

## PRINCIPLES OF MANAGEMENT

SUBJECT CODE : 18MPA24C

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Material prepared according to textbook and reference books given in the syllabus.

### SYLLABUS

Year	Subject Title	Sem.	Sub Code
2018 -19 Onwards	Core 7 : Principles of Management	II	18MPA24C

#### Objective

To enable the students to study the evolution of Management, to study the functions and principles of management and to learn the application of the principles in an organization

#### UNIT-I: INTRODUCTION TO MANAGEMENT AND ORGANIZATIONS

Definition of Management – Science or Art – Evolution of Management –Approaches to Management – Current Trends and Issues in Management.

#### UNIT-II: PLANNING

Nature and Purpose of Planning – Planning Process – Types of Planning – Planning Tools and Techniques – Decision Making.

#### UNIT-III: ORGANIZING

Nature and purposes – Formal and Informal Organization – Organization Structure – Line and Staff – Departmentalization – Delegation of Authority – Centralization and Decentralization

#### UNIT-IV: DIRECTING

Motivation – Motivation Theories – Motivational Techniques – Leadership – Communication – – Barrier in Communication – Effective Communication –

#### UNIT V: CONTROLLING

Control- Control Techniques – MBO-MIS-TQM-Quality Circles.

#### Textbook

1. Stephen P.Robbins& Mary Coulter, "Management", Prentice Hall (India) Pvt.Ltd., 10<sup>th</sup> Edition, 2009.
2. JAF Stoner, Freeman R.E and Daniel R Gilbert "Management", 6<sup>th</sup> Edition, Pearson Education, 2004.

#### Reference Books

1. Stephen A. Robbins& David A. Decenzo& Mary Coulter, "Fundamentals of Management" 7<sup>th</sup> Edition, Pearson Education, 2011.
2. Robert Kreitner&MamataMohapatra, "Management", Biztantra, 2009.
3. Harold Koontz & Heinz wehrich "Essential of Management", Biztantra, 2008
4. Tripathy PC & Reddy PN, "Principles of Management" Tata MCgraw Hill, 1999.

## **Control**

In 1916, Henri Fayol formulated one of the first definitions of control as it pertains to management:

Control of an undertaking consists of seeing that everything is being carried out in accordance with the plan which has been adopted, the orders which have been given, and the principles which have been laid down. Its objective is to point out mistakes in order that they may be rectified and prevented from recurring.[1]

According to EFL Brech:

Control is checking current performance against pre-determined standards contained in the plans, with a view to ensure adequate progress and satisfactory performance.

According to Harold Koontz:

Controlling is the measurement and correction of performance in order to make sure that enterprise objectives and the plans devised to attain them are accomplished.

According to Stafford Beer:

Management is the profession of control.

Robert J. Mockler presented a more comprehensive definition of managerial control:

Management control can be defined as a systematic torture by business management to compare performance to predetermined standards, plans, or objectives in order to determine whether performance is in line with these standards and presumably in order to take any remedial action required to see that human and other corporate resources are being used in the most effective and efficient way possible in achieving corporate objectives.[2]

## **Modern Techniques of Control..**

Following are the modern techniques of control which are commonly used present:

### **I. Return on Investment (ROI):**

Profits are the measure of overall efficiency of a business to the capital employed in a business efficiency is an important control device. If the rate of return on investment (shareholders funds) is quite satisfactory, it will be taken as a yard-stick of good performance.

The return on investment can be compared over a period of time as well as with that of other similar concerns. This comparison will show the present performance in relation to earlier periods and also the level of achievement of the concern in comparison to other concerns. The return on investment is computed by dividing the operating net profit (before interest and tax) by the capital employed in the concern.

The following formula is used for this purpose:

(i)Return on Investment

(ii)Net Profit before interest and tax

(iii)Capital employed.

ROI is used to measure the overall efficiency of a concern. It reveals how well the resources of a concern are used, higher return better are the results. An important drawback of this method is the determination of capital employed in a concern as this concept is open to conflicting interpretations. Generally capital employed includes equity share capital, preference share capital, free reserves and long-term loans. It means that total assets less current liabilities will form the capital employed.

## **II. Programme Evaluation and Review Technique (PERT):**

Programme evaluation and review technique (PERT) was first developed as a management tool for co-ordination and early completion of Polaris Ballistic Missile Project in USA resulting in a reduction of 30 per cent time in project execution. A contemporary of PERT is CPM (Critical Path Method) and was developed in connection with maintenance and construction work.

