F.Y BBA SEMESTER – I

SUBJECT : Principles and Practices of Management

Content: Unit 1: Introduction to Management

Definition,

Features of management,

Functions of management

Management as a science and an art;

Management and administration,

Role of managers and managerial skills;

Management thoughts: Empirical, Fredrick Taylor's Scientific Management, Henry Fayol's Administrative Management, Social System Approach, Decision Theory Approach, System's Approach, Contingency Approach;

MANAGEMENT : DEFINITION

Management may be defined as creating the internal environment of an enterprise where individuals working together in groups can perform efficiently and effectively towards the attainment of group goals.

(i) Management Definition in the words of Harold Koontz, "Management is the **art** of getting things done through and with people in formally organised groups. It is the art of creating an environment in which people can perform as individuals and yet cooperate towards attainment of group goals."

(ii) Management Definition in the words of George R. Terry, "Management is a distinct process consisting of planning, organising, actuating and controlling, performed to determine and accomplish stated objectives by the use of human beings and other resources."

(iii) Management Definition in the words of James L. Ludney, "Management is principally a task of planning, coordinating motivating, and controlling the efforts of others towards a specific objective."

(iv) Management Definition as per American Society of Mechanical Engineers, "Management is the **art and science** of organising and directing human efforts applied to control the forces and utilise the materials of nature for the benefit of man."

(v) Management Definition according to F.W. Taylor, "Management is the art of knowing exactly what you want your men to do and then seeing that they do it in the best and cheapest way."

There is no universally acceptable definition of management, so much so that Brech has stated, "Exactly what the term means is not always clear and not always agreed."

FEATURES OF MANAGEMENT

1. Management is Universal
2. Management is Purposeful
3. Management is Unifying Force
4. Management is a Social Process
5. Management is Multidisciplinary
6. Management is a Continuing Process
7. Management is Intangible
8. Management is Situational
9. Management is essentially/basic an executive function
10. Management is an art as well as a science

1. Management is Universal:

Management principles are applicable in all types of organisations such as families, schools, industries, corporations and trade unions. Though the style of management may differ, its basic purpose is to organise human and physical resources to achieve common objectives. Managers at all levels perform the same basic functions.

2. Management is Purposeful:

Management is a goal-oriented activity. It coordinates the efforts of employees to achieve organisational objectives. Its success depends on the achievement of well-defined and clearly understood goals.

3. Management is a Unifying Force:

Management integrates human and material resources to achieve organisational goals. It also harmonises individual goals with organisational objectives for smooth and efficient functioning.

4. Management is a Social Process:

Management is done by people and through people. It focuses on interpersonal relationships, making the human element the most important aspect of management.

5. Management is Multidisciplinary:

Management draws knowledge from disciplines such as Engineering, Psychology, Sociology and Anthropology. It uses concepts from these fields to improve managerial practices.

6. Management is a Continuing Process:

Management is a continuous and dynamic process. It continues as long as an organisation exists and works towards achieving its objectives.

7. Management is Intangible:

Management cannot be seen directly, but its presence is reflected through the results and performance of the organisation.

8. Management is Situational:

There is no single best way of managing. Managers must adapt their decisions and actions according to the situation to achieve desired results.

9. Management is an Executive Function:

Management involves directing, coordinating and controlling the activities of people to accomplish predetermined objectives efficiently.

10. Management is Both an Art and a Science:

Management is both a science and an art. As a science, it is based on systematic knowledge, research and principles. As an art, it requires practical skills, experience and creativity to get work done through people. Since management deals with human behaviour, it cannot predict results with complete accuracy. Therefore, it is considered a social science, while also requiring the practical application of knowledge.

FUNCTIONS OF MANAGEMENT

Management of a modern business enterprise is a complex process. Regardless of size, nature and type of organisation, all the managers have to perform some basic functions which are:

FUNCTIONS OF MANAGEMENT:

PLANNING

ORGANISING

STAFFING

DIRECTING

CONTROLLING

MOTIVATING

CO-ORDINATING

REPORTING

BUDGETING

1. Planning: Planning is a mental process requiring the use of intellectual faculties foresight and sound judgment. It is the determination/purpose of a course of action to achieve the desired result. Planning bridges the gap between where we are to where we want to be. It is an essential to doing anything. Systematic planning is necessary for any business activity, otherwise it will be done in a careless way. Proper planning is a must to ensure effective utilization of human and non-human resources to achieve the desired goals. It has to be done at all levels of management.

The process of planning involves the following steps:

(i) Determination of goals or objectives of the enterprise.

(ii) Forecasting of future environment.

(iii) Search of alternative courses of action.

(iv) Evaluation of various alternatives and formulation of a plan.

(v) Formulation of policies and procedures.

(vi) Preparation of schedules, programmes and budgets.

Planning is the base of all other functions of management.

2. Organising: Organising is an important activity by which management brings together the human and material resources for the achievement of pre-determined objectives. Organisation helps in establishing relationships among the members of the enterprise. The relationships are created in terms of authority and responsibility. Each member in the organisation is assigned a specific responsibility or duty to perform and is granted the corresponding authority to perform his duty. Organisation involves the following steps:

(i) Identification of activities required for the achievement of objectives and implementation of plans

(ii) Grouping of activities so as to create well defined jobs.

