medical, Law and Engineering, Management has also come to be recognised as a profession. A person who has obtained his M.B.A (Master of Business Administration) from one of the Premier Institutes of Management in India like the Indian Institute of Management Ahmedabad, Bangalore, Kolkata and so on will be recognised as a Management Professional. He can provide consultancy services to businessmen on such areas as Marketing, Personnel or Finance depending upon his area of specialisation.

11. **It is a Factor of Production** – Management is also considered as a factor of production just like land, labour, capital and enterprise. Management, in fact, gets an even more prominent place because it has to properly combine and co-ordinate all other available resources.

Scope of Management.

Scope or Branches of Management:

Management is an all pervasive function since it is required in all types of organized endeavour. Thus, its scope is very large.

The following activities are covered under the scope of management:

(i) Planning,(ii) Organization(iii) Staffing.(iv) Directing,(v) Coordinating, and(vi) Controlling.

The operational aspects of business management, called the branches of management, are as follows:

1. Production Management,2. Marketing Management,3. Financial Management.,
4. Personnel Management and 5. Office Management.

1. Production Management:

Production means creation of utilities. This creation of utilities takes place when raw materials are converted into finished products. Production management, then, is that branch of management 'which by scientific planning and regulation sets into motion that part of enterprise to which has been entrusted the task of actual translation of raw material into finished product.'

Plant location and layout, production policy, type of production, plant facilities, material handling, production planning and control, repair and maintenance, research and development, simplification and standardization, quality control and value analysis, etc., are the main problems involved in production management.

2. Marketing Management:

Marketing is a sum total of physical activities which are involved in the transfer of goods and services and which provide for their physical distribution. Marketing management refers to the planning, organizing, directing and controlling the activities of the persons working in the market division of a business enterprise with the aim of achieving the organization objectives.

Market analysis, marketing policy, brand name, pricing, channels of distribution, sales promotion, sale-mix, after sales service, market research, etc. are the problems of marketing management.

3. Financial Management:

Finance is viewed as one of the most important factors in every enterprise. Financial management is concerned with the managerial activities pertaining to the procurement and utilization of funds or finance for business purposes.

The main functions of financial management include:

- (i) Estimation of capital requirements;
- (ii) Ensuring a fair return to investors;
- (iii) Determining the suitable sources of funds;
- (iv) Laying down the optimum and suitable capital

Structure for the enterprise:

- (i) Co-coordinating the operations of various departments;
- (ii) Preparation, analysis and interpretation of financial statements;
- (iii) Laying down a proper dividend policy; and
- (iv) Negotiating for outside financing.

4. Personnel Management:

Personnel Management is that phase of management which deals with the effective control and use of manpower. Effective management of human resources is one of the most crucial factors associated with the success of an enterprise. Personnel management is concerned with managerial and operative functions.

Managerial functions of personnel management include:

- (i) Personnel planning;
- (ii) Organizing by setting up the structure of relationship among jobs, personnel and physical factors to contribute towards organization goals;
- (iii) Directing the employees; and
- (iv) Controlling.

The operating functions of personnel management are:

- (i) Procurement of right kind and number of persons;
- (ii) Training and development of employees;
- (iii) Determination of adequate and equitable compensation of employees;
- (iv) Integration of the interests of the personnel with that of the enterprise; and
- (v) Providing good working conditions and welfare services to the employees.

5. Office Management:

The concept of management when applied to office is called 'office management'. Office management is the technique of planning, coordinating and controlling office activities with a view to achieve common business objectives. One of the functions of management is to organize the office work in such a way that it helps the management in attaining its goals. It works as a service department for other departments.

The success of a business depends upon the efficiency of its administration. The efficiency of the administration depends upon the information supplied to it by the office. The volume of paper work in office has increased manifold in these days due to industrial revolution, population explosion, increased interference by government and complexities of taxation and other laws.

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UNIT – II

Contributions of experts to management thought, F.W.Taylor – Henry Fayol – Elton Mayo – Management by objectives.

