

# *Principles and Practice of Management*

## UNIT – I

### CONCEPT

#### **Introduction :**

Management is as old as man himself. As civilisation grew, human life became more and more organised. As industrialisation picked up, business activity increased globally by leaps and bounds.

It had been a common sight that all those who were in business were not successful. Similarly those who were on the top once, are today nowhere. On the other hand, those who were novice once upon a time are today on the pinnacles of success. Why does this happen? One right decision will push you up in life, more so in business, and vice versa. Also, we find that certain business houses, as old as a century, continue to be successful irrespective of the changes in their business environment. How could they ensure to be successful? Perhaps they managed their enterprises better. Their management skills and practices ensured their success.

#### **Concept of Management**

Management is what managers do. It also refers to people at the top level, in the organisation, concerned with decision-making.

An organization is a set of people working together to achieve desired goals. Management is required to planning, organizing, staffing, directing and controlling the affairs of organization. It brings human and material resources together and motivates the employees for the achievement of objectives of the organization.

Management is understood in different ways by different people. Economists regard it as a factor of production. Sociologists see it as a class or group of persons, while practitioners of management treat it as a process. For our understanding, management may be viewed as what a manager does in a formal organization to achieve desired objectives.

#### **DEFINITION OF MANAGEMENT:**

*Henry Fayol*, "To manage is to forecast and plan, to organize, to command, to co-ordinate and to control."

*Harold Koontz* says, "Management is the art of getting things done through and within formally organized group."

*Peter F Drucker (1955)* "Management is concerned with the systematic organization of economic resources and its task is to make these resources productive"

*Mary Parker Follet* management is "the art of getting things done through people".

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#### **NATURE**

*The following describe the nature of management:*

**a. Management is a social process:** Social process refers to the series of activities that are performed in the Society. These activities are carried out by administrators, politicians, economists, housewives, parents, doctors, lawyers and so on. Management is an integral part of social process. Management helps everyone to carry out the activities

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in the society effectively. To refer to an institution which is very well run, it is said that, the management of this institution is said to be very good. Here management is viewed as a function. In other words, management is a process of certain managerial functions in every organisation. It is a social process in particular because managers, at all levels, work with and through people.

**b. Management also denotes a 'body of people' involved in decision-making:** When an institution is very well run, it is said that the management of that institution takes personal interest in the institution. Here, management denotes a body of people involved in decision-making.

**c. Management is omnipresent and universal:** Successful organisations show that management principles apply to every kind of organisation and also to every level in it. Hence, it is called omnipresent and universal.

**d. Management is an inexact science:** Management principles are not like those in science or math's where things are fairly clear or exact. Hence, they cannot be generalised precisely.

**e. Management is complex:** Management functions are complex. They call for a fairly professional approach to manage a given situation or organisation.

**f. Management is situational in nature:** The same style of management cannot work for the same situation every time. The change in the situation may call for a change in the style of functioning of the manager. Similarly, at different points of time also, the style of functioning can be different.

**g. Management is an art and also a science:** There is considerable discussion on whether management is an art or science. An art is personal skill or deftful handling of business affairs. Art is characterised by practical knowledge, personal creativity, and skill. The more one practices an art, the more professional one becomes. Management can be considered as an art because it satisfies all these criteria of an art. The management skills are highly individual-oriented and can be sharpened with more training and practice. There is a lot of scope to apply creativity in the context of managing the affairs of a business organisation. Thus, management is an art.

A science is a systematised body of knowledge of facts. It can establish cause-and-effect relationships among various factors. It involves basic principles, which are capable of universal application. It also helps to predict the future events. Management satisfies all these criteria to be considered as a 'science'. It is a systematic body of knowledge, its principles are universally acceptable, it stands for logical reasoning, scientific testing and inquiry. It also establishes cause-and-effect relationship between the given factors. It explains what happens if the employees are not paid salaries on time.

Thus, science and art are not mutually exclusive but are complementary to each other. Science and art are two sides of the same coin. Those who learn management principles and contemporary practices in an organised way, will have a far better opportunity to design a feasible solution to a given managerial problem.

Mere knowledge of science will not assure results because one must know how to apply them. Here comes the role of art or skill. Hence, management is considered more as both an art and a science.

