

Management Concepts & Organisational Behaviour

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Chapter - I

Lesson - 1 : Nature Of Management

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Introduction:

Take a close look at the society around you. You would find the existence of several organizations. To mention a few, the business organizations that produce goods or services, hospitals, religious and social institutions like charities, schools, colleges and universities. All these organizations exist to achieve pre-determined objectives. They affect our lives in many ways. Though there are vast differences in their functioning and approaches, they all strive to achieve certain objectives. It must also be noted that organizations cannot achieve the objectives effortlessly. They are achieved through systematic effort. Several activities have to be performed in a cohesive way. In the absence of systematic and cohesive performance of the activities to achieve the objectives, it is no wonder that the resources of organizations would be underutilized. As such it is the function of the management to facilitate the performance of activities such that the accomplishment of the objectives becomes possible.

Meaning of Management

Management is understood in different ways by different people. Economists regard it as a factor of production. Sociologists see it as a class or group of persons while practitioners of management treat it as a process. For our understanding, management may be viewed as what a manager does in a formal organization to achieve the objectives. In the words of Mary Parker Follet management is *“the art of getting things done through people”*. This definition throws light on the fact that managers achieve organizational goals by enabling others to perform rather than performing the tasks themselves.

Management encompasses a wide variety of activities that no one single definition can capture all the facets of management. That is why, it is often said that there are as many definitions of management as there are authors in the field. However, the definition given by James A.F. Stoner covers all the important facets of management.

According to him:

“Management is the process of planning, organizing, leading and controlling the efforts of organization members and of using all other organizational resources to achieve stated organizational goals”.

The definition suggests:

- ▶ Management is a continuous process;
- ▶ Several interrelated activities have to be performed by managers irrespective of their levels to achieve the desired goals;
- ▶ Managers use the resources of the organization, both physical as well as human, to achieve the goals;
- ▶ Management aims at achieving the organisation's goals by ensuring effective use of resources in the best interests of the society.

It is evident that the emphasis is on achieving the objectives by using material, machinery, money and the services of men. These inputs are drawn from the environment in which the organization exists. Whether an organization is engaged in business or non-business, the various inputs are judiciously used to produce the outputs. The process involving the conversion of inputs into outputs is common to all organizations and is shown in figure 1.1

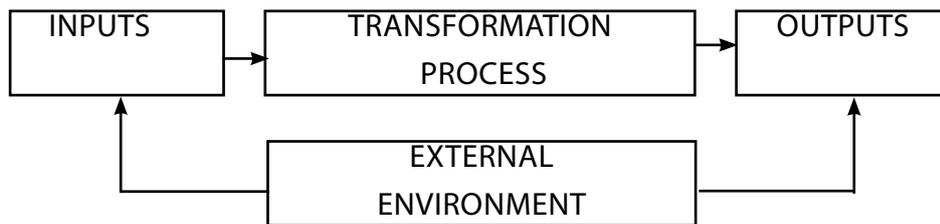


Figure 1.1: INPUT - OUTPUT MODEL

Depending on the nature of business or activity that a firm is engaged in, the output of the firm may be a physical product or service. Since a business organization is an economic entity, the justification for its existence lies in producing goods and services that satisfy the needs of the people. As could be seen in the figure, the organization draws several inputs from the environment, converts them into products or services and sends them back to the environment. Environment here means the larger system, i.e., the society in which the firm exists. Therefore, it goes without saying that how effectively the goods and services are produced is a matter of concern for any society, given the scarcity of resources. Effective management therefore plays a crucial role in this context.

Nature of Management

The practice of management is as old as human civilization. In fact, much of the progress of mankind over the centuries may be attributed to the effective management of resources. The irrigation systems, the public utilities, the construction of various monuments like Taj Mahal, and the Egyptian Pyramids of the bygone era amply demonstrate the practice of management in the olden days. Similarly, the ancient civilizations of Mesopotamia, Greece, Rome and Indus-valley displayed the finest practices of management of those periods. However, the study of management in a systematic way as a distinct body of knowledge is only of recent origin. That is why, management is often described as “*oldest of the arts and youngest of the sciences*”. Thus, the practice of management is not new. It has been practiced for thousands of years. But the science part of it ‘*the systematic body of knowledge*’ is, no doubt, a phenomenon of the present century.

