



PRINCIPLES AND PRACTICES OF MANAGEMENT AND ORGANIZATIONAL BEHAVIOR

Chandrani Singh
and Aditi Khatri



‘A truly comprehensive textbook on management and organization behavior. I was very pleased to see separate sections on history of management and how the management gurus perceive the future of governance’.

Jagdish N. Sheth, *Charles H. Kellstadt Professor of Business, Goizueta Business School, Emory University, USA*

‘The second edition of *Principles and Practices of Management and Organizational Behavior* by Singh and Khatri offers extensive case-based learning and best practice guidance on every large-scale activity a modern-day manager and leader may engage in. Ranging from planning to staffing and controlling, to strategic decision-making, the case studies in the book incorporate Porter’s five forces and other modern management models to allow any organization’s competitive environment to be assessed and analyzed. The book then formulates a set of best practices for organizational sustenance using modern management techniques. The book also explains the key concepts and practices of effective leadership styles at all levels and goes on to distinguish these using the Hersey–Blanchard model. Under organizational behavior, this book lays emphasis on the electronic form of organization, its evolution and subsequent maturation and incorporation of action research models in the development of such organizations. Through multiple case studies and examples, developmental interventions and resistances to change within organizations are dealt with. Case studies with respect to organizational sustenance and ethical organizational culture, in alignment with changing business conditions and market scenarios, are presented to help the practitioners, researchers and management students at graduate, postgraduate and doctorate levels understand and adopt strategies, concepts, principles and practices. The authors have also included a discussion on organizational power and polity to enable the reader to understand their significance, exercise control and institute relevant organizational ethics for behaving politically and helping to co-create a healthy organizational culture as a stakeholder’.

Saurabh Sinha, *Deputy Vice Chancellor, Research, and Internationalization, Professor of Microelectronics, University of Johannesburg*

‘A good pick! Not only for students and faculty, but also for new managers in organizations. The content is focused on connecting the basic theories of management, the principles, the concept and the structure, insights into the ever evolving organization culture and incorporating the modern-day best practices and formulation of organizational behavioral strategies. Each chapter includes real-life case studies that make the read even more interesting, relatable and easy

to understand. The strength of the book lies in adherence to the tagline: The Complex Concepts Simplified Through Case Scenarios’.

Amlan Chakrabarti, *Professor & Director, A.K. Choudhury School of Information Technology, University of Calcutta and Head, IT & Tech. Innovation Cell, Department of Higher Education, Government of West Bengal.*

‘Chandrani Singh and Aditi Khatri’s book, *Principles and Practices of Management and Organizational Behavior* (2nd ed.), is a complete package of management concepts, practices and organizational behavior including management tips from gurus of yesteryear as well as modern times. Emphasizing functions and approach, it critically evaluates real-life business scenarios using strategic management and covers the behavioral aspects of an organization from people’s perspectives. I am sure it will be of immense use to the students, academic fraternity and budding professionals’.

Surbhi Dahiya (née Bhalla), *IAMCR Faculty Ambassador, Professor, Department of English Journalism, Indian Institute of Mass Communication*

‘This book offers a unique amalgamation of two significant academic concepts, that is, “Principles and Practices of Management” and “Organizational Behavior.” Institutes offering niche programs often struggle with incorporation of these two as separate courses owing to their specialized focus on specific domains. This title addresses this problem and gives optimum as well as effective understanding of basic concepts related to principles and practices of management and organizational behavior in a single text’.

Nilesh P. Gokhale, *Associate Professor, Symbiosis Institute of Media and Communication, Pune, Mentor, Brand Communication Practice, Marketing Society*

PRINCIPLES AND PRACTICES OF MANAGEMENT AND ORGANIZATIONAL BEHAVIOR

This book offers perspectives, insights, techniques, and approaches for efficient and contemporary management practices in an organization. It provides a comprehensive insight into the traditional and contemporary approaches of organizational behavior and their impact on organizational performance in the global era. Ranging from planning to staffing, and controlling to strategic decision-making, the case studies in the book incorporate relevant modern management models and correlate practices of management from organizational perspectives to allow any organization's direction and environment to be evaluated with suggested recommendations. This textbook consists of two broad parts. The first deals with management trends and functions ranging from the traditional era to the contemporary world. The second part explores the behavioral trends of organizations across domains to analyze the measures taken for improved productivity and sustainability.

Drawing theories from psychology, sociology, and economics, this book probes into the interrelation between behavior and holistic management by examining the impact of teamwork, motivation, organizational power, and polity, instituting relevant organizational ethics and strategies to create healthy organizational culture.

This book will be useful to students, academicians, management researchers, and industry professionals from the field of general management and organizational behavior. It will also be useful for scholars interested in management studies, behavioral studies, business and development, developmental studies, sociopsychology, management, and business strategies.

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PRINCIPLES AND PRACTICES OF MANAGEMENT AND ORGANIZATIONAL BEHAVIOR

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I would like to dedicate this book to my parents and my brother, who have nurtured me with great care and commitment, helped and supported me during my formative years, and bestowed unconditional love upon me. I am privileged to have been born to such wonderful parents.

To my life partner, for providing me with a robust support system.

To my in-laws for their constant encouragement and support.

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Last but certainly not least, my pious indebtedness to my precious gems, my kids, Shaurya and Shreya, who have consistently provided constructive criticism to help me deliver better.

—Chandrani Singh

This book is dedicated to my parents, Meera and Dilip Chavan, who have always been my pillars of support and have inspired me in my endeavor to learn and disseminate knowledge for societal benefits.

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—Aditi Khatri



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FOREWORD

The second edition of *Principles and Practices of Management and Organizational Behavior* offers perspectives and insights, techniques, approaches, and directions to the implementation of best practices on every activity that a modern-day, prospective manager envisages to be undertaking in his career sojourn. Ranging from planning to staffing, and controlling to strategic decision-making, the case studies in the book incorporate Porter's five forces and relevant modern management models to allow any organization's direction and environment to be evaluated with suggested recommendations. This book is written with the objective of providing a unique blend of management concepts and methods, succeeded by conventional and contemporary approaches to organizational behavior and culture. The various styles of leadership and relevant models are used to explain an organization's culture, processes, environment, workplace behavior, etc. Through numerous case-lets and case studies, productivity, growth, and people interactions and interventions, resistance to change within the organization are explained and discussed. Case studies with respect to organizational ethics, changing business conditions, and market scenarios are presented to help the practitioners, researchers, and students to relate, refine, and incorporate strategies, concepts, principles, and practices with respect to the electronic form of organization, its evolution and subsequent maturation, and incorporation of action research models in the development of such organizations. The authors have also included a discussion on organizational power and polity to enable the reader to exercise control, institute relevant organizational ethics and a positive political approach, and help co-create a healthy organizational culture.

PREFACE

This book is written for students, academicians, management researchers, and industry professionals with the objective of providing a unique blend of management concepts, methods, and practices, unified with conventional and contemporary approaches to organizational behavior in ever-changing business and market scenarios, in an era that is largely dominated by competition and antagonism. In today's world, business organizations are provisioned with a wider scope to operate, execute, strategize, and diversify, which ultimately calls for the implementation of new and dynamic strategies and concepts of management practices to help organizations evolve and grow in a manner that ensures their sustenance. The exemplary and case-based approach of the book, together with the inclusion of modern organizational and management concepts and practices, is vital for the readers who ensure facilitation by imbibing principles and approaches from these two domains in order to create and establish the desired outcome and subsequent impact within their organizations.

From the students' perspective, this comprehensive textbook helps management students obtain a complete and packaged solution to the management practices and organizational behavior that are both conventional and contemporary in nature. The chapters have been meticulously planned with multiple case studies and numerous examples. To date, no book addresses the above two broad topics in their entirety. The emphasis of this book lies mainly on clarifying the concepts of management with a detailed coverage of various management functions such as planning, directing, decision-making, controlling, and staffing, and their application to leadership and motivation strategies, which are very crucial to the formation of organizational culture and have a huge impact on the organizational environment.

This book consists of 19 chapters of which the first 8 chapters deal with the management trends and functions ranging from the traditional era to the contemporary world, and the remaining 11 chapters explore, ascertain, and implement behavioral trends that are key to the organization's productivity and sustainability.

Chapters 1 and 2 deal with the introduction and evolution of management over a period of time, with inputs and guidelines from the management gurus of yesterday and the modern age as well.

Chapters 3–7 emphasize on individual management functions, traditional and contemporary in approach, with detailed coverage on the benefits, characteristics, importance, processes, and models to give the reader clarity, visibility, and the desired learning for implementation that can render the necessary impact.

Chapter 8 helps the reader integrate and apply knowledge gained through the usage of design thinking and analytical tools in the formulation, implementation, and management of strategy and critically evaluates real-life business scenarios using strategic management.

Chapter 9 revolves around organizational behavior, accompanied by its nature, scope, dimensions, approaches, and related models. Chapters 10–13 mainly cover the behavioral aspects of an organization from people's perspectives. Since people are the main assets of the organization, the chapters suggest that there is a dire need to understand human psychology and supporting disciplines, which provide insights into human behavior and their adaptability and congruence to many behavioral theories.

Chapter 14 talks about the motivation of employees from an organizational perspective and also delves deeper to address issues and build resolution with respect to multicultural and multi-personality environments.

Chapters 15 and 18 on conflict and stress express the need to address such issues for the prevalence of harmonious organizational culture and to improve profitability, productivity, and inventiveness. Since an organization comprises human beings who are key assets of a company, a substantial chunk of information on behavioral trends projects issues related to people. For example, if stress is being addressed, it is because of the people factor; if conflict is being resolved, it is again because of the people with differences in views, ideas, and opinions; and if leaders are being created, then the focus is on the people aspect of the organization. Needless to say, this task is being carried out successfully with the incorporation of new concepts, ideas, and models, only to help organizations thrive well in this competitive world. Groups and teams formed within an organization always work toward organizational goals. Therefore, the dynamics have to be very proper for a consensus to carry out the organizational activities. Two chapters extensively deal with the same.

Chapter 16 deals with organizational development in continuum, which has a significant impact on culture, especially the multicultural climate within the organization, for which various models, as in Cooke's and Handy's models

mentioned, are necessary to be deployed in improvising the organizational robustness for a better future.

Chapter 17 emphasizes the significance of adaptability to change within an organization so that there is an increased chance of sustenance with changing market and business scenarios. It also enables entities to see change as an opportunity for self-productivity and innovation.

Chapter 19 on power and politics enables readers to have a clear understanding of the appropriate use and abuse of power, the causes and consequences of political behavior, and the relevant polity ethics that needs to be incorporated into organizations.

