

MANAGEMENT CONCEPTS

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All economic systems share the problem that human wants are unlimited while the resources with which to satisfy them are limited. You confront this problem every day and cope with it by assigning priorities to your wants and spending your limited income accordingly.

In our economic system, business firms try to anticipate what their target customers want and produce goods and services that they hope will satisfy these wants.

- Business people can profit if they produce things consumers want, but they assume the risk of losing their investment if they produce things that consumers do not want.
- A different situation exists in some other types of economic systems.
- Although these economic systems must also cope with unlimited human wants and limited productive resources,
 - They allow individual consumers and business people very little voice in coping with the economic problem
 - Because there are not enough resources to satisfy our unlimited wants we must choose what will and what will not be produced.
 - These choices determine how resources will be used.
- Under our economic system, independent decisions made by consumers and producers guided by the price system determine how resources are allocated.
- The business firm is the basic building block for the production of goods and services in our system.

- Most economic activity is channeled through business firms, which gather and organize re- sources for production.
- They do so in the hope of making a profit.
- In other words, businesses seek to make a profit in our market economy by supplying products that their present and potential customers want. Doing so, however, requires that they be willing to assume the risk of going into business
- Let's begin with a look at how a market economy works

THE BUSINESS FIRM

- Demand gives a firm an opportunity to provide want satisfying goods and services.
- Supply results from efforts by business firms to profit from this demand.
- The business firm is the basic building block for organizing production in our system.
- Through it, resources are organized for production.
- Land, labor, and capital must be gathered and converted into goods and services that can be sold.
- This business activity must be directed and guided by the management of business firms.

- Business activity requires decision making to produce and sell goods and services.
- It requires buying as well as selling. Thus the market plays a role.
- How resources are used depends basically on choices made by firms and consumers.
- Both are guided by market prices.
- The firm is the key to the market's operation.
- It guides the flow of resources through the marketplace. The firm is an input-output system.
- The inputs are productive resources that the firm buys in the marketplace.
- The outputs are the products and services it produces and sells in the marketplace.
- Both input and output depend on market prices.
- Resources and the goods and services produced from them are all scarce, which is why they command prices.
- The firm's costs of doing business (converting resources from one form to another) must be less than the sales revenues it receives from selling its output if it is to earn a profit.
- To determine how profitable it is, a firm must keep records of its costs and sales.
- The process of accounting traces the effects of resource flows on a firm's profits.

- The three major forms of business ownership are the sole proprietorship, the partnership, and the corporation.
- These are all forms of private ownership in contrast to public ownership.
- Private ownership is the most common form of ownership in the United States.
- But there is more public ownership today than there was fifty years ago.
- Most privately owned firms are sole proprietorships.
- Most of these are small and employ only a handful of people.
- In many, the owner is the only employee.
- Partnership is a firm owned by two or more persons who voluntarily go into business together.
- There are several different kinds of partnerships.
- Corporation is a creation of government authority, separate and distinct from its owners.
- It comes into existence when its owners are granted a corporate charter by the state in which it is formed.
- Ownership is gained by the purchase of shares of stock.
- What form of ownership is "best" depends on the circumstances in each situation.
- No sense is one form of ownership always better than another.

THE NATURE OF MANAGEMENT

- There are two basic types of work in any organization: Non managerial work
Managerial work
- Assembly-line workers who make home appliances perform operative tasks such as tightening bolts; and football players block, punt, and tackle.
- But the president of the May tag Company or the head coach of the Dallas Cowboys ordinarily do not perform such tasks.
- They spend their time planning company and team strategy and performing the other functions of management.
- A manager is a person who works through other people (subordinates), and "brings together" their efforts to accomplish goals.
- Of course, nonhuman resources, such as money and materials, are also involved.
- Management can mean the process of managing, a collection of managers, or an area of study.
- Our primary definition of management is the process of achieving goals through the efforts of others.
- Management is necessary in any organization that seeks to accomplish objectives.
- Without it, an organization becomes a collection of individuals, each going in his or her own direction with no unifying guidance toward organizational goals.

