

**COMMON REFERENCE MATERIAL**

**OF**

**PRINCIPLES AND PRACTICES OF  
MANAGEMENT**

**SUBJECT CODE: MBA101**

**SEMESTER: MBA 1<sup>ST</sup>**

## **1. Define Manager?**

A manager is someone who coordinates and oversees the work of other people so that organizational goals can be accomplished. It is not about personal achievement but helping others do their job. Managers may also have additional work duties not related to coordinating the work of others.

## **2. Explain the types of managers?**

Managers can be classified by their level in the organization, particularly in traditionally structured organizations—those shaped like a pyramid

- 1) **First-line managers** (often called supervisors) are located on the lowest level of management.
- 2) **Middle managers** include all levels of management between the first-line level and the top level of the organization.
- 3) **Top managers** include managers at or near the top of the organization who are responsible for making organization-wide decisions and establishing plans and goals that affect the entire organization.

## **3. Define Management?**

**Mary Parker Follet** defines management as, “The art of getting things done through people”

**Management** involves coordinating and overseeing the work activities of others so that their activities are completed efficiently and effectively.

- 1) Coordinating and overseeing the work of others is what distinguishes a managerial position from a nonmanagerial one.
- 2) **Efficiency** is getting the most output from the least amount of inputs in order to minimize resource costs. Efficiency is often referred to as “doing things right” **Effectiveness** is completing activities so that organizational goals are attained and is often described as “doing the right things”

#### **4. Explain Management Functions.**

According to the functions approach managers perform certain activities to efficiently and effectively coordinate the work of others. They can be classified as

- 1) **Planning** involves defining goals, establishing strategies for achieving those goals, and developing plans to integrate and coordinate activities.
- 2) **Organizing** involves arranging and structuring work to accomplish the organization's goals.
- 3) **Leading** involves working with and through people to accomplish organizational goals.
- 4) **Controlling** involves monitoring, comparing, and correcting work performance.

Since these four management functions are integrated into the activities of managers throughout the workday, they should be viewed as an ongoing process and they need not be done in the above sequence.

#### **5. Explain Management Roles.**

In the late 1960s, Henry Mintzberg conducted a precise study of managers at work. He concluded that managers perform 10 different roles, which are highly interrelated.

Management roles refer to specific categories of managerial behavior.

Category	Role	Activity
<i>Informational</i>	Monitor	Seek and receive information, scan papers and reports, maintain interpersonal contacts
	Disseminator	Forward information to others, send memos, make phone calls
	Spokesperson	Represent the unit to outsiders in speeches and reports
<i>Interpersonal</i>	Figurehead	Perform ceremonial and symbolic duties, receive visitors
	Leader	Direct and motivate subordinates, train, advise and influence
	Liaison	Maintain information links in and beyond the organisation
<i>Decisional</i>	Entrepreneur	Initiate new projects, spot opportunities, identify areas of business development
	Disturbance handler	Take corrective action during crises, resolve conflicts amongst staff, adapt to external changes
	Resource allocator	Decide who gets resources, schedule, budget, set priorities
	Negotiator	Represent department during negotiations with unions, suppliers, and generally defend interests

Overall there are ten specific roles performed by managers which are included in the following three categories.

- 1) **Interpersonal roles** include figurehead, leadership, and liaison activities.
- 2) **Informational roles** include monitoring, disseminating, and spokesperson activities.
- 3) **Decisional roles** include entrepreneur, disturbance handler, resource allocator, and negotiator.

Although the functions approach represents the most useful way to describe the manager's job, Mintzberg's roles give additional insight into managers' work. Some of the ten roles do not fall clearly into one of the four functions, since all managers do some work that is not purely managerial.

## **6. Explain Management Skills.**

Managers need certain skills to perform the challenging duties and activities associated with being a manager. Robert L. Katz found through his research in the early 1970s that managers need three essential skills

- 1) **Technical skills** are job-specific knowledge and techniques needed to proficiently perform specific tasks.
- 2) **Human skills** are the ability to work well with other people individually and in a group.
- 3) **Conceptual skills** are the ability to think and to conceptualize about abstract and complex situations.

## **7. Explain Organization and its common characteristics & importance.**

An **organization** is a deliberate arrangement of people to accomplish some specific purpose. Organizations share three common characteristics:

- (1) Each has a distinct purpose.
- (2) Each is composed of people.
- (3) Each develops some deliberate structure so members can do their work.