The 'Chapter at a Glance' feature appended at the end of each chapter has been designed with the aim of providing a concise content repository for student groups for effective and efficient coverage of the course and for interested readers who can, using abridged versions of the chapters, let their knowledge, rationale, and imagination work wonders in creating their own perspectives on particular topics and content.

ACKNOWLEDGMENTS

First and foremost, we would like to thank God for giving us the strength and fortitude it took to complete this project holistically.

We are highly indebted to the management and behavioral scientists whose contributions to this literature in the past and present enabled us to explore the depths of this science and helped us put forth to the audience a readily interpretative version of the complex theories, concepts, and practices of management and behavioral sciences.

We have been most fortunate in receiving the patronage of spiritual and professional mentors from all quarters, those who helped us improve our literary skills by providing relevant and deeper insights into the topics.

We are indebted to SAGE for having made the book available to the critics who helped us by providing prized inputs to improve the quality of this literature from various aspects.

We would also like to thank the reviewers, whose crucial suggestions and comments helped us in developing the content of the book, especially Dr. Durba Pal, Department of Management Studies, National Institute of Technology, Durgapur; Dr. Monika Srivastava; Dr. Gauri Hari Singhania, Institute of Management and Research, Kanpur; and Dr. J. Sathyakumar, Thiagarajar School of Management, Madurai. We are privileged to have received advance praise from the Management and Technology stalwarts of this era, Dr. Jagdish Sheth, Prof. Saurabh Sinha, Prof. Amlan Chakrabarti, Dr. Surbhi Dahiya, and Dr. Nilesh Gokhale and convey heartfelt gratitude to all these eminent personalities, who have played a key role in motivating us for authoring and including topics in alignment to modern-day management and organizational practices.

xxii Acknowledgments

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We acknowledge each other's contributions and the effort we put forth. We acknowledge the fact that we stood strongly by each other at times when the path to completion seemed to be complex and unachievable.

Thank you all!

ABBREVIATIONS

ADKAR	Awareness, desire, knowledge, ability, and reinforcement
BCG	Boston Consulting Group
BJP	Bharatiya Janata Party
CEOs	Chief executive officers
COOs	Chief operating officers
CPM	Critical path method
CSR	Corporate social responsibility
CSS	Computerized customer service
CTOs	Chief technology officers
DST	Design Services Team
ERP	Enterprise resource planning
FDI	Foreign direct investment
GE	General Electric
HR	Human resources
ICT	Information and communications technology
ICU	Intensive care unit
IT	Information technology
KRAs	Key result areas
LPC	Least-preferred co-worker
MBO	Management by objectives
MBTI	Myers–Briggs Type Indicator
MCA	Master of computer application
PERT	Project evaluation review technique
RBGE	Royal Botanic Garden Edinburgh

xxiv Abbreviations

SAP	Systems, applications, products
SBU	Strategic business units
SWOT	Strengths, weaknesses, opportunities, and threats
TMT	Temporal motivation theory
TQM	Total quality management

1

INTRODUCTION TO MANAGEMENT

An Opening Vignette

Although great deeds of human accomplishment, such as the Egyptian pyramids, the Great Wall of China, the Colosseum in Rome, and the Taj Mahal in India, show evidence of expert management in primeval times, the research on management as a scientific concept began in the late 19th century.

Considering the example of Henry Ford and his car model by the name of T, which saw huge customer acceptance in a period of 12–15 years with Henry Ford sitting on a capital of \$600 million in a short tenure. It was said that at that point in time, the T model had become the symbol of wealth and luxury, and Ford saw to it that greater volumes of production of the T model at a low/reasonable cost helped him reach out to the masses and amass wealth from them. When workers started to grumble, he showered them with rewards and high compensation, but the success was short-lived because soon came General Motors, who strategized to satisfy the customers in a different manner. It is said that as Ford focused on low-cost models and timely delivery of the same, he was more of a technology persona who put emphasis on the construction part of the car rather than on analyzing the acceptance of the same across various segments. Therefore, when GE Motors came up with different alternatives for different segments of customers, the T model started losing its sheen to its rival, and Ford's management ideas and theories were stamped as imperfect. He concentrated more on producing the T model, which he thought would be the best, without actually understanding the needs of various customer segments. His way of managing business had a flaw in it. From then on, many management theories and concepts by experts started to acquire prominence,

2 Introduction to Management

which led to the formulation of management as a field of study and research. In this chapter, the reader gets a generic view of management before exploring it in depth at a later stage.

1.1 Introduction

Every individual is a member of several groups such as family, school, college, military, some sports teams, and corporate firms. This is because every individual has numerous needs and wants that cannot be satisfied individually. Hence, they prefer to operate in groups. Also, man is a social animal and likes to live with other people. It is by living and working together in organized groups and establishments that people satisfy their financial and societal needs.

When people are operating in a group, their efforts must be controlled, coordinated, and directed toward a common goal. This is nothing but management. Like the brain controls the entire functioning of the human body, management controls the functioning of an organization.

1.2 Definitions

Management is defined as the process by which a cooperative group directs action towards common goals.

—Joseph Massie

The above definition of management can be better explained as a team of employees/departmental units who work in collaboration toward a specified departmental/organizational goal, such as improving the quality of services/goods, reducing operational costs, and achieving targets in terms of revenue and sales.

To manage is to forecast and to plan, to organize, to command, to coordinate and to control.

—Henri Fayol

Management is a distinct process consisting of planning, organizing, actuating and controlling performed to determine and accomplish the objectives by the use of people and resources.

—George R. Terry

(Source: <https://www.economicdiscussion.net/management/definition-of-management/31854>)

The definitions by Fayol and Terry of management revolve around its functional aspects. For example, if a small event has to be managed, whether it is business or general, then the first step requires a plan to be drafted for the same, followed by

the organization of the event, executing it, and during execution, controlling it to accomplish specific objectives. The same set of steps is applicable to any project (software, construction, insurance, and so on) undertaken by any firm.

Management is a multi-purpose organ that manages a business and manages managers and manages worker and work.

—Peter Drucker

Peter Drucker's definition of management is both people- and task-centric.

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

—Koontz and O'Donnell

(Source: Massie, J.L. (1971), Fayol Henri (1949), Drucker, P. (2017), Koontz, H., O'Donnell, C., & Wehrich, H. (1982))

This definition puts emphasis on the fact that management is a goal-oriented process where people in a team/department/organization work toward designing and creating new products/services, improving the productivity of people, reducing time and cost, and adhering to quality.

1.3 Nature of Management

The term 'management' is viewed from different perspectives and holds various features or characteristics, discussed in the following subsections.

- **Management as a Process**

Management is seen as a process as it involves performing a series of inter-related functions to achieve the desired result. Some of the major functions involved in management are planning, organizing, directing, coordinating, and controlling. As a process, management has the following implications:

- **Continuous process:** Management is not a one-time process. It is an ongoing process. It deals with recognizing the problem and taking suitable steps to solve it. Thus, it is a never-ending process.
- **Social process:** Management consists of interactions among people. For an organization to achieve its goals, the management has to develop and maintain cordial relations among the people in the organization.
- **Integrated process:** Management plays a significant role in bringing financial, human, and physical resources to achieve the centralized organizational goals.

For example, if we consider management as a process, then we can readily take the example of a project management process within an organization that starts

4 Introduction to Management

with initiating the project; planning for the project in terms of schedule, cost, and resources; executing the project in accordance with the plan; and finally initiating the closure of the project. Management as a process is continuous because it deals chiefly with the resolution of issues and is integrated since it involves balancing three key aspects—people, time, and cost—to achieve the project/organizational goals.

- **Management as an Activity**

Like several other activities performed by humans, such as walking, reading, listening, and cooking, management is also an activity. Management as an activity helps the managers to get things done and includes the following:

- **Informative activities:** These include the collection and dissemination of information and so on, for example, collecting information on the products' services' market value or the growth chart of its competitors.
- **Interpersonal activities:** These include activities such as employee performance feedback and training.
- **Decisional activities:** These include taking decisions on production plans, advertising campaigns, and so on.

- **Management as an Art and Science**

There is always an argument about whether management is an art or a science. However, the fact is that management is both an art and a science. It is considered to be an art since it requires that a person possess various managerial skills, which can be categorized as conceptual (understanding the cause and effect of a particular problem), human (to lead and control groups), and technical skills (to be adept in some technology/platform). In addition, it is considered to be science because various laws and principles are framed and followed where and whenever required when group activities are being coordinated. It consists of simulating flight paths and managing satellite transmissions and simpler tasks such as managing the flow of water in dams.

- **Management as a Group**

Management as a group signifies a group of people responsible for planning, guiding, and coordinating the efforts of other individuals working in the organization. Individuals in the group are referred to as managers, and they function at various levels of the organizational hierarchy, such as top, middle, and lower/operating levels. Management as a group can be viewed in two different ways:

- **Group of all managers taken together:** These managers can be anybody from chief executive officers (CEOs), chief technology officers (CTOs), and chief operating officers (COOs), who are involved in setting long-term goals, to those at the operational level, who are entrusted with minor decision-making authority like sanctioning a leave or scheduling an employee for a shift, and so on.
- **Group of only the top-level managers:** These managers are involved in strategic decision-making and are commonly termed as the board of management or the management body of the organization.

- **Management as a Discipline**

Management has developed as a specialized branch of knowledge. It encompasses principles and practices for the efficient and effective management of establishments. Management has become a very widespread arena of study, as is evident from the increase in the number of individuals opting for specialization in management studies. For example, during the initial years, a business school graduate gets a generic view of the various subjects under management and then goes on to specialize in areas such as human resources (HR), information technology (IT), sales, finance, and marketing.

- **Management as a Resource**

Organizations attempt to achieve their set objectives with the help of various resources, such as materials, money, manpower, machinery, and so on. All the efforts will go in vain if these resources are not coordinated and managed effectively. Thus, we can say that management is a crucial resource that plays a vital role in the success of an organization.

- **Management Oriented toward Organizational Goals**

Every managerial activity is directed toward the achievement of the predetermined goals and objectives of the organization. For example, an organization had set its long-term goal to cross a billion dollars in revenue by 2020, or suppose India, as per Hon'ble Dr. A.P.J. Abdul Kalam, had set its goal to double food production and agricultural products by 2020, resulting in improved food security for people by that time. To set a goal and work toward achieving it is what management is all about because all factors such as people, resources, budget, schedules, costs, and core competence have to be managed to achieve the goal.

