

Management Theory

By: S.K. Sardana

This reference book can be useful for
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Sample Preview of The Chapter

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MANAGEMENT THEORY

MANAGEMENT: INTRODUCTION AND OVERVIEW

1

Nature and Scope of Management

INTRODUCTION

Management is a science and art of managing men, money and material in a manner so as to increase the value of enterprise, money employed and its resultant increased value for its stakeholders, employees vendors.

Management is a process which functions through planning and administration so as to achieve the enterprise goals.

Objectives: To understand the nature and scope of management as science and art and its applications in various activities.

Introduction: Present day management is focussed on the integrated development of enterprises through its human resources, available employed funds for the growth of all its stakeholders through its professional managers.

Concept of Management: Management concept is efficient use of its available resources which include men, material, money market and management as an economic resource as a system of authority and as a class of elite personnel.

CHAPTER AT A GLANCE

MANAGEMENT AS A PROCESS

Management consists of multi-tasks involving a series of sequential actions complimentary to the objectives of achievement of common goals.

Management as Discipline: Since all management actions are based on systematic knowledge of

process and functions on the basis of observations and scientific investigations it is called a discipline.

MANAGEMENT AND ADMINISTRATION

Management and administration though directed to a single goal but are interpreted differently.

Management can be said to be administrative management and operative management. Administrative management plans and directs and is at top level, operative management is at middle level and ensure execution of plans.

Management and administration have a same function of managing and execution but at different levels of management and they act differently in responsibility.

Definition of Management: Management is the process of achieving common goals of an enterprise through planning, organising, controlling and leading.

Management can be classified into four groups detailed below:

- (a) *Process School:* According to **Henri Fayol**, To manage is to forecast and plan, to organise to command, to coordinate and control."
- (b) *Human Relation School:* According to **Lawrence Appley**, "Management is the accomplishment of results through the efforts of other people."
- (c) *Decision School* defines management as rule-making and rule enforcing body.
- (d) *System and Contingency School.*

NATURE AND SCOPE OF MANAGEMENT

Nature of Management: Nature and importance of management are given below:

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(i) **Universality:** Management is universal as it is common and essential element of all enterprises as managerial skills are transferable and managers can be trained and developed.

(ii) **Purposeful:** Management always have a purpose and the success of management is measured in terms of achievement of the given purposes.

(iii) **Social Process:** Management operates through human resources which in turn are from the society and their training, motivation development is a social process.

(iv) **Coordinating Force:** Management depends in coordination of its various functions in a manner so as to achieve its goals.

(v) **Intangible:** Management is an unseen force though its presence can be felt by the results of its efforts.

(vi) **Continuous Process:** Management is continuous process for an enterprises to operate.

(vii) **Composite Process:** All the management functions are taken in a networked operation and can not be taken in isolation.

(viii) **Creative Organ:** Management provides sequence to its operations matching jobs to goals and human aspirations to enterprises objective through creative imagination.

Scope of Management: Management embraces all and its management works through well defined concepts, principles and deals with activities without which organisational progress is impossible.

MANAGEMENT AS A SCIENCE AND ART

Management is an art by its application based on Scientific theory as it explains phenomena and establishes cause and effect relationship between two or more variables.

Since management depends on human conduct and behaviour and is, thus, a social science and not a pure science. The art of management is the application of various theories of management and its scientific evolution by measuring the resultant efficiency of its managers and management.

MANAGEMENT AS A PROFESSION

Since management is a specialised kind of work practiced through classified knowledge requiring standards of practice and code of ethics established by a recognised body like law, medicine, accountancy as given below:

(1) **Systematic knowledge:** Management deals with distinct area of knowledge which is developed around functions of management its techniques of drawing knowledge from economics, mathematics and coordinating various functions with an attitude to acquire new knowledge and information.

(2) **Formalised method of acquiring knowledge:** Formal deviation for the practice of management is very common now-a-days and various educational and training of managers are available.

(3) **Performance-based status:** With advent of globalisation and non-monopolistic business environment the status of manager depends upon his performance and not on family reasons.

(4) **Code of ethics:** All professionals have to perform within a given code of ethics as propagated by established and recognised professional bodies, the management code is still in making.

(5) **Dedication and commitment:** Today's management success is more dependent on its dedication and commitment to achieve the goals as planned, agreed and worked upon by the stakeholders.

LEVELS OF MANAGEMENT AND SKILL REQUIREMENTS

Every management has some level depending on the size and scope of the enterprise broadly these are:

- (a) *Top level management:* Chairman, MD, & CEO, CFO.
- (b) *Middle level management:* Functional Heads/ Manager viz. Manager Finance, Manager Productions, Manager Marketing.
- (c) *Lower level management:* Supervisory management's viz. Divisional Managers.

Classification of Managerial Skills

(1) **Technical Skills:** Production needs different level of skills depending on the position, at the lower or supervisor level a very specific skill level is required whereas at higher level a general environment background is necessary.

(2) **Human Skill:** The basic skill required for a manager is the management of humans (Work force) so as to achieve the goals as established.

(3) **Conceptual Skills:** This skill is important for a manager to conceptualise the work performance in an integrated work environment and use its resources in much efficient manner.

Skill Mix for Different Levels of Management

Since a manager's job is very intricate and complex, he must have a mix of skills required for successful execution of his capabilities so as to achieve the objectives.