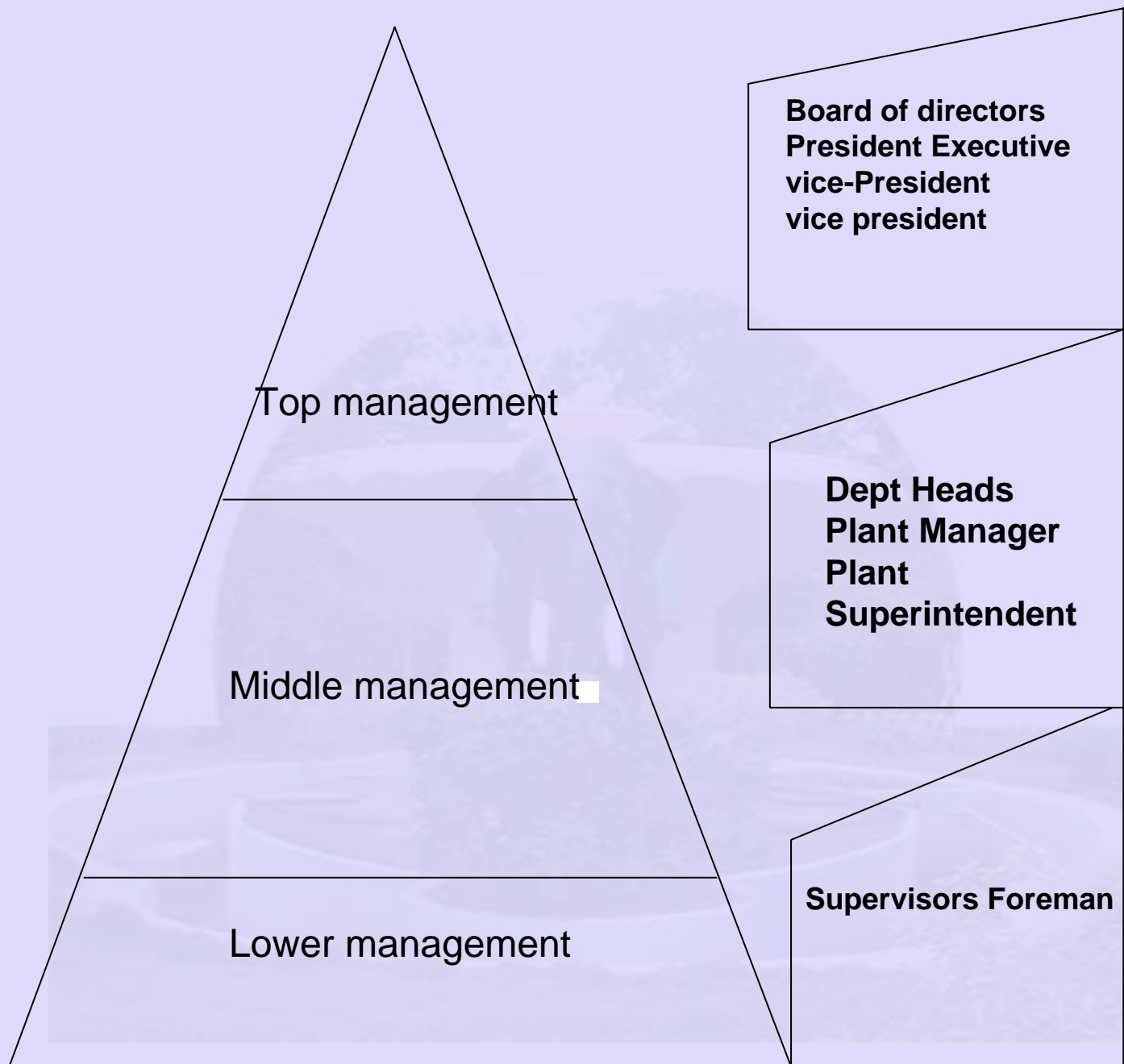
- The most important ingredient in a firm's ability to reach its goals is the quality of its managers.
- To look at it from another angle, poor management is the basic cause of business failures.
- Because a manager must work through others to accomplish goals, how those "others" view management is important to a manager's effectiveness

THE ECHELONS OF MANAGEMENT

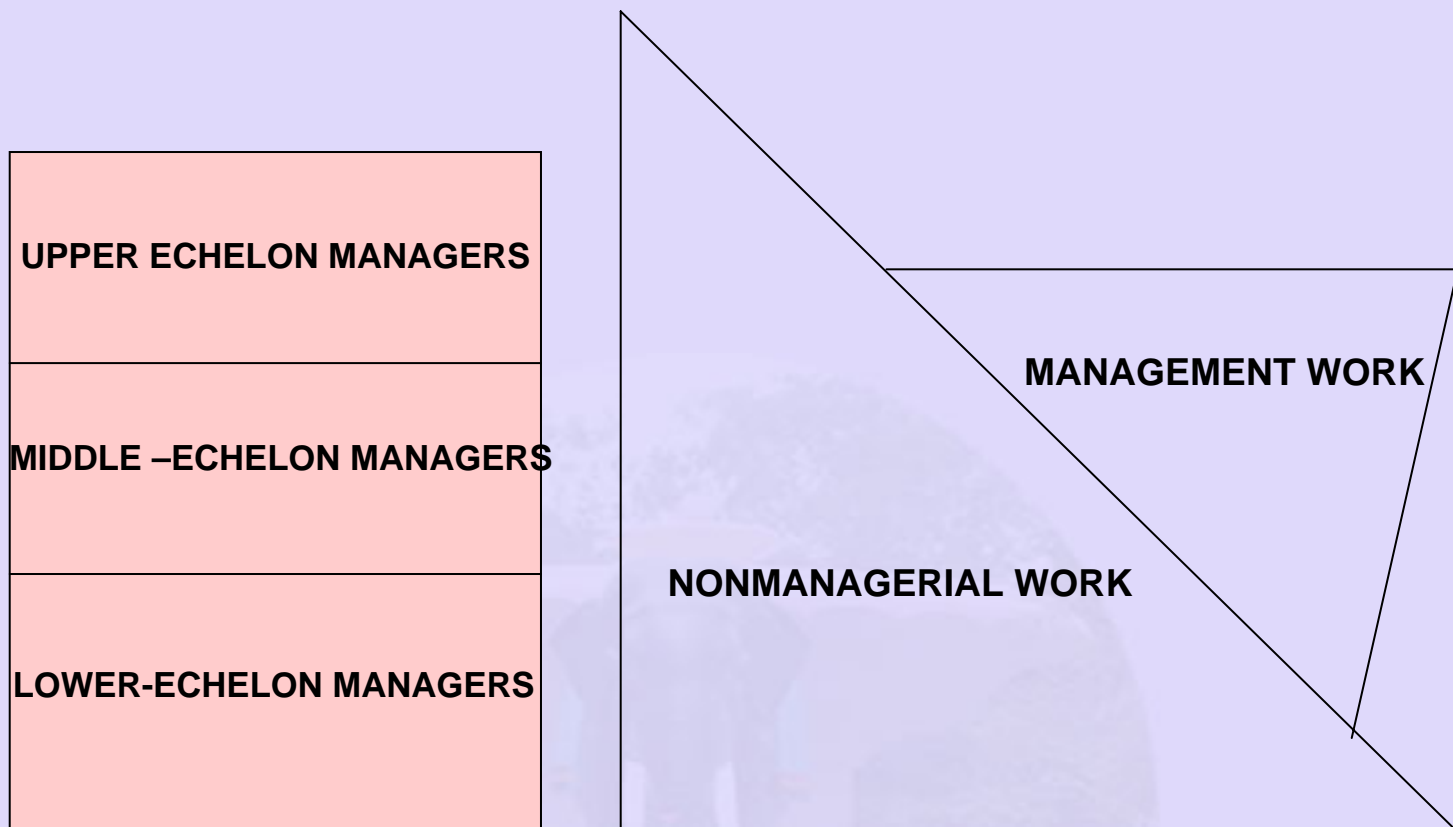
- Three levels of management that are found in most medium-sized and large firms-top, middle, and lower management.
- In very small firms, the owner usually is the only manager.
- In very large firms, there may be more than three levels of management