The traditional management practices remained quite stable through the centuries until the birth of industrial revolution in the mid 18th century. The industrial revolution brought about the substitution of machine power for man power through several scientific inventions. As a result, within a few decades, the landscape of industrial activity had undergone a metamorphic change. Man’s quest for new ways of doing things, coupled with his ingenuity in adopting the scientific and technological inventions in the production of goods and services resulted in:

- ▶ Mass production in anticipation of demand;
- ▶ Advent of corporate form of organization which facilitated large scale production;
- ▶ Spectacular improvements in the transport and communication facilities;
- ▶ Increased competition for markets;
- ▶ The establishment of new employer – employee relationship; and
- ▶ A radical change in the aspirations and expectations of the various stakeholders of business.

Industrial revolution had thus sown the seeds of modern management. The early scientific enquiries into the practice of management began. Despite the growing importance of management

as an academic discipline immensely contributing to the quality of human life, it is disheartening to know that the concept is still clouded by certain misconceptions. No doubt, management as an academic body of knowledge has come a long way in the last few decades. It has grown in stature and gained acceptance all over the world. Yet, it is a paradox that the term '*Management*' continues to be the most misunderstood and misused. Certain questions like whether management is a science or art or profession are yet to be answered in a satisfactory way.

Management as Science

To gain a correct perspective as to what management is, let us examine the exact nature of management – whether it is a science or an art? An understanding, therefore, of the exact nature of science as well as art may help in understanding the discipline in a better. Any branch of knowledge to be considered a science, (like the ones we have – physics, chemistry, engineering, etc.) should fulfill the following conditions:

- ▶ the existence of a systematic body of knowledge encompassing a wide array of principles;
- ▶ principles have to be evolved on the basis of constant enquiry and examination;
- ▶ principles must explain a phenomenon by establishing cause-effect relationship;
- ▶ the principles should be amenable for verification in order to ensure accuracy and universal applicability.

Looked at from this angle, management as a discipline fulfils the above criterion. Over the years, thanks to the contributions of many thinkers and practitioners, management has emerged as a systematic body of knowledge with its own principles and concepts. Principles help any practicing manager to achieve the desired goals. However, while applying the principles, one should not lose sight of the variables in the situation, since situations differ from one to another. Thus, the importance of personal judgment cannot be undermined in the application of principles. Further, management is a dynamic subject in that, it has drawn heavily from economics, psychology, sociology, engineering and mathematics, to mention a few. It is multi-disciplinary in nature, but a word of caution. Though management considering its subject matter and the practical

utility may be considered as 'science', for reason discussed below, it cannot be viewed as an '*exact science*'. In other words, it is a science, but an '*inexact science*' because:

- ▶ *Firstly*, management by definition involves getting the things done through people. Compared to the other inputs, '*people*', who constitute the human resource of any organization are unique in respect of their aspirations, attitudes, perceptions and the like. Dissimilarities in the behavior pattern are so obvious that standard research may not be obtained in otherwise similar conditions.
- ▶ *Secondly*, the behavior of the human beings cannot be accurately predicted. Hence, readymade and standard solutions cannot be prescribed.
- ▶ *Thirdly*, management is more concerned with future which is complex and unpredictable. As the saying goes, 'many a slip between the cup and the lip', changes in the environment may affect the plans and render even the most well drawn plans ineffective.
- ▶ *Lastly*, since a business organization exists in an environment, it has a two way interaction with the environment. The organization influences the environment by its several decisions and in turn is influenced by the various elements of the environment. Important among these are technological, economic, socio-cultural and political factors. The whole thing is so complex that however effective the plans are, one is prone to be taken over by the unexpected changes in the environment.

