

# Principles of Management

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## Learning Concept of Management through Panchtantra Stories

### Panchatantra Story: The Elephant And The Sparrows



Team Tell A Tale

3 years ago



Once upon a time a elephant couple

- Elephant- problem
- Woodpecker- leader, boss
- Other animals, birds: employees
- Functions performed: planning, organizing, staffing, directing, co-ordinating and controlling
- HRM: Right person on the right job, as per the skills
- Never give up

### Key learning from the Story:

Every problem has a solution.

If a problem is identified properly, it is half solved.

Team work

Right person on the right job

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### Key Terms in Management:

**Business:** is an activity aimed at making profit.

State of being busy, with the aim of earning profit

Activities that satisfy the needs, wants, desires of the society, with the help of an offering in

the form of a product (goods, services, ideas)

**Environment:** surrounding, conditions, boundaries within which we live, survive, grow  
Business also has its surrounding known as business environment.

Every individual has to adjust with his/her environment

Environment consists of various internal and external factors that affect business decisions.

**Organization:** two or more people working together in a structured & systematic manner to achieve specific goals.

**Objective:** end results that we want to achieve, destination that we want to reach

**System:** functions and activities that work together to fulfil the purpose of the organization  
All elements working together for a central, common objective

Every system has 3 elements: Input, processing, output

**Process:** a systematic method of handling activities

A series of steps arranged in a proper sequence

**Productivity:**

$P = \text{Output} / \text{Input} = \text{Effectiveness} / \text{Efficiency} = \text{doing right thing} / \text{doing things right}$

**Performance = Motivation \* Abilities\* Organizational support**

- Every organization wants high performance from the employees

**Manager:** one who practices management

One who is responsible for the efforts of all workings under him/her, so that they are able to achieve organizational objectives.

### Definition of Management

**Harold Koontz:** Management is the art of getting things done through and with people in formally organized groups.”

**Henry Fayol:** “To manage is to forecast and plan, to organize, to command, to co-ordinate, and to control.”

**Rose Moore:** “Management means decision-making.”

**John F. Mee:** “Management may be defined as the art of securing maximum prosperity with a minimum of effort so as to secure maximum prosperity and happiness for both employees and employer and give public the best possible service.”

**F.W. Taylor:** “Management is the art of knowing what you want to do in the best and cheapest way.”

**James A.F. Stoner, R. Edward Freeman, Daniel R. Gilbert**

“The process of planning, organizing, leading, and controlling the work of organizational members & using all available organizational resources to reach stated organizational goals”

In general, Management is **optimum utilisation of all the organizational resources** to achieve individual and organizational objectives.

### **Characteristics of Management:**

**Management is:**

- System of authority
- A Systematic Process
- A Social process
- A Group effort
- A Discipline – Multidisciplinary
- Directed/ focused towards attaining pre-determined objectives
- Universal in nature
- Needed at all the levels/pervasive in nature
- Integration of human and other resources
- Art as well as Science
- A Profession
- Intangible

### **Discussion on Features Characteristics:**

Management is a:

**Process:**

Various steps are involved in it from objective setting, planning to controlling

**Continuous process:**

Cyclic, on-going process, keeps on bringing improvement in all the activities and functions.

**Systematic process:**

All the activities are done in a structured and organized manner

**Social process:**

Every human being is a social being. Wherever men is there, they form their society. They want to get associated, build relations, do friendship. In organization also as human is involved in all the processes, so it becomes social in nature.

**Flexible & dynamic in nature:**

Business environment is very uncertain & risky. To cope up with the environmental changes, every organization has to be dynamic in nature, so that they could bring in required changes and keep growing.

**Group effort:**

Organizational objective cannot be achieved individually; it requires group efforts ie efforts by everyone in the organization.

**Discipline:**

It is a separate field of study. It is multi-disciplinary in nature. It takes knowledge from various fields of study like psychology, sociology, anthropology, law, political science, etc.