THE NATURE OF MANAGEMENT

- The different layers, or levels, of management in an organization are called the echelons of management.
- Members of top management work through a greater number of



- Effective managers view their subordinates as human assets and strive to create a work environment in which subordinates will put forth their best efforts to reach the firm's goals.
- Developing this human resource is a crucial task for all managers.
- People skills are equally important at all echelons of management.



- Technical skills are the manager's ability to understand and use techniques, methods, equipment, and procedures-to understand how things" operate.
- These skills are most important at the lower management level.
- Foremen, for example, must know how to operate the machinery their subordinates use.
- As a manager moves up the management hierarchy, technical skills become less important relative to the conceptual and people skills.
- Technical skills are the most difficult to transfer from one industry to another.
- It is harder for lower-level managers, whose major skill is technical skill, to move from one industry to another than it is for higher-level managers.

- Conceptual and people skills are more transferable.
- The higher a manager is in the management hierarchy, the more important it is to have knowledge in many areas.
- One of the toughest tasks for some younger managers is to broaden their outlook, to stop looking at their job from the viewpoint of their former job.
- Fortunately each of the managerial skills can be developed if a person is willing to work hard to learn them.
- They do not have to be "inborn."
- Effective managers are willing to learn.
- They keep up with developments in their field and in related fields and seek to apply useful knowledge to the management job.
- Considerable progress has been made recently in automating office operations.
- This can free clerical workers and secretaries from a great deal of routine work.
- Many managers see this as an opportunity for them to retrain these people to assume some of the more routine managerial tasks.
- This, in turn, frees managers to devote more time to conceptual work.

- **OTHER ASPECTS OF MANAGERIAL WORK**

- Effective managers can set goals and put forth the effort needed to accomplish them.
- They also have a high achievement need and recognize the value *of* time.
- They can cram more into a 24-hour day than people with a lower need for achievement.
- Managerial work also is a stress-creating type *of* work.

- **THE BUSINESS FIRM**

- Actually, nonmanagerial and managerial work both involve stress because individuals must subordinate, to some degree, their individuality and personal goals to the organization.
- Because managers must work through the efforts *of* subordinates, they must help them to manage their stress,
- Personality conflicts, the potential for conflict between different departments, and the conflict between labor and management are only a few *of* the sources *of* organizational conflict.
- Conflict can disrupt the smooth functioning *of* a firm and contribute to stress among workers and managers.
- Conflict, however, also can benefit the firm;
- It often leads to new ways *of* doing things, and it brings deep-seated problems to the surface where they can be dealt with.

- The accompanying tension often stimulates the flow of creative new ideas.
- Management, therefore, should try to control conflict, not eliminate it.
- A person who perceives an assigned task as important but too demanding experiences stress.
- People who have a high degree of self-confidence will usually perceive less difficulty in accomplishing a task than people who lack self-confidence.
- Stress on the job can come from within a person or from his or her work environment.
- Internal sources of stress include low self- confidence, poor health, low tolerance for frustration, and a tendency to set unattainable goals for oneself.
- Examples of external sources are boring and monotonous work, too much responsibility.
- Too little time to do the assigned work, and poor supervision.
- In recent years many managers and their companies have become more aware of the importance of coping with stress and strengthening the cardiovascular system.
- Approaches and techniques range from exercise and recreation to biofeedback.
- Many firms have employee exercise plans.
- Some firms have their own gyms and some pay all or part of the cost of individual membership in fitness clinics.

THE FUNCTIONS OF MANAGEMENT

- **Managerial work consists of performing the functions of management:**
- Planning
- Organizing, staffing ,directing, controlling
- Dividing managerial work into functions helps us to under-stand its nature, but, in the real world, managerial work cannot be divided into component parts.
- These functions are performed at the same time and are interdependent.