**h. Management is a profession:** Profession refers to a vocation or a branch of advanced learning such as engineering or medicine. Management helps to carry out every profession in a scientific manner. The managers are professional in their approach and are governed by code of ethics. If the manager violates the code of conduct, he can be dismissed from the organisation.

**i. Management is inter-disciplinary:** The subject of management is heavily dependent on other disciplines, and the techniques of management are built around the

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techniques drawn from these subjects. The manager uses extensively for instance, the theories of consumption and production from *Economics*, linear programming, PERT and CPM from *Operations Research*; probability theories, correlation and regression techniques from *Statistics*; theories of group behaviour from *Sociology*; theories of individual behaviour from *Psychology*; the tools of decision-making such as matrices, calculus, integration, and differentiation from *Mathematics*.

**j. Manager has four types of resources:** *The Four M's* Men, money, materials, and machines are the four types of resources the manager has to manage. However, this list is only inclusive.

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### **SCOPE AND SIGNIFICANCE**

#### **SCOPE**

The scope of management is too wide to be covered in a few pages. Herbison and Myres have yet tried to restrict it under three broad groups, viz.

- 1. Economic Resource**
- 2. System of Authority**
- 3. Class or Elite**

Let us understand each of them one by one.

- 1. Economic Resource:** Business Economics classifies the factors of production into four basic inputs, viz. land, labour, capital and entrepreneur. By the use of all these four, basic production can be done. But to turn that into a profitable venture, an effective utilization of man, money, material, machinery and methods of production has to be ensured. This is guaranteed by application of management fundamentals and practices. The better is the management of an enterprise, the higher is its growth rate in terms of profit, sales, production and distribution. Thus management itself serves as an economic resource.
- 2. System of Authority:** Management is a system of authority. It formalises a standard set of rules and procedure to be followed by the subordinates and ensures their compliance with the rules and regulations. Since management is a process of directing men to perform a task, authority to extract the work from others is implied in the very concept of management.
- 3. Class or Elite:** Management is considered to be a distinct class that has its own value system. Managerial class, often referred to as a collective group of those individuals that perform managerial activities is essential component of each organisation. The importance the class has become so huge that the entire group of managers is known as “management” in every organisation.

#### **SIGNIFICANCE**

Management is viewed as a very significant tool for the following reasons:

- a. It facilitates the achievement of goals through limited resources:** An organisation, if well managed, can accomplish its goals even though its resources are limited. The resources are scarce, and hence, they have to be effectively allocated and utilised in an optimum manner. This is possible only through management.
- b. It ensures smooth sailing in case of difficulties:** Manager guides the organisation, especially in trouble. As long as things go normal, that is, everybody is doing his/her own function diligently; they may not feel the need for a manager. In case of a crisis, it is the manager who ensures a smooth sailing. How does he do this? He anticipates and makes necessary changes in the organisation to achieve the targeted results.

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- c. It ensures continuity in the organization:*** Continuity is very important in the organisations. Where there are no proper guidelines for decision-making continuity cannot be guaranteed. It is quite natural that new people join while some others retire or leave the organisation. It is only management that keeps the organisation continuing. Modern organisations are based on systems and procedures. Thus, continuity is ensured. Organisations do not just collapse when some key people leave them. Yes, there could be a change in the focus or priorities in the organisation.
- d. It ensures economy and efficiency:*** Without managers, it may be difficult to get the job performed efficiently. It is the manager who plans, coordinates, and monitors the progress of work and suggests whether the work is satisfactorily done or not. In case of shortfall, it is the manager who helps the employees to perform better. Thus, organisational costs can be minimised through sound management practices.
- e. It focuses on group efforts:*** If each individual is allowed to plan and organise independently of what others are doing, there will be nothing but chaos. Therefore, management is needed to guide and direct group efforts.
- f. It is the key to the economic growth:*** Efficient management is equally important for the nation in terms of social and economic development. The economic development of a country largely depends on the quality of management of its resources. Capital investment or latest technology alone cannot lead the nation to economic growth. The wealth and production resources in the country also have to be managed efficiently. By producing wealth, managers facilitate the increase in national income, and thus, the living standard of the people. Management is, thus, the key to the economic growth.