PERT is useful at several stages of project management starting from early planning stages when various alternative programmes are being considered to the scheduling phase, when time and resources schedules are laid out, to final stage in operation, when used as control device to measure actual versus planned progress. PERT uses “network’ as the basic tool of project

management and is helpful in completing a project on schedule by coordinating different jobs involved in its completion.

### III. Management Information System (MIS):

Management information system (MIS) is an approach of providing timely, adequate and accurate information to the right person in the organization which helps in taking right decisions. So MIS is a planned and organized approach to the transferring of intelligence within an organization for better management. The information is furnished into useful quantum's of knowledge in the form of reports. An effective system of MIS collects data from all possible sources. The information is properly processed and stored for use in future.

MIS is of two types:

(i) Management operating system meant for meeting the information needs of lower and middle level managements. The information supplied generally relates to operations of the business,

(ii) Management reporting system which supplies information to top level management for decision-making. The information is presented in a way which enables management to take quick decisions. An MIS should be so designed which helps management in exercising effective control over all aspects of the organization.

### IV. Management Audit:

Management audit is an investigation by an independent organization to find out whether the management is carried performance out most effectively or not. In case there are drawbacks at any level then recommendations should be given to improve managerial efficiency. In the words of Leslie R. Howard, "Management audit is an investigation of a business from the highest level downward in order to ascertain whether sound management prevails throughout, thus facilitating the most effective relationship with the outside world and the most efficient organization and smooth running internally."

### **MANAGEMENT BY OBJECTIVES ( MBO)**

## **Definition of MBO.**

According to George Odiorne MBO is a

System wherein the superior and the subordinate managers of an organisation jointly identify its common goals, define each individual's major area of responsibility in terms of the result expected from him and use these measures as guides for operating the unit

and the contribution of each of its members.

## **Objectives of MBO.**

It is used to measure and judge performance.

It is used to relate individual performance to organisational goals.

It is used to enhance communication between superiors and subordinates.

## **Features of MBO.**

MBO tries to combine the long run goals of organisation with short run goals.

Management tries to relate organisation goals with society goals.

MBO emphasis is not only on goals but also on effective performance.

## **Process of MBO.**

Defining organisational objectives.

Goals of each section.

Fixing key result areas.

Setting subordinate objectives or targets.

Matching resources with objectives.

### **Advantages of MBO.**

MBO process helps the manager to understand their role in the total organisation.

Manager recognise the need for planning and appreciates the planning.

Systematic evaluation of performance is made with the help of MBO.

Delegation of authority is easily done with the help of MBO.

### **Disadvantages of MBO.**

MBO emphasis only on short term objectives and does not consider the long term goals.

The status of the subordinate is necessary for proper objectives setting. But, this is not possible in the process of MBO.

MBO is rigid one. Objectives should be changed according to the circumstances, external or internal.

MBO is time consuming process. Much time is needed by senior people for framing the MBO.

# MANAGEMENT INFORMATION SYSTEM (MIS)

## Introduction

A management information system (MIS) is a set of systems and procedures that gather data from a range of sources, compile it and present it in a readable format. Managers use an MIS to create reports that provide them with a comprehensive overview of all the information they need to make decisions ranging from daily minutiae to top-level strategy. Today's management information systems rely largely on technology to compile and present data, but the concept is older than modern computing technologies.

## Making Business Decisions

The main purpose of a management information system is to make managers' decision-making more efficient and productive. By pooling information from a range of sources into a single database and presenting the information in a logical format, an MIS can provide managers with everything they need to make highly informed decisions and perform in-depth analysis of operational issues.

## Collecting Business Information

An MIS can be developed to collect nearly any type of information managers require. They can view financial data such as daily revenues and expenses at a glance and attribute them to specific departments or groups. Performance indicators such as the timeliness of projects or the quality of products coming off an assembly line can help managers pinpoint areas of needed improvement. Staff can manage schedules for work shifts, incoming deliveries and outgoing shipments from any place linked to the MIS.

## Facilitating Collaboration and Communication

A management information system can facilitate collaboration and communication as well. Employees can edit and share documents and communicate relevant information on anticipated developments and warnings across the organization.

## Compiling Business Reports

One of the most valuable features of a management information system is its ability to pull in internal and external data from a variety of sources and present it in an easy to analyze format. Internal reports present information in a way that managers can understand, by including all relevant data and grouping data in a logical manner. For example, a report viewed by a corporate manager for a restaurant chain may show revenue, expenses, labor-hours and volume of each outlet, allowing him to see which store makes the most money per employee on the floor and which stores have higher expenses compared to revenue and volume--an indicator of waste or theft.