- **Management Is a Universal Process**

Management is an indispensable constituent of every organization, irrespective of its size or the nature of the operation. In fact, management exists everywhere in the universe and in all types of activities, whether social, political, commercial, and so on. For example, managing poverty, illiteracy, and political turbulence while managing the economy of a nation depicts how management can be a universal process.

1.4 Objectives of Management

Consider the case of the company QUITO. The organization has set as its objective to increase its profit margin by 4 percent year on year so that it can have a 20 percent margin by the end of five years. It is aggressively trying to increase sales of its IT-enabled insurance services and has made a five-year plan to be the largest market player in this sector. In addition to its existing IT and IT-enabled services, QUITO is also looking to diversify into business areas such as outsourcing and infrastructure management services in the Asia Pacific region for growth and expansion. The employees of QUITO, from its debut years, have actively been involved in seeking customers' faith and trust while doing business by providing

them with quality services. Suppose we want to decipher the organizational objectives of QUITO, then the following objectives are brought into the limelight.

- **Organizational Objectives**

Every organization exists to achieve certain objectives. Thus, it is essential that every managerial activity be directed in such a manner that it facilitates the accomplishment of these predefined organizational objectives. Some of the organizational objectives are as follows:

- Profit maximization
- Growth and expansion
- Goodwill of customers

It was said that the employees of QUITO harbored a culture of aligning their personal goals with organizational goals. They had individual performance and productivity targets to attain, which a majority of the employees solicitously did since their expectations of receiving performance rewards and bonuses were taken care of by the HR section of QUITO. Biannual appraisals were done to provide the employees with feedback on their performance; at the same time, they provided more growth opportunities to employees with strong feedback.

- **Personal Objectives**

Several people are working in the organization to achieve the organizational objectives, but, at the same time, these people also have their own objectives as follows:

- Fair remuneration with rewards and bonuses for employees
- Unbiased and healthy working conditions with a transparent communication process across the management levels
- Growth opportunities for the staff of the organization
- Job security for the employees with continuous projects in the pipeline

- **Social Objectives**

Along with the organizational and personal objectives, management must also take care of the social objectives. These could be:

- Providing quality goods and services to the consumers
- Conservation of environment and natural resources as a part of corporate social responsibility (CSR)
- Timely payment of taxes, such as sales tax, income tax, service tax, value-added tax, and professional tax
- Honesty in dealings with customers, suppliers, or vendors

1.5 The Importance of Management

- **Optimum Utilization of Resources**

Managers identify the requirements for numerous factors of production such as workforce, money, machinery, and material. They then ensure that these

resources are available in an adequate amount for the accomplishment of their organizational goals. They also ensure that the resources do not exceed the requirements, as this may lead to losses. Managers also train and guide employees so that they can complete the work effectively and efficiently, leading to the optimum utilization of resources.

- **Achievement of Group Goals**

Several people work in an organization. Every individual may work on a specific task or function. However, to achieve the desired organizational goals, it is necessary that all efforts be directed in one direction. This can happen only when managers create a conducive environment wherein people in the organization work as a team.

- **Cost Reduction**

In modern times of intense competition, none of the business firms can prosper unless they can supply the necessary goods and services at the lowest possible price. Management guides routine actions in such a way that all waste is shunned. By decreasing prices and improving efficiency, managers empower an enterprise to be capable of dealing with competitors and thus to make profits.

- **Growth and Survival**

These days, the business environment changes rapidly. There is a constant change in the demands of the market and society. Management forecasts these changes and enables the organization to face the challenges of the changing environment. The changes in the business environment may create opportunities or threats. It is efficient management that helps to identify opportunities, leading to not only survival and stability but also the growth of the enterprise.

Having stressed the importance of management, now the prime focus will be on distinguishing administration from management, since functionally, management focuses on the execution of tasks, whereas administration focuses on decision-making. The strategic, tactical, and operational decisions taken by management come under the administrative function, whereas plans are designed after taking decisions and executing the design as per the plan. For example, a decision is taken (administrative aspect) by the defense sector of the Government of India to build roads across the borders, for which an extensive plan is designed by the civil engineers of the defense sector, or it is outsourced to some roadway construction company. They design the plan, consisting of the materials, manpower, and cost required to build the road across the terrain. If the plan is approved, then the construction company executes it, and that becomes the management aspect of the decision taken. Hence, the reader must be quite clear about the distinction between administration and management, and the illustrations in the next section bring out more differences between them.

1.6 Difference between Administration and Management

The differences between administration and management are given in Table 1.1.

TABLE 1.1 Differences between Administration and Management

S. No.	Points	Administration	Management
1	Definition	'Administration as a function is concerned with the determination of the corporate policy, the coordination of finance, production and distribution, the settlement of the compass (i.e., structure) of the organization, under the ultimate control of the executive'. (Oliver Sheldon)	'Management is concerned with the execution of the policy, within the limits setup by the administration and the employment of the organization for the particular objects before it'. (Oliver Sheldon)
2	Nature	Determinative or thinking function	Executive function
3	Type of work	Concerned with determination of policies and procedures	Concerned with implementation of policies
4	Level	Top-level function	Mostly middle- and lower-level function
5	Decision-making	Decision-making is influenced by external forces such as public opinion and government	Decision-making is influenced by organizational policies and procedures
6	Functions	Major administrative functions include planning and controlling	Directing and controlling are the prime functions incorporated into it
7	Skills	Human and conceptual skills	Human and technical skills
8	Process	Administration decides on what is to be done and when it is to be done	Management decides on who should do it and how should they do it
9	Applicability	Government and public sector	Business firms
10	Direction of human efforts	Not directly concerned with direction of human efforts	Concerned with direction of human efforts in execution of plans

Figure 1.1 shows that management is more of a middle-level or lower-level function, whereas administration is a higher-level function. For example, strategic decisions such as mergers are taken by the top management of the organization, which otherwise signifies administration, and to create a road map for the acquisition, plans are formulated and executed by the lower and middle management, which is management in general.

1.7 Levels of Management

Levels of management denote the line of separation among the various managerial positions within an organization. The number of levels in the managerial

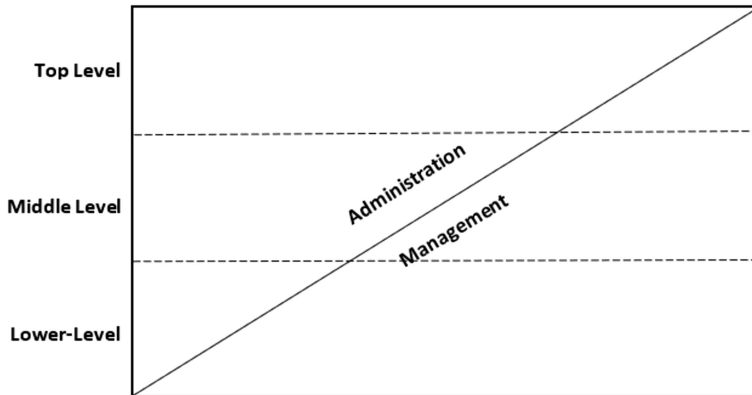


FIGURE 1.1 Extent of Administration across Various Levels of Management

hierarchy largely depends on the number of people employed in the organization, the nature and scale of business operations, and the size of the business firm. Each level of management enjoys a different amount of authority and status. Also, each level holds a different amount of responsibility and has specific roles, functions, and relationships with the other levels.

The levels of management can be classified into three broad categories (discussed in the following subsections).

1.7.1 Top-Level/Strategic-Level Management

The top-level management includes the board of directors, CEO, CFO, CTO, and so on. This level of hierarchy has the highest authority and responsibility. Some of the key functions of top management are as follows:

- To prepare a business-level plan for the organization, including all areas of operation
- To identify the matters that are important for the existence, growth, and profitability of the organization, such as using advanced technology and setting up a new unit
- To set up the organizational goals and objectives
- To design strategies to achieve the predefined organizational goals
- To decide on the organizational structure, hierarchy, and various positions to be created and relations between these positions
- To control and coordinate activities of all the functional departments
- To select people to fit into the vital positions in the organizational structure
- To act as a liaison between various external stakeholders and the organization

1.7.2 Middle-Level Management

Middle-level management acts as a link between the top-level management and the operational-level management. This level includes departmental managers, deputy managers, assistant managers, and so on. Some of the major functions of middle-level management are as follows:

- To prepare a departmental plan aligned with the organizational plan
- To identify the department-level goals and objectives and frame strategies to achieve the same
- To carry out all the managerial activities necessary for the smooth functioning of the department
- To issue orders and guidelines to the operational level of management and also to control and coordinate their activities
- To act as a liaison between the top-level and lower-level management, for example, explaining the policies and procedures prepared by top-level management to the lower-level management
- To report to the top-level management

1.7.3 Lower/Supervisory/Operative-Level Management

According to R.C. Davis, ‘supervisory management refers to those executives whose work has to be at large with personal oversight and direction of operative employees’. It consists of supervisors, foremen, and so on. This level of management is responsible for issuing guidelines to perform routine activities. The people at this level guide, control, and coordinate the efforts of the line workers. The lower level of management performs the following functions:

- Planning the routine activities
- Assigning tasks and issuing orders to the workforce
- Supervising and guiding the workforce
- Creating and maintaining a cohesive environment among workers for teamwork
- Reporting to the middle management
- Evaluating the performance of the workers
- Managing the grievances among workers

Table 1.2 shows the functions based on the levels of management and the positions accorded to the employees based on the level they are working at, and their associated roles and responsibilities based on the functions allotted to the specific levels. The table clarifies the complexity of tasks allocated to managers at all levels and sums up whether they are to be carried out daily as routine activities at the operational level or monthly, quarterly, comprising budget or resource allocation,

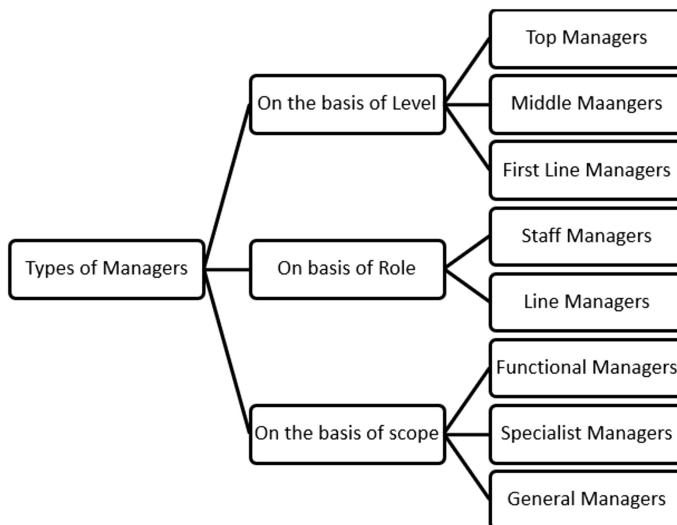
TABLE 1.2 Major Functions across Levels of Management

<i>Major Functions</i>	<i>Levels</i>	<i>Designations/Positions</i>
<ul style="list-style-type: none"> • Set objectives • Scan environment • Plan and make decisions 	Top	<ul style="list-style-type: none"> • Board of directors • CEO, CFO, and CTO • President • Vice president
<ul style="list-style-type: none"> • Develop and implement activities • Supervise first-line managers • Report to top management • Allocate resources 	Middle	<ul style="list-style-type: none"> • Functional manager • Deputy manager • Assistant manager
<ul style="list-style-type: none"> • Carry out routine work • Supervise employees • Coordinate activities of line managers 	Lower	<ul style="list-style-type: none"> • Foreman • Supervisor

half-yearly or yearly, or whether they are tasks that accrue to a five-year plan generally undertaken by the top level.