Although these three characteristics are important in defining what an organization is, the concept of an organization is changing. The characteristic of new organizations of today include: flexible work arrangements, employee work teams, open communication systems, and supplier alliances. Organizations are becoming more open, flexible, and responsive to changes. Organizations are changing because the world around them has changed and is continuing to change. These societal, economic, global, and technological changes have created an environment in which successful organizations must embrace new ways of getting their work done.

The importance of studying management in today's dynamic global environment can be explained by looking at the universality of management, the reality of work, and the rewards and challenges of being a manager.

## **8. Explain the Rewards and Challenges of Being a Manager**

### Challenges

- a) Managers may have difficulty in effectively blending the knowledge, skills, ambitions, and experiences of a diverse group of employees.
- b) A manager's success typically is dependent on others' work performance.

### Rewards

- a) Managers have an opportunity to create a work environment in which organizational members can do their work to the best of their ability and help the organization achieve its goals.
- b) Managers often receive recognition and status in the organization and in the larger community; influence organizational outcomes; and receive appropriate compensation.
- c) Knowing that their efforts, skills, and abilities are needed by the organization gives many managers great satisfaction.

## **9. Explain Scientific Management theory of management**

**Scientific management** is defined as the use of the scientific method to determine the "one best way" for a job to be done. The most important contributor in this field was Frederick W. Taylor who is known as the "father" of scientific management. Using his principles of scientific management, Taylor was able to define the "one best way" for doing each job.

Frank and Lillian Gilbreth were inspired by Taylor's work and proceeded to study and develop their own methods of scientific management. Guidelines devised by Taylor and others to improve production efficiency are still used in today's organizations. However, current management practice is not restricted to scientific management practices alone. Elements of scientific management still used include:

1. Using time and motion studies
2. Hiring best qualified workers
3. Designing incentive systems based on output

## **10. Explain general administrative theory/14 principles of management.**

Henri Fayol and Max Weber were the two most prominent proponents of the general administrative approach. Fayol focused on activities common to all managers. He described the practice of management as distinct from other typical business functions.

He stated 14 **principles of management** which are as follows:

1. Division of Work
2. Authority
3. Discipline
4. Unity of Command
5. Unity of Direction
6. Subordination of individual interest to group interest
7. Remuneration
8. Centralization
9. Scalar Chain
10. Order
11. Equity
12. Stability
13. Initiative
14. *Espirit de corps*

## **11. Explain quantitative approach to management.**

The **quantitative approach** to management, sometimes known as *operations research* or *management science*, uses quantitative techniques to improve decision making. This approach includes applications of statistics, optimization models, information models, and computer simulations. The quantitative approach originated during World War II as mathematical and statistical solutions to military problems were developed for wartime use.

The relevance of quantitative approach today is that it has contributed most directly to managerial decision making, particularly in planning and controlling. The availability of sophisticated computer software programs has made the use of quantitative techniques more feasible for managers.

## **12. Describe Hawthorne Studies & its importance.**

The **Hawthorne Studies** were the most important contribution to the development of organizational behavior.

This series of experiments conducted from 1924 to the early 1930s at Western Electric Company's Hawthorne Works in Cicero, Illinois, were initially devised as a scientific management experiment to assess the impact of changes in various physical environment variables on employee productivity.

After Harvard professor Elton Mayo and his associates joined the study as consultants, other experiments were included to look at redesigning jobs, make changes in workday and workweek length, introduce rest periods, and introduce individual versus group wage plans.

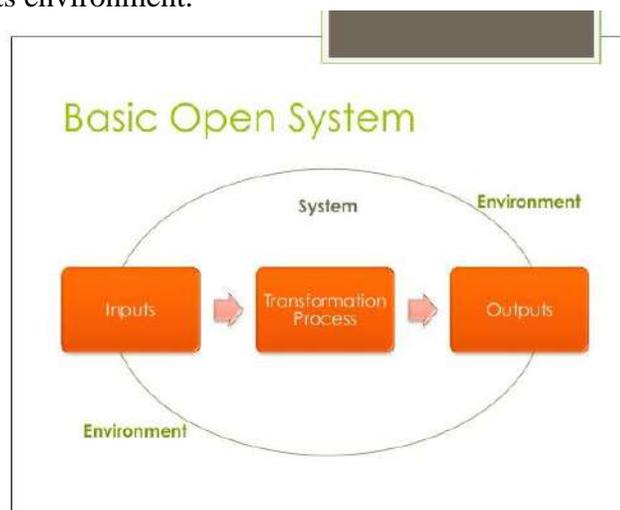
The researchers concluded that social norms or group standards were key determinants of individual work behavior.

