

- (5) What is other name of middle level of management ?
- (6) Which level of management follows the order and instruction given by chief executive officer ?
- (7) Which level of management does the function of machinery layout and repairing ?
- (8) What are the elements included in product-mix ?
- (9) Give the full form of IIM.
- (10) Give the full form of MBA.
- (11) Give the full form of CEO.

3. Answer the following questions in short :

- (1) State any two functions performed at the top level management.
- (2) How does management benefit the society ?
- (3) What is planning ?
- (4) What is organisation ?
- (5) What is co-ordination ?
- (6) Who are included in the top level management ?
- (7) What is the main objective of marketing management ?
- (8) Discuss various elements of price-mix.
- (9) Discuss about staffing.

4. Answer the following questions in brief :

- (1) Discuss the importance of management.
- (2) Explain : Management as a profession
- (3) Explain functions performed by top level management.
- (4) Give difference between levels of management. (Any five points)
- (5) Discuss the importance of co-ordination.
- (6) Discuss the importance of human resource management.
- (7) What are the functions of financial management ?

5. Answer the following questions in detail :

- (1) Define management and explain its characteristics.
- (2) Draw a diagram of different levels of management. Also explain its functions.
- (3) Define co-ordination and explain characteristics of it.
- (4) Define marketing management and explain its functions.
- (5) Define human resource management and explain its functions.
- (6) Define production management and explain its functions.

What will you learn in this chapter ?

- Preface
- 2.1 Principles of Management
 - 2.1.1 Meaning
 - 2.1.2 Concept
 - 2.1.3 Nature
 - 2.1.4 Importance
- 2.2 Thoughts of Management
 - 2.2.1 Classical Thoughts
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- 2.3 Fredric Taylor's Principle of Scientific Management
 - 2.3.1 Meaning
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 - 2.3.3 Principles of Scientific Management
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- 2.4 Henry Fayol's Management Principles
- 2.5 Contribution of Peter F. Drucker in the Field of Management

Introduction

Management is an activity which is carried out since centuries. When we look-up at history, we can see elements of management in various activities. During the rule of Chandragupta Maurya and Chhatrapati Shivaji in India, one can see proper use of management in policy of war strategy respectively. Several management gurus, thinkers, ideologists and authors have periodically rendered new principles through evaluation and reconsideration of management concept. Thus, the history of concept of management is very ancient and has been changed periodically. From last many years, the ideology of management has been presented through different forms of approaches. Various management gurus from Frederik Taylor to Henry Fayol, Gilbreath, Max Weber, Chester Barnard, Peter F. Drucker and C. K. Prahalad played an important role in rendering various principles to make it as per the era. Harold Koontz has hailed the ideology of management as 'Jungle'.

2.1 Principles of Management

2.1.1 Meaning : Principles of management plays role of a guide for the managers. In fact, the principles of the management are not the rules, it is only the sum and substance of the assumptions, traditions and experiences. Different management gurus have obtained conclusions in different situations and it has been proven practical. As per its execution, people got perfect results

as well. Thus, these principles have become the part of the management procedure for the business unit.

In a business unit some rules, principles are might be formed in relation to the human behavior so, the achievement of goal becomes easy. These principles are called as the principles of the management.

2.1.2 Concept : Management is the combination of an art and science. As a science, it is natural to have principles in it. The principles of management are not as rigid as the pure science, but they are flexible. The principles of management have direct relationship with the human behavior. Thus, by making required changes, there is a scope of additional new principles. Human behavior and the technology are such factors which changes periodically. Thus, the changes take place in the principles of management to cope up with the new changes.

Principles of management are the detailed and perfect guideline for decision making and its implementation. As per the principle of management the capability of employee could be increased

through various encouragements. e.g. : To consider his service years to make decision about promotion of any employee, while employee gets promotion by considering his capability in other unit.

It is very important to understand the difference between the principles of management and techniques of management. Methods or techniques are the set of steps taken to achieve the target; while the principles are the guidelines for the decisions which have been taken during implementation of the techniques. It is needful to understand the difference between the principles and values like techniques. Values are acceptable or preferable, it relates with the morality; while the principles are the universal truth and guidelines for the human behavior.

2.1.3 Nature : Principles of management are not rigid but practical conclusion. These principles are the guidelines to perform a task. This relates to task and reason. At the time of implementation of different tasks of management such as planning, organisation and direction, it provides guidelines to the manager for decision making. As per expert opinion, mostly these principles are truth but are not absolute truth. Here, rule of exception is also there. As per above discussions regarding the principles of management, we can conclude following points :

(1) Universal Acceptance : Principles of management can be applied to most of the business units. Wherever there is a need of human collective efforts, these principles are required. However, implementation of all the principles may change as per the type, form, activity and size of the business unit, but the principles of management can be applied to the most of business units. Thus, the principles of management are comprehensive and universal.

(2) Flexible : Principles of management are not rigid conclusion, but it is flexible. As per situation when a manager requires there is a scope for flexibility. When these principles do not seem to match in some situation, the manager is allowed to effect change. e.g. in large units the principle of division of work may be applied uniformly, but in small units the principle of division of work may not be applied in the same proportion.

(3) General Guidelines : Principles of management are the result of experiences gained by different experts in different situations. At the time of managing a business unit disparate and complex problems are arising. The form of these issues may be different as per the unit, which could not give similar result for each unit in all situations. Thus, the principles of management could not be strictly applied for each unit, but can get desired results by accepting the principles as only guidelines and by using it in favorable situation.

(4) Based on Human Behavior : As human is at the centre of the management, the principles of management may seem to have a big effect on human behavior. Principle of management has direct relationship with the human behavior and as the human behavior is a psychological phenomeon, it is necessary to consider while implementing principles of management.

(5) Contingency : Contingency is one of the element to apply the principles of management. Achievement of goal can be made easier by a unit with taking required decision through usage of these principles in certain unavoidable situation. Such as to pay appropriate and reasonable wages to the employees. This criteria of being fair and reasonable depends upon the concern regarding necessity and contingency of the affecting factors.