Unlike the pure or exact sciences where the results are accurate in the case of management, the various factors discussed above may force even the excellent plans and the strategies go haywire. Too many complexities and uncertainties render management an '*inexact science*'

Management as an Art

Art refers to the 'know-how' – the ways of doing things to accomplish a desired result. The focus is on the skill with which the activities are performed. As the saying goes '*practice makes a man perfect*', constant practice of the theoretical concepts (knowledge) contributes for the formation and sharpening of the skills. Therefore, what is required is the right blend of the theory and practice. In a way, the attributes of science

and art are the two sides of a coin. Medicine, engineering, accountancy and the like require skills on the part of the practitioners and can only be acquired through practice. Management is no exception. As a university gold medalist in surgery may not necessarily turn out to be a good surgeon, similarly a management graduate from the best of the institutes may not necessarily be very effective in practice. In both the cases, the application of the knowledge acquired through formal education, requires ingenuity and creativity on the part of the practitioner. Correct understanding of the variables of the situation calls for pragmatism and resourcefulness.

Effective practice of any art requires a thorough understanding of the science underlying it. Thus science and art are not mutually exclusive, but are complementary. Executives who attempt to manage without the conceptual understanding of the management principles and techniques have to depend on luck and intuition. With a sound knowledge and the necessary skills to use such knowledge, they stand a better chance to succeed. Therefore, it may be concluded that *'management is both a science and an art'*.

Management as a Profession

These are the days where we hear a lot about professional managers and their contribution to the economic development of the nation. Therefore, it is appropriate to know whether management is a profession. McFarland gives the following characteristics of a profession:

- ▶ existence of an organized and systematic body of knowledge,
- ▶ formalized methods of acquiring knowledge and skills,
- ▶ existence of an apex level body with professionalization as its goal,
- ▶ existence of an ethical code to regulate the behaviour of the members of the profession,
- ▶ charging of fees based on service, and
- ▶ concern for social responsibilities.

A closer examination of management as a profession reveals that unlike medicine or law, management has to go a long way to attain universally acceptable norms of behaviour. There is no uniform code of conduct that governs the behaviour of managers. The apex level body, the All India Management Association (AIMA) or NIPM [National Institute

of Personnel Management] provides only guidelines and does not have any controlling power over the erring members. Managers also differ widely in respect of their concern for the ethics and values of the society in which they function. Many a time, in their obsession with profit, the societal interests are either neglected or compromised. However, as in the case of other professions, it is implied that managers are expected to set an example in doing good to the society. While making decisions, they should be conscious of the impact of their decisions on the society. The larger interests of the society must be given top priority rather than short-term temptations. After all, given the enormous resources they have at their command, the expectation that managers should address themselves to the problems of society is not unnatural.

It must, however, be remembered that unlike professions like engineering, medicine, law, accountancy, etc., the entry to management profession is not restricted to individuals with a special degree. In other words, one need not necessarily possess M.B.A or any other management degree or diploma to practice management. To quote Peter Drucker, “no greater damage could be done to an economy or to any society than to attempt to professionalize management by licensing managers or by limiting access to management to people with a special academic degree”.

In spite of the growing number of management institutes and the large number of people trained in the management, it is an irony that we still hear the debate - “*whether managers are born or made*”. The successes achieved by a few visionaries and great entrepreneurs are often sighted in support of the argument. It is true that many founding fathers of the industry in India and elsewhere too did not study management in the formal way. The native wisdom coupled with their vision in understanding the market and organizing the enterprises helped them earn name and fame. Huge industrial empires were built with sheer business acumen and commonsense. The Marwaris and Parsees in the north and Chettiars, and Naidus in the south India, the Jews in the west and the Samurai community in Japan, for instance, offer a classic example of such success stories. The successes achieved by the pioneers in these cases amply demonstrate that success in business requires much more than academic degrees.