PLANNING

- Planning means preparing a firm to cope with the future.
- It involves setting the firm's objectives over different time periods and deciding on the methods of achieving them.
- **Setting Objectives**
- Because a firm is an economic and social organization, its objectives are both economic and social.
- An economic objective of most firms is to produce and sell goods or services that satisfy customer wants at a profit to the firm.
- Other examples of economic objectives are:
 - To maximize profits to achieve a 15 percent rate of return on investment .
 - To increase market share by 10 percent

- Greater awareness of the social responsibility of business has led to growing attention to social objectives.
- Large corporations especially recognize that cooperation in attaining social objectives is in their long-run interest.
- Some examples of social objectives are:
 - To provide employment opportunities for the disadvantaged unemployed, to support the arts
 - To improve race relations in the community
- Plans can be long-range, intermediate-range, or short-range.
- These periods, however, are not easily defined in terms of years or months.
- Long-range planning for Gulf Oil, Xerox Corporation, and United Airlines may cover a period of 10 or more years.
- Long-range planning for a small apparel store may cover a period of six months to one year.
- How far ahead a firm plans (Its planning horizon) depends on the particular industry a firm is in, its technology, and its products.
- Long-range planning makes it easier for a firm to adapt to a changing environment.
- The purpose is not to show how well the firm can predict the future but to gain insight into the actions the firm has to take in the present to help ensure that it will in fact, have a future.

- There are basically two different types of planning: strategic planning and operational planning
- Strategic planning is concerned with a firm's long-range future and its overall strategy of growth.
- This is the type of planning for which top-level managers are responsible.
- For example, RCA Corporation's decision to introduce Select a Vision was a result of top management's strategic planning.
- Operational planning is planning for the day-to-day survival of the firm.
- Middle and lower level managers engage mainly in this type of planning.
- For example, middle and lower-level managers planned the sales training program that RCA's Select a Vision distributors used to train their dealers' salespeople.
- Regardless of the time frame for a particular objective, it is generally accepted that sound Objectives should,be specific be measurable
- Identify expected results,be reachable with reasonable effort be expressed within a time frame for accomplishing them
- The person or department responsible for accomplishing objectives should have the necessary authority to accomplish them in order to prevent buck passing.
- Recently, many managers have been adopting the management by objectives (MHO), or managing by results, approach.
- The manager meets with each subordinate to set his or her objectives.

- The subordinate participates in goal setting and, if the objectives are accomplished, the subordinate is considered to have performed well.
- It's the result that counts!

MBO OFFERS THE FOLLOWING ADVANTAGES

- Subordinates know at the 'beginning of a planning period
- what is expected of them, thereby reducing their uncertainty about
- what they are supposed to accomplish
- Subordinates often enjoy participating with superiors in determining a method for measuring their performance
- which increases their motivation to reach the objective
- Subordinates are given more opportunity to use new approaches to reaching their objectives since MBO does not pre-determine the means for reaching objectives
- Managers have more confidence in future planning and predicting results

Managers who use the MBO approach assume that their subordinates

1. Have higher-level needs which they desire to satisfy through their work,
2. They are creative and have ideas and knowledge to bring to the job
3. They will work harder to accomplish goals which they help to set.

- Among the potential problems in implementing the MBO approach are
 1. Subordinate suspicion that the real purpose of MBO is to get more work out of them,
 2. Desire to "beat the system" by setting very minimal objectives to make their performance look good,
 3. Desire to "please management" by setting unrealistically high objectives, and
 4. Desire to avoid spending time with the boss discussing and writing objectives.
- Other problems may arise in integrating the various individuals' goals with those of the organization, setting a priority of objectives, and time-scheduling to accommodate them.

DECIDING HOW TO REACH OBJECTIVES

- In planning, managers rely on knowledge of past and present conditions in their environment.
- They use this to forecast probable future developments and to plan a course of action in accordance with this forecast.
- Because no one knows for sure what the future holds, managers operate under conditions of uncertainty.
- The future, however, is not completely uncertain.
- Some conditions can be more or less taken for granted and projected into the future, thereby reducing the number of planning "unknowns."

- For example, there is no doubt that 76 million Americans were born during the baby boom years 1946-1964.
- They now account for about one-third of our population.
- Firms that sell houses, home *t* appliances, and furniture knew years ago that when these people
- Reached their twenties and thirties they would be good prospects as buyers.
- But those firms could not have predicted as easily the high interest rates, high inflation, and high unemployment of the early 1980s that prevented many of them from buying new houses.
- Planners, therefore, plan in the face of something more than complete uncertainty and something less than complete certainty.
- They plan under conditions of risk;
- They have knowledge (or a good guess) about the likelihood of occurrence of some factors, but not all.
- Planning and decision making are bound up in a future filled with risk.
- This is why some managers avoid planning. They argue that it takes them away from "doing" and accomplishing results.
- They do not try to foresee problems; they "cross those bridges when they come to them."
- This, of course, is very shortsighted.

- Usually there is more than one way to reach an objective, but there is no sure way of identifying the "best" way.
- Most managers will choose the approach they predict will yield the highest return relative to cost.
- This type of analysis is called *cost., benefit analysis*

THE BUSINESS FIRM

- In other words, we set out the various plans that could be used to reach an objective.
- Underlying each plan is a set of planning premises, or assumptions about the future.
- Probabilities, or odds, are assigned to each set of premises to indicate our "best guess" as to which ones will become reality.
- Each plan's expected profit along with its probability of success also are estimated.