2.1.4 Importance : Principles of management provides a vision to managerial behavior and highly affects the management works. Managers are using it for achievement of goals. These principles direct the managers for decision making. Thus, principles of management play a key role for a unit. Its importance can be described as follows :

(1) Increase in Managerial Efficiency : Principle of management is providing guidelines to

managers to perform task in different situation. Due to which improvement in functioning of a business unit and gain in managerial efficiency is also seen.

(2) Maximum Usage and Effective Administration of Resources : Mostly availability of the human and physical resources are limited in a business unit. It is unavoidable to make its maximum usage. Here, meaning of the word maximum is that to make usage of the resources through principles of management, whereas they can get maximum benefit with minimum costing.

(3) Helpful for Scientific and Logical Decisions : Decisions should be always based on facts, thoughtfulness, objectives and justifiable. Moreover, decisions should be timely, reality based and effective. Management principles provide a key role for taking appropriate decisions. Using management principles, decisions can be made appropriately, timely, without partiality and unbiased.

(4) To Cope up with the Changing Business Environment : Normally, Management Principles are an ordinary guide. But management principles are necessary to meet business environment in changing circumstances.

(5) To Fulfill Social Responsibility : Business is indivisible part of community. Profit is considered as the aim of the business, but it is not the only aim. Development and progress of society are also aims of business unit. By effective implementation of management principles, business unit can easily achieve aim of social responsibility.

(6) Useful for Research, Training and Development : Management principles are main part of management thoughts. Only by using the management principles, task of training, education and development is possible. Like, now Aptitude tests are taken for appointments in various business units. This Aptitude tests are prepared through research and by implementing and using management principles through which appropriate employees are appointed.

2.2 Thoughts of Management

Management thoughts are the outcome of researches, studies and results in the field of management. Every thought represents its unique observation. Many management gurus have represented different principle by separate opinions. Hence, so many branches-sub branches have been developed. It is called thoughts or approaches of management.

2.2.1 Thoughts of Classical Theory : The thoughts of management presented till the end of 19th century is known as thoughts of classical theory. Main promoters of thoughts of classical theory are Frederick Taylor, Max Weber, Gilbreath, Henry Gantt and Henry Fayol. Taylor's contribution in thoughts of classical theory is very important. Scientific Management principles presented by Frederick Taylor also exist into the thoughts of classical theory of management even today. Approach of Scientific Management favors scientific principles by time and motion study instead of traditional methods. Main contribution of scientific principle lies into specialization in Management, progressive wages system, responsibility and scientific distribution of task. Contribution of Henry Fayol in thoughts of classical theory is also significant. He significantly contributed to thoughts of management by presenting general principles of management. He decided levels of different tasks in business unit and tried to decide limits of tasks. To perform managerial duty at different levels, he also provided universal principles of management as guidelines. Apart from this, there is a contribution of Max Weber into thoughts of Classical theory. Till the end of 19th century, formats and size started to change due to industrial

revolution. As a result, need for changes in it arised due to some limitations of thoughts of classical theory like importance to financial motivation, less important to human approach and informal relations.

2.2.2 Thoughts of Neo Classical Theory : To remove some limitations of Thoughts of Classical Theory, some management experts made changes and established new approaches, which is called Thoughts of Neo Classical Theory. At the end of 19th century after industrial revolution, format of units/ industries was changed and a need was arised for new-kind of management. In the start of 20th century, Australian Industrial psychologist Elton Mayo's theory of Hawthorne gave a new birth to behavior oriented thought. So, Elton Mayo is called promoter of 'Thoughts of Neo Classical Theory'. Thoughts of Neo Classical Theory emphasizes upon behavior approach and group behavior for management.

Additions were made to Thoughts of Neo Classical Theory like informal Organisation, human behavior, human relations, inspiration etc. are elements based on thoughts of classical theory. Elton Mayo, Herzberg, Rensis Likert, Chris Argyris, Mcgregor and Maslow are main contributors in this thoughts. In branches of Thoughts of Neo Classical Theory human relations or human behavior thoughts, social mechanism thought and social arrangement thought are main. Human behavior thought is as below :

2.2.2.1 Thoughts of Behavior Related : Management is an art of getting work from others. As Prof. Urvik said, 'you manage your men, your men will manage rest of all', likewise employee or a person is having an important place in unit. Since, the management is being done by a person, management study becomes a study of inter human relations. Main point of management task is of human behavior and human relations, hence behavior related thought emphasize on job satisfaction and increasing efficiency of employee by using psychological observations. Concepts like inter human relations, motivation, leadership, information communication process, disposal of industrial disputes are included in behavior related thoughts. Since, this approach is psychological, it seems that economic parameter has been neglected. Some writers logically say the human relations cannot be maintained at the cost of productivity, which is the main limitation of this approach.

2.2.3 Thoughts of Modern Management : A change was occurred in the format of industry and business units after 1960. As a result a need of special approach of management was arise. As management is not confining to only business unit, special professional class of managers were emerged. Where advocacy in this thoughts for psychology, social studies, statistics, mathematics and computer, information technology were made. Management Gurus like Koontz O'donnell, George R. Terry have contributed in this thoughts. Moreover, Peter F. Drucker, William Ouchi and C.K. Prahlad have also contributed in this thoughts.

2.3 Frederick Winslow Taylor's Principle of Scientific Management

Frederick Winslow Taylor was American mechanical engineer and an important contributor in classical thoughts. In the starting phase, he joined as apprentice in a factory. After contributing in various companies, he became a manager in Bethlhem Steel Company. During this period, F. W. Taylor for the first time presented principle of scientific management, and hence he is known as a father of scientific management.