**Directed towards attaining pre-determined objectives:**

Every organization is established to attain certain objective. The objective (end results) provides direction to all activities.

**Universal in nature:**

Applied everywhere, in every organization, in India or in other countries as well, wherever you do your business. Differences are there from one organization to the other as per nature, size, objective, etc. When going in foreign market, differences are found in social and cultural norms.

**Needed at all the levels/pervasive (exists everywhere) in nature:**

It is required at all the three levels of management; top level, middle level & lower level management.

**Integration of human and other resources:**

All the resources co-ordinate or synchronize with each other to achieve the objective.

**Art as well as Science:**

Science: systematic body of knowledge, believes in facts, information collected systematically through research, laboratory test, etc.

Management is **inexact** Science ie not a pure science

Art: application of what science has given to us, how well, skilfully and creatively we do the work.

Manager uses his/her skills to apply theories, concepts of management to get the work done efficiently by people in the organization.

**Management is Intangible:**

Tangible- which we can see, touch. Eg: quantity of work, production, etc.

Intangible- which we cannot see, touch, but we can sense it by feeling. Eg: self- confidence, trust, honesty. Management cannot be visible; it is felt by the results.

**Management is a Profession:**

Occupation: earning

Specialized knowledge, skills learnt through training

Follows the code of ethics (moral behaviour) of the organization

**Management is an Executive Function:**

It is practiced by the executives in the organization to give orders, instructions, provide direction to the employees.

## **Principles of Management are relative not absolute:**

The principles that are followed in the organization are related but they are not absolute as environment is uncertain and risky.

## **Functions of Management**

*In the organization, every manager performs some fundamental functions. These functions are called managerial functions.*

*The functions of management also represent the process of management. Each function is the step of management process.*

### **Evolution of Management Functions:**

Many management experts have discussed the functions of management.

**Gulick and Urwick** have classified management functions into seven. They coined the word 'PODSCORB' by taking first letter of each function, to describe the functions of management.

**Henry Fayol, the father of principles of management**, has classified managerial functions as follows: (a) Planning, including forecasting, (b) Organising, (c) Commanding, (d) Coordinating, and (e) Controlling

According to **R.C. Davis**, there are three management functions: (a) planning, (b) motivating, and (c) controlling, whereas G.R. Terry classified management functions into four, viz., (a) planning, (b) organising, (c) activating, and (d) controlling.

**Koontz and O'Donnell** have classified management functions into five ie planning, organising, staffing, directing, and controlling. Thus, according to them, there are five functions of management.

Thus, the functions of management can be classified into Six types:

1. Planning
2. Organising
3. Staffing
4. Directing
5. Co-Ordination
6. Controlling



## 1. Planning:

- Primacy among the functions: First function/step of management.
- Determination of future course of action
- deciding in advance what, when, where, how, by whom we have to do in future
- by knowing, understanding and evaluating the environmental conditions properly
- to achieve the desired results or objective
- plans can be for short term or long term
- done at all the levels of management
- Everything is set as per the expectations of top level management & standards of performance are set here.

## 2. Organizing:

- arrangement of all the activities in a proper structure to achieve the objective
- it is the process of:
- Dividing the work into activities and sub-activities
- Grouping same type of activities & sub-activities & forming departments
- Creating positions
- Assigning duties and responsibilities
- Delegating authority

- Arranging a& allocating resources in an optimum manner to achieve organizational objectives & goals

### **3. Staffing:**

- process of filling of vacant positions
- appointing and retaining skilled, talented and qualified employees
- It involves:
  - Recruitment
  - Selection
  - Placement
- Induction (Welcoming process)
- Training & development
- Compensation
- Evaluation/ Assessment

### **4. Directing:**

- People working in the organization should know what they are expected to do in the organization
- It is the responsibility of the manger/boss/superior to direct, guide, counsel subordinates about the expectations of the top level management.
- Three sub-functions are part of it:
  - Leading: act as a leader and provide direction to work
  - Motivating: develop interest of employees towards work
  - Communication: explaining them what management is expecting from them, issuing orders & instructions, clearing doubts, etc.