Contributions of experts to management thought, F.W.Taylor

Frederick Winslow Taylor was an American mechanical engineer who sought to improve industrial efficiency. He was one of the first management consultants. Taylor was one of the intellectual leaders of the Efficiency Movement and his ideas, broadly conceived, were highly influential in the Progressive Era

Father of Scientific Management

PRINCIPLES OF SCIENTIFIC MANAGEMENT

1. Replacing rule of thumb with scientific one
2. Scientific Development of workers
3. Harmonious relationship between workers and management
4. Co-operation between the workers and management
5. Maximum and non restricted output

Techniques of scientific management

- Work study
- Scientific task planning
- Scientific selection, placement and training of workers
- Standardization and Simplification
- Mental revolution

Contributions of Experts to Management Thought

Many experts have made significant contributions to the growth of management over centuries. The contributions of some of the renowned management thinkers have been given in this Chapter.

F. W. Taylor (1856 – 1915)

He is called the *father of Scientific Management* for his scientific approach to solve management problems. He started his career as a machinist in a small concern in the U.S and by his hard work, he could go up to the level of the chief engineer in the same concern within a short span of time. During his period of work, Taylor found that the workers were performing below their capacity. Ignorance of the workers and the management on the best ways of doing the work and the use of the trial and error or the rule of thumb method contributed to wastage and inefficiency. Taylor conducted several experiments to replace the hit or miss approach by a scientific method.

(According to Taylor, management is 'the art of knowing exactly what you want men to do and seeing that they do it in the best and cheapest way'. His ideas on scientific management were brought out as a book titled 'Principles of Scientific Management' in the year 1911.)

Important aspects of Scientific Management

The following are the important features of Taylor's Scientific Management:

1. *Replacement of thumb rule method by a scientific one:* In scientific management, the standard time required for doing any work is determined. A worker will be considered efficient only if he does the work within the standard time. The working environment will be provided on scientific lines. The tools, the materials used, the methods used, etc., are all standardised. Thus, there is absolutely no scope for the hit-or-miss approach.

2. *Scientific selection, placement, training and development of workers:* Scientific management provides for the selection of the right man for the right job. Placement of workers will be done based on their capabilities. Training enables the workers to perform their duties with maximum efficiency.

3. *Harmonious relationship between the workers and the management:* Scientific management enables efficient workers to earn more as payment is linked

to output. As the management is also benefited as a result of increased output, there exists harmonious relationship between the workers and the management.

4. *Co-operation between the workers and the management and between workers:* Management can expect higher profits only if the workers work with maximum efficiency. The workers will be benefited only if the management recognises their efficiency and comes forward to reward them suitably. Scientific management, therefore, contemplates absolute co-operation between the workers and the management. Co-operation between the workers is also of paramount importance as the work done by them is inter-related and inter-dependent.

5. *Maximum and not restricted output:* For the management maximum output would mean greater profits and lower cost of production. Greater output enables the workers to earn more remuneration. Thus, both the management and the workers are interested in maximising production under scientific management.

Techniques of Scientific Management

The following are the important techniques of Scientific Management:

1. Work Study
2. Scientific task planning
3. Scientific selection, placement and training of workers
4. Standardisation and simplification
5. Mental revolution

Work Study

Work study aims at improving efficiency. Under Scientific Management, the amount of work an average worker can do under standard working conditions is objectively determined. This is referred to as the 'fair-day's work'. In determining the fair day's work, the following studies are used:

- (i) Time Study
- (ii) Motion Study
- (iii) Methods Study
- (iv) Fatigue Study

The objective of conducting the *time study* is to determine the 'standard time' needed to perform every job. For this, the various elements associated with the job are identified and the time taken to perform each such element is recorded.

Motion study is conducted to know the movements of workers from one place to another during working hours to perform their work. The idea is to identify and eliminate unnecessary and wasteful movements.

Methods study aims at determining the most appropriate method of doing any job.