In any business unit, normally two classes are important, i.e. Owners and Workers. Owner means Managers whose main purpose is optimization of profit and wealth, while employees are interested in higher wages and job satisfaction. As a result, conflict arises in maintaining harmony between two groups. Frederick Taylor challenged this traditional method and started to develop new method. Workers were asked to do work as per order in traditional method. This is called rule of thumb. There

was no voice of workers. Dominance of owners increased. This time Taylor presented new concept with scientific approach instead of rule of thumb, which is known as scientific management.

2.3.1 Meaning : Scientific Management is a mental revolution on the part of particular unit of employees in factory. It's a totally mental revolution towards their tasks, duties, colleagues and owners.

2.3.2 Definition : Taylor defined scientific management as "Knowing exactly what you want your man to do, and then see to it that they do it in the best and the cheapest way."

Since Frederick Taylor himself was an Engineer, he found that till workers will not get higher and motivated wage rate, they will not work efficiently. Without getting work done in the traditional way, to get higher productivity, scientific methods should be used to have lower production cost. As Managers do not lower wage rate and Employees may not work, he suggested adopting scientific approach.

As a challenge to traditional approach he presented scientific management as a revolutionary thought, where below stated matters were considered.

- (1) Each worker should be assigned work as per his mental and physical ability.
- (2) Each worker should be instructed to perform maximum work as per category.
- (3) Each worker doing efficient work rapidly should be paid more wage ie. More than 30 % to 100 %.

2.3.3 Principles of Scientific Management : Frederick Taylor's scientific approach was a revolutionary act. He was far from traditional method. So that workers and owners may work with harmony. He provided scientific management principles, which are as under :

(1) Scientific Method : To do work, Scientific method should be adopted, abandoning traditional methods and thinking how best work can be done by analyzing work scientifically.

(2) Planning and Implementation : Instead of workers doing planning and implementation, it should be like Experts make planning and worker, should follow it.

(3) Job Analysis : Job analysis is the best way to get work done speedily with lower cost. Increased productivity can reduce cost of production after studying time study, motion study and fatigue study.

(4) Standardisation : Standardisation and simplicity are scientific process, which should be done in advance. Equipment, time, situation of work, resources etc. matters are considered for standardisation.

(5) Scientific Selection and Training : Selection of workers should be done appropriately and scientifically. For Scientific standards, benchmarks like education of employees, skill, guts, physical strength, training, etc. can be considered. Moreover, an employee should be assigned such work that must be according to his education, study and skill. There should be use of training to increase efficiency of workers from time to time. Also different kind of scientific tests should be used to know their work interest.

(6) Financial Motivation : Skilled workers should be given financial and other kind of motivations. Different kind of motivated wage schemes have been recommended for that. This wage system must be adopted on the basis of individual productivity of employee. Their wage rate should be decided not as per speculation, but should only be by scientific study.

(7) Economical : During the implementation of scientific management, scientific and technical base are not only considered but, emphasize on low production cost is also there. Cost estimation and cost control methods should be considered, deviations should be found and correct action should be taken.

(8) Mental Revolution : There should be mental revolution for achievement between owners and workers. Mental Revolution reduces stress between owners and workers and achievement of goals become easy.

2.3.4 Techniques of Principles of Scientific Management :

2.3.4.1 Time Study : Time Study means scientific study being done for time required to complete certain part of task. Whatever time is decided to finish this work in normal circumstances, is called standard time. As per Taylor, a task should be finished in prescribed time and its careful study is time study. Time study is useful for making optimum use of production equipments and achieving aims timely.

2.3.4.2 Motion Study : Motion Study means method of removing wastage of resources due to unnecessary and unproductive movement of men and material. If careful study is made when worker is doing movement at the time of working, then industrial fatigue of worker can be removed by removing wrong process of movement, and productivity can be increased. Main object of Motion Study is to find out a method which results in to minimum wastage of worker and it's implementation.

2.3.4.3 Differential Wage Rate Study : Differential wage rate study means wage given through wage related motivation based on time of work to workers. Frederick Taylor favored this motivational wage method. Each worker working in factory have different work efficiency. Considering this fact, efficient worker should get more wages, and worker having less efficiency should get lower wage in terms of more production. Considering this facts Frederick Taylor has given different wage rates.

2.4 Principles of Management by Henry Fayol

Henry Fayol who presented management principles, was French engineer and industrialist. He presented these principles in his book “Industrial and General Management” in 1961.

Henry Fayol, divided administrative principles of Industrial Unit in six parts for ease and clarification.

(1)	Technical Activities	It includes factory machineries and activities related production.
(2)	Commercial Activities	It includes activities like purchasing, sales, exchange of units.
(3)	Financial Activities	It includes procurement of capital, use of capital, fund maintenance, re-investment.
(4)	Safety Activities	It includes safety of employees, safety of assets, safety of goods (raw materials).
(5)	Accounting Activities	It includes financial statements and procuring necessary statistical analysis.
(6)	Management Activities	It includes planning, organisation, direction, co-ordination control activities.

The principles developed by Henry Fayol were totally new. He believed that to become successful Manager in any industrial unit, only knowledge is not essential, but it requires to be aware with suitable functioning method of respective industrial unit's format. Henry Fayol, based on his experience and knowledge, presented fourteen important principles of Management, which have proved very useful in management.

Management principles of Henry Fayol are as under :

- | | |
|-------------------------------|----------------------------------------------------------------------|
| (1) Division of Work | (2) Authority and Responsibility |
| (3) Discipline | (4) Unity of Command |
| (5) Unity of Direction | (6) Sub-ordination of Individual Interest to the
General Interest |
| (7) Remuneration of Personnel | (8) Centralization |
| (9) Scalar chain | (10) Order |
| (11) Equality | (12) Stability of Personnel Tenure |
| (13) Initiative | (14) Esprit de corps (Feeling of oneness) |

Presenting the said principles, Henry Fayol says that 'These are only directive principles. Success of these principles depends upon the sharp sense of management. It is a task of wisdom.' Explanation of these principles can be given as under.

(1) Division of Work : In management, more weightage is given on higher efficiency of employees and managers. Productivity can be increased by optimum use of production equipments. Moreover Division of Work is necessary to increase efficiency of employees and managers. Specialization is also possible through division of work. Division of Work should be done at managerial and factory level to take benefits of principle of specialization.