DECIDING HOW TO REACH OBJECTIVES

- The plan most likely to be chosen is based on the most realistic planning premises and offers the highest return, given the estimated probability of success in carrying out the plan.
- **Organizing**
- A firm becomes a structured organization through the process of organizing.
- Organizing is' the management function of relating people, tasks (or activities), and resources to each

- Other so that an organization can accomplish its objectives. Plans are carried out by the organizing process.
- Like planning, organizing also is a dynamic process.
- This means that changes in objectives and plans usually lead to changes in the organization's structure.
- We will discuss organizing in greater detail in Chapter 5.

THE SYSTEMS CONCEPT

- According to the systems concept, a firm is not the accounting department or the marketing department.
- It consists of a network of interrelationships among the various departments and their environment.
- The marketing research department is a *subsystem* of the firm.
- However, the firm is a subsystem of its industry, and the industry is a subsystem of the total economic system, and so on.
- Top management must integrate the various subsystems so that overall system performance can be improved.
- Top management also must work for acceptance of this view by others in the firm.
- The systems view underscores the need for top management to set clearly defined goals and to communicate them to lower-level managers and workers.

- In judging their effectiveness, credit managers tend to think in terms of reducing bad debts, while sales managers tend to think in terms of annual dollar sales increases.
- They often view the firm from different perspectives, but they should be striving to accomplish common goals.
- The more that company personnel view the firm as a system, the less their actions will conflict and the more efficient the firm will become.
- The credit manager recognizes that some bad debts are acceptable in order to increase sales.
- The sales manager recognizes the need to deny credit to customers with poor credit ratings in order to keep bad-debt losses down.
- This is the essence of the systems view. Another indicator of systems thinking is a firm's responsiveness to social problems.
- When a firm accepts social responsibility, it is viewing itself as a subsystem of the larger socioeconomic system.

STAFFING

- An organization is meaningless without people.
- The quality of its managers and workers probably is a firm's single most important asset.
- Staffing includes the recruitment, selection, training, and promotion of personnel to fill both managerial and nonmanagerial positions in a company.

DIRECTING

- Assume that we have developed plans, created an 'organization structure, and staffed it.
- It now must be stimulated to action through the management function of directing.
- Directing means encouraging subordinates to work toward achieving company objectives. It sometimes is called leading, guiding, motivating, or actuating.
- A manager's opinion of subordinates affects how they will be directed.
- Managers who think subordinates are lazy, irresponsible, and immature rely on rewards and punishments and use formal authority to get things done.
- Managers who think subordinates are responsible and are striving to achieve goals will likely "let them work."
- The amount and type of directing that are needed depend largely on the manager's view of his or her subordinates.
- The discussion that follows focuses on four basic concepts that relate to the directing function:
 - Participation
 - Communication .
 - Motivation
 - Leadership

- *Theory X managers and Theory Y managers.*
- Theory X managers assume that the average person inherently dislikes work, is, by nature, lazy, irresponsible, and self-centered
- Theory Y managers are security oriented and indifferent to the needs of the organization, want to avoid responsibility and have little ambition
- Managers who practice participative management do not rely only on their formal authority to issue orders to subordinates.
- Participative management means that the manager encourages and allows his or her subordinates to involve themselves directly in decision making that will affect them.
- McGregor has suggested that there are two types of managers,
 1. Theory X managers
 2. Theory Y managers
- Because they make these assumptions, Theory X managers believe that the average person must be threatened, coerced, and controlled in order to motivate him or her to work toward company goals.
- Theory Y managers make the opposite assumptions about the average person.
- Theory Y managers assume that the average person is capable of developing interest in his or her work
- Theory Y managers encourage their subordinates to commit themselves to working to reach company goals

- Working productively with a minimum of control and threat of punishment
- According to McGregor, workers who fit the Theory X manager's set of assumptions do
 - because of the nature of their work and the supervision they receive.
 - In other words, Their jobs and the supervision they receive tend to make the workers dislike their work, come irresponsible, and so on.
 - My managers believe that participative management is the key to building *employee morale*, the worker's attitudes about the job and employer.
 - The more that workers view : firm as the source of their need satisfaction, the higher their morale is likely to be.
- Most workers, however, *do* fit the Theory X assumptions.
- A manager who assumes they Theory Y assumptions probably will fail to motivate them.
- Furthermore, good employee morale is no guarantee of high employee productivity, Employees could be very happy on the job and still produce very little.
- They also could be very unhappy and have low morale and yet be very productive because they are afraid to be fired.

IT PARTICIPATIVE MANAGEMENT TO WORK EFFECTIVELY

- There must be adequate time to anticipate problems and make plans because participation requires more time than authoritarian decision making
- Subordinates must be assured that their participation is genuine or else they will not see any personal benefit from participating
- Managers must believe in it and trust their subordinates.
- Managers must understand that it involves accountability to subordinates as well as superiors because they no longer merely pass "orders" down the chain of command

COMMUNICATION

- Communication is a transfer of information between people that results in a common understanding between them.
- When workers believe that they are not only "talked down to" but can also talk up to their supervisors, two-way communication exists.
- Workers feel more important when their voice is heard.
- Modern managers recognize the advantages of two-way communication.
- Communication of orders may be initiated at the top.
- But feedback (the receiver's response) from people lower in the firm is critical to the planning and control functions because these people are closer to the situation than upper-level managers.

