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**ACCOUNTING TECHNICIAN DIPLOMA
(ATD)**

LEVEL II

PRINCIPLES OF MANAGEMENT

STUDY NOTES

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CHAPTER ONE

INTRODUCTION TO MANAGEMENT

Management is a universal phenomenon. It is a very popular and widely used term. All organizations - business, political, cultural or social are involved in management because it is the management which helps and directs the various efforts towards a definite purpose. According to *Harold Koontz*, "Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals and can co-operate towards attainment of group goals". According to *F. W. Taylor*, "Management is an art of knowing what to do, when to do and see that it is done in the best and cheapest way".

Management is a purposive activity. It is something that directs group efforts towards the attainment of certain pre - determined goals. It is the process of working with and through others to effectively achieve the goals of the organization, by efficiently using limited resources in the changing world. Of course, these goals may vary from one enterprise to another. E.g.: For one enterprise it may be launching of new products by conducting market surveys and for other it may be profit maximization by minimizing cost.

Management involves creating an internal environment: - It is the management which puts into use the various factors of production. Therefore, it is the responsibility of management to create such conditions which are conducive to maximum efforts so that people are able to perform their task efficiently and effectively. It includes ensuring availability of raw materials, determination of wages and salaries, formulation of rules & regulations etc.

Therefore, we can say that good management includes both being effective and efficient. Being effective means doing the appropriate task i.e, fitting the square pegs in square holes and round pegs in round holes. Being efficient means doing the task correctly, at least possible cost with minimum wastage of resources.

Importance of Management

1. Encourages Initiative

Management encourages initiative. **Initiative** means to do the right thing at the right time without being told or influenced by the superior. The employees should be encouraged to make their own plans and also to implement these plans. Initiative gives satisfaction to employees and success to organisation.

2. Encourages Innovation

Management also encourages innovation in the organisation. Innovation brings new ideas, new technology, new methods, new products, new services, etc. This makes the organisation more competitive and efficient.

3. Facilitates growth and expansion

Management makes optimum utilisation of available resources. It reduces wastage and increase efficiency. It encourages team work and motivates employees. It also reduces

absenteeism and labour turnover. All this results in growth, expansion and diversification of the organisation.

4. Improves life of workers

Management shares some of its profits with the workers. It provides the workers with good working environment and conditions. It also gives the workers many financial and non-financial incentives. All this improves the quality of life of the workers.

5. Improves corporate image

If the management is good, then the organisation will produce good quality goods and services. This will improve the goodwill and corporate image of the organisation. A good corporate image brings many added benefits to the organisation.

6. Motivates employees

Management motivates employees by providing financial and non-financial incentives. These incentives increase the willingness and efficiency of the employees. This results in boosting productivity and profitability of the organisation.

7. Optimum use of resources

Management brings together the available resources. It makes optimum (best) use of these resources. This brings best results to the organisation.

8. Reduces wastage

Management reduces the wastage of human, material and financial resources. Wastage is reduced by proper production planning and control. If wastage is reduced then productivity will increase.

9. Increases efficiency

Efficiency is the relationship between returns and cost. Management uses many techniques to increase returns and to reduce costs. Higher efficiency brings many benefits to the organisation.

10. Improves relations

Management improves relations between individuals, groups, departments and between levels of management. Better relations lead to better team work. Better team work brings success to the organisation.

11. Reduces absenteeism and labour turnover

Absenteeism means the employee is absent without permission. Labour Turnover means the employee leaves the organisation.

Labour absenteeism and turnover increases the cost and causes many problems in the smooth functioning of the organisation. Management uses different techniques to reduce absenteeism and labour turnover in the organisation.

12. Encourages Team Work

Management encourages employees to work as a team. It develops a team spirit in the organisation. This unity bring success to the organisation.

Objectives of Management

The main objectives of management are:

1. **Getting Maximum Results with Minimum Efforts** - The main objective of management is to secure maximum outputs with minimum efforts & resources. Management is basically concerned with thinking & utilizing human, material & financial resources in such a manner that would result in best combination. This combination results in reduction of various costs.
2. **Increasing the Efficiency of factors of Production** - Through proper utilization of various factors of production, their efficiency can be increased to a great extent which can be obtained by reducing spoilage, wastages and breakage of all kinds, this in turn leads to saving of time, effort and money which is essential for the growth & prosperity of the enterprise.
3. **Maximum Prosperity for Employer & Employees** - Management ensures smooth and coordinated functioning of the enterprise. This in turn helps in providing maximum benefits to the employee in the shape of good working condition, suitable wage system, incentive plans on the one hand and higher profits to the employer on the other hand.
4. **Human betterment & Social Justice** - Management serves as a tool for the upliftment as well as betterment of the society. Through increased productivity & employment, management ensures better standards of living for the society. It provides justice through its uniform policies.

Principles of Management

A principle refers to a fundamental truth. It establishes cause and effect relationship between two or more variables under given situation. They serve as a guide to thought & actions. Therefore, management principles are the statements of fundamental truth based on logic which provides guidelines for managerial decision making and actions. These principles are derived: -

- a. On the basis of observation and analysis i.e. practical experience of managers.
- b. By conducting experimental studies.

There are 14 Principles of Management described by Henri Fayol.

1. Division of Labor

- a. Henri Fayol has stressed on the specialization of jobs.
- b. He recommended that work of all kinds must be divided & subdivided and allotted to various persons according to their expertise in a particular area.
- c. Subdivision of work makes it simpler and results in efficiency.
- d. It also helps the individual in acquiring speed, accuracy in his performance.
- e. Specialization leads to efficiency & economy in spheres of business.

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2. Party of Authority & Responsibility

- a. Authority & responsibility are co-existing.
- b. If authority is given to a person, he should also be made responsible.
- c. In a same way, if anyone is made responsible for any job, he should also have concerned authority.
- d. Authority refers to the right of superiors to get exactness from their subordinates whereas responsibility means obligation for the performance of the job assigned.
- e. There should be a balance between the two i.e. they must go hand in hand.
- f. Authority without responsibility leads to irresponsible behavior whereas responsibility without authority makes the person ineffective.

3. Principle of One Boss

- a. A sub-ordinate should receive orders and be accountable to one and only one boss at a time.
- b. In other words, a sub-ordinate should not receive instructions from more than one person because -
 - It undermines authority
 - Weakens discipline
 - Divides loyalty
 - Creates confusion
 - Delays and chaos
 - Escaping responsibilities
 - Duplication of work
 - Overlapping of efforts
- c. Therefore, dual sub-ordination should be avoided unless and until it is absolutely essential.
- d. Unity of command provides the enterprise a disciplined, stable & orderly existence.
- e. It creates harmonious relationship between superiors and sub-ordinates.