(iii) Assignment of jobs to employees

(iv) Delegation of authority to subordinates

(v) Establishment of authority responsibility relationships throughout the organisation.

Business organisation is a man-made system designed to combine a complex of men, intervals, machines and other resources into an efficient, effective and viable/workable business enterprise.

3. Staffing: The staffing function of management pertains/relates to recruitment, selection, training development and appraisal of personnel. The organisation is so staffed that it attains its objectives smoothly. It tries to foresee future manpower needs and tries to develop the persons employed in the organisation.

4. Directing: Directing involves issuing instructions communication to the subordinates, guiding, motivating and supervising them. The efforts of the staff are directed towards a common goal. These sub-functions of directing are discussed below.

(a) Communication: Communication is the process of passing information and understanding from one person to another. A manager to be successful, must develop an effective system of communication so that he may issue instructions, receive the reactions of the subordinates and guide and motivate them.

(b) Leadership: A manager must perform the function of leadership if he is to guide the people effectively for the achievement of organisational objectives. A manager must possess the leadership qualities if he has to get others to follow him and accept his directions. He should also build up confidence and enthusiasm to work along with the subordinates.

(c) Motivation: A manager can get the desired results from the people working in the organisation through proper stimulation or motivation. Motivation of subordinates is necessary for getting voluntary cooperation of the subordinates. Different people are motivated by different types of rewards. The manager should study the behaviour of individuals working under him to provide them proper inducements/incentives.

5. <u>Controlling</u>: The function of controlling deals with the measurement and correction of the performance of subordinates against the predetermined standards. Controlling leads to taking corrective action if the results do not confirm to plans.

The process of control involves the following steps:

(i) Establishment of standards

(ii) Measurement of performance

(iii) Appraisal of performance

(iv) Taking corrective action

(6) Motivating: A successful manager is he who can motivate his subordinates to work willingly with enthusiasm. The employees may have enough physical and mental capacity to work, but if willingness or desire to work is lacking, their capacity will not yield any fruits, and the concern will fail to achieve its goals. A manager must, therefore, arouse a desire to work; he must active the employees. A manager must have a strong appreciation of human behaviour if he has to provide maximum motivation to his subordinates.

(7) Co-ordinating: It is a process by which the manager achieves harmonious group effort and unity of action in the pursuit of a common purpose. Co-ordination is the essence/heart of management. Without co-ordination, there will result a chaos in the organisation. Efforts will be duplicated or an important work left out, if there is no proper co-ordination. Hence a manager has to coordinate not only functions and activities, but also individuals performing different functions.

(8) Reporting: Two important aspects of control are reporting and budgeting. The subordinates have to prepare reports of their performance. This enables the superiors to judge whether performance adapts to the plans adopted. Some reports pertain to the routine matters of the concern, while some are special reports prepared for some special purposes. Through reporting, a manager keeps himself informed about the day-to-day functioning of the organisation.

(9) Budgeting: A budget is a very popular and effective tool of controlling. A budget is an estimate of future needs covering all the activities of an enterprise for a definite period of time. They are expressed in either monetary/financial/economically terms or in physical terms. A budget is prepared for each separate activity of business. E.g. sales, purchases, production, cash, capital expenditure etc.

MANAGEMENT AS SCIENCE AND ART

Science or Art? There are conflicting views about whether management is a science, an art, or both. Resolving these matters because the learning process differs:

science is mostly learned through experimentation, while art is mostly learned through practice.

Management as a Science. Science is a systematized body of knowledge generated through logical consistency, critical evaluation, and experimental study, with the following features:

1. **Systematized Body of Knowledge.** Scientific principles rest on definite cause-effect relationships (e.g., a ball thrown up falls back due to earth's gravitational force). In management, cause-effect relationships are flexible rather than definite, so management is not a true science.
2. **Principles Based on Experimentation.** Scientific principles evolve from laboratory experiments and are rigorously tested for final approval. Management principles, however, are often based on personal observation and experience, and even controlled experiments are not tested as rigorously — so management is not a true science.
3. **Verifiable Principles.** Scientific principles can be verified by anyone and yield consistent results. Management principles are often unverifiable, with unclear bases — so management is not a true science.
4. **Universal Application.** Scientific principles hold true regardless of conditions. Management principles are situation-bound — a principle that works in one country, organization, or time period may not work in another, due to differing circumstances. Thus, management cannot be called a true science.

Since management lacks these features, it is called an "inexact science" or "pseudo-science."

Management as an Art. Art is the use of skills to achieve a desired result, with the following features:

1. **Practical Knowledge.** Art emphasizes knowledge gained through practical experience; management draws on both study and experience — making it an art.
2. **Personalized Application of Knowledge.** In art, the same results can be achieved through different approaches applied personally. Similarly, each manager has his own way of achieving results — making management an art.
3. **Improvement through Continuous Practice.** Art improves through continuous practice, refining useful activities and discarding irrelevant ones toward perfection. Management works the same way.

4. **Situational Application.** An art appreciated in one situation may not work in another — true for management too, where practices vary across organizations and change over time.

5. **Emphasis on Creativity.** Art emphasizes creating new things; managers similarly create new products, methods of working, financing approaches, and marketing strategies. This confirms management is an art.

Management: Both a Science and an Art. Management is both — a science because it rests on systematic principles, and an art because applying those principles effectively requires practical skill. An effective manager needs both theoretical knowledge and practical experience to succeed across varied situations.