Although not without criticism (concerning procedures, analyses of findings, and the conclusions), the Hawthorne Studies stimulated interest in human behavior in organizational settings.

In the present day context behavioral approach assists managers in designing jobs that motivate workers, in working with employee teams, and in facilitating the flow of communication within organizations. The behavioral approach provides the foundation for current theories of motivation, leadership, and group behavior and development.

### **13. Describe the Systems Approach.**

During the 1960s researchers began to analyze organizations from a systems perspective based on the physical sciences. A **system** is a set of interrelated and interdependent parts arranged in a manner that produces a unified whole. The two basic types of systems are open and closed. A **closed system** is not influenced by and does not interact with its environment. An **open system** interacts with its environment.



Using the systems approach, managers envision an organization as a body with many interdependent parts, each of which is important to the well-being of the organization as a whole. Managers coordinate the work activities of the various parts of the organization, realizing that decisions and actions taken in one organizational area will affect other areas.

The systems approach recognizes that organizations are not self-contained; they rely on and are affected by factors in their external environment.

#### **14. Explain the Social Responsibility & Its Different Views**

Two opposing views of social responsibility are presented:

The **classical view** is the view that management's only social responsibility is to maximize profits. The **socioeconomic view** is the view that management's social responsibility goes beyond the making of profits to include protecting and improving society's welfare.

A four stage model shows how social responsibility progresses in organizations. Social responsibility may progress from the stance of obeying all laws and regulations while caring for stockholders' interests (Stage 1) to the point of demonstrating responsibility to society as a whole (Stage 4), which characterizes the highest socioeconomic commitment.

Social Obligations to Responsiveness to Responsibility: **Social obligation** occurs when a firm engages in social actions because of its obligation to meet certain economic and legal responsibilities. **Social responsiveness** is seen when a firm engages in social actions in response to some popular social need. **Social responsibility** is a business's intention, beyond its legal and economic obligations, to do the right things and act in ways that are good for society.

A number of highly visible ecological problems and environmental disasters (e.g., Exxon *Valdez* oil spill, mercury poisoning in Japan, Three Mile Island, Chernobyl) brought about a new spirit of environmentalism. Recognizing the close link between an organization's decisions and activities and its impact on the natural environment is called the **greening of management**.

#### **15. Explain The Managerial Ethics & Factors That Affect Employee Ethics.**

The term **ethics** refers to principles, values, and beliefs that define what is right and wrong behavior.

## Factors That Affect Employee Ethics

1. **Stages of Moral Development.** Research confirms three levels of moral development. Each level has two stages.
  - a) The first level is called *pre-conventional*. At this level, the individual's choice between right or wrong is based on personal consequences involved.
  - b) At the second stage, which is labeled *conventional*, moral values reside in maintaining expected standards and living up to the expectations of others.
  - c) The third level—the *principled* level—the individual makes a clear effort to define moral principles apart from the authority of the groups to which the person belongs.
  - d) Research on the stages of moral development indicates that people proceed sequentially through the six stages of these three levels, with no guarantee of continued development at any stage. The majority of adults are at Stage 4. The higher the stage an employee reaches, the more likelihood that he or she will behave ethically.
  
2. **Individual Characteristics:** A person joins an organization with a relatively entrenched set of values.
  - a. **Values** are basic convictions about what is right and wrong. Values are broad and cover a wide variety of issues.
  - b. **Ego strength** is a personality measure of the strength of a person's convictions. Individuals who score high on ego strength are likely to resist impulses to act unethically and are likely do what they think is right.
  - c. **Locus of control** is a personality attribute that measures the degree to which people believe they control their own fate. Individuals with an internal locus of control think that they control their destiny, while persons with an external locus of control are less likely to take personal responsibility for the consequences of their behavior and are more likely to rely on external forces. Externals believe that what happens to them is due to luck or chance.
  
3. A third factor influencing managerial ethics is **structural variables**. The existence of structural variables such as formal rules and regulations, job descriptions, written codes of ethics, performance appraisal systems, and reward systems can strongly influence ethical behavior.

## 16. Explain The Purpose of Planning.

### Purposes of Planning

Planning serves a number of significant purposes.

1. Planning gives direction to managers and nonmanagers of an organization.
2. Planning reduces uncertainty.
3. Planning minimizes waste and uncertainty.
4. Planning establishes goals or standards used in controlling.