4. Unity of Direction

- a. Fayol advocates one head one plan which means that there should be one plan for a group of activities having similar objectives.
- b. Related activities should be grouped together. There should be one plan of action for them and they should be under the charge of a particular manager.
- c. According to this principle, efforts of all the members of the organization should be directed towards common goal.
- d. Without unity of direction, unity of action cannot be achieved.
- e. In fact, unity of command is not possible without unity of direction.

Basis	Unity of command	Unity of direction
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Meaning	It implies that a sub-ordinate should receive orders & instructions from only one boss.	It means one head, one plan for a group of activities having similar objectives.
Nature	It is related to the functioning of personnel's.	It is related to the functioning of departments, or organization as a whole.
Necessity	It is necessary for fixing responsibility of each subordinates.	It is necessary for sound organization.
Advantage	It avoids conflicts, confusion & chaos.	It avoids duplication of efforts and wastage of resources.
Result	It leads to better superior sub-ordinate relationship.	It leads to smooth running of the enterprise.

Therefore it is obvious that they are different from each other but they are dependent on each other i.e. unity of direction is a pre-requisite for unity of command. But it does not automatically comes from the unity of direction.

5. Equity

- a. Equity means combination of fairness, kindness & justice.
- b. The employees should be treated with kindness & equity if devotion is expected of them.
- c. It implies that managers should be fair and impartial while dealing with the subordinates.
- d. They should give similar treatment to people of similar position.
- e. They should not discriminate with respect to age, caste, sex, religion, relation etc.
- f. Equity is essential to create and maintain cordial relations between the managers and sub-ordinate.
- g. But equity does not mean total absence of harshness.
- h. Fayol was of opinion that, "at times force and harshness might become necessary for the sake of equity".

6. Order

- a. This principle is concerned with proper & systematic arrangement of things and people.
- b. Arrangement of things is called material order and placement of people is called social order.
- c. Material order- There should be safe, appropriate and specific place for every article and every place to be effectively used for specific activity and commodity.

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- d. Social order- Selection and appointment of most suitable person on the suitable job. There should be a specific place for every one and everyone should have a specific place so that they can easily be contacted whenever need arises.

e.

7. Discipline

- a. According to Fayol, “Discipline means sincerity, obedience, respect of authority & observance of rules and regulations of the enterprise”.
- b. This principle applies that subordinate should respect their superiors and obey their order.
- c. It is an important requisite for smooth running of the enterprise.
- d. Discipline is not only required on path of subordinates but also on the part of management.
- e. Discipline can be enforced if -
 - There are good superiors at all levels.
 - There are clear & fair agreements with workers.
 - Sanctions (punishments) are judiciously applied.

8. Initiative

- a. Workers should be encouraged to take initiative in the work assigned to them.
- b. It means eagerness to initiate actions without being asked to do so.
- c. Fayol advised that management should provide opportunity to its employees to suggest ideas, experiences & new method of work.
- d. It helps in developing an atmosphere of trust and understanding.
- e. People then enjoy working in the organization because it adds to their zeal and energy.
- f. To suggest improvement in formulation & implementation of place.
- g. They can be encouraged with the help of monetary & non-monetary incentives.

9. Fair Remuneration

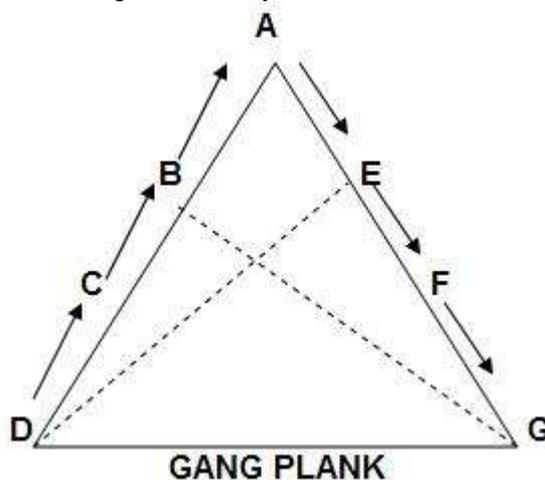
- a. The quantum and method of remuneration to be paid to the workers should be fair, reasonable, satisfactory & rewarding of the efforts.
- b. As far as possible it should accord satisfaction to both employer and the employees.
- c. Wages should be determined on the basis of cost of living, work assigned, financial position of the business, wage rate prevailing etc.
- d. Logical & appropriate wage rates and methods of their payment reduce tension & differences between workers & management creates harmonious relationship and pleasing atmosphere of work.
- e. Fayol also recommended provision of other benefits such as free education, medical & residential facilities to workers.

10. Stability of Tenure

- a. Fayol emphasized that employees should not be moved frequently from one job position to another i.e. the period of service in a job should be fixed.
- b. Therefore employees should be appointed after keeping in view principles of recruitment & selection but once they are appointed their services should be served.
- c. According to Fayol. "Time is required for an employee to get used to a new work & succeed to doing it well but if he is removed before that he will not be able to render worthwhile services".
- d. As a result, the time, effort and money spent on training the worker will go waste.
- e. Stability of job creates team spirit and a sense of belongingness among workers which ultimately increase the quality as well as quantity of work.

11. Scalar Chain

- a. Fayol defines scalar chain as 'The chain of superiors ranging from the ultimate authority to the lowest'.
- b. Every orders, instructions, messages, requests, explanation etc. has to pass through Scalar chain.
- c. But, for the sake of convenience & urgency, this path can be cut short and this short cut is known as Gang Plank.
- d. A **Gang Plank** is a temporary arrangement between two different points to facilitate quick & easy communication as explained below:



In the figure given, if D has to communicate with G he will first send the communication upwards with the help of C, B to A and then downwards with the help of E and F to G which will take quite some time and by that time, it may not be worth therefore a gang plank has been developed between the two.

- e. **Gang Plank** clarifies that management principles are not rigid rather they are very flexible. They can be moulded and modified as per the requirements of situations

12. Sub-Ordination of Individual Interest to General Interest

- a. An organization is much bigger than the individual it constitutes therefore interest of the undertaking should prevail in all circumstances.
- b. As far as possible, reconciliation should be achieved between individual and corporate interest.

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- c. But in case of conflict, individual must sacrifice for bigger interests.
- d. In order to achieve this attitude, it is essential that -
- Employees should be honest & sincere.
- Proper & regular supervision of work.
- Reconciliation of mutual differences and clashes by mutual agreement. For example, for change of location of plant, for change of profit sharing ratio, etc.