Management as a Science vs. Management as an Art

Basis	As a Science	As an Art
Meaning	A systematized body of knowledge generated through logical consistency, critical evaluation, and experimental study	The use of skills — practical ability or expertness — to bring about a desired result
Cause-Effect Relationship	Based on a definite cause-effect relationship (e.g., a ball thrown up falls back due to earth's gravitational force)	No definite cause-effect relationship exists; results can be achieved through multiple alternative ways
Basis of Principles	Principles evolve from experiments conducted in laboratories and are tested rigorously for final approval	Knowledge is acquired mainly through practical experience (in management, through both study and experience)
Verifiability	Principles can be verified by anyone and give the same results repeatedly	Principles are personalized and not verifiable in the same consistent way
Universal Application	Principles hold true irrespective of the conditions in which they are applied	Application is situational — an approach effective in one organization or country may not work in another, or even in the same place over time

Basis	**As a Science**	**As an Art**
Improvement Process	Improvement comes through rigorous testing and experimentation	Improvement comes through continuous practice, eliminating irrelevant activities and refining relevant ones
Role of Creativity	Limited emphasis on creativity; focused on discovering fixed truths	Strong emphasis on creativity — creating new products, methods of working, financing, and marketing
Management's Fit	Lacks definite cause-effect relationships, rigorous testing, verifiability, and universal application — so management is not a "true" science	Exhibits practical knowledge, personalized application, improvement through practice, situational relevance, and creativity — so management qualifies as an art
Conclusion	Management is called an "inexact science" or "pseudo-science"	Management satisfies all key features of an art

MANAGEMENT AND ADMINISTRATION

Management is a comprehensive term. It is a higher function and includes administration. It consists of administrative management and operative management. Administrative management or administration is primarily concerned with policy-making, revising policy planning and controlling. Operative management is concerned with carrying out the policies and plans, the day-to-day management and producing actual results in the process Administration (i.e. planning and policy making) is also a part of management.

Administration refers to formulation of plans, policies and objectives of an organisation. The Top-level management performs administrative activities in the organisation.

Management means the entire process of planning, policy making, organising, coordinating and controlling the operations and maintaining the discipline for efficient and smooth, functioning of a business enterprise. The entire process of management includes the administrative activities which involve planning, policy making setting up of objectives etc.

Management begins with administrative functions at the top and as one move down more of managerial functions are performed. So, administration is a part of management process which is performed by top level managers.

Distinction between Administration and Management

S. No.	Point of Distinction	Administration	Management
1.	Nature	It is a determinative or thinking function.	It is an executive or doing function.
2.	Scope	It is concerned with the determination of major objectives and policies.	It is concerned with the implementation of policies.
3.	Level	It is mainly a top level function.	It is largely a middle and lower level function.
4.	Influence	Administrative decisions are influenced mainly by public opinion and other outside forces.	Managerial decisions are influenced mainly by objectives and policies of the organisation.
5.	Direction of human efforts	It is not directly concerned with direction of human efforts.	It is actively concerned with direction of human efforts in the execution of plans.
6.	Main functions	Planning and control are the main functions involved in it.	Directing and organising are the main functions involved in it.
7.	Skills required	Conceptual and human skills.	Technical and human skills.
8.	Usage	Used largely in government and public sector.	Used mainly in business organisations.
9.	Illustrations	Minister, Commander Commissioner, Registrar, Vice-Chancellor, Governor, etc.	Managing Director, General Manager, Sales Manager, Branch Manager, etc.

ROLE OF MANAGERS AND MANAGERIAL SKILLS

Managerial work is **complex, varied and challenging**. Managers perform different activities every day and work with employees, customers, suppliers and other stakeholders. They use information effectively and achieve organisational goals through **planning, organising, coordinating, motivating and controlling**.

Managers also play important roles such as **mediators, politicians, diplomats and representatives** of the organisation. They ensure the effective use of resources and adapt to changing situations.

According to **Henry Mintzberg**, managers perform three major categories of roles:

1. **Interpersonal Roles**
2. **Informational Roles**
3. **Decisional Roles**

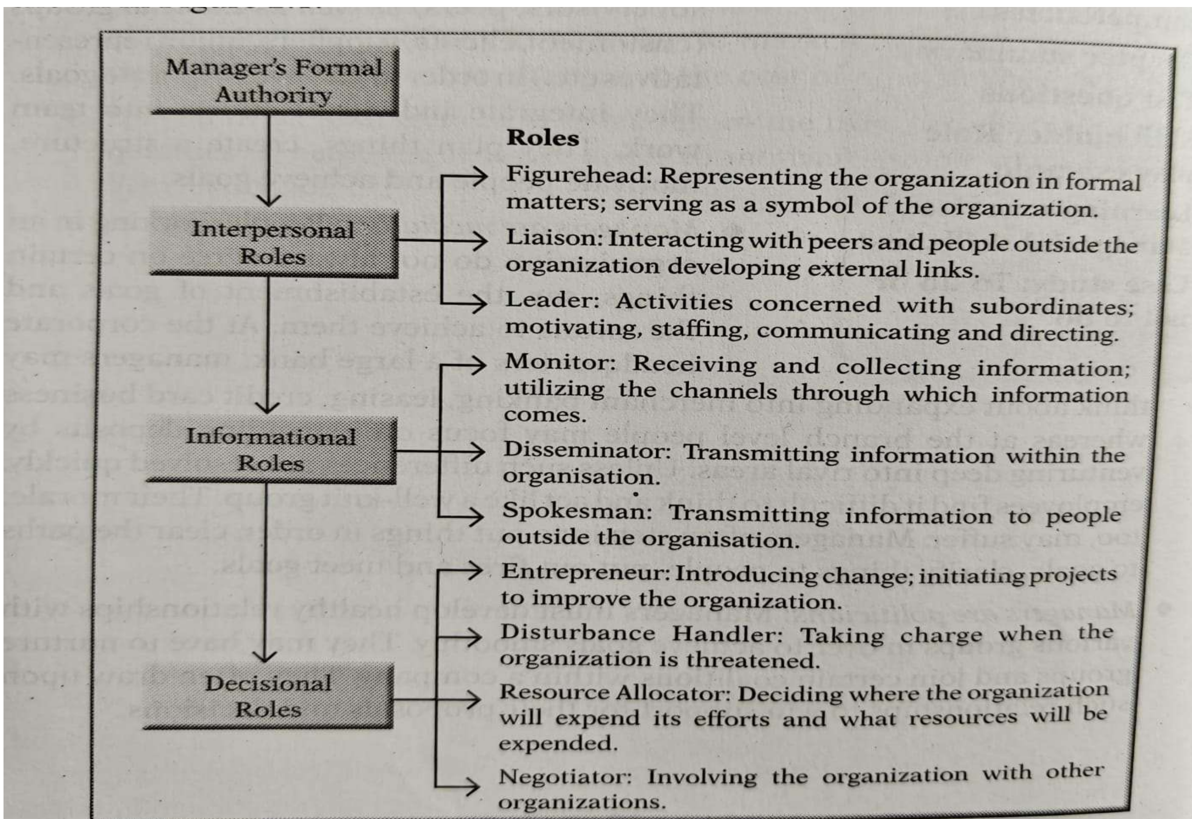

Figure 2.1 : Managerial Roles

MANAGERIAL ROLES

Interpersonal Roles

The managerial roles in this category involve providing information and ideas.

1. **Figurehead As a manager**, you have social, ceremonial and legal responsibilities. You're expected to be a source of inspiration and act a role model. People look up to you as a person with authority, and as a figurehead.

2**. Leader**-This is where you offer leadership for your team, your department or perhaps your entire organization; and it's where you manage the performance and responsibilities of everyone in the group.

3**. Liaison**-Managers must communicate with internal and external groups on a daily basis. Therefore, you need to be able to network effectively on behalf of your organization.

Informational Roles

The managerial roles in this category involve processing information.

1. **Monitor** - In this role, you regularly seek out information related to your organization and industry, looking for relevant changes in the environment. You also monitor your team, in terms of both their productivity, and their well-being.

2. **Disseminator** - This is where you communicate potentially useful & relevant information to your colleagues and your team.

3. **Spokesperson** - Managers represent and speak for their organization. In this role, you're responsible for transmitting information about your organization and its goals to the external parties.

Decisional Roles

The managerial roles in this category involve using information.

1. **Entrepreneur As a manager**, you create and control change within the organization. This means solving problems, generating new ideas, and implementing them.

2. **Disturbance Handler** - When an organization or team hits an unexpected roadblock, it's the manager who must take charge of the situation. You need to resolve knotty issues and put out fires.

3. **Resource Allocator** - You must put the resources to best advantage. You need to allocate work appropriate, spend prudently in order to deliver superior results.

4. **Negotiator**-In this role you are expected to negotiate effectively with internal and external groups, keeping organisational requirements in the background.

Managers usually work 70–80 hours a week and perform many tasks at a fast pace. They spend time in meetings, paperwork, phone calls, emails, and solving people-related issues. According to Mintzberg, CEOs spend about 59% of their time in meetings and 22% on desk work.

Modern researchers describe several Institution Building Roles of managers:

- Identity Creating Role: Builds a unique image and reputation for the organisation.
- Enabling Role: Creates a motivating environment for employees to perform their best.
- Synergising Role: Combines human, financial and physical resources effectively.
- Balancing Role: Balances employee freedom with organisational rules and goals.
- Linkage Building Role: Maintains strong relations with government, financial institutions and society.
- Futuristic Role: Prepares the organisation for future opportunities and challenges.
- Making Impact Role: Makes the organisation future-ready through innovation and technology.
- Superordination Role: Inspires employees with pride and a sense of purpose in their work.

MANAGERIAL SKILLS

Robert L. Katz has identified three basic types of skills - **technical, human and conceptual** - which he says are needed by all managers.

(a) Technical Skill:

Technical skill is the ability to use the tools, techniques and procedures of a specialised field. It is most important for **lower-level managers**, who directly supervise employees and handle day-to-day operations. Its importance decreases at higher levels of management.

(b) Human Skill (Interpersonal Skill):

Human skill is the ability to work effectively with and through people. It includes **communication, leadership, motivation, coordination, teamwork, empathy and conflict resolution**. This skill is essential at **all levels of management** because managers achieve organisational goals through people.

(c) Conceptual Skill:

Conceptual skill is the ability to understand the organisation as a whole, think strategically and see the **"big picture."** It helps managers understand how different parts of the organisation are connected and make long-term decisions. It is most important for **top-level managers**.