Fatigue study determines the amount of physical and mental exhaustion caused to the workers by the performance of the task assigned. The idea is to provide for interval breaks when necessary so that the workers would not feel tired.

Scientific Task Planning

It lays down production targets and ensures their attainment. It ensures quality of output. Lower costs of production, specialisation, optimum use of resources, sales maximisation, etc., are the other objectives of scientific task planning. The implementation of the production programme will involve the following stages:

- (i) *Routing* – concerned with the sequence of production operations
- (ii) *Scheduling* – prescribes deadlines for each work
- (iii) *Dispatching* – concerned with issuing orders to carry out the work
- (iv) *Feedback* – helps to check whether the work has been done as planned

Scientific Selection, Placement and Training of Workers

Taylor wanted the right man to be appointed for the right job in every work place. The task of finding the right man should be entrusted only to specialists. A number of tests should be conducted to find out whether the candidate possesses the required qualities. Taylor also stressed the need to train the workers in specific areas to secure good performance. In the absence of such a training, the workers would only learn by trial and error and this would result in loss for the business.

Standardisation and Simplification

Under Scientific Management the product, the materials used for its manufacture, the tools and equipment used, the methods used, quality, time and the working conditions are all standardised. Standardisation ensures uniformity and promotes efficiency.

Mental Revolution

Even during the days of Taylor, the problem confronting both the management and the workers was regarding the division of surplus. Taylor contemplated mental revolution on the part of both the management and the workers on two issues –

- (i) To work sincerely towards increasing the size of the surplus instead of quarrelling over sharing the surplus and
- (ii) To adopt the scientific method of work in place of the thumb-rule method.

Taylor's Differential Piece Rate System

Contributions of experts to management thought -Henry Fayol

General Principles of Management

Fayol developed 14 basic principles of management. These are –

1. Division of Work
2. Authority and Responsibility
3. Discipline
4. Unity of Command
5. Unity of Direction
6. Subordination of Individual Interest to Group Interest
7. Remuneration of Personnel
8. Centralisation
9. Scalar Chain
10. Order
11. Equity
12. Stability of Tenure of Personnel
13. Initiative
14. Esprit De Corps

These principles have been explained below:

1. **Division of Work** – By this we mean that the total work to be done is divided into small parts, each entrusted to a particular individual. To consider an example, the making of a shirt involves a number of activities to be carried out like cutting the cloth, stitching, button stitching, ironing, etc. All these activities will be performed by different individuals and not by one person under division of labour/work. As each individual performs only a particular activity, he becomes a specialist in due course.

2. **Authority and Responsibility** – Authority is the official right of the manager. It comes to him by virtue of his official position. Responsibility is the duty or obligation on the part of a subordinate to account for the work done by him. Authority can be delegated. Responsibility, on the other hand, remains intact with each person. It is never delegated. Even a superior is accountable to his own superior. A person to whom some work is assigned should also be given the requisite authority to carry out his duty. Responsibility without authority will make a person ineffective. On the other hand, authority without responsibility may lead to misuse of authority.
3. **Discipline** – Fayol calls upon employees to adhere to the agreement reached with the employer in the matter of discipline by being obedient, by applying themselves fully in the task undertaken, by being energetic and so on. Fayol does not consider discipline to be a one-sided affair. He firmly believes that if the leader is inefficient and worthless, he cannot enforce discipline. Fayol is also not in favour of using warnings, fines, suspensions or dismissals to enforce discipline.
4. **Unity of Command** – According to this principle, an employee should receive orders from one superior only and is accountable to him alone. If there are two superiors for an employee, he will not know whom he should report to and whose orders he should carry out first. Dual command is a perpetual source of conflict. It will undermine authority, endanger discipline and disturb order and stability.
5. **Unity of Direction** – This principle says that each group of activities having the same objective should have one head and one plan. It is different from the principle of unity of command, which says that an employee should get orders from one superior only. Unity of direction means that the efforts of all the members of a department must be directed towards the attainment of that departmental target.
6. **Subordination of Individual Interest to Common Interest** – The interest of the institution is often ignored in favour of individual interests due to such factors as selfishness, ambition, laziness, etc. When there is such a conflict the interest of the organisation should be made to prevail over individual interest. Constant supervision, fair agreement, firmness and supervisors as role models will certainly help to make organisational interest prevail over individual interest.
7. **Remuneration of Personnel** – Fayol holds the view that the remuneration payable to the employees should be fair and should give maximum satisfaction to both the employees and the employers. Factors such as the cost of living, availability of personnel, the financial position of the business and the general economic conditions will influence remuneration.