13. Espirit De' Corps (can be achieved through unity of command)

- a. It refers to team spirit i.e. harmony in the work groups and mutual understanding among the members.
- b. Spirit De' Corps inspires workers to work harder.
- c. Fayol cautioned the managers against dividing the employees into competing groups because it might damage the moral of the workers and interest of the undertaking in the long run.
- d. To inculcate Espirit De' Corps following steps should be undertaken -
 - There should be proper co-ordination of work at all levels
 - Subordinates should be encouraged to develop informal relations among themselves.
 - Efforts should be made to create enthusiasm and keenness among subordinates so that they can work to the maximum ability.
 - Efficient employees should be rewarded and those who are not up to the mark should be given a chance to improve their performance.
 - Subordinates should be made conscious of that whatever they are doing is of great importance to the business & society.
- e. He also cautioned against the more use of Britain communication to the subordinates i.e. face to face communication should be developed. The managers should infuse team spirit & belongingness. There should be no place for misunderstanding. People then enjoy working in the organization & offer their best towards the organization.

14. Centralization & De-Centralization

- a. Centralization means concentration of authority at the top level. In other words, centralization is a situation in which top management retains most of the decision making authority.
- b. Decentralization means disposal of decision making authority to all the levels of the organization. In other words, sharing authority downwards is decentralization.
- c. According to Fayol, "Degree of centralization or decentralization depends on no. of factors like size of business, experience of superiors, dependability & ability of subordinates etc.
- d. Anything which increases the role of subordinate is decentralization & anything which decreases it is centralization.
- e. Fayol suggested that absolute centralization or decentralization is not feasible. An organization should strike to achieve a lot between the two.

Features of Principles of Management

Principles of Management are *Universal*

- a. Management principles are applicable to all kinds of organizations - business & non business.
- b. They are applicable to all levels of management.
- c. Every organization must make best possible use by the use of management principles.
- d. Therefore, they are universal or all pervasive.

Principles of Management are *Flexible*

- a. Management principles are dynamic guidelines and not static rules.
- b. There is sufficient room for managerial discretion i.e. they can be modified as per the requirements of the situation.
- c. Modification & improvement is a continuous phenomenon in case of principles of management.

Principles of Management have a *Cause & Effect Relationship*

- a. Principles of management indicate cause and effect relationship between related variables.
- b. They indicate what will be the consequence or result of certain actions. Therefore, if one is known, the other can be traced.

Principles of Management - *Aims at Influencing Human Behavior*

- a. Human behavior is complex and unpredictable.
- b. Management principles are directed towards regulating human behavior so that people can give their best to the organization.
- c. Management is concerned with integrating efforts and harmonizing them towards a goal.
- d. But in certain situations even these principles fail to understand human behavior.

Principles of Management are of *Equal Importance*

- a. All management principles are equally important.
- b. No particular principle has greater importance than the other.
- c. They are all required together for the achievement of organizational goals.

Management can be defined in detail in following categories:

1. Management as a Process
2. Management as an Activity
3. Management as a Discipline
4. Management as a Group
5. Management as a Science
6. Management as an Art
7. Management as a Profession

Management as an Activity

Like various other activities performed by human beings such as writing, playing, eating, cooking etc, management is also an activity because a manager is one who accomplishes the objectives by directing the efforts of others. According to Koontz, "Management is what a manager does". Management as an activity includes

1. **Informational activities** - In the functioning of business enterprise, the manager constantly has to receive and give information orally or in written. A communication link has to be maintained with subordinates as well as superiors for effective functioning of an enterprise.
2. **Decisional activities** - Practically all types of managerial activities are based on one or the other types of decisions. Therefore, managers are continuously involved in decisions of different kinds since the decision made by one manager becomes the basis of action to be taken by other managers. (E.g. Sales Manager is deciding the media & content of advertising).
3. **Inter-personal activities** - Management involves achieving goals through people. Therefore, managers have to interact with superiors as well as the sub-ordinates. They must maintain good relations with them. The inter-personal activities include with the sub-ordinates and taking care of the problem. (E.g. Bonuses to be given to the sub-ordinates).

Management as a Discipline

Management as a discipline refers to that branch of knowledge which is connected to study of principles & practices of basic administration. It specifies certain code of conduct to be followed by the manager & also various methods for managing resources efficiently. Management as a discipline specifies certain code of conduct for managers & indicates various methods of managing an enterprise. Management is a course of study which is now formally being taught in the institutes and universities after completing a prescribed course or by obtaining degree or diploma in management, a person can get employment as a manager.

Any branch of knowledge that fulfils following two requirements is known as discipline:

1. There must be scholars & thinkers who communicate relevant knowledge through research and publications.
2. The knowledge should be formally imparted by education and training programmes.

Since management satisfies both these problems, therefore it qualifies to be a discipline. Though it is comparatively a new discipline but it is growing at a faster pace.

Management as a Group

Management as a group refers to all those persons who perform the task of managing an enterprise. When we say that management of ABC & Co. is good, we are referring to a group of people those who are managing. Thus as a group technically speaking, management will include all managers from chief executive to the first - line managers (lower-level managers). But in common practice management includes only top management i.e. Chief Executive, Chairman, General Manager, Board of Directors etc. In other words, those who are concerned with making important decisions, these persons enjoy the authorities to use resources to accomplish organizational objectives & also responsibility to for their efficient utilization.

Management as a group may be looked upon in 2 different ways:

1. All managers taken together.
2. Only the top management

The interpretation depends upon the context in which these terms are used. Broadly speaking, there are 3 types of managers -

1. **Patrimonial / Family Manager:** Those who have become managers by virtue of their being owners or relatives of the owners of company.
2. **Professional Managers:** Those who have been appointed on account of their specialized knowledge and degree.
3. **Political Managers / Civil Servants:** Those who manage public sector undertakings.

Managers have become a part of elite group of society as they enjoy higher standard of living in the society.

Management as a Science

Science is a systematic body of knowledge pertaining to a specific field of study that contains general facts which explains a phenomenon. It establishes cause and effect relationship between two or more variables and underlines the principles governing their relationship. These principles are developed through scientific method of observation and verification through testing.