## **17. Define Goal & its types.**

**Goals** (often called objectives) are desired outcomes for individuals, groups, or entire organizations.

### **Types of goals**

- a. **Financial goals versus strategic goals**  
**Financial goals** related to the financial performance of the organization while **strategic goals** are related to other areas of an organizations performance.
- b. **Stated goals versus real goals**  
**Stated goals** are official statements of what an organization *says* and what it wants its various stakeholders to believe its goals are. **Real goals** are those that an organization actually pursues, as defined by the *actions* of its members.

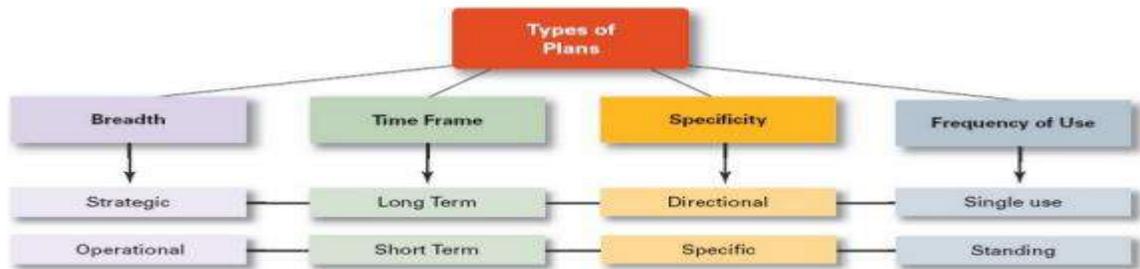
## **18. Explain the types of Plans.**

### **Types of Plans**

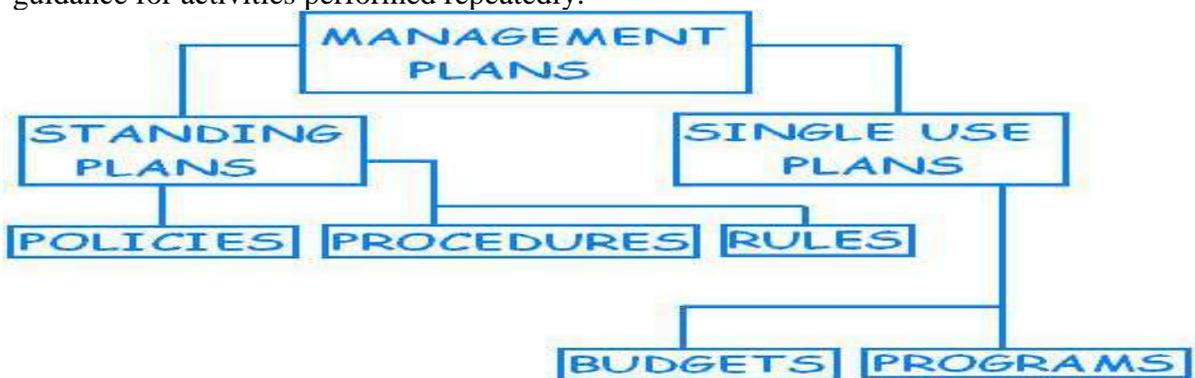
Plans can be described by their breadth, time frame, specificity, and frequency of use.

- On the basis of **Breadth** plans can be **Strategic or operational plans**. **Strategic plans** (long-term plans) are plans that apply to the entire organization, establish the organization's overall goals, and seek to position the organization in terms of its environment. **Operational plans** (short-term plans) are plans that specify the details of how the overall goals are to be achieved.

## Types of Plans



- On the basis of **Time frame** plans can be **Short-term or long-term plans**. **Short-term plans** are plans that cover one year or less. **Long-term plans** are plans with a time frame beyond three years.
- On the basis of **Specificity** plans can be **Specific or directional plans**. **Specific plans** are plans that are clearly defined and leave no room for interpretation. **Directional plans** are flexible plans that set out general guidelines.
- On the basis of **Frequency of use** plans can be **Single-use or standing plans**. A **single-use plan** is a one-time plan specifically designed to meet the needs of a unique situation. **Standing plans** are ongoing plans that provide guidance for activities performed repeatedly.



## Types of Management Plans

## 19. Explain the Management by objectives.

**Management by objectives (MBO)** is a process of setting mutually agreed-upon goals and using those goals to evaluate employee performance. Studies of actual MBO programs confirm that MBO can increase employee performance and organizational productivity. However, top management commitment and involvement are important contributions to the success of an MBO program.