1.8 Types of Managers

Managers are categorized into three types based on level or position in the hierarchy, role—direct or indirect—specialization, and functions (Figure 1.2).

**FIGURE 1.2** Types of Managers

1.8.1 Based on Level or Position in the Organization

1.8.1.1 Top Managers

The top-level managers fall into the top level of management. They decide the organizational goals and formulate strategies to achieve them; hence, they are also called strategic managers, such as president, vice president, CEO and so on.

1.8.1.2 Middle Managers

The middle-level managers act as a link between the top-level management and the operational-level management. The middle-level managers are responsible for communicating the organizational policies and procedures and ensuring that they are implemented, for example, manager, deputy manager, assistant manager and so on.

1.8.1.3 First-Line Managers

Individuals at the lowest level of management who are accountable for the work done by others are called line managers. The duties of first-line managers are to guide, control, and supervise the workforce. First-line managers are responsible for the routine work carried out in the organization. First-line managers are also known as first-level managers who are assigned titles like the following: Shift supervisor, Store Manager, Foreman, etc.

1.8.2 Based on Role: Direct or Indirect

1.8.2.1 Staff Managers

Staff managers utilize special technical/subject knowledge to guide and support the efforts of their workforce. Staff managers are not directly concerned with revenue generation. Examples are HR and finance managers, who have staff responsibilities.

1.8.2.2 Line Managers

Line managers are accountable for activities that lead to direct influence on the output of the organization. The organization's profitability will have a negative effect if the managers fail to fulfill their responsibilities. The examples are vice president (operations) and manager (marketing).

1.8.3 Based on the Scope of Activities Managed

1.8.3.1 Functional Managers

Functional managers handle a single department or activity in the organization, for example, finance manager, HR manager, purchase manager, and so on.

1.8.3.2 Specialist Managers

Many organizations these days are interested in appointing specialist managers to handle various tasks. A specialist manager is the one who is responsible for handling a single area within a specific functional domain, for example, a training manager, recruitment manager, payroll manager, and so on.

1.8.3.3 General Managers

General managers are responsible for complex multi-functional units of an organization (i.e., the whole company or a subsidiary).

1.9 Managerial Skills

With increasing complexity and competition, the management of the business is becoming more and more challenging. Possessing a wide range of skills has thus become mandatory for successful management. The skills that a manager should possess are classified further (Figure 1.3).

1.9.1 Technical Skills

Technical skills refer to an individual's aptitude, knowledge, and understanding of handling equipment, procedures, and techniques involved in carrying out any activity. In short, this skill relates to expertise in the technicalities of a specific job. The ability to handle computer numerical control machines is an example of a technical skill. Technical skills are most important for lower- or supervisory-level management since this level works closely with the workforce and is also

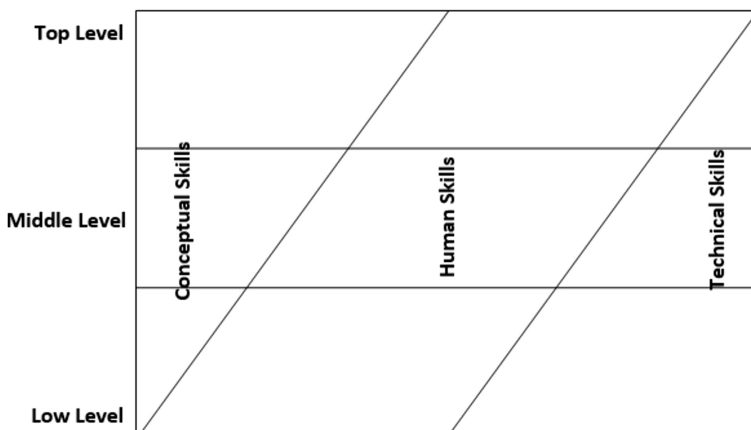


FIGURE 1.3 Managerial Skills

responsible for guiding and supervising them in operational tasks. The importance of this skill decreases as we climb the hierarchy.

1.9.2 Human Skills

Human skills refer to an individual's ability to work with people. Having human skills is very essential as it fosters teamwork and helps in the accomplishment of organizational goals in an effective manner. Human skills help managers to communicate with and understand their subordinates as well as find effective ways to motivate them.

Unlike technical and conceptual skills, the importance of human skills remains the same throughout all the levels of management as one must deal with people irrespective of the position in the hierarchy.

1.9.3 Conceptual Skills

Possessing conceptual skills enables one to view an organization as a whole unit. It refers to the ability to view the entire situation in totality. It helps to analyze the environment and the factors governing the situation. Thus, an individual can come up with an appropriate solution to the problem.

For example, consider the marketing and production departments of the same company. Although both departments belong to the same firm, their individual goals are different. However, the top-level managers see these individuals in a manner wherein the individual goals of the departments are directed toward achieving the goals set by the company.

Conceptual skills include the ability to think creatively, forecast, strategize, communicate, and debate on various aspects. Conceptual skills are important for the top level of management since this level is responsible for planning, policy-making, and formulating strategies. The importance of conceptual skills decreases as we move down the hierarchy.

1.10 Managerial Competencies

Over the years, management researchers, studying the behavior of managers at various levels of the organization and in organizations of diverse types, have come to the conclusion that successful managers possess the following competencies.

1.10.1 Effective Communication Skills

Managers who can communicate clearly and precisely either verbally or in writing and disseminate information according to the needs and characteristics of the audience are said to be effective managers. These managers mold themselves with regard to the employees' styles and personalities and listen and respond to each of them.

1.10.2 Conflict Management and Resolution

Managerial competence aims at resolving conflicts among teams or individuals by creating common agreements and settling disputes.

1.10.3 Implementing a Strong Feedback Mechanism

Successful managers believe that to keep employee performance high, there should be a mechanism to monitor employee performance on a continuous basis in order to motivate them and to instill in them a sense of responsibility and ownership for every task they undertake.

1.10.4 Aligning Organizational Goals to Performance-Oriented Goals

This is done by managers through effective planning, organizing, and allocating roles and responsibilities to people for the smooth execution of tasks.

1.10.5 Remake of Organizational Structure for Employee Retention across Levels

A manager is said to be competent if they can change the structure of the organization from time to time in order to retain the best talent across the industry.

1.10.6 Focus on Employees' Growth

A manager's competency can be demonstrated by emphasizing and implementing a career development plan for their employees, which paves the way for growth and learning opportunities of an individual within an organization.

1.10.7 Strategic Planning and Decision-Making

A competent manager is a great visionary who can see the prospects and future of the organization from a long-term perspective, along with issues that the organization can face in the future. They also ensure that their departmental goal becomes a key constituent of the organizational goal, which is in general a summation of the individual unit's goal. The manager knows how to get things done through the formal channels and the informal network.

1.10.8 Focus on Relationship Building and Diversifying

A competent manager accomplishes work goals through collaborative relationships, appreciates the insights of other employees, and takes appropriate actions to increase diversity in the workplace.

Here goes the story of a general manager of a manufacturing firm who, after patiently hearing the issues faced by the marketing and sales head, production head, and research head, went on to implement an integrated planning system across all the units in order to ramp up sales, promote productivity, and increase research and development activity within the organization. For this purpose, he directed the engineering support group to help the sales unit by assisting in the demonstration of the products to prospective customers. He also addressed the need for more budget for the marketing of the product. He, on the production head's verbatim, obtained the sanction from the finance department for two new assembling units, which had undergone substantial wear and tear and were taking a lot of time to finish assembling the television sets. Within three months, the sales of the television sets soared up and demand from the customers could be met with a continuous supply of models for customers across segments. The research unit, after having heard to the delivery of the anecdote, from the general manager, became extremely eager to try out new features for the light-emitting diode and plasma display panels.

1.11 Scope/Functional Areas of Management

The functional areas of management can be categorized as follows (Figure 1.4).

1.11.1 Financial Management

Financial management deals with the procurement and utilization of funds within the business firm. Some of the activities included in financial management are listed below:

- Estimating the amount of fund required to run the business
- Ensuring the availability of funds at the right time
- Deciding on the most appropriate sources of funds
- Ensuring optimum utilization of the financial resources
- Maintaining the financial records
- Managing the earnings

1.11.2 Human Resource Management

Personnel management revolves around managing the human resources employed in the organization. Some of the key functions of the personnel department include:

- Human resource planning
- Recruitment and selection
- Training and development
- Performance appraisal
- Career planning

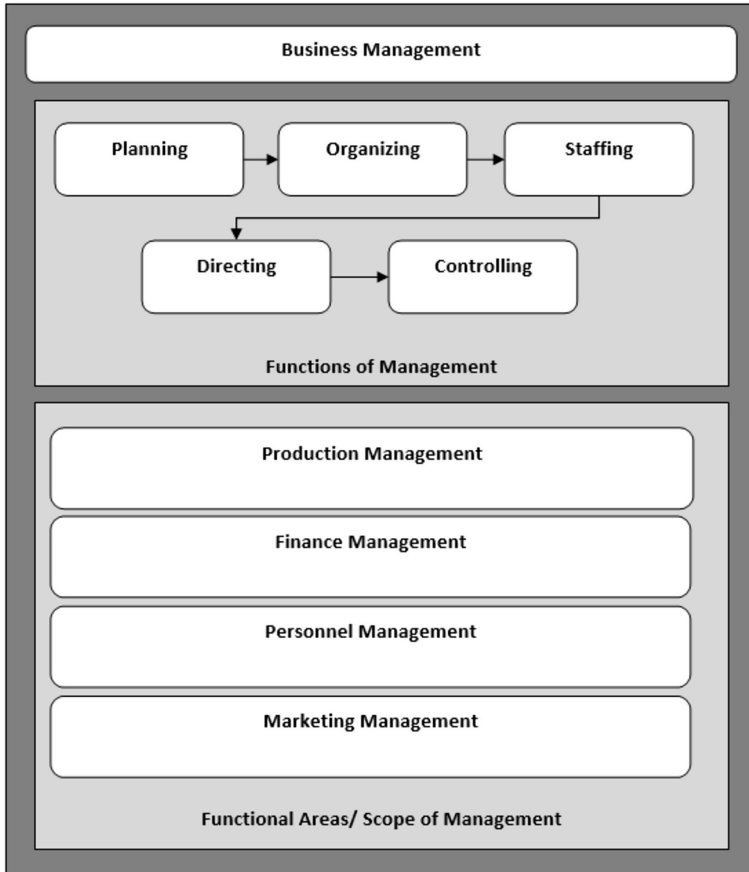


FIGURE 1.4 Scope of Management

- Promotions and transfers
- Compensation and benefits
- Maintaining employee records
- Employee superannuation or resignations

1.11.3 Production Management

Production management includes all the activities, right from forecasting the requirement of raw materials to the production of the finished goods.