Science is characterized by following main features:

1. **Universally acceptance principles** - Scientific principles represents basic truth about a particular field of enquiry. These principles may be applied in all situations, at all time & at all places. E.g. - law of gravitation which can be applied in all countries irrespective of the time.
Management also contains some fundamental principles which can be applied universally like the Principle of Unity of Command i.e. one man, one boss. This principle is applicable to all type of organization - business or non business.
2. **Experimentation & Observation** - Scientific principles are derived through scientific investigation & researching i.e. they are based on logic. E.g. the principle that earth goes round the sun has been scientifically proved.
Management principles are also based on scientific enquiry & observation and not only on the opinion of Henry Fayol. They have been developed through experiments & practical experiences of large no. of managers. E.g. it is observed that fair remuneration to personal helps in creating a satisfied work force.
3. **Cause & Effect Relationship** - Principles of science lay down cause and effect relationship between various variables. E.g. when metals are heated, they are expanded. The cause is heating & result is expansion.
The same is true for management, therefore it also establishes cause and effect relationship. E.g. lack of parity (balance) between authority & responsibility will lead to ineffectiveness. If you know the cause i.e. lack of balance, the effect can be ascertained easily i.e. in effectiveness. Similarly if workers are given bonuses, fair wages they will work hard but when not treated in fair and just manner, reduces productivity of organization.
4. **Test of Validity & Predictability** - Validity of scientific principles can be tested at any time or any number of times i.e. they stand the test of time. Each time these tests will give same result. Moreover future events can be predicted with reasonable accuracy by using scientific principles. E.g. H_2 & O_2 will always give H_2O .
Principles of management can also be tested for validity. E.g. principle of unity of command can be tested by comparing two persons - one having single boss and one having 2 bosses. The performance of 1st person will be better than 2nd.

It cannot be denied that management has a systematic body of knowledge but it is not as exact as that of other physical sciences like biology, physics, and chemistry etc. The main

reason for the inexactness of science of management is that it deals with human beings and it is very difficult to predict their behavior accurately. Since it is a social process, therefore it falls in the area of social sciences. It is a flexible science & that is why its theories and principles may produce different results at different times and therefore it is a behavior science. Ernest Dale has called it as a *Soft Science*.

Management as an Art

Art implies application of knowledge & skill to trying about desired results. An art may be defined as personalized application of general theoretical principles for achieving best possible results. Art has the following characters -

1. **Practical Knowledge:** Every art requires practical knowledge therefore learning of theory is not sufficient. It is very important to know practical application of theoretical principles. E.g. to become a good painter, the person may not only be knowing different colour and brushes but different designs, dimensions, situations etc to use them appropriately. A manager can never be successful just by obtaining degree or diploma in management; he must have also know how to apply various principles in real situations by functioning in capacity of manager.
2. **Personal Skill:** Although theoretical base may be same for every artist, but each one has his own style and approach towards his job. That is why the level of success and quality of performance differs from one person to another. E.g. there are several qualified painters but M.F. Hussain is recognized for his style. Similarly management as an art is also personalized. Every manager has his own way of managing things based on his knowledge, experience and personality, that is why some managers are known as good managers (like Aditya Birla, Rahul Bajaj) whereas others as bad.
3. **Creativity:** Every artist has an element of creativity in line. That is why he aims at producing something that has never existed before which requires combination of intelligence & imagination. Management is also creative in nature like any other art. It combines human and non-human resources in useful way so as to achieve desired results. It tries to produce sweet music by combining chords in an efficient manner.
4. **Perfection through practice:** Practice makes a man perfect. Every artist becomes more and more proficient through constant practice. Similarly managers learn through an art of trial and error initially but application of management principles over the years makes them perfect in the job of managing.
5. **Goal-Oriented:** Every art is result oriented as it seeks to achieve concrete results. In the same manner, management is also directed towards accomplishment of pre-determined goals. Managers use various resources like men, money, material, machinery & methods to promote growth of an organization.

Thus, we can say that management is an art therefore it requires application of certain principles rather it is an art of highest order because it deals with moulding the attitude and behavior of people at work towards desired goals.

Management as both Science and Art

Management is both an art and a science. The above mentioned points clearly reveals that management combines features of both science as well as art. It is considered as a science because it has an organized body of knowledge which contains certain universal truth. It is called an art because managing requires certain skills which are personal possessions of managers. Science provides the knowledge & art deals with the application of knowledge and skills.

A manager to be successful in his profession must acquire the knowledge of science & the art of applying it. Therefore management is a judicious blend of science as well as an art because it proves the principles and the way these principles are applied is a matter of art. Science teaches to 'know' and art teaches to 'do'. E.g. a person cannot become a good singer unless he has knowledge about various ragas & he also applies his personal skill in the art of singing. Same way it is not sufficient for manager to first know the principles but he must also apply them in solving various managerial problems that is why, science and art are not mutually exclusive but they are complementary to each other (like tea and biscuit, bread and butter etc.).

The old saying that "Manager are Born" has been rejected in favor of "Managers are Made". It has been aptly remarked that management is the oldest of art and youngest of science. To conclude, we can say that science is the root and art is the fruit.

Management as a Profession

Over a large few decades, factors such as growing size of business unit, separation of ownership from management, growing competition etc have led to an increased demand for professionally qualified managers. The task of manager has been quite specialized. As a result of these developments the management has reached a stage where everything is to be managed professionally.

A profession may be defined as an occupation that requires specialized knowledge and intensive academic preparations to which entry is regulated by a representative body. The essentials of a profession are:

1. **Specialized Knowledge** - A profession must have a systematic body of knowledge that can be used for development of professionals. Every professional must make deliberate efforts to acquire expertise in the principles and techniques. Similarly a manager must have devotion and involvement to acquire expertise in the science of management.
2. **Formal Education & Training** - There are no. of institutes and universities to impart education & training for a profession. No one can practice a profession without going through a prescribed course. Many institutes of management have been set up for imparting education and training. For example, a CA cannot audit the A/C's unless he has acquired a degree or diploma for the same but no minimum qualifications and a course of study has been prescribed for managers by law. For example, MBA may be preferred but not necessary.
3. **Social Obligations** - Profession is a source of livelihood but professionals are primarily motivated by the desire to serve the society. Their actions are influenced by social norms and values. Similarly a manager is responsible not only to its owners but also to the society and therefore he is expected to provide quality goods at reasonable prices to the society.
4. **Code of Conduct** - Members of a profession have to abide by a code of conduct which contains certain rules and regulations, norms of honesty, integrity and special ethics. A code of conduct is enforced by a representative association to ensure self discipline among its members. Any member violating the code of conduct can be punished and his membership can be withdrawn. The AIMA has prescribed a code of conduct for managers but it has no right to take legal action against any manager who violates it.
5. **Representative Association** - For the regulation of profession, existence of a representative body is a must. For example, an institute of Chartered Accountants of India establishes and administers standards of competence for the auditors but the

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AIMA however does not have any statutory powers to regulate the activities of managers.