Importance of Managerial Skills at Different Levels

- **Lower-level managers:** Technical skill is most important.
- **Middle-level managers:** Human skill is most important, with a balance of technical and conceptual skills.
- **Top-level managers:** Conceptual skill is most important for strategic planning and decision-making.
- **Human skill** is equally important at **all levels** because managers must work effectively with people.

MANAGEMENT THOUGHTS

Empirical Approach to Management

Introduction The Empirical Approach is one of the earliest approaches to management study. "Empirical" means based on observation, practical experience, and evidence rather than theory alone. It is also known as the Case Approach, Management Experience Approach, or Experience School of Management.

Meaning This approach views management as the study of past experiences. Managers learn from previous successes and failures, real organizational situations, case studies, and experienced managers, based on the belief that "experience is the best teacher of management."

Definition The Empirical Approach studies management through past experiences, observations, and actual business cases so future managers can make better decisions.

Why Called the Case Approach? It's called the Case Approach because managers learn by studying case studies — detailed descriptions of real business problems, decisions taken, and results obtained. For example, a company might study why a product launch failed elsewhere to avoid repeating the same mistakes.

Features (Characteristics)

1. **Study of Past and Present Managerial Experience.** Management is learned by studying how organizations solved problems, then applying those lessons to future situations (e.g., studying how another organization handled strikes before resolving one's own labour dispute).
2. **Best Taught Through the Case Method.** Real business cases, rather than pure theory, build practical knowledge and decision-making skills (e.g., business schools discussing companies like Tata, Infosys, and Amul).
3. **Experience Passed to Future Managers.** Experienced managers share knowledge through training, mentoring, books, and seminars to help newer managers avoid mistakes (e.g., a senior manager training supervisors using decades of experience).
4. **Success Through Following Successful Managers.** Organizations should adopt methods used by successful companies and avoid others' mistakes (e.g., a retailer adopting Amazon's customer service practices).
5. **Principles Developed Through Experience.** Studying many experiences together helps develop common management principles as useful guidelines (e.g., realizing effective communication improves performance after studying multiple companies).
6. **Practical Orientation.** This approach favors practical over theoretical knowledge — understanding how a manager handled a real crisis teaches more than definitions alone.

7. **Continuous Learning.** Managers keep improving by learning from new experiences, treating every problem as a learning opportunity (e.g., software companies holding "lessons learned" meetings after projects).

Principles of Empirical Approach

- Learn management through experience
- Study successful and unsuccessful organizations
- Analyze business case studies
- Learn from managerial mistakes
- Improve decision-making through observation
- Apply practical knowledge to current problems
- Continue learning throughout a manager's career

FREDRIC TAYLOR'S SCIENTIFIC MANAGEMENT

The concept of **Scientific Management** was introduced by **Frederick Winslow Taylor (1856–1915)** in the **USA** at the beginning of the **20th century**. His work was further developed by **Frank and Lillian Gilbreth, Henry Gantt, George Berth and Edward Felen**.

Taylor defined scientific management as **knowing exactly what workers should do and ensuring that they do it in the best and cheapest way**.

Because Taylor applied **scientific methods** to solve managerial problems, he is known as the **Father of Scientific Management**. He proposed **Principles of Scientific Management, Techniques of Scientific Management, and the concept of Mental Revolution**.

Principles of Scientific Management

Principles of scientific management are as follows:

1. Science, Not Rule of Thumb:
This principle advocates the use of **scientific methods** instead of **trial-and-error (rule of thumb)**. Traditional work methods should be studied scientifically to identify the best practices and develop a **standard method** of doing work throughout the organisation.

2. Harmony, Not Discord:
Management and workers should maintain **harmony instead of conflict**. Both should recognise their mutual dependence, share organisational gains and work together with trust, loyalty and willingness to accept change.

3. Cooperation, Not Individualism:
This principle promotes **cooperation** between management and workers. Management should encourage and reward useful employee suggestions, involve workers in important decisions and ensure a fair division of work and responsibility.

4. Development of Each and Every Person:
Workers should be **scientifically selected**, assigned jobs according to their abilities and provided with proper **training and development** to improve their efficiency and adapt to new methods of work.

Techniques of Scientific Management

Taylor has given the following techniques of scientific management:

1. **Functional Foremanship**. Taylor has proposed functional foremanship technique for supervising workers. Functional foremanship is a technique which involves supervision of each worker by eight supervisors, four supervisors supervising planning aspect and other four supervisors supervising production work as shown in Figure 2.1.