At the same time, it may be realized that the achievements of the pioneers of the industrial development need not shadow the importance

of management as a profession. In arguing for and against, we must not ignore the context of the business. There has been a sea change in the environment of the business. The modern business has become more complex due to the uncertainties arising mainly from:

- ▶ Ever increasing competition for the markets not only domestic but international as well;
- ▶ Rapid technological changes affecting all facets of human life;
- ▶ Increased sophistication and rapid obsolescence of technology;
- ▶ Expansion in the size of organizations and consequently the market, and
- ▶ The unexpected changes in the socio-cultural and political factors influencing the business.

All these variables which have a significant bearing on the functioning of a business point to the need for formal training and acquisition of skills by pursuing management education. More so, at a time when people are talking about “borderless management” in the context of globalization of business.

Professionalisation of Management in India

In the last few years, management as a profession has gained a firm footing in India. The awareness about the contributions of professional managers has been increasing. Consequently, there has been a manifold increase in the number of institutes offering MBA and related diploma courses resulting in a phenomenal increase in the number of students seeking admission into the management programs. Interestingly, the awareness of the society of the importance of professional education for the management of various sectors also is growing. Foreexample, the specialized programs to cater to the specific needs of the sectors like Hotel and Tourism Industry, Transport, Health care, Foreign trade, etc.

The following factors are, among others, seem to be responsible for the growing demand for professional managers:

- ▶ The liberalization of the Indian economy opened up new vistas for the Indian organizations. As a consequence, competition has increased in all the sectors of the economy, forcing the firms to be efficient;

- ▶ Private industrial houses which were indifferent before, have fully realized the need for professional managers. While the promoters in many cases still reserve the policy formulation for themselves, the day-to-day managerial activities are entrusted to the professional managers. The Murugappa Group's infusion of professional managers, rather than family-based experts, into the top posts is case in point.
- ▶ Public sector undertakings are also, of late, forced to perform, if the number of Memorandum of Understandings (MOUs) signed by the managements of PSUs and the concerned ministries of the Government is any indication. As a result, qualified managers are sought after by PSUs than ever before.
- ▶ Apart from the manufacturing concerns, public utilities like transport, telecommunications, and a host of service organizations like banking, insurance, tourism and healthcare are recruiting professional managers in a big way than ever before. The campus visits by scheduled banks [in both private and public sector] stand as a testimony to what is in offing to the demand for professional managers.

Functions of Management

Among the various approaches to the study of management, the process approach has gained wider acceptance. It is because this approach lays emphasis on what a manager does. A manager no matter his level in the organization performs several functions. There is no consensus among the management thinkers on the classification of management functions. The number of functions as well as the terminology used to describe them is not alike. Henry Fayol identifies five functions, viz., planning, organizing, commanding, co-coordinating and controlling. Newman and Summer recognize only four functions, namely – planning, organizing, staffing, and directing. Koontz and O'Donnel classify the functions into planning, organizing, staffing, directing, and controlling. For the purpose of our study, we shall confine the discussion to the following five functions of management – planning, organizing, staffing, directing and controlling.

Planning

Planning in simple is looking ahead. It is preparing for the future. It involves outlining a future course of action. Planning makes the things to happen. Therefore, it is needless to say that in the absence of planning, things are left to chance. Planning is unique in that it precedes all the other managerial functions. It involves deciding the objectives and formulating the policies and procedures to achieve them. Effective planning provides answers to questions like – what to do? How to do? Who is to do? and when to do?

Planning is a function performed by managers at all levels. Though every manager plans, the plans developed by different managers may vary in respect of scope and importance. For example, plans made by top managers have a wider scope with a focus on the organization as a whole and normally cover a longer period. On the other hand, plans developed by middle and lower level managers relate to the divisions or departments and usually cover a short period. Systematic planning helps in facing the uncertainties of future with less embarrassment. It helps in making things happen in the expected way.