From above discussion, it is quite clear that management fulfills several essentials of a profession, even then it is not a full fledged profession because: -

- a. It does not restrict the entry in managerial jobs for account of one standard or other.
- b. No minimum qualifications have been prescribed for managers.
- c. No management association has the authority to grant a certificate of practice to various managers.
- d. All managers are supposed to abide by the code formulated by AIMA,
- e. Competent education and training facilities do not exist.
- f. Managers are responsible to many groups such as shareholders, employees and society. A regulatory code may curtail their freedom.
- g. Managers are known by their performance and not mere degrees.
- h. The ultimate goal of business is to maximize profit and not social welfare. That is why Haymes has rightly remarked, "The slogan for management is becoming - 'He who serves best, also profits most'."

FUNCTIONS AND ROLES OF MANAGEMENT

The management functions are the separate parts (activities) that make up the whole process of management. They can be described as the activities that are inherent in most management jobs. Many of these activities can be grouped into one of the following general functions.

a) Planning

Planning involves determining the organizations goals and the best ways of reaching them. Plans permit:

- i. The organization to obtain and commit the resources required to reach its objectives.
- ii. Members of the organizations to carry on activities in line with the chosen objectives.
- iii. Monitoring of progress towards the objectives with view of taking corrective action.

b) Organizing

This is the second basic managerial function and it is the process of grouping activities and resources in a logical and appropriate fashion. Basically it is creating the organizational chart for a firm. (Determining the structure of the organization - the jobs to be done, who is to do them, how the jobs are to be grouped, how much authority each manager is to have and how many employees each is to supervise).

c) Leading

Is the set of processes associated with guiding and directing employees towards goal attainment. Attempt to assure that the organization is moving towards its goals. It includes motivation, leadership and communication.

d) Controlling

This is the final basic management function and it is the process of monitoring and adjusting organizational activities towards goal attainment.

Successful management

Successful management involves the achievement of both efficiency and effectiveness. Efficiency means that resources are used in such a way that they are not wasted. Having employees sitting idle waiting to be allocated work is an example of inefficiency.

Another example is allowing large surpluses of funds to sit idle in bank accounts earning little interest.

Effectiveness means doing the right things in the right way at the right time. For example entering a new market just before it starts to expand or exiting from a market just as it starts to decline is a sign of effectiveness.

Effectiveness is solution oriented. Successful management means a successful organization.

Organizations function within the larger society and the performance of organizations in totality is a key factor to the performance of a society or Nation.

Another efficient manager is one who achieves outputs that measure to inputs i.e. he is able to minimise the cost of resources.

ROLES OF MANAGEMENT

Henry Mintzberg analyzed how managers spend their time and came to the conclusion that there are three basic roles that managers play:- interpersonal roles, informational roles and decisional roles.

a) Interpersonal Roles

There are three interpersonal roles in the manager's job. The first is that of Figurehead. As head of a unit the manager puts in an appearance as the representative of the organization by performing certain duties or ceremonies e.g. attending an employees wedding, welcoming guests etc.

The second role is that of leader. As a leader the manager hires employees, trains, motivates and encourages them to perform better.

Third the manager plays the interpersonal role of liaison, which involves dealing with people outside the organization on a regular basis e.g. bankers, suppliers or clients.

b) Information Roles

According to Mintzberg receiving and communicating information are perhaps the most important aspects of a manager's job. First he must act as a monitor i.e. he actively watches the environment for information that might be relevant to the organization. Secondly the manager must act as a disseminator by relaying the information that he has gathered through monitoring to the appropriate people in the organization.

Third he must act as the spokesman of the organization by presenting information of meaningful content and/or answering questions on the firm's behalf. You probably have seen leaders answering questions from the press about issues relating to their organizations or defending their organizations against criticism or allegations levelled against them.

c) Decisional Roles

These are the roles that managers take when they make decisions about certain issues. Under the decisional roles the manager acts as the entrepreneur by looking for opportunities that the organization can pursue to improve itself e.g. a profitable investment.

Second the manager acts as the disturbance handler by resolving conflicts between employees and responding to situations beyond him/her control e.g. strikes, bankrupt customers, breach of contract etc.

Third the manager must act as a resource allocator by being responsible for deciding how and to whom the resources of the organization and the manager's own time will be allocated.

Fourthly the manager plays the decisional role of a negotiator. In this role the manager attempts to work out agreements and contracts that operate in the best interest of the organization.

Note:

The functional definition of management as a process of planning, organizing, leading and controlling is somewhat oversimplified according to Mintzberg. Managers do much more than the four basic functions contained in the definition.

Mintzberg's work calls attention to the uncertain, turbulent environments in which the manager operates.

LEVELS OF MANAGEMENT

The term “**Levels of Management**” refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of authority & status enjoyed by any managerial position. The levels of management can be classified in three broad categories:

1. **Top level / Administrative level**
2. **Middle level / Executory**
3. **Low level / Supervisory / Operative / First-line managers**

Managers at all these levels perform different functions. The role of managers at all the three levels is discussed below:

1. **Top Level of Management/ Administrative level**

It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.

The role of the top management can be summarized as follows -

- a. Top management lays down the objectives and broad policies of the enterprise.
- b. It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
- c. It prepares strategic plans & policies for the enterprise.
- d. It appoints the executive for middle level i.e. departmental managers.
- e. It controls & coordinates the activities of all the departments.
- f. It is also responsible for maintaining a contact with the outside world.
- g. It provides guidance and direction.
- h. The top management is also responsible towards the shareholders for the performance of the enterprise.

2. **Middle Level of Management/ Executory**

The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as -

- a. They execute the plans of the organization in accordance with the policies and directives of the top management.
- b. They make plans for the sub-units of the organization.
- c. They participate in employment & training of lower level management.
- d. They interpret and explain policies from top level management to lower level.
- e. They are responsible for coordinating the activities within the division or department.
- f. It also sends important reports and other important data to top level management.
- g. They evaluate performance of junior managers.
- h. They are also responsible for inspiring lower level managers towards better performance.

3. Lower Level of Management /Supervisory / Operative / First-line managers

Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to *R.C. Davis*, “Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees”. In other words, they are concerned with direction and controlling function of management. Their activities include -

- a. Assigning of jobs and tasks to various workers.
- b. They guide and instruct workers for day to day activities.
- c. They are responsible for the quality as well as quantity of production.
- d. They are also entrusted with the responsibility of maintaining good relation in the organization.
- e. They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
- f. They help to solve the grievances of the workers.
- g. They supervise & guide the sub-ordinates.
- h. They are responsible for providing training to the workers.
- i. They arrange necessary materials, machines, tools etc for getting the things done.
- j. They prepare periodical reports about the performance of the workers.
- k. They ensure discipline in the enterprise.
- l. They motivate workers.
- m. They are the image builders of the enterprise because they are in direct contact with the workers.