## Generating Government Reports

Non-profit organizations can use an MIS to automatically generate reports required by the federal government. This allows employees and volunteers to focus their time on more productive activities and can reduce errors and the costs associated with resubmitting federal reports.

## Front-Line Benefits

Front-line employees can use an MIS to perform their jobs more effectively as well. For example, employees at all levels can consult an MIS to check on the status of inventory items, view stats related to their specific department or group and request internal transfers of materials.

## Training Employees to Use the System

A management information system can be a costly investment. In addition to purchasing an MIS software package, customizing the system and hiring extra IT personnel to oversee and maintain the system, a company must train all employees to use the system. Front-line employees often perform the first two steps in an MIS, data collection and input, leaving them with less time to focus on productive ; this can increase overall salary expenses. Weigh the costs of an MIS against the potential benefits before implementing this tool in your small business.

TQM

## TOTAL QUALITY MANAGEMENT

Total quality management (TQM) consists of an organization-wide efforts to make a continuous improvement in its ability to deliver high-quality products and services to customers.

Origin: TQM, in the form of statistical quality control, was invented by Walter A. Shewhart. It was initially implemented at Western Electric Company, in the form developed by Joseph Juran who had worked there with the method. TQM was demonstrated on a grand scale by Japanese industry through the intervention of W. Edwards Deming.

Guideline of total quality management should contain the following items:

TQM is a customer focused approach

It is company-wide strategy and involves everyone in the organization

Aims at satisfying the customer or delighting them

Provides best quality product and satisfy them in a cost effective manner

Fundamental changes in basic beliefs and practices

Prevention of defects is the way and the target is zero defects

Total quality management is methodical

Provides meaningful measures of performance that guide the self-improvement efforts of everyone involved

Principles for the Total Quality Management:

The basic principles for the Total Quality Management (TQM) philosophy of doing business is to satisfy the customer, satisfy the supplier, and continuously improve the business processes.

TQM: "Doing the Right Thing, Right the First Time, All the Time; always striving for Improvement & always satisfying the Customer.

Deming's 14 Points on Quality Management, a core concept on implementing total quality management, is a set of management practices to help companies increase their quality and productivity.

Create constancy of purpose for improving products and services.

Adopt the new philosophy.

Cease dependence on inspection to achieve quality.

End the practice of awarding business on price alone; instead, minimize total cost by working with a single supplier.

Improve constantly and forever every process for planning, production and service.

Institute training on the job.

Adopt and institute leadership.

Drive out fear.

Break down barriers between staff areas.

Eliminate slogans, exhortations and targets for the workforce.

Eliminate numerical quotas for the workforce and numerical goals for management.

Remove barriers that rob people of pride of workmanship, and eliminate the annual rating or merit system.

Institute a vigorous program of education and self-improvement for everyone.

Put everybody in the company to work accomplishing the transformation.

14+ Principles of Total Quality Management (TQM) by Joseph Auciello

**ADD VALUE TO THE PROCESS:** Every action by every employee should add value to the process or product in every way all the time. Enhance your work by your actions.

DELIVER QUALITY ON TIME ALL THE TIME. Develop a pattern of delivering perfect products & services on time. Rate your sources by their ability to do this.

BASE BUSINESS RELATIONSHIPS ON MUTUAL TRUST and confidence: Providers and Suppliers build trust and confidence through quality and deliverability. Customers build it by quick payment and clear lines of communication. Reliability, Forthrightness, and Honesty are the Basis of forming Business Relations.

TRAIN INDIVIDUALS AND TEAMS TO SOLVE PROBLEMS: Teach Problem -Solving Tools / Techniques & Teaming as the means to solve quality, safety, productivity, and deliverability problems.

EMPOWER EMPLOYEES TO BE RESPONSIBLE for Quality, Safety, Productivity and Deliverability. Empowering means giving workers responsibility for their actions affecting their work. Share governance.

DEED 'OWNERSHIP' OF PROCESS TO EMPLOYEES who have proven their capability. Reward and reinforce empowerment with Incentives, Job Security and Equity Sharing. Make employees owners of the process, not attendants.

IMPLEMENT THE NEW TECHNOLOGY: Use modern information resources, INTERNET, databases, telecommunications, applications software, and project scheduling as tools to improve productivity. Use Statistical Process Control (SPC) to eliminate errors and defects and continually improve the system

COLLECT, MEASURE AND EVALUATE DATA before Making Decisions. "It never hurts to turn the light on." Make Decisions based on evidence. "If you can't measure it, you can't evaluate it."