The major activities include:

- Deciding on the layout of the plant
- Forecasting the raw material needs

- Timely maintenance
- Inventory management
- Design and development of products

1.11.4 Marketing Management

Marketing management deals with recognizing consumer needs and providing quality goods and services at the right time and in the right quantity. Some of the basic activities included are as follows:

- Identifying the requirements of the consumers
- Developing the products and services that suit the consumer's requirements
- Deciding on pricing and pricing strategies
- Selecting the appropriate channel of distribution
- Carrying out activities related to advertising and branding of the product or service offered

1.12 Functions/Processes of Management

Suppose a construction company has decided to undertake a new project. For the project to move in the right direction and turn out to be successful, it is necessary that the company has a plan wherein tasks like identifying location, phases of execution, and most profitable sources of raw materials, sources of investment, manpower required, machines and tools required, and so on are carried out. This is nothing but planning. After detailed planning is carried out in this respect, the next step would be to organize the execution.

Simply put, planning deals with decision-making on paper, whereas organizing deals with the actual execution of the decisions made. Once all the necessary planning is done, the company begins with the next crucial phase of organizing, which includes making the land available for the project, arranging for the funds, purchasing the required machinery, tools, and equipment, arranging for the raw materials, and so on. All these resources must be made available at the right time so that things move as per plan. If in any case, things do not move as per plan, adjustments are made so that the final outcome is not affected.

After providing the 3Ms, which include machines, methods, and money, the next challenging step for the company would be to employ the required manpower to complete the project. First, the company would begin to identify how many internal people can be shifted to take care of the new project, after which, if there were any shortfalls, the company would recruit people external to the organization. Staffing deals with the employment of not only permanent employees but also the contract labor.

Once the human and non-human resources are made available, the company starts training and providing instructions to its employees regarding how the work

is to be executed. However, the task does not end here. In order to complete the work as per the plan, the employees need to be supervised and motivated continuously. All the methods and techniques to be followed are presented to the employees so that there is no discrepancy in the execution. All this is nothing but directing.

The company has put in a huge investment, and a single work step or unforeseen event can result in huge losses. Therefore, the company sees to it that the actual work and the plans are compared from time to time, and in the case of any discrepancy, timely corrective actions are taken. This is called controlling.

Whether it is a big or a small project, management of the same is required everywhere. The process of management involves carrying out a series of functions as stated in Figure 1.5.

1.12.1 Planning

According to Koontz and O'Donnell, 'planning is an intellectual process, a conscious determination of a course of action, the basis of the decision on purpose, facts and considered estimates'.

Planning is basically anticipating the future and deciding the future course of action. This function also deals with the systematic planning of the various human and non-human resources required by the organization to accomplish the predetermined objectives. Without planning, all the efforts go in vain.

1.12.2 Organizing

According to Henri Fayol, 'to organize a business is to provide it with everything useful for its functioning, that is, raw materials, tools, capital and personnel'.

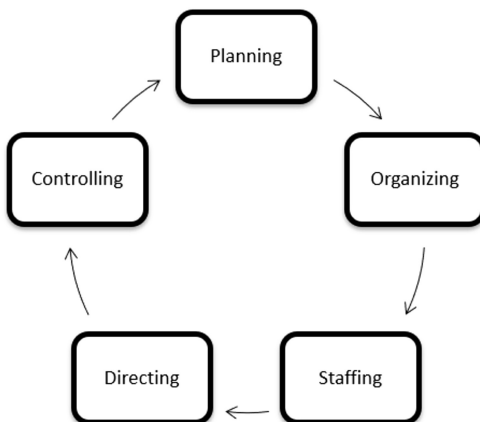


FIGURE 1.5 Process of Management

Once the entire planning has been done, the next step is organizing, which means making available all the resources that would help in achieving the organizational goals. Organizing involves the process of recognizing and grouping the activities to be executed, defining and allotting responsibility and authority, and establishing relationships among various positions so that the objectives can be achieved.

1.12.3 Staffing

According to Koontz and O'Donnell, 'staffing involves manning the organization structure through the proper and effective selection, appraisal and development of personnel to fill the roles designed for the structure'.

No organization can work without human resources. In addition, the activity of staffing needs to be performed very carefully as it decides the success or failure of the organization. The people employed in the organization should be capable of understanding the purpose of the organization and have the ability to work toward the objectives of the organization. To summarize, we can say that staffing is employing the right kind of person at the right time and in the right position.

1.12.4 Directing

According to Human, 'directing consists of a process or technique by which instruction can be issued and operations can be carried out as originally planned'.

Directing is considered to be one of the most important functions of management since it enables the realization of the plans. Directing includes supervising, motivating, and providing leadership to people to accomplish the desired result.

1.12.5 Controlling

According to Theo Haimann, 'controlling is the process of checking whether or not proper progress is being made toward the objectives and goals and acting, if necessary, to correct any deviation'.

Controlling refers to measuring the actual output against the desired and taking corrective actions for deviations if any. Controlling is performed through a series of activities such as:

- Setting the standards
- Measuring the actual performance
- Comparing the actual performance with the established standards
- Taking corrective actions
- Providing feedback

1.13 Types of Environments and Their Influence on Business

Every organization operates within an environment. No organization can exist independently. All organizations depend on the external environment for inputs, that is, resources required to carry out various functions. All these forces, which influence the operations and are external to the organization, are called external factors. These factors are also referred to as uncontrollable factors as they are beyond the control of the organization. The other environment is the internal one, which can be defined as all the forces and conditions within the organization that influence its behavior. Thus, the environment can be broadly classified into the internal environment and the external environment (Figure 1.6).

1.13.1 External Factors

All the forces and conditions that influence the operations of the organization and are external to it are referred to as external factors. These factors are said to be uncontrollable factors as they are beyond the control of the organization. The external environment is further categorized into macro- and micro-environments.

1.13.1.1 Macro-environment

The macro-environment includes the following factors:

Economic factors: Economic factors include economic conditions and economic policies that have an impact on business operations, such as inflation, recession, and growth rate.

Social factors: Social factors have a considerable impact on the performance of the business. Thus, it is essential for every organization to study these factors

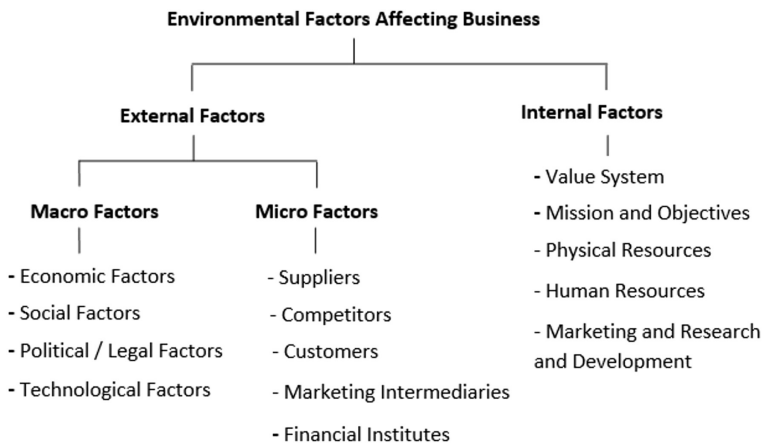


FIGURE 1.6 Environmental Factors Affecting Business

carefully. Social factors include customs, traditions, preferences, values, demographics, level of education, etc.

Political–legal factors: Political factors include government rules and regulations, policies, legal frameworks, and so on that largely affect the functioning of a business.

Technological factors: It is very essential for an organization to keep up with technology for long-term survival. Technological factors basically deal with the use of modern machines and equipment, the Internet, e-commerce, social media, electronic media, and so on to carry out business operations.

1.13.1.2 Micro-environment

The micro-environment includes the following factors:

Suppliers: The success of an organization depends largely on its ability to provide timely and quality goods and services to its customers. For this purpose, the organizations depend on the suppliers who provide them with the necessary inputs.

Competitors: In order to outsmart their competitors and be ahead in the competition, organizations are required to keep a close eye on the market situation and formulate their plans accordingly.

Customers: It is essential for the organization to consider the choices and preferences of the customers since they are the ones who decide the success or failure of products or services.

Marketing intermediaries: Marketing intermediaries assist the company to promote, sell, and distribute the goods and services to the end users. Hence, marketing intermediaries are considered an important link between businesses and customers.

Financial institutions: Most business organizations depend on third parties for their financial needs. Financial institutions fulfill these needs of the business organization.

Internal Factors

Internal factors are the conditions and situations within the organization that affect the business operations. These factors are also referred to as controllable factors. Internal factors include the following:

Value system: It refers to the internal cultural framework of the organization. Every business determines plans and policies and expects its employees to act within this framework.

Mission and objectives: Businesses decide their operational strategies depending on the mission and objectives.

Physical resources: Physical resources such as money, materials, and machines also influence the functioning of the business to a large extent.

Human resources: If the employees of the organization are skilled and qualified, it would benefit the organization; else it would have a negative impact. Also, the decision-making ability plays a crucial role in the success of the organization.

Marketing and research and development: If an organization is good at its marketing strategies and has a strong research and development department, it ensures longevity of the business.