The following steps are involved in a typical MBO program:

1. The organizations overall objectives and strategies are formulated
2. Major objectives are allocated among divisional and departmental units.  
Unit managers collaboratively set specific objectives for their units with their managers  
Specific objectives are collaboratively set with all department members
3. Action plans, defining how objectives are to be achieved, are specified and agreed upon by managers and employee
4. The action plans are implemented
5. Progress toward objectives is periodically reviewed,
6. Feedback is provided Successful achievement of objectives is reinforced by performance based rewards

## 7. Explain the steps in Goal Setting.

### Five Steps in Goals Setting

1. Review the organization's **mission** (the purpose of the organization).
2. Evaluate available resources.
3. Determine the goals individually or with input from others
4. Write down the goals and communicate them to all who need to know.

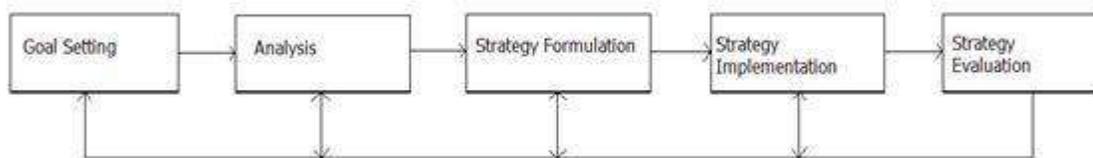
5. Review results and whether goals are being met. Make changes as needed.

## **8. Define Strategic management & its process.**

**Strategic management** is what managers do to develop the organization's strategies. Strategic management involves all four of the basic management functions—planning, organizing, leading, and controlling.

Strategic management has a is important for organizations as it has a significant impact on how well an organization performs. In today's business world, organizations of all types and sizes must manage constantly changing situations. Today's companies are composed of diverse divisions, units, functions, and work activities that must be coordinated. Strategic management is involved in many of the decisions that managers make.

The **strategic management process** is a six-step process that encompasses strategic planning, implementation, and evaluation.



### **Strategic Management Process**

#### **Step:1 Identifying the Organization's Current Mission, Objectives, and Strategies:**

Every organization needs a **mission**, which is a statement of the purpose of an organization. The mission statement addresses the question: What is the organization's reason for being in business? The organization must identify its current objectives and strategies, as well.

**External Analysis:** Managers in every organization need to conduct an external analysis. Influential factors such as competition, pending legislation, and labor supply are included in the external environment. After analyzing the external environment, managers must assess what they have learned in terms of opportunities and threats. **Opportunities** are positive trends in external environmental factors; **threats** are negative trends in environmental factors. Because of different resources and capabilities, the same external environment can present opportunities to one organization and pose threats to another

**Internal Analysis:** Internal analysis should lead to a clear assessment of the organization's resources and capabilities. Any activities the organization does well or any unique resources that it has are called **strengths**. **Weaknesses** are activities

the organization does not do well or resources it needs but does not possess. The organization's major value-creating skills and capabilities that determine its competitive weapons are the organization's **core competencies**. Organizational culture is important in internal analysis; the company's culture can promote or hinder its strategic actions. **SWOT analysis** is an analysis of the organization's strengths, weaknesses, opportunities, and threats.

**Step:2 Formulating Strategies:** After the SWOT, managers develop and evaluate strategic alternatives and select strategies that are appropriate. Strategies need to be established for corporate, business, and functional levels.

### **Step:3 Implementing Strategies**

**Evaluating Results** to know how effective the strategies have been and if any adjustments are necessary.

## **9. Explain the Types of Organizational Strategies.**

Strategic planning takes place on three different and distinct levels: corporate, business, and functional

### **Corporate strategy**

It is an organizational strategy that determines what businesses a company is in, should be in, or wants to be in, and what it wants to do with those businesses. There are three main types of corporate strategies:

- a. A **growth strategy** is a corporate strategy that is used when an organization wants to grow and does so by expanding the number of products offered or markets served, either through its current business) or through new businesses.
- b. A **stability strategy** is a corporate strategy characterized by an absence of significant change in what the organization is currently doing.
- c. A **renewal strategy** is a corporate strategy designed to address organizational weaknesses that are leading to performance declines. Two such strategies are retrenchment strategy and turnaround strategy.

**Corporate Portfolio Analysis** is used when an organization's corporate strategy involves a number of businesses. Managers can manage this portfolio of businesses using a corporate portfolio matrix, such as the BCG matrix. The **BCG matrix** is a strategy tool that guides resource allocation decisions on the basis of market share and growth rate of Strategic Business Units (SBUs).