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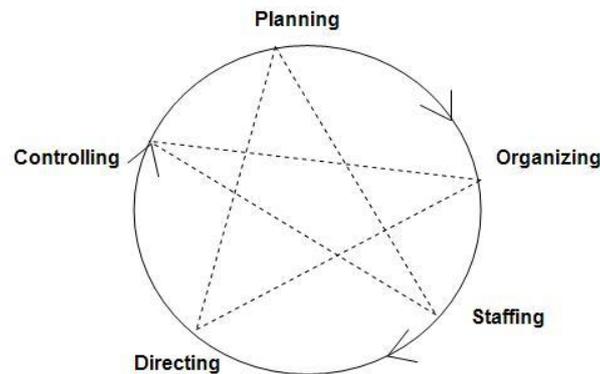
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### **FUNCTIONS OF MANAGEMENT**

Different experts have classified functions of management. According to *George & Jerry*, “There are four fundamental functions of management i.e. planning, organizing, actuating and controlling”.

According to Henry Fayol, “To manage is to forecast and plan, to organize, to command, & to control”. Whereas Luther Gullick has given a keyword ‘**POSDCORB**’ where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for Reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O’DONNEL i.e. **Planning, Organizing, Staffing, Directing** and **Controlling**.

For theoretical purposes, it may be convenient to separate the function of management but practically these functions are overlapping in nature i.e. they are highly inseparable. Each function blends into the other & each affects the performance of others.



#### **1. Planning :**

It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, “Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be”. A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

#### **2. Organizing :**

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, “To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel’s”. To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

#### **3. Staffing :**

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It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose of staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O'Donell, "Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed the structure". Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, Selection & Placement.
- Training & Development.
- Remuneration.
- Performance Appraisal.
- Promotions & Transfer.

### **4. Directing :**

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- **Supervision**
- Motivation
- Leadership
- Communication

**Supervision-** implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

**Motivation-** means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

**Leadership-** may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

**Communications-** is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

### **5. Controlling :**

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to *Theo Haimann*, "Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation". According to Koontz & O'Donell "Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished". Therefore controlling has following steps:

- a. **Establishment of standard work.**

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- b. **Assessment of actual work.**
- c. **Comparison of actual performance with the standards and finding out deviation if any.**
- d. **Corrective action.**

Controlling brings results nearer to the target.

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### **ADMINISTRATION Vs. MANAGEMENT**

Scholars of Management are having different opinions regarding the terms 'Administration' and 'Management'. There are three different views holding three different schools of thought, which are as follows.

1) **'Administration' and 'Management' are different functions:**

According to American school of thought, Oliver Sheldon, W.R. Spriegel, Milward, William Schulze, Tead, Lansberg and Florence have advocated the view that there is distinction between these two terms.

They believe that 'Administration' involves the overall framing of major objectives, deciding policies and taking decisions while 'Management' works as a secondary function, which looks after the execution of these policies and decision framed by the top administration.

2) **'Management' is a generic term, includes Administration :**

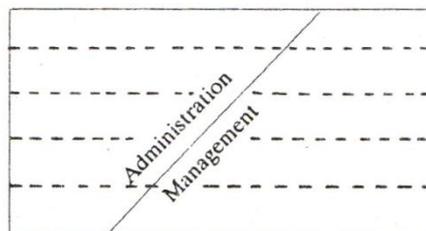
British school of thought, E.F.L. Brech, Kimball and Kimball uses the term 'Administration' as a part of 'Management.' In first function of management (i.e. planning) decisions are taken, plans and policies are made; these same functions carried out by administration are inclusive in management that's-why this school regards as 'administration' as part of management. As 'management' is used in the sense of an all inclusive function; management is regarded as the generic term.

3) **'Administration' and 'Management' are one/synonymous:**

French school of thought, Henry Fayol, Koontz and O'Donnell, Allen, Strong, Terry, Newman, Chester Barnard etc. make no distinction between the two terms and use 'Administration' and 'Management' as one/synonymous or use these terms interchangeably. They hold the view that the term 'Administration' is used for the higher executive functions in government and other non-business or social institutions, whereas the term 'Management' is used for the same functions in the business world.