(2) Authority (power) and Responsibility : Power and responsibility are two sides of a coin. Power without responsibility and responsibility without power are incomplete. When a person is assigned a responsibility for some job, at same time power assignment is essential. While assigning the power, different parameters like post of employees, knowledge, qualification, experience, art of leadership, maturity, etc. should be considered, as a result enthusiasm of employees' rise and aim achievement becomes easy.

(3) Discipline : Optimum use of equipments and consistency of activities are very much necessary for industrial discipline. Discipline creates certain kind of harmonious environment. Industrial discipline established by certain kind of rules and code of conduct and as a result, governance takes place in unit. When employees are more, then control becomes easy through discipline and code of conduct. Employee's interest in job increases. Managers even can take work easily. Supervision, clear and appropriate contracts between workers and owners and appropriate implementation of punishments at every level are important for discipline.

(4) Unity of Command : Employees can not follow orders from more than one superior, hence this principle shows that employee should get order from only one superior for any job or activity. It means that employee should be responsible to only one superior for particular job or department. Due to this Principle, confusion never arises amongst employees in regards to order. If more than one orders are given, that creates confusion amongst employees and industrial discipline cannot be maintained due to that.

(5) Unity of Direction : Planning is an outline for future. This can be done through job division and specialization. If deviations are found during planning, then direction-guidance is provided. These directions should be given by superior authority. By doing this, co-ordination of all task and efforts can

be done easily. According to this principle there should be only one superior employees' group and this group should be doing job for only one purpose.

(6) Subordination of Individual Interest to the General Interest : Management is a collective activity. Hence there should be co-ordination between persons and departments. This results in an easy achievement of goals of Business Unit. This Principle shows that interest of individual or employee group should be considered as subsidiary against the interest of whole unit. This means that common interest should be prominent instead of individual interest.

(7) Remuneration of Personnel : Remuneration means return against the services provided by employees. According to this principle, Remuneration to employees of company should be suitable, ideal payment of wages makes stronger relationship between owner and employees. All employees do not work with the same efficiency in a unit. There are some efficient employees, who are giving more production and doing more work. They should be compensated against their efficiency. By doing this, worker turnover rate decreases. Promotional schemes like bonus, profit sharing, representation in managerial committee should be implemented for skilled workers.

(8) Centralization : There must be clarity that to which extent centralization or decentralization should be done to make successful management infrastructure. If powers are not delegated it is centralization. To make best use of employees' strength, principle of centralization should be adopted. Centralization has low success ratio in giant size units, hence centralization and decentralization is done as per the size of unit.

(9) Scalar Chain : This principle emphasize on creating chain from top level management to bottom level employees. Chain of power from higher administrative officers to bottom level employees should not be broken. Powers and responsibility should be vested as per their respective level. Employees working in a unit should be aware of who is responsible to whom. As a result a Scalar chain occurs, which moves from top to bottom and from bottom to top.

(10) Order : This principle emphasize on two parameters. Raw material arrangement and social arrangement. Each part of raw material should be at its appropriate place. Likewise, skilled employee should also be placed at right place. Arrangement should be done for recruitment of suitable employee in suitable place..

(11) Equality : Employees are a part of managerial system. Since the employees are human being, practical approach should be adopted to handle them. Superior should behave appropriately and uniformly while taking work from them. Efforts should be made to establish equality in unit by informal way instead of legal or traditional way. Behavior of employees is based on faithfulness, attitude, uniformity and justice.

(12) Stability of Personnel Tenure : Permanent and stable employees are asset of any business unit. An employee can develop himself by remaining to one unit and contributing in the achievement of goals of the business unit. As the employee remains for long time in any unit, his knowledge of system results into more productivity and also decrease labor turnover rate. There should be an arrangement for promotion; training, etc. for permanent employees.

(13) Initiative : As quality of entrepreneurship is necessary for Industrialists, in the same way there should be quality of initiation in employees. Industrialists should provide such atmosphere that initiation may be encouraged. Due to initiation, strength of independent working in an employee develops and it increases their leadership quality.

(14) Esprit de Corps (Feeling of Oneness) : Success of an industrial unit lies in mutual relations of managers and employees; hence there should be harmony in both classes. Managers should generate group feeling among employees. If all employees will work together then achievement of goals becomes easy.

Henry Fayol said that ‘above list is not last list of management principles. Managers can add new principles based on their experience, research and knowledge. These principles can be implemented in all kind of activities like business, economic, political and social.’

2.5 Contribution of Peter F. Drucker in the Field of Management

Peter F. Drucker (1909-2005) as a wellknown managerial leader was also a famous writer, philosopher and an educator. There was a change in global business arrangement due to globalization. Need of development of new methods of management was arisen. Peter F. Drucker favored for more importance to human asset in business unit. Peter. F. Druker’s important contribution was ‘Management by Objective (MBO)’ and principles of ‘Self-regulations’ are main. About Management by Objective he says that, there should be uniformity in aim of employees and managers for achievement of aim. Management by Objective is too much effective for different business formatted units. Their contribution lies in human resources management, marketing management and stress management. Hence, Peter F. Drucker is called Father of Modern Management.

What did you learn in this chapter ?

Principles of Management :

Meaning : If we say in simple words, it means some rules, principles are required for making comfortable men behavior in business unit. These principles are called management principles.

Concept : Management principles have direct relation with human behavior. Hence, there is space for addition of new principles with the changes from time to time. Management Principles are detailed and particular guide for decision making and its implementation.

Nature : (1) Universal acceptance (2) Flexible (3) General Guidelines (4) Based on Human behavior (5) Contingency.

Importance : (1) Increase in managerial efficiency (2) Maximum usage and effective administration of resources (3) Helpful for scientific and logical decisions (4) To cope up with changing business Environment (5) To fulfill Social responsibility (6) Useful for Research, Training and Development

Management Thoughts : Management thought is a presentation of unique thought presented time to time. Many management Gurus’ have provided different principles by expressing different views in these thoughts, which is called management thought.