- 10. Order** – Fayol talks about two types of order, namely, ‘material order’ and ‘social order’. By material order he means ‘a place for everything and everything in its place’. He explains social order by saying ‘a place for everyone and everyone in his place’. Material order is necessary to avoid loss of material. It is also necessary to keep the place of material neat and clean. Social order ensures the selection of the right man for the right job. The employees should be selected as per the requirements of the job.
- 11. Equity** – The principle of equity ensures fairness, kindness and justice in the treatment of employees by their managers. The managers shall be impartial in their dealings with their subordinates. Equity will help to promote cordial relationship between the workers and the management.
- 12. Stability of Tenure of Personnel** – According to this principle, stability of tenure is necessary for all. It means that an employee shall not be shifted unnecessarily from one job to another. An employee should be given enough opportunity to learn every aspect of his work. Only then he will become an expert in his line of work. If he is frequently transferred from one job to another, he cannot learn any work. Fayol is in favour of stability of tenure for all and he says that it is even more important for managerial personnel.
- 13. Initiative** – The freedom to think and act is what is initiative according to Fayol. An employee who has the freedom to think and act in an organisation will show greater interest in his work and this will lead to a higher level of job satisfaction. A manager, who encourages his subordinates to take initiative in doing their work, should also become very popular.
- 14. Esprit de corps** – The work done in any organisation is teamwork. Team spirit and co-operation among the members of an organisation are essential for its success. Informal relationships among the employees should be encouraged. Such of those employees who show good performance must be suitably rewarded. This will induce them to work with greater amount of enthusiasm. The employees should also have the conviction that the management is really interested in their welfare.

Contributions of (Peter F. Drucker)

Management by Objectives (MBO)

- MBO is a technique by which the superior and the subordinate jointly identify the objectives desired to be achieved by the subordinate in tune with the overall results expected.
- Establishment of Objectives
- Periodical Review
- Final Review

Management by Objectives (MBO)

An important contribution of Drucker is his idea of MBO. It is a technique by which the superior and the subordinate jointly identify the objectives desired to be achieved by the subordinate in tune with the overall results expected.

The following are the stages involved in the process of MBO:

1. **Establishment of Objectives** – Once the basic objectives of the enterprise have been established, objectives of individual departments will have to be set. The targets of the subordinates of every department will then be fixed mutually between the subordinate concerned and his superior. This will be done after a certain number of meetings between the two. While setting the targets of subordinates, it will be ensured that they are in tune with the enterprise targets. In other words, there shall be perfect co-ordination between the targets of the subordinates and those of the enterprise. The subordinates shall express their expected tasks in clear measurable terms.
2. **Periodical Review** – The performance of the subordinates shall be subject to periodic review. The superiors shall provide appropriate direction for the effective performance of the task undertaken. The targets may also be revised if it is found that the subordinates are not able to proceed in the right direction.
3. **Final Review** – In the final meeting between the superior and the subordinate, to review the latter's performance, if it is found that the subordinate has successfully accomplished his tasks, he gets not only appreciation but also reward in the form of promotion or such other benefit. If the performance of the subordinate is not satisfactory, he may be given additional training to carry out his tasks better in the next period.