Summary

This chapter gives the reader an overview of the concepts, principles, practices of management, functions of management, and types of management skills required to operate the business processes within the organization and elaborates on the environmental factors affecting the business processes and how effective management can resolve the turmoil and turbulence in businesses. The chapter focuses on the following:

- Definitions of management by eminent management gurus
- Perspectives on management and its nature
- Importance of management
- Functional approach to management
- Management levels
- Environmental factors affecting business in an organization.

Exercise

Objective Questions

1. Management is
 - Ongoing process
 - Social process
 - Integrated process
 - All the above
2. Which of the following approaches is used to study management?
 - Art
 - Process
 - Science
 - Profession
3. Which objective of management takes care of the conservation of the environment and natural resources?
 - Organizational objectives
 - Personal objectives
 - Social objectives
 - None of the above
4. Which level of management includes departmental managers, deputy managers, and assistant managers?
 - Strategic-level management
 - Middle-level management
 - Operative-level management
 - None of the above

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5. Which is the correct order for the process of management?
 - Planning, organizing, staffing, directing, and controlling
 - Planning, organizing, directing, staffing, and controlling
 - Planning, organizing, staffing, controlling, and directing
 - None of the above
6. Which managerial skill refers to the ability to view the entire situation in totality?
 - Technical skills
 - Human skills
 - Conceptual skills
 - None of the above
7. Are line managers accountable for activities that have a direct influence on the organization's output?
 - True
 - False
8. Who among these comes under the specialist manager?
 - Training manager
 - Finance manager
 - Purchase manager
 - HR manager
9. Which of the following are the environmental factors affecting business?
 - Suppliers
 - Customers
 - Physical resources
 - All of the above
10. Planning is
 - A social process
 - An intellectual process
 - An integrated process
 - None of the above

Discussion Questions (The answers to the questions should necessarily cite relevant examples, if not explicitly mentioned, during discussions)

What are the different skills and functions of a manager?

Define management and list its functions. What is meant by 'management process'?

Explain the basic functions of management. Do they differ from industry to industry? Discuss.

Define management and explain the functions involved in the process of management.

Explain the meaning, need, and scope of management.

Explain the nature of management.

What do you understand by the systems approach? Explain the management information system contingency approach of management.

Management is not administration. Discuss using an exemplary approach.

CASE STUDY

Critical Thinking

In the year 1998, Nokia became the world's number one mobile maker by giving a tough competition to the telecom company Motorola. It produced high-quality and user-friendly mobile phones, with its efforts concentrating on wireless Bluetooth and wireless technology.

The company's products were further divided into four major categories: mobile phones (data devices for business and personal use and wireless voice), multimedia (mobile gaming devices and home satellite systems), networks (wireless switching), and enterprise solutions (wireless systems for business). Nokia was the best in the market and its products were considered to have value for money. It was the best until the launch of the first iPhone. Later, Samsung realized the power of Google Android and began the transition to Android OS.

Nokia had failed to adopt this environmental change and truly capitalize on the market. Nokia started losing its customers and failed to attract them. Later, to have more market share, Samsung launched a variety of smartphone segments with different prices and also launched tablets to attract customers.

By the first quarter of 2012, Samsung became the world's number one mobile maker and Nokia was completely out of the market.

Questions

1. Which environmental factors played a major role in losing business for Nokia?
2. What strategy should Nokia come up with to return to the phone market?

Critical Thinking Questions

How open-minded are you to the ideas of other team members?

What are the steps that you have taken to get the work done by your subordinates?

Give an example of how social factors have influenced businesses.

How do you keep yourself and your team motivated as a manager?

Chapter at Glance

Introduction to Management

When people are operating in a group, their efforts have to be controlled, coordinated, and directed toward a common goal. This is nothing but management.

Features of Management

- Management as a process (continuous process, social process, and integrated process).
- Management as an activity (informative activities, interpersonal activities, and activities that enforce decision-making).
- Management as an art and science
- Management as a group
- Management as a discipline
- Management as a resource
- Management is goal-oriented
- Management is a universal process

Objectives of Management

- Organizational objectives
- Personal objectives
- Social objectives

Importance of Management

- Optimum utilization of resources
- Achievement of group goals
- Cost reduction
- Growth and survival

Levels of Management

- Top-level/strategic-level management
- Middle-level management
- Lower/supervisory/operative-level management

Functional Areas of Management

- Financial management
- Personnel management
- Production management
- Marketing management

Functions/Process of Management

- Planning
- Organizing
- Staffing
- Directing
- Controlling

Managerial Skills

- Technical skills
- Human skills
- Conceptual skills

Types of Managers

Managers are categorized into three types as follows:

Based on Level

- Top managers
- Middle managers
- First-line managers

Based on Role

- Staff managers
- Line managers

Based on the Scope of Activities Managed

- Functional managers
- Specialist
- General managers

Environmental Factors Affecting Business

- External factors
 - Macro Factors: Economic, legal, political, social, and technological factors
 - Micro factors: Suppliers, customers, competitors, marketing intermediaries, and financial institutes
- Internal factors
 - Value system, human resources, physical resources, marketing research and development, mission, and objectives

2

EVOLUTION OF MANAGEMENT THOUGHT

An Opening Vignette

The evolution of management came into existence in the days of Chandragupta Maurya. In his book *Arthashastra*, Kautilya, minister during the king's regime, stressed the need for good governance and stated that the book is an ideal repository for those entrusted with the power to govern.

Surprisingly, the current trends in management practices are also described in this famous book in the form of organizational vision, mission, and objectives, which were incorporated by the 20th-century management guru Peter F. Drucker. Kautilya insisted that Chandragupta, the founder of the Maurya dynasty, should acquire more power by conquering the states of India one after the other and should unify most of the states. The emperor's acquisition of the Indian subcontinent extended from Pakistan in the west to Bengal in the east and the Himalayas in the north to the Deccan Plateau in the south, except in Tamil Nadu and Orissa. As per Kautilya's directives, Chandragupta acquired power and authority over the entire Indian subcontinent, which by common management principles aligns with setting the objectives and working toward their effectiveness by identifying the potential. On the execution front, Kautilya believed that running such a vast territory required excellent leadership skills, improved resource capital, and a sound organizational hierarchy with a king as the head; a prime minister, who looks after the operational aspect of the state machinery using ministers of the state legislature; and the leaders who are allotted responsibility at a micro level. Alignment in the thought of Kautilya and 20th-century management guru Peter Drucker concerning the organization being a 'social dimension with business and economic objectives and with a proper hierarchy, exuding power and authority' is very evident from their work

considering the above citations. Kautilya also focused heavily on the human resource unit of the organization and advised Chandragupta to lay out plans for the resources, motivation, development, and satisfaction, which form the basis of organizational development and also identify resource potential across levels. The other aspects of management approaches, as instilled by Kautilya and aligned with Drucker's principles, are as follows:

- Studying the impact of external factors affecting the organization, that is, the strength of other kingdoms, their ambitions, and threats anticipated from these arenas
- Setting up realistic targets, that is, modernization of cities, acquisition of states, and effective administration of the same
- Diversification of the economy, that is, forest reserves, mines, agriculture, trade, fisheries, land and water, minerals and metals, and so on
- Formulation of policies and procedures which are lawful and justified for the organization
- Investment provision for the sustainable growth of any organization, that is, the kingdom of Chandragupta Maurya
- Decentralization of power by appointing state heads to rule their own states, as is being done in modern-day organizations

The other areas of management on which Kautilya laid emphasis were as follows: crisis management, risk management, strategic management, acquisition and mergers, establishing connections, developing a network, and creating an information system framework, which has been instilled in modern management approaches of today.

2.1 Introduction

Since the early days, the concept of management has come into existence. Whenever effort had to be expended by a team, it was extremely important that the team had to be managed. Therefore, a group of two or more individuals had to be managed by an entity in the early days. The principles of management were first laid down by Kautilya in his book *Arthashastra*, which emphasized the fact that no person can single-handedly achieve something. Hence, the art of management has come into existence to ensure there needs to exist collaboration among individuals and teams, a proper road map, and necessary monitoring and control mechanisms to achieve certain goals and objectives.

2.2 Historical Perspective

Management has been considered a formal discipline since the late 19th century. Most modern management thoughts evolved during the 20th century. The

use of management principles surfaced in 2900 BC in Egypt, where more than a hundred thousand men were utilized for 20 years in a continuum to build the pyramids. Other famous ancient structures which heavily evoke and implement managerial concepts and practices are the Middle Eastern Ziggurats, the Great Wall of China, the Persian roads, and so on. Management concepts were implemented from the time of Moses and through the Greek and Roman eras to the usage of assembly-line techniques for fitting warships in a 10-hour duration in the 15th century in Venice. This was the period of dictatorship, punishment, and fear of God weighed by human management. In the 16th century, management principles and terms started evolving, such as mass approval, leadership ability, power and authority, and so on. From a managerial perspective, the power and authority were allotted to an individual, organization, or group for administering their responsibility toward others. These crude approaches were later refined by designing theoretical and conceptual frameworks to be called management principles. Furthermore, the Enlightenment and Renaissance Age brought massive changes concerning managerial skills, abilities, and perceptions. With the advent of the industrial era, with setting up of warehouses and factories in the early 19th century, evolved other concepts such as costing, management, production lines, schedules, and so on.

2.3 Approaches to Management

2.3.1 Classical Approaches

Classical management theory evolved as a result of the Industrial Revolution and constituted the traditional school of management approaches such as scientific management, administrative principles, and bureaucratic organization with a special emphasis on the economic rationality of management, that is, the maximization of monetary rewards, implying that employees work for the monetary benefit and to get work done from employees, managers should entice them with rewards. Classical theorists felt that these emotions could be controlled using logical and rational job structuring. The classical approach to management emphasizes the fact that employees do have physical and financial needs and do not possess social needs or needs for job satisfaction. It is characterized by centralized decision-making and profit maximization. The classical approach existed from 1900 to 1920, with a strong focus on economic efficiencies. The major contributors to the classical approach were Frederick Winslow, Frank Gilbreth, Henri Fayol, and Max Weber. This approach comprises scientific, administrative, and bureaucratic management. Scientific management entails the best way of doing a job, whereas administrative management focuses on basic managerial functions and bureaucratic management focuses on forming rules, procedures, and workload distribution.

2.3.1.1 *Scientific Management*

Frederick Winslow Taylor (1856–1915), the father of scientific management, had many followers, such as Henri Gantt, Frank Bunker Gilbreth, Lillian Gilbreth, Harrington, and Emerson, who became management gurus later and were innovators of various management concepts and principles. Together with Taylor, they revolutionized management thinking. Scientific management emphasizes proficiency and systematization in management.