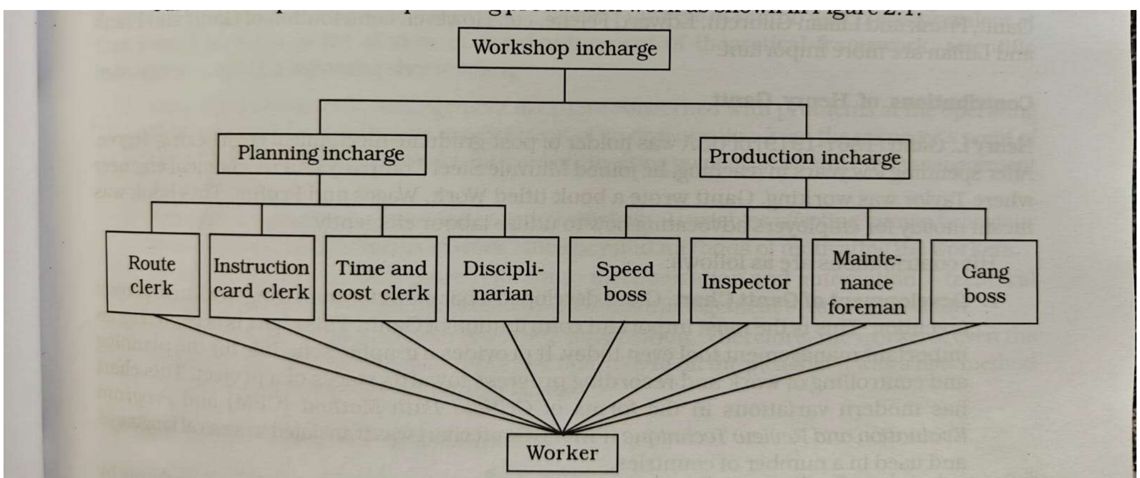

FIGURE 2.1: Functional foremanship

1. Functions of Supervisors:

- Route Clerk: Decides material routes.
- Instruction Card Clerk: Provides work instructions.
- Time & Cost Clerk: Sets time and cost standards.
- Disciplinarian: Maintains discipline.

- Speed Boss: Ensures production speed.
- Inspector: Maintains quality standards.
- Maintenance Foreman: Maintains machines and tools.
- Gang Boss: Arranges required materials and equipment.

2. Standardization and Simplification of Work:
Setting standards for activities and simplifying work by removing unnecessary variations to increase efficiency.

3. Work Study:
A systematic study of work to identify the best method of performing tasks through method, motion, time and fatigue studies.

4. Differential Piece Wage System:
A wage system where workers achieving targets receive a higher wage rate, while others receive a lower rate per piece.

Critical Analysis of Scientific Management

Scientific management created awareness about increasing operational efficiency at the shop-floor level by adopting systematic methods as against the rule of thumb which was prevalent at that time. From the point of view of the development of theoretical framework, scientific management has the following shortcomings:

1. Principles of scientific management are more concerned with problems at the operating levels and did not emphasize management of an organization from the manager's point of view. Therefore, it was more relevant from engineering point of view rather than management point of view.

2. Scientific management has emphasized physiological variables affecting human behaviour at workplace, both in terms of work efficiency and methods of motivating the workers.

3. Scientific management is more relevant to mechanization and automation – technical aspect of efficiency – than the broader aspects of management of an organization.

4. Differential piece wage system is a faulty proposition. Therefore, the workers, even the efficient ones, and their unions, opposed this system on the plea that it was a new method of exploiting workers by the industrialists.

FAYOL'S ADMINISTRATIVE MANAGEMENT

Henry Fayol, a French industrialist, is considered the **father of modern operational management theory**. His contributions are known as **Administrative Management**. He studied management from the **top management perspective** and used the term **"administration"** instead of management.

Fayol divided his approach into three parts:

1. **Managerial Qualities and Training**
2. **General Principles of Management**
3. **Elements of Management**

(i) Managerial Qualities and Training

Fayol identified six qualities required for managers:

- **Physical:** Health and energy
- **Mental:** Understanding and decision-making ability
- **Moral:** Initiative, loyalty and firmness
- **Educational:** General knowledge
- **Technical:** Job-related skills
- **Experience:** Knowledge gained through work

According to Fayol, technical skills are important for workers, while **managerial ability becomes more important at higher levels of management**.

General Principles of Management

Fayol introduced **14 principles of management**. These are called general principles because they can be applied to all types of organisations, including business and non-business organisations.

Henry Fayol's principles of management are as follows:

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

1. Division of Work. Dividing work into tasks assigned by competence, rather than giving one person everything, leads to specialization. Without it, work lacks focus and gets duplicated.

2. Authority and Responsibility. Authority is the right to decide and get subordinates to act; responsibility is the duty to complete work. The two must be balanced. This enables quick, accountable decisions; imbalance causes delays or misuse of authority.

3. Discipline. Discipline means following organizational rules (enforced) or committing to work voluntarily (self-discipline). Both matter, and penalties should be applied judiciously. This builds order and trust; violation causes chaos and wasted resources.

4. Unity of Command. Employees should receive orders from only one superior. Fayol saw this as reducing conflicting instructions and increasing accountability, despite conflicting with Taylor's functional foremanship. It brings clarity and fast reporting; violation causes confusion and evasion of responsibility.

5. Unity of Direction. "One plan, one boss" — activities sharing an objective (e.g., all promotional efforts aimed at customer awareness) should fall under a single plan and head. This ensures coordinated effort; violation causes duplication and poor coordination.

6. Subordination of Individual Interest to General Interest. When interests conflict, individual interest yields to group, then department, then organizational interest, with the latter ultimately prevailing. This keeps focus on organizational goals; violation breeds politics and self-serving behavior.

7. Remuneration of Employees. Pay should be fair to both employees and employers, supplemented by non-financial incentives. This fosters satisfaction and commitment; violation causes conflict and high turnover.