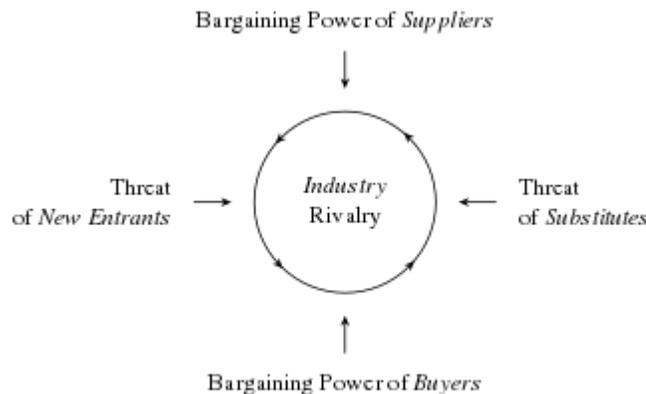
### **Business (Competitive) Strategy**

A **business strategy** (also known as a competitive strategy) is an organizational strategy focused on how the organization will compete in each of its businesses. Competitive advantage plays an important role in formulating the business strategy. A **competitive advantage** is what sets an organization apart, that is, its distinctive edge. An organization's competitive advantage can come from its core competencies.

If implemented properly, **quality** can be one way for an organization to create a sustainable competitive advantage. An organization must be able to sustain its competitive advantage; it must keep its edge despite competitors' action and regardless of major changes in the organization's industry.

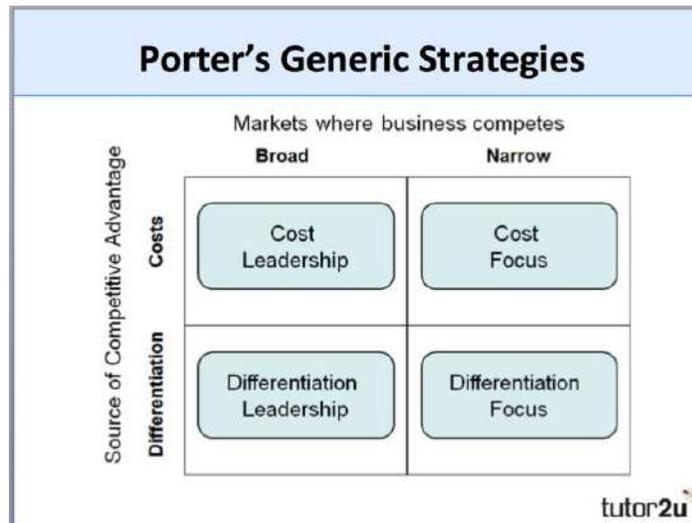
## **10. Explain Michael Porter's 5 force model & various strategies.**

**Michael Porter's** work explains how managers can create and sustain a competitive advantage that will give a company above-average profitability. **Industry analysis** is an important step in Porter's framework. He says there are five competitive forces at work in an industry; together, these five forces determine industry attractiveness and profitability. Porter proposes that the following five factors can be used to assess an industry's attractiveness:



- i. **Threat of new entrants.** How likely it is that new competitors will come into the industry? Managers should assess barriers to entry, which are factors that determine how easy or difficult it would be for new competitors to enter the industry.
- ii. **Threat of substitutes.** How likely is it that products of other industries could be substituted for a company's products?
- iii. **Bargaining power of buyers.** How much bargaining power do buyers (customers) have?
- iv. **Bargaining power of suppliers.** How much bargaining power do a company's suppliers have?
- v. **Current rivalry.** How intense is the competition among firms that are currently in the industry?

According to Porter, managers must choose a strategy that will give their organization a competitive advantage. Porter identifies three generic competitive strategies. Which strategy managers select depends on the organization's strengths and core competencies and the particular weaknesses of its competitor(s). Based on the above analysis, only three types of generic strategies are available to organizations to choose from. They are:



- a. **cost leadership strategy** is a business or competitive strategy in which the organization competes on the basis of having the *lowest costs* in its industry.
- b. A **differentiation strategy** is a business or competitive strategy in which a company offers *unique products* that are widely valued by customers.
- c. A **focus strategy** is a business or competitive strategy in which a company pursues a cost or differentiation advantage in a *narrow industry segment*.

An organization that has been not been able to develop either a low cost or a differentiation competitive advantage is said to be “**stuck in the middle.**”

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