Thoughts of Classical Theory : Thoughts presented till the end of 19th century is called classical thoughts. Frederick Taylor and Henry Fayol contributed in these thoughts through scientific management principles and management principles respectively.

Thoughts of Neo Classical Theory : In the start of 20th century, Australian Industrial Psychologist Alten Mayo Horthon created this thought. Neo classical thought emphasized on behavior oriented approach and group behavior for management.

Behavior Related Thoughts : Behavior related thought emphasizes on job satisfaction and increases the efficiency of employees through psychological findings. Behavior related thought includes inter human relations, inducement, leadership, disposal of industrial disputes, information, communication, etc.

Modern Thought : A unique professional class was arisen with management not confining to only business unit, where advocacy was made for psychology, social studies, statistics, Mathematics and computer information technology.

Frederick Taylor’s Principle of Scientific Management :

Meaning : Scientific Management is a mental revolution on the part of particular unit of employees in a factory. It’s a total mental revolution towards their tasks, duties, colleagues and owners.

Definition : As said by Frederick Taylor, “Knowing exactly what you want your men to do and see to it they do it in the best and the cheapest way.” workers and to see they do it certainly and least expense is Scientific Management.

Principles of Scientific Management : (1) Scientific Method (2) Planning and Implementation (3) Job analysis (5) Standardisation (6) Scientific Selection and Training (7) Economical (8) Mental Revolution.

Techniques of Principles Scientific Management :

Time Study : Time Study means scientific study being done for the time required for completion of certain part of task.

Motion Study : Motion Study means method of removing wastage of resources due to unnecessary and unproductive movement of men and material waste generated from unproductive movements unnecessary.

Differential Wage Rate Study : Differential wage rate study means method of encouragement related wages on the basis of time of workers’ work.

Management principles of Henry Fayol are as under : (1) Division of Work (2) Authority and Responsibility (3) Discipline (4) Unity of Command (5) Unity of Direction (6) Subordination of Individual Interest to the General Interest (7) Remuneration of Personnel (8) Centralization (9) Scalar chain (10) Order (11) Equality (12) Stability of Personnel Tenure (13) Initiative (14) Esprit de Corps (Feeling of Oneness).

Peter F. Drucker’s Contribution in the Field of Management :

He has mainly contributed to human resources management, marketing management and stress management. Hence, Peter F. Drucker is called father of modern management.

Exercise

1. Select the correct alternative and write answer to the following questions :

- (1) What is principles of management ?
(A) Result of experience (B) Management decide it
(C) Decided by experiments (D) Managers decide it
- (2) Why need arises to make changes in principles of management ?
(A) Change in assets (B) Change in capital
(C) Change in technology (D) Change in managers
- (3) Who is the promoter of Scientific Management ?
(A) Luther Gulick (B) Fredrick Taylor (C) Henry Feyol (D) Peter F. Drucker
- (4) Which thoughts were presented till the end of 19th century ?
(A) Neo classical (B) Pre-classical (C) Classical (D) Modern

- (5) Who was the promoter of Neo classical thought ?
 (A) Harzburg (B) Henry Fayol (C) Fredrick Taylor (D) Elton Mayo
- (6) Who said that “You save you employees, your employees will save yours” everything ?
 (A) C. K. Prahlad (B) Prof. Urvik (C) Aargris (D) Peter F. Drucker
- (7) Which Management Gurus given below have contributed in modern thought ?
 (A) C. K. Prahlad (B) Elton Mayo (C) Max Webor (D) Henry Gantt
- (8) Who had given general principles of management ?
 (A) Fredrick Taylor (B) Peter F. Drucker (C) Henry Fayol (D) Chester Barnard
- (9) Method of removing waste generated from unnecessary movement done in wrong directions from any work ?
 (A) Time Study (B) Motion Study
 (C) Different Wage Rates (D) Employee Observation
- (10) Who was the founder of principles of management by objective ?
 (A) Peter F. Drucker (B) Frederick Taylor (C) Henry Fayol (D) Max Webor
- (11) Which activity from the following is possible by implementing labour division ?
 (A) Aggregation (B) Specialization (C) Simplification (D) Integration
- (12) If employee does not get appropriate compensation then what rises ?
 (A) Labour turnover (B) Promotion of labour
 (C) Absence of labour (D) Decline of labour

2. Answer the following questions in one sentence each :

- (1) What is ‘Principle of management’ ?
- (2) What is time Study ?
- (3) What is unity of command ?
- (4) What is management thoughts ?
- (5) Which concepts are included in behavior related thoughts ?
- (6) In modern thoughts which other subject are related with management ?

3. Answer the following questions in short :

- (1) What is scientific management ?
- (2) What does the principle of equality ?
- (3) ‘Principles of management are flexible - Suggest.
- (4) In to which six parts, Henry Fayol divided his entrepreneur activities - Explain.
- (5) What is ‘Rule of Thumb’ ?
- (6) Explain the principle of unity of command.
- (7) Explain Taylor’s differential wage rate study.

4. Answer the following questions in brief :

- (1) Discuss about importance of the principles of management.
- (2) Write a short-note on modern thoughts.
- (3) ‘Principles of management are based on human behavior.’ - Explain the statement.
- (4) Explain behavior related thoughts.
- (5) Discuss about Peter F. Drucker’s contribution in management field.

5. Answer the following questions in detail :

- (1) Describe the principles of scientific management.
- (2) Describe in detail about classical thoughts.
- (3) Describe Henry Fayol’s principles of management.
- (4) Describe in detail about Nature of management.



What will you learn in this chapter ?