8. Centralization and Decentralization. The right balance of concentrated vs. distributed authority depends on the manager's ability, subordinates' reliability, and business conditions, and should shift flexibly, generally toward decentralization. This ensures proper use of authority; too much centralization delays decisions, too much decentralization hurts coordination.

9. Scalar Chain. The hierarchy of authority from top to bottom, through which communication normally flows — though this can cause delays. Fayol's "gang plank" allows direct communication between same-level employees in special cases for faster horizontal flow.

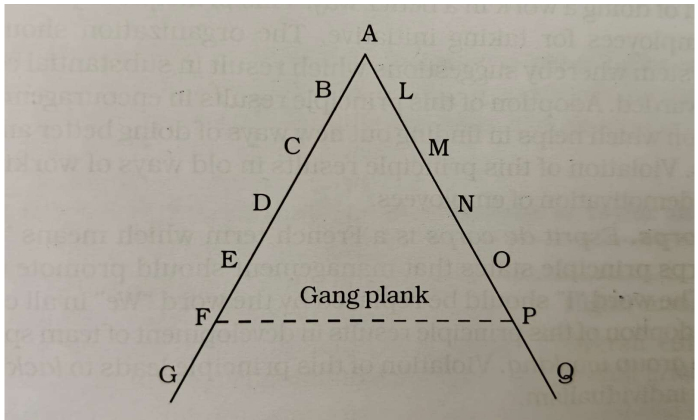

FIGURE 2.2: Scalar chain and gang plank

FIGURE 2.2: Scalar chain and gang plank

Scalar Chain Example. In the chart, communication normally flows up or down the hierarchy — e.g., from F to P it would go all the way up to A and back down to P. Fayol proposed the gang plank as a shortcut, letting F and P communicate directly (with their superiors informed), since the full chain could take weeks over what direct contact resolves in hours.

10. Order. A place for everything, everything in its place, and the right person in the right role — essentially, organizational orderliness. This ensures resources are available and optimally used when needed; violation causes shortages and inefficient use of resources.

11. Equity. A combination of justice and kindness — employees should be treated fairly, without discrimination, and rules should apply equally to everyone regardless of position. This builds consistent behavior and high morale; violation causes conflict and feelings of harassment.

12. Stability of Personnel. Employees need reasonable job security and shouldn't be removed too soon, since settling into a role takes time; hiring should also follow a rigorous selection process. This reduces anxiety and boosts focus; violation wastes time retraining new hires and creates an unhealthy environment.

13. Initiative. Managers should encourage employees to take initiative and suggest better ways of working, rewarding suggestions that save cost or time. This fosters creativity and satisfaction; violation leads to outdated practices and demotivation.

14. Esprit de Corps. French for "union is strength" — management should promote team spirit, using "we" rather than "I" in communication. This builds belonging and group focus; violation causes lack of harmony and excessive individualism.

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SOCIAL SYSTEMS APPROACH

Social Systems Approach. Introduced by Pareto and developed by Barnard, this approach views an organization as a social system of cultural relationships (internal and external), requiring cooperation among members and alignment of organizational and group goals.

Contributions of Barnard (from *The Functions of the Executive*):

1. Concept of Organization — a system of consciously coordinated activities of two or more people.
2. Formal and Informal Organizations — formal has deliberate purpose; informal arises socially, filling gaps. Both interact and must be managed together.
3. Elements of Organization — departmentalization, effective incentives, a system of power for accepting decisions, and logical decision-making.
4. Acceptance Theory of Authority — orders are authoritative only when understood, consistent with organizational purpose, compatible with personal interest, and compliable.
5. Functions of the Executive — define purpose, secure needed services, and maintain communication.
6. Motivation — beyond pay, non-financial motivators like pride, participation, belonging, and a pleasant environment matter.
7. Executive Effectiveness — leadership secures cooperation but risks oversimplifying organizational life, ignoring informal structures, or confusing morality with responsibility.
8. Organizational Equilibrium — a dynamic balance between the needs of individuals, other organizations, and society.

Barnard's social systems lens remains highly regarded in management thought.

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DECISION THEORY APPROACH

Decision Theory Approach. Focused on management as a decision-making problem, its major contributor is Herbert Simon (with March, Cyert, and Forrester also contributing). It holds that decision making is every manager's job — the manager is a decision maker, and the organization is a decision-making unit, making rational decisions the core management challenge. Key features:

1. Management is essentially decision making.
2. Organizational members are decision makers and problem solvers.
3. An organization is a combination of decision centres, with members' importance determined by the significance of their decisions.
4. Decision quality affects organizational effectiveness.
5. All factors influencing decision making — including information systems and social/psychological aspects — fall within management's scope.

Contributions of Herbert Simon

Simon, a Nobel laureate in Economics, made major contributions to administrative behaviour and decision making, viewing decisions as embedded in a socio-psychological context.

1. Concept of Organization. Simon described an organization as a network of decisional processes shaping members' behaviour — best analyzed by identifying where and by whom decisions are made.
2. Decision Making. Simon treated decision making as synonymous with management, breaking it into three steps: intelligence activity (scanning for situations needing decisions), design activity (identifying and analyzing options), and choice activity (selecting a course of action).
3. Bounded Rationality. Rejecting complete rationality, Simon argued managers face limitations preventing maximized outcomes — decisions are merely "satisficing" rather than optimal.
4. Administrative Man. This model assumes the administrative man satisfices, works with a simplified worldview, chooses without exhaustively identifying alternatives, and relies on rules of thumb or habit.
5. Organizational Communication. Simon identified three communication stages — initiation, transmission, and receipt — each vulnerable to blockages, stressing the importance of informal communication to address this.