From the above discussion it is quite evident that there is no exact line of demarcation between the functions of 'thinking' and 'doing'.

Board of Directors  
 Managing Director  
 Production Manager  
 Plant Superintendent  
 Supervisor



### **Distinction between 'Administration' and 'Management'**

<b><i>Point of Distinction</i></b>	<b><i>Administration</i></b>	<b><i>Management</i></b>
<b><i>1. Nature</i></b>	Administration is a determinative or thinking function.	Management is an executive or doing function.
<b><i>2. Scope</i></b>	Administration is concerned with the determination of major objectives and	Management is concerned with the implementation of objectives and

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	policies.	policies.
<b>3. Level</b>	Administration is mainly a top level function.	Management is largely a middle and lower level function.
<b>4. Influence</b>	Administrative decisions are influenced mainly by public opinion and other outside forces.	Managerial decisions are influenced mainly by objectives and policies of the organization.
<b>5. Direction of human efforts</b>	Administration is not directly concerned with direction of human efforts.	Management is actively concerned with direction of human efforts in the execution of plans.
<b>6. Skills required</b>	Conceptual and human skills.	Technical and human skills.
<b>7. Main functions</b>	Planning and control are the main functions involved in it.	Directing and organizing are the main functions in it.
<b>8. Usage</b>	Used largely in government and public-sector.	Used mainly in business organizations.
<b>9. Illustrations</b>	Minister, Commander, Commissioner, Registrar, Vice-Chancellor, Governor, etc.	Managing Director, General Manager, Sales Manager, Branch Manager, etc.

Now, it has been widely accepted by many authorities that these two terms are different in their connotation. Yet, in practice no distinction is made between the terms administration and management.

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### **HENRY FAYOL**

Henry Fayol started his career as a mining engineer in 1860 in a colliery company in France. In 1866, he was appointed as the manager of the collieries and remained in this position for 22 years. In 1888, when the company's financial position was critical, he was appointed as the General Manager. He held this position with his expertise for 30 years and retired in 1918, at a time when the company had become one of the biggest coal companies in France. His observations on the principles of general management first appeared in 1916 in French under the title *Administration Industrielle et Generale*, and this was translated into English in 1949 under the title *General and Industrial Administration*.

This book contains two parts: the first part is concerned with the theory of administration and the second part with the discussion on training for administration.

Fayol felt that the activities of business could be divided into six groups: (i) Technical; (ii) Commercial; (iii) Financial; (iv) Security; (v) Accounting; and (vi) Managerial.

Fayol felt that the first five were well known and as a result, devoted most of his book to an analysis of the sixth. *He classified the managerial group into six subgroups, viz., forecasting, planning, organising, co-ordinating, commanding and controlling. Fayol stated the qualities required by managers to be physical, mental, moral, educational and technical.* As a matter of fact, he emphasised that as one goes higher up in the levels of management, the administrative knowledge and skills become relatively more and more important and technical knowledge and skill less important.

### ***Fayol's Principles of Management***

In addition, Fayol listed out 14 Principles of Management. They are:

**1. Division of Work/ Labour:** Work is divided in small tasks/job and each work is done by a trained specialist who leads to greater efficiency, specialization, increased productivity and reduction of unnecessary wastage and movements.

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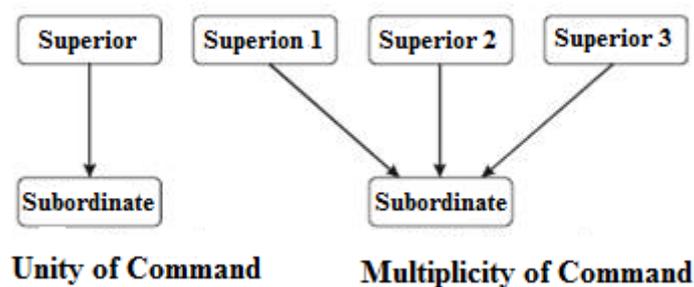
**2. Authority and Responsibility:** Authority means power to take decisions and responsibility means obligation to complete the job assigned on time. Authority and responsibility should go hand in hand. Mere responsibility without authority makes an executive less interested in discharging his duties. Similarly giving authority without assigning responsibility makes him arrogant and there is fear of misuse of power.