MANAGERIAL SKILLS

Skills are what separates good managers from others. Like a player in any game, the more skilful a manager is, the greater are his chances of success. Most scholars and writers agree that for effective management the primary skills are technical, interpersonal, conceptual and diagnostic.

a) Technical Skills They are the skills needed to perform specialized tasks. They enable one to use the tools, procedures or techniques of a specialized field. These skills are gained through formal training. These skills are specially important for First line managers as they are the ones in the real operations of the firm.

b) Interpersonal (Human Skills) These are the skills needed to enable one to work with, understand and motivate others, either as individuals or as groups. They include the ability to understand someone else's position, to present ones own position in a reasonable, amicable manner. The better a manager's human skills are, the more effective he/she is likely to be, since management is basically getting work done through people.

c) Conceptual Skills These relate to the managers mental ability to coordinate and integrate all the organization's interests and activities i.e. to be able to think in the abstract, to see relationships between forces that others cannot see and to take a global perspective of the organization and its environment. For example if a manager recognises an opportunity that others have not and then successfully exploits that opportunity he is drawing on conceptual skills. Conceptual skills are most important for top managers who must look for opportunities to be exploited by the organization.

d) Diagnostic Skills The skills used to define and understand situations and events. They are mainly directed at problem solving. For example, if a manager notices there is too

much waste in production, the first step is to define the problem, next determine what is causing the problem and third identify way(s) of solving the problem.

MANAGEMENT AND ADMINISTRATION

According to *Theo Haimann*, “Administration means overall determination of policies, setting of major objectives, the identification of general purposes and laying down of broad programmes and projects”. It refers to the activities of higher level. It lays down basic principles of the enterprise. According to *Newman*, “Administration means guidance, leadership & control of the efforts of the groups towards some common goals”. Whereas, management involves conceiving, initiating and bringing together the various elements; coordinating, actuating, integrating the diverse organizational components while sustaining the viability of the organization towards some pre-determined goals. In other words, it is an art of getting things done through & with the people in formally organized groups.

The difference between Management and Administration can be summarized under 2 categories:

1. **Functions**
2. **Usage / Applicability**

On the Basis of Functions: -

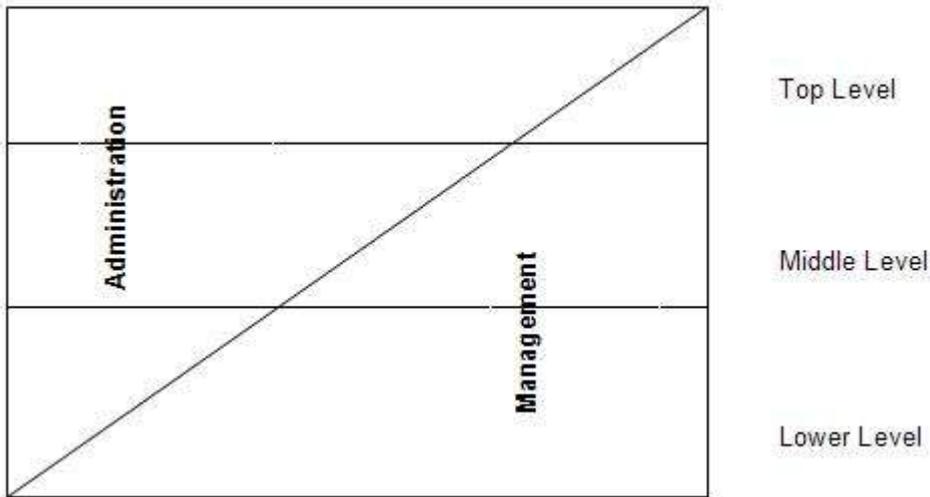
Basis	Management	Administration
Meaning	Management is an art of getting things done through others by directing their efforts towards achievement of pre-determined goals.	It is concerned with formulation of broad objectives, plans & policies.
Nature	Management is an executing function.	Administration is a decision-making function.
Process	Management decides	Administration decides

	who should do it & how should he do it.	what is to be done & when it is to be done.
Function	Management is a doing function because managers get work done under their supervision.	Administration is a thinking function because plans & policies are determined under it.
Skills	Technical and Human skills	Conceptual and Human skills
Level	Middle & lower level function	Top level function

On the Basis of Usage: -

Basis	Management	Administration
Applicability	It is applicable to business concerns i.e. profit-making organization.	It is applicable to non-business concerns i.e. clubs, schools, hospitals etc.
Influence	The management decisions are influenced by the values, opinions, beliefs & decisions of the managers.	The administration is influenced by public opinion, govt. policies, religious organizations, customs etc.
Status	Management constitutes the employees of the organization who are paid remuneration (in the form of salaries & wages).	Administration represents owners of the enterprise who earn return on their capital invested & profits in the form of dividend.

Practically, there is no difference between management & administration. Every manager is concerned with both - administrative management function and operative management function as shown in the figure. However, the managers who are higher up in the hierarchy denote more time on administrative function & the lower level denote more time on directing and controlling worker's performance i.e. management.



The Figure above clearly shows the degree of administration and management performed by the different levels of management

CHAPTER TWO

EVOLUTION OF MANAGEMENT THOUGHT

Importance of Theory

This lesson mainly traces the history behind the development of management theory. The theories and history of management are important to managers for various reasons. History helps managers understand current development and avoid mistakes of the past. History and theory together foster an understanding and appreciation of current situations and developments and facilitate the prediction of future conditions.

Theory helps managers organize information and therefore approach problems systematically. Without theories all managers would have are, intuition, hunches and hopes which may not be useful in todays very complex and dynamic organizations. However there is not yet any verified and generally accepted theory of management that managers can apply in all situations. Therefore managers must familiarise themselves with the major theories that exist.

Ancient Management

As a scientific discipline management is only a few decades old. However indications of management in use go back thousands of years into ancient civilizations. For example one of the earliest recorded uses of management is the Egyptians construction of the pyramids. It is also recorded that the Chinese used management in government from as early as 1500 B.C.

The Greeks also used management in government from as early as 1000 B.C. Babylonians have also been recorded to have used management in government from as early as 2700 B.C.

The management of the Great-Roman empire could not have succeeded without use of management. It is recorded that from about 800 B.C the Romans were practising organizing principles. A lot of bureaucracy for instance was in practice in the ancient Roman Army. The works of people like Socrates (400 B.C) and Plato (350B.C.) all indicate some elements of management. However despite this widespread practice of management there was little interest in management as a scientific discipline until a century ago. It was not until the late nineteenth century that large businesses requiring systematic administration started to emerge. Also before the late 19th century governments and military organizations were not interested in the profits so they paid little attention to efficiency and effectiveness. Our study of the theory of management will focus on the three well established schools of management theory.