Advantages of MBO

1. It promotes better communication relationship between the superior and his subordinates.
2. It gives the subordinate an opportunity to fix his own targets in consultation with his superior. This he will do by considering his own potentials. The subordinate knows precisely what he is expected to do.
3. As the subordinates have the freedom to determine their own targets, they feel motivated and also show keen interest in their attainment.
4. The periodic review of the subordinate's performance enables him to know whether he is proceeding in the right direction.

Disadvantages of MBO

1. The superior and his subordinate may have to meet several times for the sake of setting the objectives mutually.
2. Periodic review of the subordinate's performance involves lot of time and also paper work.
3. MBO has not much to do with the lower levels of management.

Contributions of experts to management thought - Elton Mayo

Elton Mayo's contribution to management theory helped pave the way for modern human relations management methods. Based on his well-known Hawthorne experiments, Mayo's management theories grew from his observations of employee productivity levels under varying environmental conditions

The term "Hawthorne" is a term used within several behavioral management theories and is originally derived from the western electric company's large factory complex named Hawthorne works. Hawthorne works had 45,000 employees and it produced a wide variety of consumer products, including telephone equipment, refrigerators and electric fans. Hawthorne Experiment by Elton Mayo

In 1927, a group of researchers led by Elton Mayo and Fritz Roethlisberger of the Harvard Business School were invited to join in the studies at the Hawthorne Works of Western Electric Company, Chicago. The experiment lasted up to 1932. The Hawthorne Experiment brought out **that the productivity of the employees is not the function of only physical conditions of work and money wages paid to them. Productivity of employees depends heavily upon the satisfaction of the employees in their work situation.** Mayo's idea was that logical factors were far less important than emotional factors in determining productivity efficiency.

The Hawthorne experiment consists of four parts. These parts are briefly described below:-

1. Illumination Experiment.
2. Relay Assembly Test Room Experiment.
3. Interviewing Programme.
4. Bank Wiring Test Room Experiment.

1. Illumination Experiment:

This experiment was conducted to establish relationship between output and illumination. When the intensity of light was increased, the output also increased. The output showed an upward trend even when the illumination was gradually brought down to the normal level. Therefore, it was concluded that there is no consistent relationship between output of workers and illumination in the factory. There must be some other factor which affected productivity.

2. Relay Assembly Test Room Experiment:

This phase aimed at knowing not only the impact of illumination on production but also other factors like length of the working day, rest hours, and other physical conditions. In this experiment, a small homogeneous work-group of six girls was constituted. These girls were friendly to each other and were asked to work in a very informal atmosphere under the supervision of a researcher. Productivity and morale increased considerably during the period of the experiment. **Productivity went on increasing and stabilized at a high level even when all the improvements were taken away** and the pre-test conditions were reintroduced. The researchers concluded that socio-psychological factors such as feeling of being important,

recognition, attention, participation, cohesive work-group, and non-directive supervision held the key for higher productivity.

3. Mass Interview Programme:

The objective of this programme was to make a systematic study of the employees attitudes which would reveal the meaning which their “working situation” has for them. The researchers interviewed a large number of workers with regard to their opinions on work, working conditions and supervision. this approach was replaced by an indirect technique, where the interviewer simply listened to what the workmen had to say. The findings confirmed the importance of social factors at work in the total work environment.

4. Bank Wiring Test Room Experiment:

The experiment was conducted to study a group of workers under conditions which were as close as possible to normal. This group comprised of 14 workers. After the experiment, the production records of this group were compared with their earlier production records. It was observed that the group evolved its own production norms for each individual worker, which was made lower than those set by the management. Because of this, workers would produce only that much, thereby defeating the incentive system. Those workers who tried to produce more than the group norms were isolated, harassed or punished by the group. The findings of the study are:-

- Each individual was restricting output.
- The group had its own “unofficial” standards of performance.
- Individual output remained fairly constant over a period of time.
- Informal groups play an important role in the working of an organization.

Source: <https://www.mbaknol.com/management-principles/elton-mayos-hawthorne-experiment-and-its-contributions-to-management/>