**3. Discipline:** It is the obedience to organizational rules by the subordinates. Discipline requires good supervisors at all levels, clear and fair agreements and judicious application of penalties.

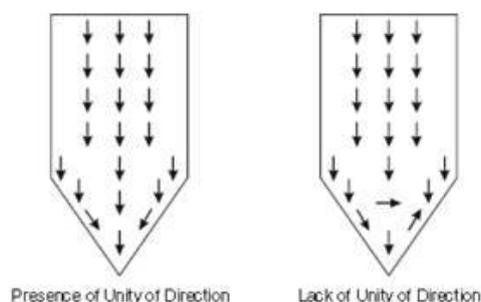
### Discipline is of two types

- a. **Self imposed discipline** - Self imposed discipline springs from within the individual and is in the nature of spontaneous response to a skilled leader.
- b. **Command discipline** - Command discipline steams from a recognized authority and utilizes deterrents to secure compliance with a desired action, which is expressed by established customs, rules and regulation.

**4. Unity of Command:** It implies that every worker should receive orders and instructions from one superior only, otherwise it will create confusion, conflict, disturbance and overlapping of activities.



**5. Unity of Direction:** Each group of activities having the same objective must have one head and one plan. This ensures unity of action and coordination.



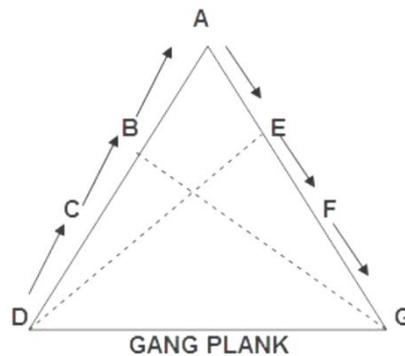
**6. Subordination of Individual Interest to General Interest:** The interest of an organization should take priority over the interest of any one individual employee.

**7. Remuneration of Employees:** The overall pay and compensation should be fair to both employees and the employer. The wages should encourage the workers to work more and better.

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**8. Centralization:** Decreasing the role of subordinates in decision making is centralisation, increasing their role is decentralisation. Fayol believed that managers should retain final responsibility, but should at the same time give their subordinates enough authority to do their jobs properly. The problem is to find the proper degree of centralisation in each case.

**9. Scalar Chain:** The formal line of authority between superiors and subordinates from the highest to the lowest ranks is known as scalar chain. This chain should not be violated but in emergency employees at same level can contact through Gang Plank by informing their immediate superiors.



A Gang Plank is a temporary arrangement between two different points to facilitate quick & easy communication as explained below:

In the above diagram 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.

**10. Order:** Materials and people should be in the right place at the right time. People in particular, should be in the jobs or positions in which they are most suited.

**11. Equity:** The working environment of any organization should be free from all forms of discrimination (religion, language, caste, sex, belief) and principles of justice and kindness should be followed. No worker should be unduly favoured or punished.

**12. Stability of Tenure:** Stability of tenure is reasonable security of jobs. After being selected and appointed by rigorous procedure, the selected person should be kept at the post for a minimum period decided to show results. Frequent changes should be avoided.

**13. Initiative:** Managers should encourage their employees for taking initiative within the limits of authority and discipline. Initiative increases zeal and energy on the part of employees. Workers should be encouraged to develop and carry out their plan for improvements. Initiative means taking the first step with self-motivation. It is thinking out and executing the plan.

**14. Spirit De Corps:** Management should promote team spirit, unity and harmony among employees. Management should promote a team work. Promoting team spirit will give the organisation a sense of unity. To Fayol, even small factors could help to develop the spirit. He suggested, for example, the use of verbal communication instead of formal, written communication whenever possible.'

It may be stated that F.W. Taylor and Henry Fayol together gave an almost complete theory of management. Taylor studied with utmost care the lowest level of industrial

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hierarchy whereas Fayol, on the other hand, worked from the top of the industrial hierarchy downward.

The universality of the principles of management could be understood throughout the treatise of Fayol. He should be regarded as the father of modern management theory since he was first to emphasise that better management is not merely a question of improving the output of labour, but of planning of the subordinate units of an organisation.