- A production manager who recently installed new machinery on the assembly line wants feedback from foremen regarding the machinery's performance.
- Foremen, in turn, want feedback from assembly-line workers.
- Motivation is the result of the drive to satisfy an internal urge.
- Managers must structure jobs so that they provide incentives that will satisfy workers' needs if those workers apply effort on the job.
- By doing this, managers can motivate their subordinates to work toward company objectives.
- The more effectively organizational and personal objectives are integrated, the more motivated workers are to achieve the organizational objectives.

MOTIVATION

- For many years, money has been used as the "carrot" (incentive) to motivate workers.
- Money is an effective motivator as long as most workers are focusing on satisfying their lower-level needs, such as the needs for food, clothing, and shelter.
- But for many workers today, money no longer is the all-powerful motivator.
- The Hawthorne Experiments mark the beginning of modern research into employee motivation and the human relations movement in management.

- These experiments were conducted between 1927 and 1932 at Western Electric's Hawthorne plant near Chicago.
- The researchers were studying the effects of the physical work environment on worker productivity.
- For example, it seemed reasonable to assume that better lighting would lead to greater employee productivity.
- The researchers found, however, that production increased when the lighting level was raised *or* lowered.
- The apparent explanation for this surprising result was the importance the workers felt because they were being studied by management.
- The human relations movement brought new approaches to motivating and leading employees.
- Managers have come to understand that people are people, on and off the job. Workers are not machines.
- All managers are responsible for motivating their subordinates, but managers are limited in what they can do.
- Foremen are limited by company policies on wage scales and fringe benefits, and the company's president may be limited by policies set by the board of directors.
- Because the typical employee is said to work at about 30 percent of capacity, however, motivating them to become more productive is a big challenge for all managers.

- An interesting view of motivation has given managers added insight into how to motivate
- 3 Frederick Herzberg's re-search led him to conclude that many factors managers often rely on to motivate workers are not true motivators.
- He divides job factors that generally are considered to be motivators into two groups:
 - Maintenance factors (hygiene factors), such as pay, working conditions, job security, and the nature of supervision
 - Motivational factors (motivators), such as achievement, recognition, responsibility, advancement, and growth potential
- Maintenance factors occur as part of the work environment.
- They are job context, or extrinsic, factors that are not part of the work itself.
- If they are absent or inadequate, they tend to be *dissatisfies*.
- Their presence, however, helps to avoid worker dissatisfaction.
- Thus poor pay and poor working conditions are dissatisfies but improving them will *not* provide true motivation.
- Motivational factors occur as part of the work itself. They are job content, or intrinsic, factors.
- Motivational factors make work rewarding in and of itself-they are *satisfiers*.

- Herzberg's motivation-hygiene theory has helped in focusing management attention on job content factors in motivating workers.
- Job enrichment is the process of redesigning jobs to satisfy higher-level needs and organizational needs by improving worker satisfaction and task efficiency.
- It gives workers more responsibility, authority, and autonomy in planning and doing their work.
- Some managers believe that job enlargement and job rotation can help in providing more satisfying work for subordinates.
- *Job enlargement* involves adding new tasks to a job in order to make it less boring and more challenging.
- It is especially useful for assembly-line jobs that are repetitive and monotonous and do not involve the worker's mental processes.
- *Job rotation* among management trainees has been practiced for many years to give them an overall view of the firm's operations and to prepare them for promotion.
- This practice has been used at the operative level in recent years.
- Workers periodically are assigned to new jobs in order to reduce boredom.
- The new job usually does not require the worker to learn a major new skills but it does, for example, give assembly-line workers a better understanding of the total production process.

- They can relate their specialized jobs to the creation of a finished product.
- Quite recently, a lot of attention has focused on quality-of- work-life programs.

LEADERSHIP

- Leadership is a manager's ability to get subordinates to develop their capabilities by inspiring them to achieve.
- It is a means of motivating them to accomplish goals.
- Leadership is practiced in different degrees by the people in a firm.
- The president is ultimately responsible for directing the entire firm.
- He or she sets the style of leadership in the firm. If the president is a dictator, other managers are likely to be dictators, too.
- One of the earliest leadership theories was the "great person" theory.
- It assumed that certain persons were gifted with leadership talent and that they would arise as great leaders in any situation.
- Examples of these "born leaders" are Alexander the Great, Napoleon, Abraham Lincoln, and Queen Elizabeth I. Another theory is the "trait's" theory.
- The "traitists" believe that leadership traits don't have to be inborn.
- They feel that leadership ability can be acquired through experience and learning.

- For years, the "treatises" have been searching for common traits among leaders, but there are striking differences among the lists compiled by various researchers.
- Some of the more common leadership traits, however, are intelligence, dependability, high tolerance for frustration, persistence, imagination, and cooperativeness.
- Most of the newer research on leadership has focused on leadership styles.
- Autocratic, dictatorial, or authoritarian .
- Democratic, or participative,laissez-faire, or free rein
- Accomplish (a standard). The office manager, for example, cannot exceed the budget for paper.
- In practice, setting standards is not always simple.
- How should management evaluate the production department's performance?
- On the basis of the number of rejects?
- On the basis of the average time required to produce an average unit of output?
- For many years, money has been used as the "carrot" (incentive) to motivate workers.
- Money is an effective motivator as long as most workers are focusing on satisfying their lower-level needs, such as the needs for food, clothing, and shelter.