MANAGERIAL FUNCTIONS

Management functions for an enterprise depend on its size, type of business activities, market and capital size. However, the following basic management functions are common to all enterprises:

(1) Planning: Planning refers to seeing the future conditions and to adopt such practice which will help the organisation to grow. The planning process is made up of the following activities:

- (i) *Forecasting:* Looking ahead to find opportunities, problems likely to affect the enterprises.
- (ii) *Establishing Objectives:* To fix the goals to be achieved through organisational efforts.
- (iii) *Budgeting:* To allocate resources so as to minimize the costs.
- (iv) *Establishing procedures:* Developing and applying standardized methods for performing specific tasks.
- (v) *Developing policies:* To adopt standing decisions that will apply to frequent problems and questions which are of great significance to the organisation as a whole.
- (vi) *Programming:* To fix priorities and sequence of functions in an integrated manner in achieving the objectives.
- (vii) *Scheduling:* Specifying the time frame for programmed steps.

(2) Organising function: It is the process by which activities are defined and grouped and as authority relationship among them is established it consists of:

- (i) *Developing the organisation structure:* It involves identification of various tasks and grouping them into units or departments for performance.
- (ii) *Delegating authority to the managers* so as to help them get the needful done and be responsible for goals.
- (iii) *Establishing relations:* To establish relationship and creating conditions for mutually cooperative efforts of people in the organisation.

(3) Staffing: Staffing means finding suitable personnel, train them according to organisation needs, hire them and appraise them, manpower planning and management are part of staffing.

(4) Directing function: Directing involves giving directions to other employees in a manner that they understand the direction without doubting and can carry out the directions in completing their assigned jobs without much problem. Good direction is based on two-way communication.

(5) Controlling function: Controlling helps management in achieving goals in accordance with established plans. It involves the following:

- (i) Establishing performance standards for evaluating results.
- (ii) Performance as recorded on the progress of work.
- (iii) Performance evaluation against the standards set up.
- (iv) Corrective action to regulate operations remove deficiencies and improve performance.

SOCIAL RESPONSIBILITIES OF MANAGEMENT

Social responsibility of a management is the obligation towards the society for its larger good.

Reasons for Social Responsibilities

Since any enterprise is a commercial activity dependent on the society, so the enterprise must respond to social change and social aspirations. The enterprise must adopt such policies which help it enhance image and acceptability in the society.

Stake-Holders of the organisation

Every organisation has various stake-holders viz.

(i) Owners-Promoters: The management must strive to assure a fair and reasonable return of capital and its value addition over the years.

(ii) Employees: Employees of an organisation have a huge stake in the growth of the organisation and they expect the management to work in a way so that the organisation grows and their interests are fully taken care of.

(iii) Vendors: Vendors who supply various inputs to an enterprise for its operation look forward to a management policy which let them grow with the organisation.

(iv) Consumers: All production has to be consumed and as such the interest of consumers is of utmost importance to the management.

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(v) **Government Authorities:** All organisations must act as law abiding enterprises and pay all kind of taxes and levies in time.

(vi) **Society:** An enterprise must meet its social responsibility by recruiting, training and educating people in the local area of its operation and must protect environment and avoid pollution.

TERMINAL QUESTIONS

Q. 1. What is management? How is it defined?

Ans. Management is a process of attaining pre-determined objectives by directing activities of a group of persons.

Management is defined as a process through which pre-determined goals are achieved through employment of various resources available. Management can also be defined as the art of getting things done through by people through a process of planning, organising, leading and controlling the efforts of organisation.

Q. 2. Do you agree with the view that management is both a science and art? Substantiate.

Ans. It is agreed that management is both a science and an art.

The development of the process of management is based on experimentation, observation, standardisation and validation, though the science of management is not that empirical as other physical sciences viz. Physics or Chemistry, but it is a social science based on scientific study of human and social behaviour in hypothetical situations. The human behaviour is studied through observation of behavioural reactions as compared to physical reactions in pure science. The theory of management is based on various scientific studies done over the period and having been validated and proved by results obtained after scientific application.

Management is an art when applied for obtaining the pre-determined goals, since the application of management theories is to be carried out by human beings and human reactions can not be determined, hence the applying the same process through different human beings for entirely different results which needs to be evaluated against set standards is a fine art. Since the management goals have to be obtained through a well defined management process the application of this process is an art through which the scientific management operates.

To substantiate this, one will have to observe the process of management which include direction and control which include delegation of authority to perform and achieve the goals by scientifically developed work methodology.

Q. 3. What is profession? Is management is a profession? Why?

Ans. A profession is a specialised kind of work practiced through and by use of classified knowledge. Every job is a profession. For example, mason's job or a carpenter's job is a profession as it is based on classified knowledge a common language and practices through out the world.

Louis Allen has defined profession as: "A specialized kind of work practiced through and by use of classified knowledge, a common vocabulary and requiring standards of practice and code of ethics established by a recognized body."

Every profession has distinct characteristics and it is these characteristics which decide if it falls within the definition of a profession or not.

Whether the management can be called a profession or not is based on certain features as detailed below which will help to conclude whether the management can be called as a profession or not and if it is called a profession, why is this so:

(a) Systematic knowledge: Management deals with distinct area of knowledge which is developed around functions of management, the knowledge of these functions depend on drawing knowledge from economics, mathematics and social and human behaviours. Application of same theory by all managers in their decision-making is based on systematic knowledge and possession of experimental attitude in ever changing organisational environment.

(b) Formalized method of acquiring knowledge: Over the years the management of today is based on formalized method of acquiring knowledge through education and training and management education is catching up with the current and future needs.

(c) Performance-based status: Today's managements are professional and the status of its managers is based on performance and not on the basis of family or education.

(d) Code of ethics: Every profession is based and practiced on a well defined and established code of ethics. Today's managements are developing a code of ethics and art of acting in a manner so as to conform to a developed established code of ethics.