### ***Criticism of Fayol's Principles***

The contributions of Henry Fayol were criticized as here under.

- a. The principle of scalar chain is also not applicable in modern organisations as the information requests for carrying out the work flow in different lines.
- b. Fayol's principles like unity of command, unity of direction, division of labour, specialisation and span of management are applicable to tall and mechanistic organisations. Mechanistic organisations are insensitive to employee's social and psychological needs. Further, they do not use the employee's skills and potentialities to the maximum extent.

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### **ROLES OF MANAGERS**

Managers are the primary force in an organization's growth and expansion. Larger organizations are particularly complex due to their size, process, people and nature of business. However, organizations need to be a cohesive whole encompassing every employee and their talent, directing them towards achieving the set business goals. This is an extremely challenging endeavor, and requires highly effective managers having evolved people management and communication skills.

Professor **Henry Mintzberg**, a great management researcher, after studying managers for several weeks concluded that, to meet the many demands of performing their functions, managers assume multiple roles.

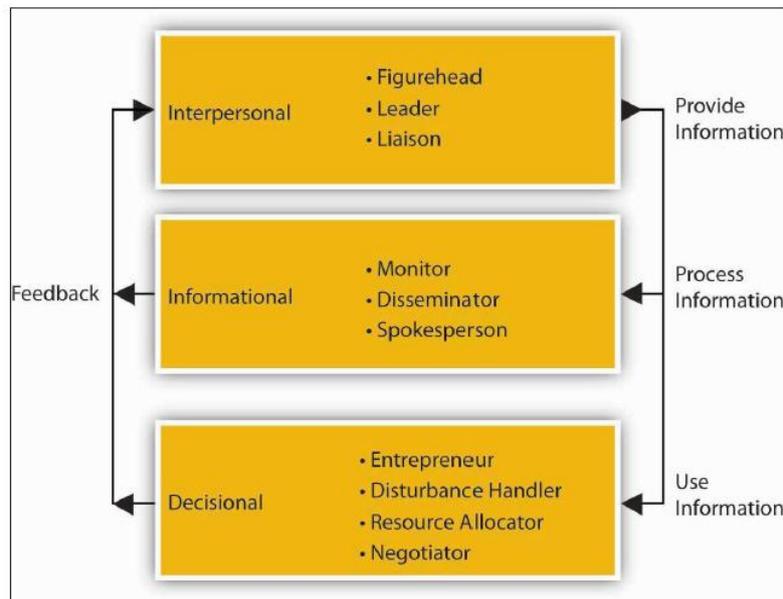
He propounded that the role is an organized set of behaviors. He identified the following ten roles common to the work of all managers. These roles have been split into three groups as illustrated in the following figure.

**1. Interpersonal roles:** - In the process of management needs to interact with subordinates to get things done by them, and also communicates with superiors, peers, trade union leaders, customers, government and other agencies whose interest is involved in the business. Its importance is evident from that a manager spends nearly 80 percent of his time, in interacting with these parties.

- a) **Figure head role:** The manager works in a line of authority. His position is identified in terms of formal authority, responsibility, obligations and relationship. As a symbol of formal authority, he performs various ceremonial duties e.g. receiving visitors, attending weddings of subordinates, signing various documents, delivering speeches and lectures in important social gathering such as schools, clubs and other religious places.
- b) **Leadership role:** The most important role of the manager is to lead, guide and motivate subordinates and get work done properly. A manager is responsible not only for his own acts but for the activities performed by his subordinates. The leadership qualities of the manager help him in influencing the working behaviour of subordinates, contributing to a higher level of efficiency.

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- c) **Liaison role:** A manager serves as connecting link, vertically with superiors and subordinates, and horizontally, with other managers at the same level. Outside the organization, the managers have to undertake liaison to assess the external environment to enable the organization to cope with it.



**2. Informal role:** - To preserve and protect the identity of an organization and to secure its smooth functioning, the manager has to scan the external environment on a regular basis and to deal with outside parties, effectively for which he has to gather a lot relevant information on the various matters concerning the organizations. The manager plays three important informational roles while managing the operations of an organization.