- The Classical School
- The Behavioural School
- The Management Science School

THE CLASSICAL SCHOOL

This school of thought emerged around the turn of the twentieth century. It is divided into two sub areas: Scientific management, which historically focused on the work of

individuals and classical organization theory (administrative management which was concerned with how organizations should be put together).

SCIENTIFIC MANAGEMENT

The main objective of Scientific Management in the early days was to determine how jobs could be designed in order to maximise output per employee (efficiency). The main contributor to scientific management was Frederick W. Taylor until the Husband Team of Frank and Lillian Gilbreth also added more light to scientific management.

(a) Frederick W. Taylor and Scientific Management

Taylor was an Industrial Engineer who worked in the United States at a time when industries were facing shortage of skilled labour. For factories to expand productivity, ways had to be looked for to increase the efficiency of employees. Management faced questions such as, whether some elements of work could be combined or eliminated, whether sequence of jobs could be improved or whether there was "one best way" of doing a job. In trying to answer these questions Taylor slowly developed a body of principles that constitute the essence of scientific management.

Taylor's first job was at Midvale Steel Company in Philadelphia: While here Taylor analysed and timed steel workers movements on a series of jobs. With time he was able to establish the best way to do a particular job. But he noticed the workers did not appreciate the speed factor because they feared that work would finish and they would be laid off. So Taylor encouraged employers to pay the more productive workers at a higher rate based on the profits that would result. This system is called the differential rate system. Taylor was encouraged by the results of his work and decided to become a private consultant. His most significant work was while he was consulting for two companies: Simonds Rolling Machine Factory and Bethlehem Steel Corporation.

At Simonds he studied and redesigned jobs, introduced rest breaks and adopted a piece rate pay system. In one operation he studied 120 women employed in tedious work with long working hours. The work involved inspecting bicycle ball bearings. Taylor started by studying the movements of the best workers and timed them. Then he trained the others in the methods of their more effective co-workers and either transferred or laid off the inefficient ones. He introduced rest periods and the differential rate system and the results were that accuracy of the work improved by two-thirds, wages rose by eighty to hundred percent, worker morale increased and thirty five inspectors were now able to do work previously done by 120.

At Bethlehem Steel Taylor and a co-worker studied and timed the operations involved in unloading and loading railcars. At the time each worker earned \$1.15 per day unloaded an average of 12 1/2 tons. Taylor introduced rest periods in the day and realised that each man could handle about 48 tons a day. He set a standard of 47 1/2 tons and a rate of \$1.85 for those who met the standard. The results were increased efficiency.

However despite his achievements trade unionists and workers started to resist the ideas of Taylor and in defending his philosophy Taylor outlined that it rested on four major principles.

- The development of a true science of management so that for example the methods for performing each task could be determined.
- The scientific selection of the worker so that each worker would be given responsibility for the task for which he/she was best suited.
- The scientific education and development of the worker, and
- Intimate, friendly cooperation between management and labour.

In conclusion Taylor said that the principles could only succeed if there was a complete mental revolution on the part of both management and labour to the effect that they must take their eyes off the profits and together concentrate on increasing production, so that the profits were so large that they did not have quarrels about sharing them. He strongly believed that the benefits from increased productivity would accrue to both management and labour.

(b) The Gilbreths

Frank (1888-1924) and Lilian (1878-1972) were a husband and wife team who also contributed to scientific management. Lilian focused her studies on ways of promoting the welfare of the individual worker. To her, scientific management has one ultimate aim: to help workers reach their full potential as human beings. Lilian also assisted Frank in the areas of time and motion studies and industrial efficiency and was an earlier contributor to personnel management. Frank who began his work as an apprentice bricklayer, developed a technique that tripled the amount of work a bricklayer could do in a day. He studied motion and fatigue and said that they were intertwined. Every motion that was eliminated also reduced fatigue. Both Gilbreths argued that motion study would raise morale because of its obvious physical benefits. They developed a three position plan of promotion that was intended to serve as an employee development program as well as a morale booster. According to this plan a worker would do his or her present job, prepare for the next one and train his or her successor all at the same time. Thus every worker would always be a doer, a learner and trainer and hence workers would look forward to new opportunities.

(c) Henry L. Gantt (1861-1919)

Henry Gantt who was an associate of Taylor developed the Gantt Chart - a device for scheduling work after a span of time. Gantt also developed the bonus system of paying workers. Both the Gantt Chart and the bonus system of paying workers are in use in today's complex organizations.

Limitations of Scientific Management

- During Taylor's time, the mental revolution he advocated rarely came about and often increased productivity and led to layoffs.
- It assumed people were rational and therefore motivated only by material gains. Taylor and his followers overlooked the social needs of workers.

They assumed that one had only to tell workers what to do to increase their earnings and they would do it. But people have a need for other things other than money e.g. recognition

They also overlooked the human desire for job satisfaction and workers became more willing to go out on strike over job conditions than salary.

So the scientific model of the worker as a rational being interested only in higher wages became increasingly inappropriate as time went on and employer and labourers got increasingly dissatisfied with it.

An evaluation of scientific management indicates that scientific management was developed to achieve two objectives to increase workers' productivity and to improve workers' economic welfare. The first objective was achieved because the methods of scientific management such as time and motion, piece rate incentives, Gantt Chart and production standardization were accepted by industries. The second objective was however not fully achieved. Managers used scientific management to improve workers' productivity but they often did not see the benefits. Productivity often led to layoffs or changes in piece rates, so that workers had to produce more for the same income. The enthusiasm for scientific management ended around 1930.

PRINCIPLES OF WORK MANAGEMENT FROM THE SCIENTIFIC MANAGEMENT SCHOOL OF THOUGHT

THE CLASSICAL ORGANIZATION THEORY

This is the other branch of classical management. Classical organization theory grew out of the need to find guidelines for managing complex organizations such as factories. Henry Fayol is recognised as the father of classical organization theory because he was the first man to systematize managerial behaviour. Another contributor to classical organization theory was Max Weber.

(a) Henry Fayol (1841-1925) and the Classical Organization Theory

Fayol believed that sound managerial practice falls into certain patterns that can be identified and analyzed. Fayol who was trained as a mining engineer worked his way from a junior executive to director of the French Coal and Iron Combine Company. Fayol often confessed that he did not attribute his success to his personal abilities but rather to the methods that he practised. He strongly believed that management was not a personal talent but a skill like any other and therefore it could be taught or learned. At the time it was generally believed that managers were born! Fayol's observation on principles of general management first appeared in 1916. He found out that the activities of an industrial undertaking fall into six groups.