### **5. Co-ordinating:**

- Synchronization/ integration of all the functions, departments, objectives of the organization

- All the employees should work in an integrated manner
- Mutual understanding is required
- Co-operation is required, supporting each other

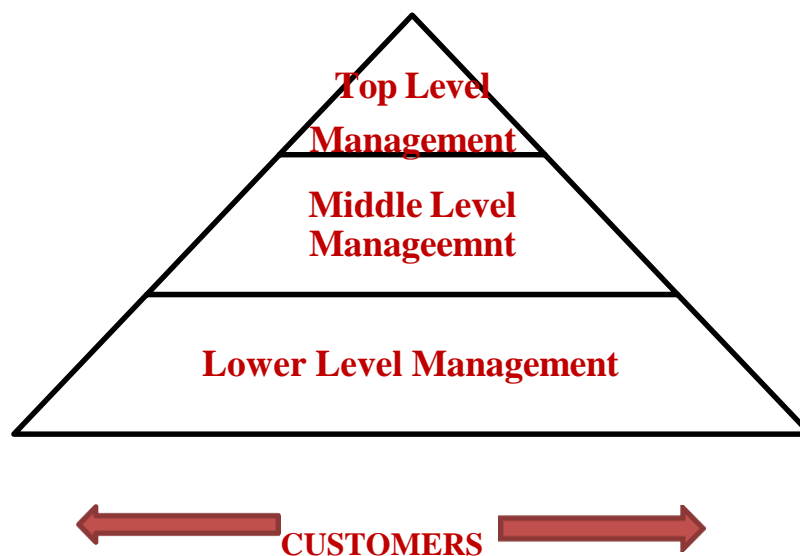
## 6. Controlling:

- The process to check or verify whether everything is being done in a planned manner or not.
- Actual performance is compared with the standard performance
- If deviations or differences occur, corrective action is planned & implemented

## Importance/ Significance/ Objectives of Management

1. Fulfillment/Accomplishment of organizational goals & objectives
2. Optimum utilization of organizational resources
3. Systematic work through sound organizational structure
4. Profit maximization
5. Cost minimization
6. Efficient & smooth running of the business
7. Provide innovation (to develop new ideas)
8. Looks after welfare of the society – improves standard of the society
9. Overcome risk & uncertainties of business
10. Help business organization to grow & develop
11. Helps in the development of the country