- But for many workers today, money no longer is the all-powerful motivator.
- On the basis of the average cost of producing an average unit of output?
- Actually, all are important.
- A 3 percent reduction in rejects along with tripled production costs probably is not desirable.
- But whether it is or is not depends on the relative importance of avoiding rejects and avoiding cost increases.
- Second, a manager measures actual performance and compares it to the established standard.
- Measurement is not so simple either.
- There are many problems in measuring employee performance.
- In some jobs only quantitative results (number of units produced) are important.
- In other jobs qualitative results (quality of the units produced) are the crucial basis for comparison.
- The final element of control is taking corrective action.
- It is desirable to detect deviations from standards quickly.
- The longer that corrective action takes, the more it will cost.
- Establish - .Measurement --.Compare actual Variance Continue Standards Actual to standard 4 within --+

- Performance performance acceptable limits
- Variance exceeds acceptable limits
- Take corrective action
- The Role of Management Theory
- In the field of management, then, the role of theory is to provide a means of classifying significant and pertinent management knowledge.
- In the area of de- signing an effective organization structure
- for example, there are a number of principles that are interrelated and that have a predictive value for managers.
- Some principles give guidelines for delegating authority
- These include the principle of delegating by results expected, the principle of equality of authority and responsibility, and the principle of unity of command.
- Principles in management are fundamental truths (or what are thought to be truths at a given time),
- Explaining relationships between two or more sets of variables, usually an independent variable and a dependent variable.
- Principles may be descriptive or predictive, but not prescriptive.
- That is, they describe how one variable relates to another-what will happen when these variables interact.
- They do not prescribe what people should do.

- For example, in physics, if gravity is the only force acting on a falling body, the body will fall at an increasing speed;
- This principle does not say whether anyone should jump off the roof of a high building.
- Or take the example of Parkinson's Law:
- Work tends to expand to fill the time available. Even if Parkinson's somewhat frivolous principle is correct (as it probably is),
- It does not mean that a manager should lengthen the time available for people to do a job.
- As another example, in management the principle of unity of command states that the more often an individual reports to a single superior
- The more likely it is that the individual will feel a sense of loyalty and obligation and the less likely it is that there will be confusion about instruction.

THE PRINCIPLE MERELY PREDICTS.

- It in no sense implies that individuals should never report to more than one person. Rather, it implies that if they do so, their managers must be aware of the possible dangers and should take these risks into account in balancing the advantages and disadvantages of multiple command.
- Like engineers who apply physical principles to the design of an instrument, managers who apply theory to managing must usually blend principles with realities.

- An engineer is often faced with the necessity of combining considerations of weight, size, conductivity, and other factors in designing an instrument.
- Likewise, a manager may find that the advantages of giving a controller authority to prescribe accounting procedures throughout an organization outweigh the possible costs of multiple authority.
- But if they know theory, these managers will know that such costs as conflicting instructions and confusion may exist, and they will take steps (such as making the controller's special authority clear to everyone involved) to minimize disadvantages.