- i. Technical (Production)
- ii. Commercial (Buying, selling, exchange)
- iii. Financial (Search for use of capital)
- iv. Security (Protection of employees property)
- v. Accounting (Record, stocks of cost, profits, liabilities etc)
- vi. Managerial

Fayol's main interest was on the last activity. He defined management in terms of five functions:

- Planning which means choosing a course of action that will help the organization achieve its goals.
- Organizing meaning mobilising resources to put plans into action
- Commanding means providing direction to employees and getting them to do their work.
- Coordination means ensuring harmony in the use of resources
- Controlling means monitoring the plans to ensure that they are being followed.

Fayol's model of management remains an approach to management today. Fayol also looked into the qualities that are required by management and concluded that they depended on the level of the person in the enterprise.

These were physical, mental, moral, educational, technical and experience. Fayol also developed fourteen principles of management which he felt should be applied by managers at the operational level. He listed these principles as:

- i. Division of labour: Work be divided among workers
- ii. Authority and responsibility: Managers need authority to carry out responsibility
- iii. Discipline: Workers should respect the rules and regulations of the organization
- iv. Unity of Command: An employee would receive commands from only one supervisor.
- v. Unity of Direction: One manager should have one plan for each organizational objective.
- vi. Individual Subordination: The interests of the organization should come before individual interests.
- vii. Remuneration: Pay should be fair and good performance should be rewarded.
- viii. Centralization: There would be one point in the organization that exercises overall control.
- ix. Scalar Chain: Authority should flow downwards from top to bottom through the chain of command.
- x. Order: People and materials should be in the right place at the right time.
- xi. Equity: Managers should be fair in dealing with employees.
- xii. Stability of tenure: Efficiency can be achieved by a stable labour force.
- xiii. Initiative: Employees should be given freedom to act and be innovative.
- xiv. **Espirit de Corps:** In union there is strength, teamwork should be encouraged. Management is universal among all organizations and Fayol argued that those with a general knowledge of the management functions and principles can manage any type of organization. He further advocated that these principles/functions can be learned by anybody who is interested. But qualities such as physical health, mental vigour, moral character, which is essential for management, cannot be learned - one must possess them. Any individual who possesses such qualities can acquire managerial skills by learning the principles of management through formal training.

(b) Webers Bureaucracy (1864-1920)

Weber was a German sociologist who was very sensitive to the abuses of power by people in managerial positions. In order to reduce these abuses of power Weber proposed an organizational system that would be run by rules and regulations commonly known as Bureaucracy. Under Bureaucracy an effective organization had a hierarchical structure based on the formal authority and where people were guided by rational rules and regulations rather than the arbitrary acts by those in management. Weber believed that such rested on the following basic principles:

- managers should strive for strict division of labour and each position should be staffed by an expert in that area, there should be a consistent set of rules that all employees must follow in performing their jobs (the rules must be impersonal and rigidly enforced),
- there should be a clear chain of command
 - everyone should report to one and only one direct superior
 - communication should always follow this chain and never bypass individuals,
- business should be conducted in an impersonal way (managers must maintain an appropriate social distance from their subordinates and not play favourites,
- Advancement within the organization should be based on technical expertise and performance rather than seniority or favouritism,

Legal authority and power—authority and power rest in the institution of office. The power an individual holds is legitimized in the office and does not personally belong to him. An Evaluation of the Classical Organization Theories (also known as Classical Administrative Theories)

The classical administrative theories of Fayol and Weber have had a lot of impact on management even today. Many current textbooks in management are organized around Fayol's theoretical framework. Fayol's main contribution included the concepts of the Universality and transferability of managerial skills. Even today it is widely accepted that management skills apply to all types of group activity. The concept that certain identifiable principles underlie effective managerial behaviour and that these principles can be taught also continues to have validity today. Another contribution of these theories is that today many complex organizations are managed by the bureaucratic rules proposed by Weber. These theories however have certain limitations

- First these theories assumed that all organizations can be managed by the same set of rules and regulations. They failed to appreciate the difference between various organizations for example you cannot run a government department on the same rules used in a social organization like a club or a private company.
- Secondly, the classical approach can be effective under a stable environment, but with frequent changes (rampant today) it proves ineffective as conditions require modifications in management principles and bureaucratic rules. Following outdated rules and principles can be counterproductive.
- Third the classical theories undervalued the human element in organizations. It saw people as passive and capable of reacting only to organizational rules and economic incentives. It ignored such qualities as attitudes, emotions, creativity and initiative. It failed to accommodate the fact that people are capable of going against

rules. In a bid to cover these inadequacies in the classical theories the human relations movement and the behavioural science approaches were developed.

THE BEHAVIOURAL SCHOOL OF MANAGEMENT THEORY

Although most of the early theories ignored or neglected the human element in the workplace a few individuals dwelt on the basic framework of the classical school and came up with more people oriented theories. Notable among these were Mary Parker Follet and Chester Barnard, Hugo Munsterberg and Elton Mayo.

(a) Mary Parker Follet (1868-1933)

Follet recognised the potential importance of the individual but advocated that no one could become a whole person except as a member of a group. She believed that the artificial distinction between managers as order givers and subordinates as order takers obscured the natural relationship that should have existed between them as members of one group.

She strongly felt that for management and labour to become part of one group the traditional views on workers would have to be abandoned, for instance leadership should not come from the power of formal authority (as traditionally believed) but from the persons with greater knowledge and expertise.

(b) Chester L Bernard (1886-1961)

Bernard used his extensive knowledge in sociology and philosophy to develop certain theories on organizational behaviour. He for instance said that people come together in formal organizations to achieve things they cannot achieve working alone. As they pursue the goals of the organization they must also satisfy their individual needs. He strongly believed that for an organization to function effectively, a balance must be maintained between the organizational goal and the goals of the individuals in the organization.

(c) Hugo Munsterberg (1863-1916) and the birth of Industrial Psychology

He is remembered as the father of industrial psychology and published his book "Psychology and Industrial Efficiency (1913). He suggested that productivity could be increased through the following ways:

- Finding the best possible person i.e. the worker whose mental ability is the best for the job.
 - Finding the best possible work i.e. the ideal psychological conditions for maximising productivity and
 - Through use of psychological influence i.e. the best possible effect to motivate employees.

Like Taylor he advocated for more science in management but being a psychologist he argued that the proven techniques of psychology for measuring individual differences be applied to industrial problems. He developed psychological tests for fitting the right person to the right job thus implementing Taylor's idea to select workers scientifically. Generally Munsterberg sought to find the best person for a job and studied and designed

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