## Levels of Management:

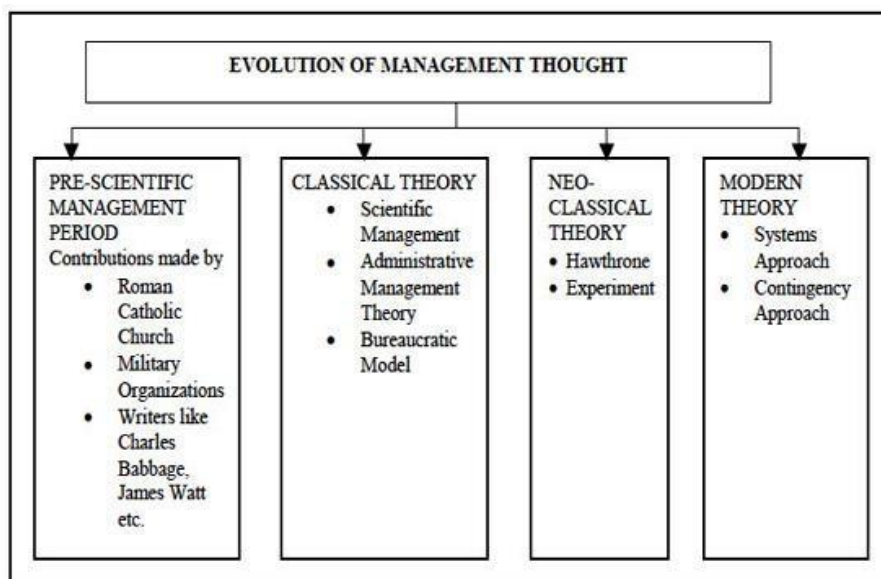


Level of Management	Positions	Decision-making & Strategies
Top Level	Board of Directors (BOD), CEO, CFO, President/ Vice President, Chairman, General Manger, etc	<b>Strategic Decisions:</b> <ul style="list-style-type: none"> <li>related to organizational mission, purpose, objective, policies, finance</li> <li>Appointment of middle level managers</li> <li>Overall Planning &amp; control, etc</li> </ul>
Middle Level	All Functional Managers: Marketing Manager, HR Manger, Finance Manager, Production & operations Manager, Assistant Managers, Executives, etc.	<b>Managerial Decisions:</b> <ul style="list-style-type: none"> <li>Related to all functional areas</li> <li><b>*Acts as a link between both the levels of Management</b></li> <li>Appointment of lower level people</li> </ul>
		Fulfill expectations of top level management, etc.
Lower level	Supervisor, Foreman, Clerk, Employees	<b>Tactic/Operational Decisions:</b> <ul style="list-style-type: none"> <li>Daily routine work</li> <li>Actual work takes place here</li> </ul>

## The Evolution of Management Thought

The concept of management emerged after lot of research work in the field of management. It took place gradually by passing through various phases, in different time periods.

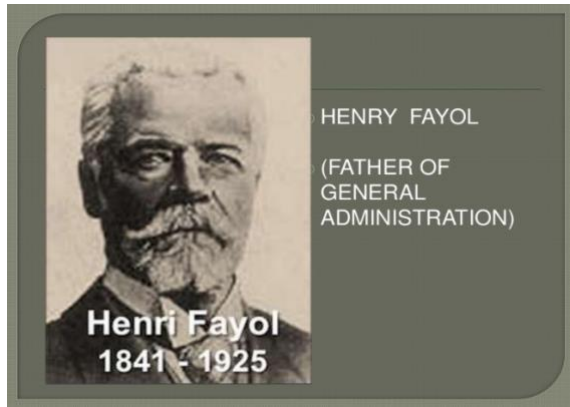
**Herbert G. Hicks** has divided this period into four stages:



- I. Pre-scientific management period.
- II. Classical Theory

1. Scientific Management of Taylor
  2. Administrative Management of Fayol
  3. Bureaucratic Model of Max Weber
- III. Neo-classical Theory or Behaviour Approach
- IV. Modern Theory or Systems Approach

## Principles of Management by Henry Fayol (1841-1925)



Henri Fayol was born in Istanbul in 1841.

Mining Engineering in 1860 from national School of Mining

When he was 19, he began working as an engineer at a large mining company in France.

He later got promoted as a Manager, in 1888 became the General Manager of the same Company.

Fayol saved his company from bankruptcy to a strong financial position.

In 1916, he published his "14 Principles of Management" in the book "[Administration Industrielle et Générale](#)."

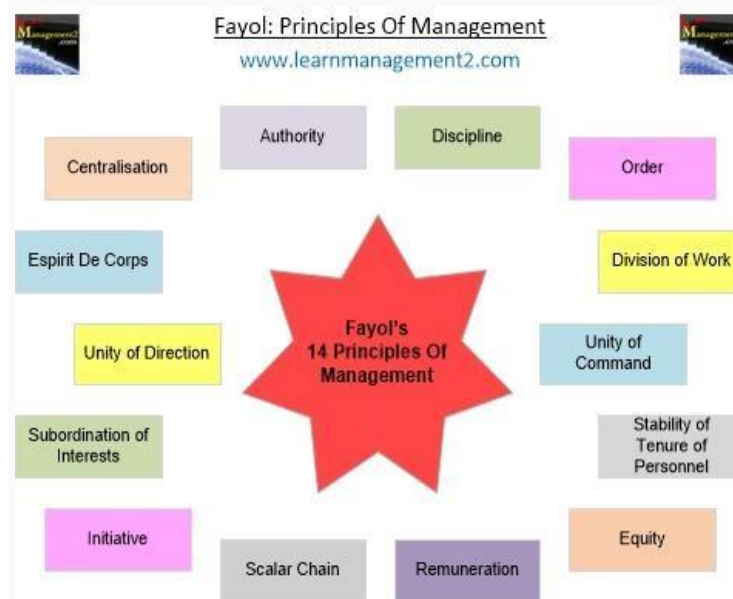
He is known as "**Father Administrative/ Industrial Management.**"