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Systems Approach

Systems Concept. Managerial decisions create ripple effects across internal and external groups — a decision as simple as firing a worker can trigger union trouble or a strike. Managers must anticipate these repercussions, recognizing their organization as a totality of interrelated, interdependent parts working toward common goals.

The Concept. Systems theory takes a "big-picture" view, treating the organization as a unified, purposeful entity of interrelated parts rather than examining pieces in isolation. It shows that activity in one part affects every other part, and that a manager's job is to coordinate all parts internally to achieve organizational goals — e.g., an efficient production department alone can't ensure success if marketing fails to anticipate consumer demand.

Systems Vocabulary

- **System:** A set of interrelated parts (sub-systems), where a change in one typically affects the others.
- **Sub-system:** The parts making up a system, which may themselves be sub-systems of a larger whole (department → plant → company → industry). Organizations have five sub-systems: goal, technical, structural, managerial, and psychosocial.
    1. **Technical Subsystem** — the knowledge and tasks needed to perform work, governed by policies and procedures to stabilize behaviour and create predictable work expectations.
    2. **Social Subsystem** — informal relationships formed as people interact while working, which can cause actual behaviour to differ from what the technical subsystem prescribes.
    3. **Power Subsystem** — the influence relationships that turn decisions into action; power distribution is both formal and informal, varying by individual characteristics even at the same organizational level.
    4. **Managerial Subsystem** — manages operations (converting inputs to outputs) and control (correcting deviations from plans), with input allocation also shaped by social and especially power dynamics.
- **Synergy:** The whole is greater than the sum of its parts — like an assembled watch that keeps time versus a disassembled one with identical parts. Achieving this optimal combined output is a core management challenge.

- **Open and Closed System:** An open system interacts with its environment; a closed one doesn't. Organizations must stay responsive to survive long-term.
- **System Boundary:** The line separating a system from its environment — rigid in closed systems, flexible in open ones (e.g., oil companies now must weigh public reaction to environmental impact).
- **Flow:** Open systems convert environmental inputs (material, labour, capital) into outputs through interactions with suppliers, unions, government, and customers. Revenue from outputs funds wages, loans, and profits; insufficient revenue causes the organization to shrink or fail — reflecting continuous flows of information, materials, and energy through the system.

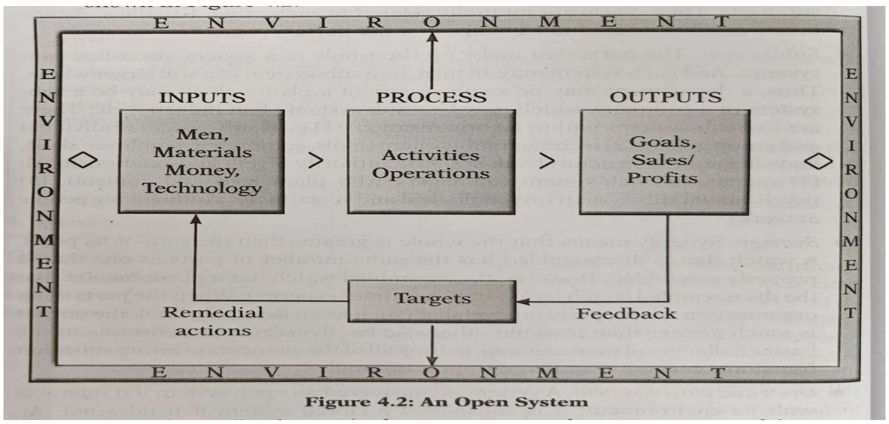

Figure 4.2: An Open System

Feedback: Operational information sent back for assessment and correction, warning of problems — e.g., customer complaints signalling needed improvements.

Entropy: System decline resulting from failure to monitor feedback and adapt — as seen in Kmart's failure to keep pace with change.

Systems theory views an organization as an interconnected whole, guiding managers to weigh decisions by their organization-wide impact, balance goals across departments, and adapt to external factors — enabling long-term growth through continuous monitoring and responsiveness.

Contingency (Situational) Approach

The Problem with Universal Principles. Few management principles are truly universal — what works in one situation often fails in another, since people and circumstances differ.

Contingency Theory. This approach holds that situations dictate managerial action — no single method suits all cases, since tasks and people vary. Contributors include Selznik, Burns and Stalker, Woodward, Lawrence and Lorsch, and Thompson. Effective management depends on the organization's environment, with the approach being analytical and situational, aiming for practical, context-specific solutions.

Key Elements:

- Managerial actions depend on factors outside the system.
- Organizational efforts should align with the external environment.
- Management actions and design must fit the specific situation — no single best approach exists.

Implications. Plans, structures, leadership, and controls should vary by situation, considering resources, workforce, and environment (e.g., work simplification suits limited-resource settings; job enrichment suits skilled workforces). Robert Albanese notes this helps managers analyze situational factors and base decisions on internal and external conditions.

Evaluation. By blending classical and behavioural approaches, contingency theory helps managers choose fitting methods and solve specific problems — going beyond systems theory's focus on relationships. Its main drawback: it offers no fixed set of principles.