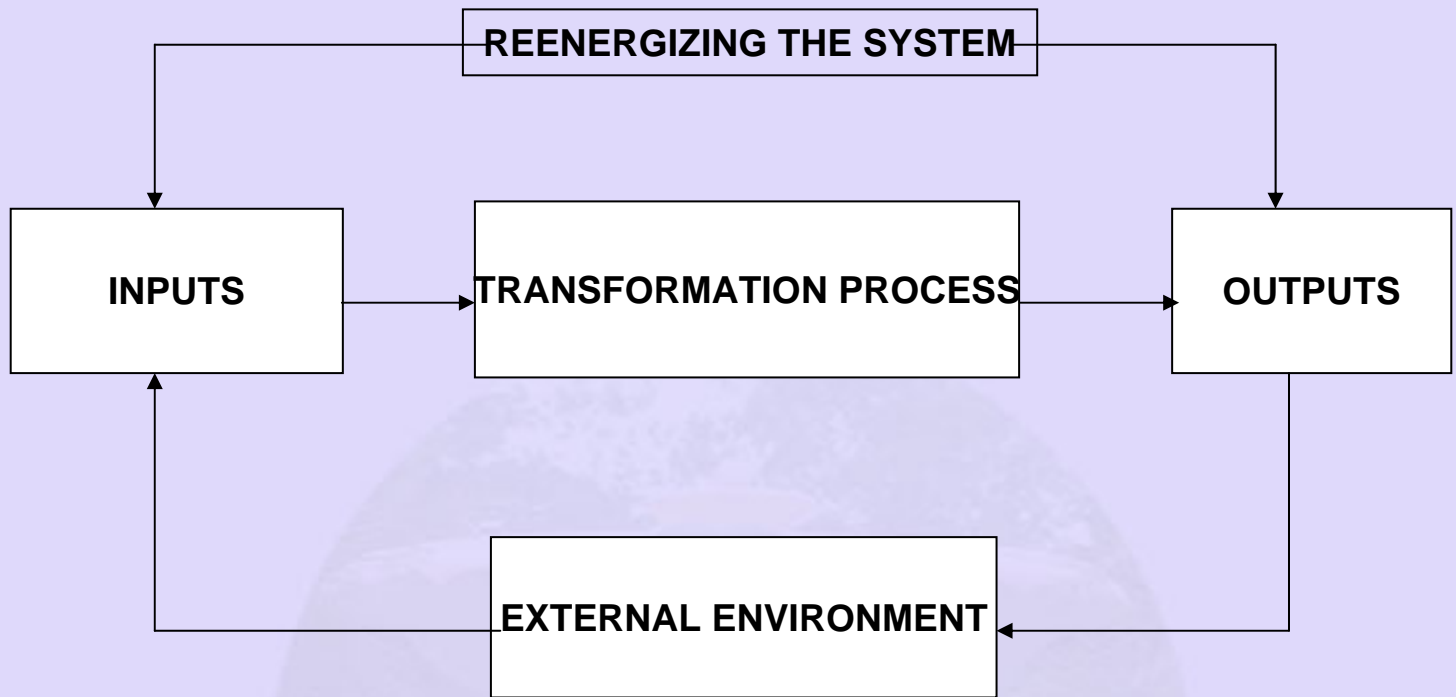
MANAGEMENT TECHNIQUES

- Techniques are essentially ways of doing things, methods of accomplishing a given result.
- In all fields of practice they are important.
- They certainly are in managing, even though few really important managerial techniques have been invented.
- Among them are budgeting, cost accounting, network planning and control techniques like the Program Evaluation and Review Technique (PERT) or the Critical Path Method (CPM), rate-of-return-on-investment control, and various devices of organizational development.
- Techniques normally reflect theory and are a means of helping managers undertake activities most effectively.

THE SYSTEMS APPROACH TO OPERATIONAL MANAGEMENT

- An organized enterprise does not, of course, exist in a vacuum.
 - Rather, it is dependent on its external environment;
 - It is a part of larger systems such as the industry to which it belongs, the economic system, and society.
 - Thus, the enterprise receives inputs, transforms them, and exports the outputs to the environment, as shown by the very basic model in Figure 1-4.
 - However, this simple model needs to be expanded and developed into a model of operational management that indicates
 -
 - How the various inputs are transformed through the managerial functions of planning, organizing, staffing, leading, and controlling.
 - Clearly, any business or other organization must be described by an open-system model that includes interactions between the enterprise and its external environment.
- ### Inputs and Claimants
- The inputs from the external environment (see Figure I-S) may include people, capital, and managerial skills, as well as technical knowledge and skills.
 - In addition, various groups of people make demands on the enterprise.
 - For example: employees want higher pay, more benefits, and job security.

- On the other hand, consumers demand safe and reliable products at reasonable prices.
- Suppliers want assurance that their products will be bought.
- Stockholders want not only a high return on their investment but also security for their money.
- Federal, state, and local governments depend on taxes paid by the enterprise, and they also expect the enterprise to comply with their laws.
- Similarly, the community demands that enterprises be "good citizens," providing the maximum number of jobs with a minimum of pollution.
- Other claimants to the enterprise may include financial institutions and labour unions;
- Even competitors have a legitimate claim for fair play.
- It is clear that many of these claims are incongruent, and it is the manager's job to integrate the legitimate objectives of the claimants.
- This may need to be done through compromises, trade-offs, and denials of the manager's own ego.



- Reenergizing the system
- Inputs Transformation Outputs Process
- Finally, it is important to notice that in the systems model of operational management some of the outputs become inputs again.
- Thus, the satisfaction and new knowledge or skills of employees become important human inputs. Similarly, profits, the surplus of income over costs, are reinvested in cash and capital goods, such as machinery, equipment, buildings, and inventory.

THE FUNCTIONS OF MANAGERS

- The functions of managers provide a useful structure for organizing management knowledge.
- There have been no new ideas, research findings, or techniques that cannot readily be placed in the classifications of planning, organizing, staffing, leading, and controlling.

PLANNING

- Planning involves selecting missions and objectives and the actions to achieve them;
- It requires decision making that is, choosing future courses of action from among alternatives.
- No real plan exists until a decision a commitment of human or material resources or reputation-has been made.
- Before a decision is made, all that exists is a planning study, an analysis, or a proposal; there is no real plan.

ORGANIZING

- People working together in groups to achieve some goal must have roles to play, much like the parts actors fill in a drama, whether these roles are ones they develop themselves, are accidental or haphazard, or are defined and structured by someone who wants to make sure that people contribute in a specific way to group effort. The concept of a "role" implies that what people do has a definite purpose or objective; they know how their job objective fits into group effort, and they have the necessary authority, tools, and information to accomplish the task.

- This can be seen in as simple a group effort as setting up camp on a fishing expedition.
- Everyone could do anything he or she wanted to do, but activity would almost certainly be more effective and certain tasks would be less likely to be left undone if one or two persons were given the job of gathering firewood, others the assignment of getting water, others the task of starting a fire, others the job of cooking, and so on.
- Organizing, then, is that part of managing that involves establishing an intentional structure of roles for people to fill in an organization.
- It is intentional in the sense of making sure that all the tasks necessary to accomplish goals are assigned and, it is hoped, assigned to people who can do them best.