He looked into the problem of management from top level point of view.

Previously, it was believed that the - "Mangers are born, not made." Fayol insisted that management is a skill which can be **taught**.

Fayol also created a list of the six primary functions of management, which go hand in hand with the Principles.

## Fayol's 14 Principles of Management



1. **Division of Work** – work should be divided among the employees properly on the basis of specialization. When employees are specialized, output can increase because they become increasingly skilled and efficient.
2. **Authority & Responsibility**– Managers must have the authority to give orders along with responsibility, but they must also keep in mind that with authority, responsibility increases.
3. **Discipline** – Discipline is obedience to authority & respect for work. Employee should respect and obey the rules & regulations that govern the organization. Two type of discipline:
  - a.) **Command discipline:** imposed by boss
  - b.) **Self-imposed discipline:** imposed by self
4. **Unity of Command:** Employees should have only **one direct supervisor or boss** to give orders or instructions. Otherwise conflicts, confusions are created. Less confusion, management will be more effective.
5. **Unity of Direction** – Teams with the same objective should be working under the direction of one manager, using **one plan of action**. This will ensure that action is properly coordinated.
6. **Subordination of Individual Interests to the General Interest** – There are two type of interests or goals, one is organizational or departmental goal, other is individual goal. The interests of organization or group should be more important than that of the individual.

7. **Remuneration** – Employee satisfaction depends on fair remuneration for everyone. This includes financial and non-financial incentives.

8. **Centralization** – This principle refers to how close employees are to the decision-making process. It is important to aim for proper balance.

**Two systems of authority:**

a.) **Centralized System:** all powers, authority in the hands of boss

b.) **Decentralized System:** authority is delegated (given) to the concerned employees.

9. **Scalar Chain (Organizing)** – Employees should be aware of where they stand in the organization's hierarchy, or chain of command.

Organization should develop a structure which promotes proper delegation of authority

Flow of communication, good superior-subordinate relationship, etc.

Gang Planck- shorter chain of communication

10. **Order** – The workplace facilities must be clean, tidy and safe for employees. Everything should be in right place, at the right time. Proper utilization of resources should be there.

11. **Equity** – Managers should be fair & friendly to staff at all times, both maintaining discipline as necessary and acting with kindness where appropriate.

Manager should be good, kind in behaviour, balanced & mature personality.

12. **Stability of Tenure of Staff** – Managers should strive to minimize employee turnover.

Personnel planning should be a priority.

Management to provide job security to the employees.

13. **Initiative** – Employees should be given the freedom and chance to think out & to create and carry out their plans, suggestions.

Creativity & innovation (to develop new ideas) are essential.

14. **Esprit de Corps – “Union is Strength”**

Organizations should promote team spirit and unity.

Harmonious human relations should be developed.

“Divide & rule policy” should be avoided.

## **Fayol's Six Functions of Management**

Fayol's six primary functions of management, which go hand in hand with the Principles, are as follows:

1. Forecasting
2. Planning
3. Organizing
4. Commanding

5. Coordinating
6. Controlling

### **Six Organizational Activities by Fayol:**

- 1. Technical:** Production and manufacturing activities, tools, techniques.
- 2. Commercial:** Buying, selling, and exchange activities.
- 3. Financial:** sources of funds, its uses.
- 4. Security:** Protection of property & person.
- 5. Accounting:** Book keeping (recording) of profits, costs, liabilities, and preparing reports such as balance sheets, etc.
- 6. Managerial:** Planning, organizing, directing, coordinating, and controlling.