- a) **Role of monitor:** The managers interact and deal with insiders and outsiders and scan the external environmental constantly to get useful information. He collects information on the various aspects of the organization and its environment through reports, informal relations dealings and liaison work. He is the most well-informed member of his work group. While managing, he monitors every situation closely and minutely, collects information regarding it and finally, solves it effectively.
- b) **Role of disseminator:** The manager continuously transmits selected information which he has compiled through the role of monitor to his subordinates. He keeps them well-in-formed regarding any change in the process, structure, policies and other plans of the organization. The needed information is disseminated among the subordinates by him through formal and informal meetings, memorandums, orders and instructions issued from time to time.
- c) **Role of spokesperson:** A manager acts as a spokesperson of his group while supplying information to superiors and peers. Similarly, he keeps outside parties well-informed on behalf of the organization. He negotiates and enters into compromise with internal and external parties.

**3. Decision-making roles:** - By interacting with insiders and outsiders, the manager gets important information, which he can use or taking decisions and solving problems.

- a) **As an entrepreneur:** The managers have a primary responsibility of improving the overall functioning of their respective work units. They act as an entrepreneur; take bold decisions, seek better results from subordinates, initiate required changes, implementing them for the betterment of organization. To initiate and implement changes, managers have to be dynamic, innovative and creative.

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b) **As a disturbance or conflict handler:** An organization is a collective entity with diversity of interest and duality of roles for managers. For example, the owners group may be interested in high profits whereas the employees may seek more benefits in the form of higher wages and better working conditions. In such situations, it is only by applying managerial knowledge and playing the role of conflict handlers, thinking analytical and acting practically, that the managers can hope to effectively integrate the interest of employees with the organization. Similar conflicts may arise with outside parties which would have to be resolved through meetings, negotiations and compromise.

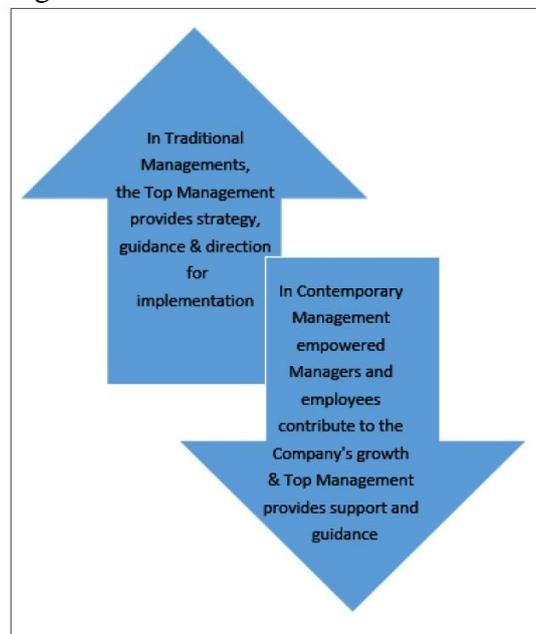
**As a resource allocator:** To manage the organization, physical and human resources are mobilized and utilized efficiently by managers for the accomplishment of pre-determined objectives. They have to play the role of resources allocators. And, in the case of multiple objectives, they set priorities for allocation of resources.

**As a negotiator:** Managers work on behalf of the organization or work unit, and subordinates, not only as a spokesperson but as negotiator. They enter into an agreement on behalf of the organization. For example, the personnel manager negotiates with trade unions and representatives of workers.

### **The Changing Roles of Management and Managers**

Every organization has three primary interpersonal roles that are concerned with interpersonal relationships. The manager in the figurehead role represents the organization in all matters of formality. The top-level manager represents the company legally and socially to the outside world that the organization interacts with.

In the supervisory role, the manager represents his team to the higher management. He acts as a liaison between the higher management and his team. He also maintains contact with his peers outside the organization.



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## **SOCIAL RESPONSIBILITY**

### ***Traditional View of Social Responsibility***

In traditional societies, the prime purpose of business was profit maximisation. Even as late as 1970, **Milton Friedman stated that** 'the business of business is business'. In other words, the only objective of business is the making of profits. Friedman argues that the profit

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earned by business belongs exclusively to the shareholders of the business and these profits cannot be diverted to any other social purpose. He defended his argument by saying that “if the executive uses corporate resources for social ends, he is using the money for the purposes for which it was not intended...”. He further states that “there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits...” John Lodd expressed a similar opinion in 1970, saying “it is improper to expect organisational conduct to conform to the ordinary principles of morality...”