- Introduction
- 3.1 Planning
 - 3.1.1 Concept
 - 3.1.2 Definition
 - 3.1.3 Characteristics
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Introduction

Business is an economic activity, which has the motive of earning profit. Business enterprise has to collect complete informations of various activities to be performed well in advance and consider matters like, who will do, what type of work, how, when and to what extent. Thus planning is forecasting the future in present. Planning is a universal process. Whether it is a battle-field, a play ground, a business unit, a political institute, a religious institute or a social institute, planning is required in every field.

3.1 Planning

What we want to achieve in future and how ? For this various alternatives are to be considered and from those the best alternative is to be selected.

3.1.1 Concept : Planning is to collect informations for the activities to be undertaken in business, consider them in advance and plan out how to do these activities.

3.1.2 Definition :

- **According to Bill Goetz**, “Task of planning is choosing.”
- **According to George R. Terry**, “Function of planning means, assumption for results, policy to follow function, stages and to decide the method to be followed.”
- Planning is an intellectual process to achieve goal.

3.1.3 Characteristics :

(1) **Universal Process :** Planning is a universal process. It is present in every field like business, politics, education, religion or a social field.

(2) **Primary Function :** Planning is the primary function of management. Management starts with planning. Other functions of management like organisation, staffing directing, controlling are implemented on the basis of planning.

(3) **Conscious and Mental Process :** Planning is a conscious and mental process because in planning, decisions are taken consciously and on the basis of calculative assumptions.

(4) **Flexibility :** Planning contains various calculations and assumptions. Business enterprise is affected by external factors therefore necessary changes should be made in planning as per time, circumstances and situations. Flexibility is the precondition for planning. Planning is not a static element.

(5) **Precise :** Planning is a process for the future. The matters considered for planning are to be studied exactly. Statistical data, collected informations, etc. must be perfect and precise.

(6) **Forecasting is Essential :** Forecasting is done by considering future uncertainties while making a plan for a business unit. Therefore, forecasting and planning are considered as the first function of management.

(7) **List of Alternatives** : Planning in any field includes various plans and alternatives e.g. There can be many alternatives to increase the sales in future like increase in advertisement, reduction in prices, training to salesman or declaration of attractive offers to increase the sale, etc. Selection of the best alternative out of it is to be done.

(8) **Concerned with Future** : Planning presumes uncertainties involved in future. Forecasting and assumptions are done later on. In short, planning is related with future because it is evaluating future at present and accordingly making arrangement for the same.

(9) **Continuous Process** : Planning is a continuous and perennial process. Planning is that process which begins with the establishment of the organisation and continuous till the end. As per time and circumstances, the plans are also required to be changed.

(10) **Objective Oriented Activity** : Planning is made to achieve pre-determined objectives of the business. Management decides future targets as per objectives of business. Accomplishment of objectives become easy if the targets are pragmatic. Thus planning is an objective oriented activity.

(11) **Requires Decision Process** : Planning involves selection of the best alternative. Various alternatives are considered and assumptions are made and the decision is taken to select the best alternative. Thus decision making process is necessary in planning.

Planning is vital for business and an outline for the future. Planning is necessary in every field. Hence, Government, private sector or any other sector make plans for their activities. Central Government of India has accepted the importance of planning and has constituted the planning commission. It consists of experts from various fields. The importance of planning is as follows :

- (1) All activities are done systematically due to planning.
- (2) Wastage of resources can be avoided.
- (3) Planning reduces future uncertainties.
- (4) Planning leads to precision.
- (5) Useful for accomplishment of objectives.
- (6) Smoothness in other managerial functions.
- (7) Planning increases employees co-operation.
- (8) Effective control becomes possible.
- (9) Planning co-ordinates various activities.

3.1.4 Limitations : Planning is a universal process. None of the fields can work without planning. Planning is a guiding factor, which is neither perfect nor imperfect. As per critics and experts, the limitations of planning are as follows :

(1) **Uncertain Future** : Planning is based on assumptions and forecasting which is made for the future. But future is uncertain. Therefore assumptions are not fully correct. Uncertainties prevail in planning as it is related with future.

(2) **Expensive Process** : Experts have to be engaged for planning function. They are charging high fees. Moreover, the framing of plans require time, energy and money. Thus planning is an expensive process.

(3) **Time Consuming** : Planning involves collection of necessary informations, its classification, analysis and interpretation to decide alternatives for the business. Thus it is a lengthy and time consuming process.

(4) **Planning is Irrelevant** : Planning involves uncertainties. Planning becomes irrelevant due to time, circumstances or factors affecting business unit. In that case, planning is liable to fail.

(5) **Tends towards Rigidity** : Planning is adopted as a programme for the future. If any adverse situation occurs, managers or employees do not take the risk of deviating from the plan. They stick to the planning during implementation stage. Thus, planning leads to rigidity.

(6) **Uncertainty of External Factors** : Business units are affected by external factors which keep on changing. That hinders the success of planning.

(7) **Incomplete Information** : Necessary informations are to be collected for the planning process. Formulation and implementation of plan on the basis of incomplete and unclear informations may not give the desired result.

(8) **Restriction on Employees' Creativity** : Implementation of planning is done by employees of the business unit. Though employees have creativity, cannot make any changes in planning during its implementation. Thus planning restricts the creativity of employees.

(9) **Use of Faulty Methods** : While deciding assumptions and estimates, different mathematical and statistical methods are used. If these methods or informations are not appropriate, faulty decisions are taken. Thus planning is liable to fail.

Other than these, many other factors are affecting planning like changes in technology, prejudice of planner, ignorance of facts, problem of leadership, etc. In spite of it, planning allows us to control the change. It is fact that there is no alternative for planning.

3.2 Process of Planning

Planning is an intellectual process. Planning is a map of the future, in which management plays vital role. Future is uncertain therefore decided plan is to be implemented stagewise as given below :

(1) **Determination of Objectives** : The first step in planning is setting the objectives. It is said that, if objectives are determined in proper manner, planning becomes useful to the management. Objectives should be pragmatic, it means they should be realistic and intellectual.

(2) **Clarifying Planning Premises** : After determining the objective, clarification of planning premises is must in the planning process. These premises means assumption or forecasting. Forecasting is made after the consideration of internal and external factors affecting the business unit. If the premises are not clear and precise, there is possibility of the failure of planning.