Organizing

Organizations achieve objectives by using physical and human resources. When people work in groups, everyone in the group should know what he/she is expected to achieve and with what resources. In other words, organizing involves establishing authority - responsibility relationships among people working in groups and creating a structural framework. Thus, the manager's task in organizing aims at creating a structure that facilitates the achievement of goals. Organizing therefore involves:

- ▶ determination of activities required to achieve goals;
- ▶ grouping of these activities into departments;
- ▶ assignment of such groups of activities to a manager;
- ▶ delegation of authority to carry them out; and
- ▶ provision for coordination horizontally and vertically in the organization.

The managerial function of organizing involves designing the structure and establishing functional and operational relationships. The resulting structure varies with the task. A large organization with huge market needs a different structure compared to a small organization. Similarly, structure of an organization operating in a stable environment may be different from the one operating in a dynamic environment.

Staffing

Organising process results in the creation of a structure with various positions. Staffing involves manning the various positions of the organisation. It includes manpower planning, recruitment and selection of the right people, training and developing them, deciding financial compensation, appraising their performance periodically. There is a debate whether staffing function is to be performed by all managers in the organisation or handled by human resources department alone. However, some processes of staffing are performed by personnel department only. For example recruitment and selection, training, fixation of salary, etc. Performance appraisal, on the other hand, may be done by all managers.

Directing

Once plans are made and the organisation is created, the focus shifts to the achievement of objectives. This function is called by various names: directing, leading, motivating, actuating and so on. It basically involves directing or leading the activities of the people. The manager directs the activities of his subordinates by explaining what they have to do and by helping them perform it to the best of their ability. In leading the people, the manager performs the following three distinct tasks:

Communication : the process of information flow from one person to another and across the organization;

Leadership : the process by which a manager guides and Influences the work of his subordinates; and

Motivation : the act of stimulating the people so that they give their best to the organisation.

Leading is a function predominantly interpersonal in nature. In the organizational context many problems arise because of the failure of managers to understand the people, their aspirations, attitudes, and behaviour as individuals and in groups. If the manager fails in leading the people towards better performance, any amount of planning and organizing, however effective they are, may not help the organisation.

Controlling

Planning and controlling – the two functions are closely interrelated in that while plans specify the objectives to be achieved, control as a managerial function facilitates to know whether the actual performance is in conformity with the planned one. So that, in the event of deviations, appropriate corrective measures could be taken. In the absence of adequate control mechanism, unexpected changes in the environment may push the organisation off the track. Thus, controlling implies measuring and correcting the activities to ensure that events conform to plans. That is why planning and controlling are often described as the ‘Siamese’ twins of management. It involves four main elements:

- ▶ Establishing standards of performance;
- ▶ Measuring the actual performance and comparing it against the standard performance;
- ▶ Detecting deviations, if any, in order to make corrections before it is too late; and
- ▶ Taking appropriate corrective measures.

Review Questions

1. “Management is oldest of the arts and youngest of the sciences”. Discuss
2. Is management an exact science? Substantiate your answer with examples.
3. Examine the status of management as a profession in India?
4. Briefly describe the functions of management?

5. Identify 5 organizations / industry groups which moved from family based to professional management and describe the process drawing from all accessible sources – public domain [web pages, for instance], your interviews with personnel from such organizations,....]

Lesson – 2 : Levels In Management

Contents:

- Levels Of Management
 - Top Level Of Management
 - Middle Management
 - Front Line Management
- Managerial Skills
 - Technical Skills
 - Human Skills
 - Conceptual Skills
- Managerial Roles
- Review Questions

In any organization all those who are responsible for the work of others are known as managers. Though their primary task remains the same – getting the things done by other people, wide variances exist with regard to the authority and responsibility of managers. These differences are largely due to the differences in the levels of management. Based on the scope of authority and responsibility, management job requires many skills and talents. As a matter of custom and convenience, we normally visualize a company's management as a pyramid as shown in figure 2.1.

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