However, most academicians, economists, socialists, philosophers, politicians and even businessmen and bankers do not compromise with these opinions. It is doubtful whether these opinions hold good today, especially during the post liberalisation era. T.A. Mathias felt that “moral behaviour pays....at least in the long run.” An enlightened approach aims at long-run objectives and not mere short-run gains. The days of traditional views are gone. Now, we shall study the modern view towards social responsibilities.

### ***Modern View of Social Responsibility***

It is now being increasingly recognised that business is not an end in itself. It is only a means to an end. That end is man, be it a worker, customer, consumer or any member of society. It is also recognized that business is a social and economic institution which cannot live in isolation.

The establishment and development of business is dependent on the contributions made by society. Society has to bear the cost and consequences of the establishment and operation of business. It has to allot land, supply water and other materials, provide infrastructural facilities and develop and provide human resources. In addition to this, consumers who are members of society, allow the business to continue its operations by creating effective demand for the goods and services produced/rendered or distributed by the business.

Thus, business is mostly dependent upon society. Realising this, most of the businessmen today feel that their objective is not merely profit maximisation but it also consists of contributing something towards solving the problems of their employees, consumers and society at large. Here it is appropriate to state that, “a socially and ethically conscious firm and its managers should, therefore, look upon profits not as the be-all and end-all of their operations.” ‘*Social Audit*’ is one such technique used to measure performance.

### **DEFINITION**

**Keith Davis** – “*Social responsibility refers to the businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest.*”

**A. Berle** - *Social responsibility is “the manager’s responsiveness to public consensus”.*

According to other thoughts, “Social responsibility contends that management is responsible to the organisation itself and to all interest groups with which it interacts”.

Other interest groups such as workers, customers, creditors, suppliers, government and society in general are viewed equally as shareholders. Organisations have realised that by discharging social obligations, they build a solid foundation to continue to make profits, not just in the short-run but also in long-run.

Social responsibility of a business is viewed as conducting its operations in a free and fair manner by discharging its commitment towards different segments as explained.

#### **I. Towards Shareholders**

It is the social responsibility of management to provide true and fair information regarding the functioning of the organisation, return on capital, profits earned etc., in

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order to encourage them to either directly participate in the management actions or to provide powers to intervene It is necessary to protect the interests of the shareholders.

- Fair Dividend
- Solvent and Efficient Business
- Optimum use of Resources
- Planned Growth
- Effective Communication

### **2. Towards Consumers**

The management should provide good quality products to the consumers and at a reasonable price. It should provide accurate and relevant information to the customers. It should not provide harmful products and goods of hazardous nature.

- Fair Price
- Superior Quality
- Superior Service
- Superior Product Design
- Quick and Complete Information

### **3. Towards Employees**

The management should adopt such policies which are recognised by trade union rights, which create a sense of belongingness and which improve the working and living conditions of the workers. The workers should be paid fair wages and they should be treated properly.

- Meaningful Work
- Job Satisfaction
- Fair Salaries & Benefits
- Best Quality of Worklife
- Succession Planning and Development

### **4. Towards Suppliers and Creditors**

The management should arrange the amount of money within the time specified to repay the loans taken from creditors and to pay for the supplies. It should fulfill all the obligations agreed and have good relations with them.

### **5. Towards the Government**

The organisation should abide by all the laws of the government. It should pay all the taxes and other dues fully in time. It should support the government in all development activities.

- Payment of Taxes, Custom Duties etc
- Abide by the Laws
- Observe the Policies
- Maintain Law & Security

### **6. Towards Society**

The management should protect the interests of society and support community development activities. It should behave with the people in proper manner and desire to improve the standard of living of the people.

- Employment Without Discrimination
- Employment to Disadvantaged Persons

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- Community Welfare Services
- Business Morality
- Maintaining Pollution Free Environment
- Maintaining Ecological Balance

### **7. Towards Inter- Business**

- Fair Competition
- Cooperation for Sharing of Scarce Resources and Facilities
- Collaboration for Maximisation of Business Efficiency

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