(3) **Collection and Analysis of Information** : After planning premises, necessary information has to be collected either directly or indirectly. After the collection of information, its classification, analysis and interpretation are to be done. It helps to make assumption to get the expected result in future.

(4) **Preparation of Alternative Plan** : After collecting, analysing and interpreting informations, alternative plan is to be made. A list of alternatives is to be prepared. E.g. to sale the goods either by producing or by purchasing.

(5) **Evaluation of Alternatives** : Various alternatives which are considered feasible are taken for detailed evaluation. Factors affecting the business unit and contribution of each alternative is considered.

It is an intellectual process. Mathematical and statistical methods are used for the evaluation of alternatives. Business unit prepare an ideal plan as a model with the help of 'Operation Research' [O.R.].

(6) Selection of the best Alternative : The various alternatives are evaluated, analysed and scrutinized for the selection of best alternative.

(7) Formulation and Evaluation of Subsidiary Plan : Different projects or alternatives have to be considered as per basic plan or in support of basic plan. These plans are known as subsidiary/ derivative plan. E.g., A car manufacturing company is taking a decision 'make or buy tyres', then it is known as subsidiary plan. As the subsidiary plan is prepared, it is necessary to evaluate the same so it will not obstruct the basic plan in future.

(8) Evaluation of Plan : After formulation and evaluation of subsidiary plan, entire plan is evaluated. When ever it is necessary, a business unit takes the help of expert and consultant to evaluate the plan. It helps to get correct opinion as well as to take the appropriate decision. When we proceed step by step, the principle of 'Look and Leap' is to be adopted. At every stage evaluation is necessary.

3.3. Types of Planning

(1) Standing Plan : Standing plans represent guide line for decisions in repetitive situation hence standing plan can be used repeatedly. When there is repetition of organisational activities and a standard policy are decided for prompt action, it is known as standing plan. Policies, methods and rules are decided for a long time period in planning process. It helps the subordinates to take prompt decision regarding the related matters. E.g., Procedure for delivery of goods as per order of customers or if credit policy is decided before hand on permanent basis, it will help the employees to take prompt decisions. No employee will need the permission of superior regarding the same.

(2) Strategic Plan : Business units decide the objectives according to their philosophy. It is to be decided, through which philosophy the business unit will function through out the life. It is known as business objectives. For the accomplishment of objectives, long term and short term strategies are decided. A business unit decides its plan after the consideration of its strength and drawbacks. Foresightedness and experience are essential for these plans. Effects of strategic plans are seen in the long term. Consistent decisions are to be taken for these plans. It means scope of decision is important in this plan.

(3) Tactical Plan : For the accomplishment of business objectives, short term plans are prepared by middle level of management, it is known as Tactical Plan. These are plans which usually span one year or less. These plans clarify short term objectives. Hence business activities remain goal oriented and take place in a systematic manner. It is concerned with what the departmental heads and employees must do. Specialised knowledge and skill are necessary for the formulation of these plans.

(4) Operational Plan : Operational plans are the specific result expected plans from the departments, work groups and individuals. Generally, these plans are for short duration as for one year. E.g., Monthly or quarterly production plans are made for achievement of objectives of annual production. These plans are made by departmental heads for the implementation of strategic plan. Implementation of this plan becomes easy, if it is made after the necessary discussion with concerned employees, as these plans are related with routine work. Operational plan is almost similar to tactical plan.

(5) **Single Use Plan** : A useful plan is prepared for achievement of special objectives. This plan is made for special activities. One time plan is applied to those activities which do not recur. For example, for the activities like ship making, construction of house, packaging, printing, etc. this plan is important.

(6) **Contingency Plan** : Business unit has to co-ordinate with changing situations. Business environment is also keep on changing due to political, economical, social or natural factors. Due to these reasons, if changes are to be made in original plan or a new plan is made, it is known as contingency plan.

3.4 Elements/Components of Planning

Planning is an intellectual process. Planning is based on subsidiary planes and programmes, which are known as elements of planning. E.g., To prepare a budget for a business unit, first of all departmental budgets are prepared. After having the discussion regarding it, a final budget for entire business unit is prepared.

(1) **Objectives** : The purpose of every business is to determine and fulfil objectives. While determining objectives, all the factors affecting business are to be considered. Objectives must be pragmatic. It should not be over ambitious.

(2) **Strategy** : Contrivance used for the accomplishment of pre-decided objectives of planning is known as strategy. It makes the business unit capable enough to face the competition or to survive against the other factors. Strategy is used in the field like army and sports. Strategy should be kept confidential from the competitors. An ideal strategy gives guarantee of success of a business unit.

(3) **Policy** : Decisions and strategies are decided by management for accomplishment of objectives are known as policy. Policy creates distinct image of the business unit. It gives an idea of efficiency and working style of the business unit. Like an objective, policy should be pragmatic and real. E.g., Policy of sale of goods on credit basis.

(4) **Method/Procedure** : Method is an arrangement for carrying out business programmes. Strategy depicts the arrangement of facing competition. Policy gives informations to fulfil the objectives while method refers to the best way of accomplishment of pre-determined objectives. E.g., A business unit tries to fulfil the objective of annual sale on the basis of figures available of quarterly sale. It helps to raise the chances of success. In short, method refers to the best way of performing a task.

(5) **Rules** : Rules are necessary to accomplish the functions of planning. Rules decides the procedure and give the clear understanding. It ensures discipline among the employees. Rules make accomplishment of objectives and supervision easy. E.g., “Use of mobile during working hours is prohibited”, “No smoking at work place”, etc.

(6) **Budget** : Budget is used as a tool of control for the accomplishment of business objectives. Different types of budget are prepared like capital expenditure budget, sales budget, production budget, production cost budget, cash budget, etc. Budget keeps control over the business activities and makes the management efficient one.