### **Managerial qualities:**

Fayol was the first person to identify six qualities of a manager, which are as follows:

- 1. Physical:** health, height, weight, vision, hearing power
- 2. Mental:** ability to understand, learn, judge, adapt to situations
- 3. Moral:** ethics, loyalty, honesty, dignity
- 4. Educational:** minimum educational qualification, knowledge of job related factors
- 5. Technical:** technical knowledge related to work to be done
- 6. Experience:** job related experience

## **Frederick Winslow Taylor (U.S.A. 1856-1915)**

F.W. Taylor was the first person to insist the introduction of scientific methods in management. He made the first systematic study of management. He started a new movement in 1910 in U.S.A, which is known as 'Scientific Management'. Therefore, he is regarded as the 'father of scientific management'. The concept was further developed by



Frederic Winslow Taylor started his career as a mechanist in 1875.

He studied engineering in an evening college and rose to the position of chief engineer in his organization.

His experience from the bottom-most level in the organization him an opportunity to know at first the problems of the workers.

Taylor published a book entitled-“The Principles of Scientific Management in 1911.”

He was concerned for how to increase the productivity, raise profit, decrease cost, increased pay for workers through increased productivity.

He stressed on time & motion study and other techniques for measuring work.

### **Principles of Management given by Taylor:**

- 1. Replacing rule of thumb with Science** - This rule focuses on increasing the efficiency of an organisation through scientific analysis of work and not with the ‘Rule of Thumb’ method.  
Rule of thumb- decisions based on estimations, judgements, assumptions  
Scientific method – decisions based on systematic analysis, interpretation, evaluation, constantly experimenting to develop new techniques which make the work much simpler, easier and quicker.
- 2. Scientific Selection & Training of Workers** – employees should be selected through a systematic, scientific process. Training should also be imparted through combination of theoretical and practical methods.
- 3. Separation of planning and doing** – planning and doing are two different aspects of work, both are totally different, so both the works should be done by two different people.  
Planning requires thinking and intellectual, while doing requires practical knowledge, skill and experience to do that work.
- 4. Cooperation, not individualism** - Managers and workers should have mutual cooperation & confidence and a sense of goodwill.
- 5. Harmony, Not Discord**-Taylor indicated and believed that the relationship between the workers and management should be cordial and work with complete harmony.
- 6. Mental Revolution** - Mental Revolution demands a complete change in the outlook of both the workers and management; both should have a sense of togetherness.

### **Scope of Management**

- I. Subject Matter or Functions of Management**
  - II. Functional Areas of Management**
  - III. Development of Management Thought**
  - IV. Decision Sciences & Operations Research**
- 
- I. Subject Matter or Functions of Management**

1. Planning
2. Organizing
3. Staffing
4. Directing
5. Co-ordinating
6. Controlling

## **II. Functional Areas of Management**

### **1. Human Resource Management**

Recruitment, selection, placement, Induction, Training & Development, Compensation, Performance evaluation, etc

### **2. Marketing Management**

4 Marketing Mix elements: Product, Price, Promotion, Place or Physical Distribution

### **3. Financial Management**

Sources of funds: Internal sources, External sources

### **4. Production & Operations Management**

Production Planning & control, manufacturing of product, quality control, storage, etc

## **III. Development of Management Thought**

Classical Theories

Neo-Classical Theories - F W Taylor, Henry Fayol

Modern & Behavioral Theories – Elton Mayo, Abraham Maslow Systems

Approach

## **IV. Decision Sciences & Operations Research**

Modern Decision Sciences makes use of Information technology and statistical advance tools to mak