2.3.1.2 *Administrative Management*

While scientific management theorists tried to determine the best work practices, administrative management theorists explored ways of executing the jobs together and operating an organization efficiently. This school of thought is also called administrative management. Henri Fayol (1841–1925), a French industrialist and architect, developed the administrative management theory. The other experts were Chester Barnard and Colonel Lyndall Urwick.

2.3.1.3 *Bureaucratic Organization*

Organizations grow in size with increased functional specialization resulting in strategic, tactical, and operational layers of management coordinating the organizational effort. A result is a bureaucratic approach to organizational structure. With an emphasis on the removal of managerial discrepancies and the usage of unwanted power, Max Weber advocated some strategies to provide a solid basis for systematizing group efforts. It is stated that an organization's cultural values align mostly with the application of bureaucracy. For example, Japanese managers emphasize communication processes, interdepartmental relations, and a paternalistic approach, whereas American organizations highlight managerial styles, decision-making, and control machinery. The Japanese perspective increases employees' commitment by producing a legitimate order with illogical power of authority, whereas the American perspective leads to the formation of an in-house labor market in which managers can divide and exploit workers.

2.3.2 *Human/Behavioral Approach*

According to this approach, management is the process of getting things done by people, and the crucial aspect of it is to understand human psychology. The two important factors which play a key role in increasing productivity are motivation and good employee relations. Furthermore, the approach states that, apart from the impact of organizational factors such as attitude, changes in the cultural environment and pressure also have a major impact on an individual and should thus be considered considerably. Behavioral management emphasizes individual attitudes, behaviors, and group processes and recognizes the importance

of behavioral processes in the workplace. Major contributors to this approach are Elton Mayo, Mary Follett, Douglas McGregor, Chris Argyris, and Abraham Maslow. Theories by Douglas McGregor and Abraham have been discussed in detail in Chapter 13.

2.3.3 Contingency/Situational Approach

The contingency approach, which describes the organizing of the 21st century, has two prominent models: the Burns and Stalker model and the Lorsch and Lawrence model. Burn and Stalker talked about the mechanistic organization, that is, the rigid form of organization and organic organization, which is flexible in structure and adaptable to change, and concluded that successful organization in stable situations was mechanistic in design, and unstable situations, those organizations that were successful were organic in design. Lorsch and Lawrence state that every organization should attain equilibrium between differentiating forces and integration factors, that is, the tendency among managers to think and act differently and strong collaboration between different subunits to achieve a common goal. The Lorsch and Lawrence model concluded that organizations fail under complex environmental conditions due to high differentiation and less integration and that organizational integration can be achieved through formal hierarchy, departmentalization, organizational policies and rules, and cross-functional culture.

The contingency approach explores the optimal ways of doing things where the performance of one subunit is reliant on its surroundings and has a direct or indirect association with other units or subunits.

Thus, performance within an organization is dependent on the situation, and if a change is anticipated within the organization, then the manager must try to change the situation influencing it.

In other words, contingency theory states that there is no single best way to manage an organization because what suits one organization may not suit the other organization.

Contingency approaches are framed to depict organizational design situations. Contingency design adapts an organization and its units to situations that describe environmental uncertainty. Environmental uncertainty comprises social, political, and economic pressures on the organization, on technological breakthroughs, resource and supplier consistency, and consistency in demand for products and services of the organization.

2.3.3.1 Features

Managers must present the objectives and prepare strategies, formulate organizations, and instill mechanisms to adapt to changes in the surroundings.

Managers should have adequate human relations skills and leadership styles to incorporate changes and bring steadiness.

2.3.3.2 *Impact*

This approach does not adhere to strict management principles and practices and mostly follows what the environment (political, social, economic, and technological) requires.

The management of the organization is more creative than being mechanistic. The contingency approach could be considered a practice-based approach.

An example of the contingency aspect a manager is facing is the non-availability of a web designer till the end of October for their six-month project scheduled to be over by the end of December. The manager now has to inform their unit head either to allocate them a resource from other teams or to reschedule the project by adding a month extra to their project calendar. This decision can be taken by the manager based on the additional cost incurred in the project due to delay in schedule and resource feasibility, that is, the commitment of the substitute in other projects.

2.3.4 *Operational Approach*

The operational approach to management emphasizes management functions and principles involved in performing these functions. The emphasis on several management functions changes from organization to organization and from level to level. The operational approach to management focuses on planning, directing, organizing, staffing, and controlling. These functions cannot have a static form, as an organization has to function in a dynamic mode.

This approach, also known as the management process approach, views management as a social process where actions are initiated to accomplish objectives.

- The operational approach offers a broader scope of management across organizational levels and types.
- This approach suggests that management is a universal phenomenon irrespective of the type of organizations or levels of an organization.
- The approach gives a practical perspective by providing a classification of managerial functions at the first level into planning, organizing, staffing, directing, and controlling. However, the operational approach has been criticized on the following grounds.

2.3.4.1 *Criticisms*

In this approach, there is no universal acceptance of management functions, expressions used are not usually shared, and every approach has some shortcomings.

2.3.5 A Systems Approach

This approach came into existence around the year 1950, and the pioneer of the systems approach was Wiener, followed by many systems theory specialists. Basically, this approach helps in studying the functions of complex organizations and correlates planning, organizing, directing, staffing, and controlling with each other and also with the problems associated with the same. The approach in itself cannot be applied to any type of organization to a deeper extent as there are no specific tools and techniques for implementing this approach.

In 1960, a unified approach evolved, which was known as the 'systems approach'. Its early contributors include Ludwig Von Bertalanffy, Lawrence J. Henderson, W.G. Scott, Daniel Katz, Robert L. Kahn, W. Buckley, and J.D. Thompson.

System theorists believed an organization to be a flexible and open system, constituting subsystems as a whole, with every unit working in sync with every other unit. The system might comprise a hierarchy of subsystems such as the Indian government system/machinery, which comprises the state government machinery or the Indian economy, comprising various industries such as agriculture, construction, oil, pharmaceuticals, metals and minerals, and so on, which constitute various companies who have various units such as manufacturing, production, IT, accounting, and sales and marketing machineries.

2.3.5.1 Features of the Systems Approach

- This system has the following features:
- A system acts as a single unit consisting of subcomponents and inputs, output, processing, feedback, and so on.
- The various subsystems within the system should not be studied in isolation.
- The system is defined by an appropriate boundary.
- An organization is susceptible to changes in the environment.

In the systems approach, the focus is on the overall effectiveness of the system. If an organization is considered to be a system, then all of its functional units are the subsystems of the organization.

The systems approach is considered for both general and specialized systems. The general systems approach is a concept related to sociology, psychology, and philosophy, and a specific management system includes the investigation of administrative structure, information, planning and control mechanism, job design, and so on.

The systems approach considers the quantitative and behavioral approaches as subsystems and may succeed where the process approach to management has failed and where the organization is considered to be an open system. Chester Barnard used the system concept of management for the organization and stressed the need for effective leadership by balancing conflicting forces.

2.3.5.2 Evaluation of the Systems Approach

The systems approach supports modern types of organizations, such as project management organizations, where planning, organizing, directing, and controlling are interrelated.

This approach is not concrete as it is not applied to big and complex organizations. Moreover, it does not offer any tools and methods for managers.

2.3.5.3 Examples of the Systems Approach to Management

The systems approach to management states that organizations are flexible and open systems, consisting of subsystems as a whole, where every unit is working in sync with every other unit, and the system has to adapt to changes in the political, economic, and social environment. In addition, the systems approach to management considers a system as a unit with input, output, process, and feedback. We consider some examples which better describe the systems approach.

A healthcare system consists of several levels of care or subsystems as follows:

- Intensive care unit (ICU)
- Extended care unit
- Normal care unit
- Outpatient care unit
- Homecare unit

The above subsystems can also be treated as levels of healthcare, and based on the status of patient's health, they are shifted across the levels. If a patient is ill but does not require hospitalization, they are treated in the outpatient department; otherwise, they are admitted to the normal care unit. From the normal care unit, they can be shifted back and forth to the ICU based on the criticality of their condition.

The other subsystems of healthcare are as follows:

- State legislation on health (under the influence of the political environment).
- Health insurance, Medicaid, and accidental insurance (under the influence of the economic environment).
- Management as a subsystem of healthcare organizations (autocratic, collaborative, and so on).
- Organization as a subsystem, that is, primary and secondary healthcare or individual, group, or health centers as organizational entities of healthcare.
- Healthcare infrastructure as a subsystem comprising health and hygiene institutes, hospitals, blood donation camps, emergency service units, mobile healthcare, and so on.
- Support systems comprise medical institutions where training for health cures is imparted and industries that manufacture drugs to cure health.

Do these subsystems interact with each other? Yes, they do. When a patient's status changes from ill to critically ill, they are transferred to the ICU. The output of the normal care unit in the form of medical reports and diagnosis of that individual becomes the input to the critical care unit, which is a subsystem in itself. If healthcare is considered as a system in whole, the inputs to the system are the patients whose health must be cared for, the output is the patients who have been cured, and the feedback is the standard or the quality of healthcare rendered to the patient. The boundaries of the healthcare system can also be defined, such as funding for healthcare organizations, and where an institute is not set up within the operational boundaries of the healthcare system, the funding for setting up an institute should be taken care of by financial institutions. Another example can be Pizza Hut and Domino's Pizza, which operate within their boundaries, though they are the same businesses. The healthcare system is an open system and has to operate within its boundaries and has to follow government rules and policies related to insurance schemes, Medicaid, drug directives, and so on. Closed systems can be attributed to organizations that operated way back in the 1960s, where external factors were ignored by managers while making decisions about regulatory compliance, market trends, and political and economic issues.

2.3.6 A Mathematical/Quantitative Approach

The mathematical/quantitative approach gives a basis for decision-making and believes that management consists of mathematical models and processes. This discipline is called 'operations research'. It uses scientific techniques to provide a quantitative basis for managerial decisions. The exponents of this school view management as a system of logical processes.

Different mathematical and quantitative techniques or tools, such as linear programming, non-linear programming, transportation, job scheduling, and queuing, have found applicability in all areas of management. The quantitative approach paved the way for the mathematical approach.

The mathematical approach has imbibed a culture of critical thinking among managers and can only be treated as an analytical tool in managerial practice.

2.3.6.1 Limitations

- This approach provides solutions only for problems that can be solved mathematically and analytically.
- Human behavioral aspects are not computationally solvable.
- This approach is not realistic because decision-making is not always model-based.
- Management has many other functions than decision-making, such as planning, directing, controlling, and so on.
- Mathematical models most often do not contain the entire knowledge base; hence, they might not help in accurate decision-making.