(7) **Programme** : Programme is a sequence of activities to be undertaken by a business unit. If the work is done according to programme, problems do not arise in accomplishment of objectives. The function of management is not only to see that the work carried out according to programme but also to compare it with the standards. Along with these, to take corrective step if any deviation is found.

What did you learn in this chapter ?

Concept of Planning : Planning is to collect informations for the activities to be undertaken in business, consider them in advance and plan out how to do these activities.

Definition : According to Bill Goetz, “Task of planning is choosing.”

Characteristics : (1) Universal process (2) Primary function (3) Conscious and mental process (4) Flexibility (5) Precise (6) Forecasting is essential (7) List of alternatives (8) Concerned with future (9) Continuous process (10) Objective oriented activity (11) Requires decision process

Importance : (1) Activities in systematic manner (2) Avoids wastage (3) Reduces uncertainties (4) Leads to precision (5) Useful for achievement of objectives (6) Smoothness in other managerial functions (7) Employees’ co-operation. (8) Effective control (9) Coordinates various activities

Limitations : (1) Uncertain future (2) Expensive process (3) Time consuming (4) Planning is irrelevant (5) Tends towards rigidity (6) Uncertainty of external factors (7) Incomplete information (8) Restriction on employees’ creativity (9) Use of faulty methods

Process of Planning : (1) Determination of objectives (2) Clarifying planning premises. (3) Collection and analysis of information (4) Preparation of alternative plan (5) Evaluation of alternatives (6) Selection of the best alternative (7) Formulation and evaluation of subsidiary plan. (8) Evaluation of plan

Types of Plan : (1) Standing plan (2) Strategic plan (3) Tactical plan (4) Operational plan (5) Single use plan (6) Contingency plan

Component / Elements of Planning : (1) Objectives (2) Strategy (3) Policy (4) Method / Procedure (5) Rules (6) Budget (7) Programme

Exercise

1. Select the correct alternative and write answer to the following questions :

- (1) Mention first function of management.
(A) Organising (B) Planning (C) Directing (D) Controlling
- (2) Planning is related to
(A) Past (B) Present (C) Production (D) Future
- (3) What is the first step of planning process ?
(A) Defining objectives (B) Clarifying planning premises
(C) Preparing alternative (D) Formation of subsidiary plan
- (4) Planning function means
(A) Routine function (B) Fixed function (C) Function of choice (D) Difficult function
- (5) Decisions and strategies are decided by management for accomplishment of objectives are known as
(A) Programme (B) Policy (C) Rules (D) Budget
- (6) What is pre-condition for successful planning ?
(A) Long term (B) Short term (C) Organisation (D) Flexibility
- (7) State the last step of planning process.
(A) Evaluation of plan (B) Selection of best plan
(C) Verification of planning (D) Determination of alternative

- (8) Which of the following is the element of planning ?
 (A) Continuous process (B) Controlling
 (C) Directing (D) Rules
- (9) Which of the following plans determines the objectives of business ?
 (A) Standing plan (B) Strategic plan (C) Tactical plan (D) Single use plan

2. Answer the following questions in one sentence each :

- (1) In which fields is planning found ?
- (2) Give full form of O.R.
- (3) What are the first and last functions of planning ?
- (4) When is the principle of 'Look and Leap' adopted ?
- (5) State types of budget.
- (6) Mention reasons for the uncertainties in planning.
- (7) What is planning premises ?
- (8) What is method / procedure ?

3. Answer the following questions in short :

- (1) What do you mean by determination of objectives ?
- (2) What is planning.
- (3) What is the need of strategy ?
- (4) State the elements or components of planning.
- (5) What is subsidiary plan ?
- (6) What is final budget ?
- (7) "Planning should be flexible." Why ?
- (8) "Planning is primary function of management." Explain.
- (9) What do you mean by policy ?
- (10) "Planning is an expensive process." Why ?

4. Answer the following questions in brief :

- (1) "Planning brings smoothness in managerial function." Explain.
- (2) Explain any four elements or components of planning.
- (3) Explain any four limitations of planning.
- (4) Discuss the importance of planning.
- (5) Explain operational and contingency plans.
- (6) Discuss single use plan and contingency plan.
- (7) Explain the following statements :
 - (i) "Planning is a conscious and mental process."
 - (ii) "Planning is irrelevant."
 - (iii) "Planning is concerned with future."

5. Answer the following questions in detail :

- (1) What is planning ? Explain its characteristics.
- (2) Give the definition of planning and explain its process.
- (3) Explain elements or components of planning.
- (4) Explain limitations of planning.
- (5) Discuss types of plan.

What will you learn in this chapter ?

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- 4.1 Organizing
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 - 4.1.2 Definition
 - 4.1.3 Concept
 - 4.1.4 Characteristics
- 4.2 Steps for the Organizing Process
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- 4.5 Delegation of Authority
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Introduction

The goal of the organization is set by planning. The success of Management is not only based on planning but also on the effective implementation of planning. The formal administrative structure that is formed to enable effective implementation of planning is called Organizing. When more than one persons are working towards the achievement of a common goal, the effective organization is essential. The success and goal achievement of any unit/work depends on proper division of work, distribution of authority and responsibility, delegation of authority among the employees. The objectives which are determined at the time of formation of organizing process, are methodically applied and for the same, organizing is inevitable. Hence it is said that Management is the Brain of Business Enterprise, Planning is soul and Organization is its body.

4.1.1 Meaning :

- In general words...The structure formed in order to enable delegation of authority and responsibility towards the people actively engaged for common goal is organizing.

4.1.2 Definition :

- As per **Chester I. Bernard**, “The activity conducted by the co-operation of two or more people and their co-ordination is called Organizing.”

- As Per **Louie Allen**, “Organizing is the process of identifying and classifying the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.”

4.1.3 Concept : It is inevitable to have efficient organization for effective administration and management process. Most of problems of management arises due to ineffective organization in the management. Hence the business unit could not achieve its goal in the specific time. If the business unit has capable and effective organizing,