Harold Koontz also observed that ‘it is too hard to see mathematics as a separate approach to management theory. Mathematics is a tool rather than a school’.

2.3.6.2 Example of Quantitative Approach to Management

This approach applies mathematical models and statistical techniques to management decision-making. Some examples are as follows:

- Determining the critical path for the development of the web-enabled food waste management system, including the delays which have been accounted for by the specific vehicle company.
- Determining the percentage of wheel-and-axle alignment errors that have been accounted for the specific vehicle company.
- In the area of operations management, the quantitative approaches reduce delivery timelines, streamline production processes, and assist in forecasting inventory and raw materials for future needs.

2.4 Contribution by Different Theorists

2.4.1 F.W. Taylor’s Theory of Scientific Management (1856–1916)

F.W. Taylor started his career with a US-based steel company and rose to the position of chief engineer in a span of 10 years. During his days with the steel company, he continuously monitored the performance of managers and workers. Taylor observed that these managers and workers did not understand nor implement systematic workload distribution or task execution, though he could feel that such types were highly required for improved productivity and consistency in growth. His ideas and observations proved to be highly effective in areas such as production planning, task breakdown, allocation of tasks, cost–benefit analysis, and so on.

2.4.1.1 Concept

Taylor invented the concept of scientific management in which he described mathematical methods to select and train professionals, distribute workload, map task allocation to skill using these techniques, introduce the concept of a wage system, and reward those who performed well. Taylor stressed the need for appropriate working conditions like well-lit-up areas, adequate ventilation, hygienic sanitation, canteen facilities, and recreation areas. He could clearly distinguish planning from execution and emphasized that a manager should plan, schedule, guide, and control his staff. He believed that efficient management could cater to employers’ getting the highest returns and employees’ getting a good wage.



FIGURE 2.1 F.W. Taylor. https://en.wikipedia.org/wiki/Frederick_Winslow_Taylor

2.4.1.2 Principles

- **Scientific methods outweigh rules of thumb:** Clear definition of roles and responsibilities; fair workload distribution; following appropriate work standards; and implementation of appropriate compensation schemes.
- **Creating group harmony:** Incorporating scientific approaches in employee selection, training, and mapping roles and responsibilities can bring harmony within the team or group.
- **Cooperation:** Workers and management should facilitate each other by working in unison and aligning them to organizational goals.
- **Maximum output:** Maximum output is achieved through appropriate workload distribution and undertaking responsibility and execution of the responsibility by both the management and the employees. From the employer's side, there should be a rightful delegation of tasks, and from the employee's side, the tasks should be executed ideally.
- **Improved work procedures:** The management should see to it that workers get the opportunity to improve in their work area not only for their self-development but also for the growth of the company and to bring in the required productivity and output.

2.4.1.3 Key Features

- **Separation of planning and execution functions:** Taylor observed that planning for any task or activity should be done by an individual who is not involved in executing that task. The best way to manage tasks is that an individual, usually a manager, does the planning for his team and execute that task.
- **Scientific structuring of task:** Taylor emphasized that task allocation and day-to-day distribution of tasks should be such that an average worker under normal conditions should be able to complete the task in a stipulated period and on working days.
- **Scientific categorization across work, methods, motion, and time:** Taylor refers to the categorization of work by efficiency required to perform the work, and the efficiency required for the type of job varies from one to the other.

In terms of the methods, Taylor observed that different methods were used to perform different types of tasks, so he distinctly felt the need to improve and refine the methods. For example, Walmart, an established chain of stores, lost millions in business due to server downtime for an hour a few years ago, so it improved its method of scientifically replicating the database onto some other servers so that in case of an emergency during a particular server's downtime, the others are up and working.

In terms of motion, if the job involving man and machine is scientifically sequenced, then unnecessary movements are eliminated, and the time required to perform the job is optimally reduced, and it can be performed more efficiently.

In terms of time, Taylor observed that different jobs required different periods; hence, it was extremely necessary to categorize jobs as per time and schedule.

In terms of fatigue or stress, Taylor observed that employees needed relaxation time to preserve their health and efficiency after performing their duties and responsibilities, so the concept of leave and holidays was taken into consideration under scientific management.

- **Scientific wage allocation:** Taylor observed that wages should be given to the workers according to their task description and complexity. In addition, a differential piece-rate wage system was formulated by Taylor, which acted as an incentive for lazy workers.
- **Standardization of work:** Standard procedures related to work should be made with respect to tools, working hours and conditions, production costs, and so on.
- **Scientific selection and training:** Taylor observed that the workers should be selected based on skill sets, experience, and qualifications. Moreover, workers who do not have the required skill sets should undergo the required training for the task assigned to them.

- **Pay incentives:** Pay and reward schemes motivate workers to work productively, and Taylor observed that with a rise in efficiency, the wages of the workers should also rise, which further motivates them.
- **Economy:** Taylor observed that profit-making from a product could be earned if resources used are optimum and the cost is controlled.
- **Mindset transformation:** To implement the concept of scientific management, Taylor observed that it required the management and the employees to change their mindset with responsibility toward producing the largest possible surplus and substituting the old rule of thumb with scientific justifications.

For example, McDonald's applies scientific management principles in their operations by establishing performance-oriented incentives and rewards for employees, and they have also come up with scientific training methods for which a special worldwide management training center by the name of Hamburger University has been set up in Illinois.

2.4.1.4 Critics

The concept of scientific management was well received immediately after it was laid down by Taylor, but later it was criticized during the first quarter of the 20th century.

The assessment was that Taylor had formulated a scientific approach to management rather than embedded science into it.

- It was concluded that scientific management principles did not consider the physical, mental, and emotional well-being of the worker.
- Critics observed that Taylor laid more emphasis on production management than on other verticals.
- Another observation was that with the aid of tools, equipment, and materials, a worker had to perform the task, and for the task execution, he was instructed by the foreman or supervisor at every step, which, according to the expert's opinion, constrained the thought process of the workers and did not give them a chance to utilize their own brains.
- The critics' study of scientific management suggested that the concept emphasized the need for excellent workers for the highest productivity, but the reality was something different.
- Another point raised was that increased productivity of workers increased the yield of the company, but wages did not increase proportionately as per the increased yield.
- This approach was also criticized for time, fatigue, and motion studies, which could not be scientifically measured.

- Critics observed that the implementation of scientific management required a considerable amount of time; hence, it disrupted the smooth functioning of the organization.

2.4.2 Henry Gantt's Ideology on Management

Henry Gantt was a US citizen, originally a mechanical engineer by profession, and was a pioneer of scientific management since he was an associate of F.W. Taylor. Henry Gantt was the inventor of the famous progress-tracking tool known as the Gantt chart. Gantt wrote several books, such as *Work, Wages and Profits* and *Industrial Leadership*, and published research papers on various concepts of organizational management. He founded the Gantt Task and Bonus Plan, wherein rewards were given to those who were highly productive, a refinement of Taylor's differential system of wage payment. Implementing his concept, the wage of an individual was calculated as follows:

- Substandard productivity—wages based on time rates
- Productivity as per the standard norms—accorded a 20 percent bonus
- Productivity above standards—high differential rates

Henry Gantt paid special attention to the person in general engaged in work and also imbibed the concept of motivation among individuals.

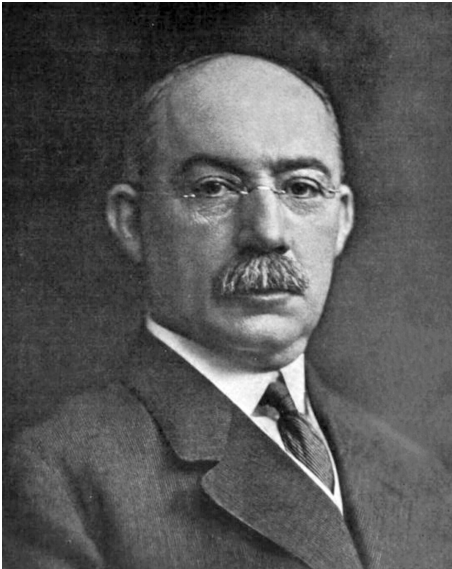


FIGURE 2.2 Henry Gantt. https://en.wikipedia.org/wiki/Henry_Gantt

2.4.3 F. Gilbreth and L. Gilbreth

Frank and Lillian Gilbreth did not focus on time and motion study to perform tasks in the best possible time. Time and motion studies and piece-rate incentives were developed by scientific management theorists and are used even today. The piece-rate incentive system defines income as proportionate to the productivity of an individual. Scientific management theorists focused on scientific employee selection and training; proper design of work and sub-tasking; introducing work's best practices; developing a comprehensive approach to solving organizational problems; and a professional approach to management. F. Gilbreth formulated 18 basic tasks and spent a considerable amount of time analyzing the best and quickest methods of performing each task. His wife, L. Gilbreth, a psychologist and a management expert by profession, continued preaching her husband's management dictions and even penned down books such as *The First Ambassador of Management* in 1960. Workers at Monsanto use time and motion study to perform tasks in the best possible time frame.

2.4.4 Henri Fayol's Thoughts on Management (1841–1925)

Henri Fayol's principle states that all business activities can be categorized into six functions:

- Production
- Sales and purchase
- Finance
- Security
- Accounting
- Management

The activities of management, as stated by Fayol, include:

- Planning
- Organizing
- Directing
- Coordinating
- Controlling

2.4.4.1 Managerial Traits

As identified by Henri Fayol, the traits of a manager should be as follows:

- The individual should possess the right vigor.
- The individual should possess the ability to make decisions, learn, and understand.



FIGURE 2.3 Henri Fayol. https://en.wikipedia.org/wiki/Henri_Fayol

- The individual should be willing to take responsibility and also take initiative as and when required.
- The manager should possess more awareness and his general knowledge should also be good.
- The function performed by the manager should be aptly known by him, whether it is the production function or accounting function.
- The manager should have appropriate work experience in the domain which he handles.
- Fayol was a French industrialist in the 20th century who coined the ‘Principles of Management’ in French, which was later translated to English.

2.4.4.2 *Fayol’s Principles of Management*

Fayol has set forth the following principles:

- **Division of work:** The total workload should not be allocated to a single individual. Work, whether technical or managerial, should be distributed so that a person specializes and produces output.
- **Authority and responsibility:** The most important aspect of management is allocating work to others. Whoever allocates work has the authority over others and simultaneously shoulders the responsibility of getting the work done.