APPLY THE '80/20' PRINCIPLE: Use this Problem-Solving Tool to put problems into 'Trivial Many' and 'Vital Few' Categories. Record the causes and frequencies of problems on a Tally Sheet. Develop this into a Pareto Chart which plots the frequencies (most- to least-important) of the problems. 20% of the causes create at least 80% of the problems. Importance of resolving vital problems first.

DEVELOP 'WIN-WIN' SCENARIOS: Create solutions that will benefit all parties. Cooperation that develops synergism is the best solution.

DEVELOP A MASTER PLAN: Good Design Precedes Good Craftsmanship. A well-designed plan tracks and benchmarks an action through to its completion. "Quality begins at the Design Level." (Marty Madigan)

**PLAN FOR ALL CONTINGENCIES:** Prepare for all solutions by developing alternatives. If necessary, flowchart plans dealing with all possible alternatives. Apply 'If-Then-Else' type of logic to problems.

**MAKE ZERO DEFECTS AND ACCIDENTS YOUR GOAL:** Use the tools of TQM, SPC, and Problem-Solving to achieve these goals by detecting and eliminating the causes.

**QUALIFY YOUR SOURCES AND SUPPLIERS:** Use Quality and Deliverability as the basis for selecting the source of your materials and services.

## Quality Circles

A quality circle is a participatory management technique that enlists the help of employees in solving problems related to their own jobs. Circles are formed of employees working together in an operation who meet at intervals to discuss problems of quality and to devise solutions for improvements. Quality circles have an autonomous character, are usually small, and are led by a supervisor or a senior worker.

Employees who participate in quality circles usually receive training in formal problem-solving methods—such as brain-storming, pareto analysis, and cause-and-effect diagrams—and are then encouraged to apply these methods either to specific or general company problems.

After completing an analysis, they often present their findings to management and then handle implementation of approved solutions. Pareto analysis, by the way, is named after the Italian economist, Vilfredo Pareto, who observed that 20 percent of Italians received 80 percent of the income—thus the principle that most results are determined by a few causes.

## Two Tech Founders On the Future of the Internet and Closing the Digital Divide

The interest of U.S. manufacturers in quality circles was sparked by dramatic improvements in the quality and economic competitiveness of Japanese goods in the post-World War II years. The emphasis of Japanese quality circles was on preventing defects from arising in the first place rather than through culling during post-production inspection. Japanese quality circles

also attempted to minimize the scrap and downtime that resulted from part and product defects. In the United States, the quality circle movement evolved to encompass the broader goals of cost reduction, productivity improvement, employee involvement, and problem-solving activities.

## History

The quality circle movement, along with total quality control, while embraced in a major way in the 1980s, has largely disappeared or undergone significant transformations for reasons discussed below.

Pioneered by Japanese.

Japanese nomenclature: Quality Control Circles (QCC), generally now known as Quality Circles (QC) or some call it as Small Group Activity (SGA).

1962: First QC Circle was registered with QC Circle Head Quarters in Japan.

1974: Lockheed Company, USA started Quality Circle movement.

1977: International Association of Quality Circles (IACC) was formed in USA.

1980: BHEL, Hyderabad first in India to start Quality Circles.

1982: Quality Circle Forum of India (QCFI) was founded.

## Facts [+]

"Chorei" is a common morning meeting ritual in Japanese organizations. Each work day begins with a meeting where employees stand in a circle and share their day's work agenda or project status. Chorei is a cultural export in the expanding global economy. Practitioners of chorei believe this type of meeting technique can help improve communication resulting in better productivity.

## Objectives of Quality Circle

To contribute towards the improvement and development of the organization or a department.

To overcome the barriers that may exist within the prevailing organizational structure so as to foster an open exchange of ideas.

To develop a positive attitude and feel a sense of involvement in the decision making processes of the services offered.

To respect humanity and to build a happy work place worthwhile to work.

To display human capabilities totally and in a long run to draw out the infinite possibilities.

To improve the quality of products and services.

To improve competence, which is one of the goals of all organizations.

To reduce cost and redundant efforts in the long run.

With improved efficiency, the lead time on convene of information and its subassemblies is reduced, resulting in an improvement in meeting customers due dates.

Customer satisfaction is the fundamental goal of any library. It will ultimately be achieved by Quality Circle and will also help to be competitive for a long time.

## BENEFITS OF QUALITY CIRCLES

There are no monetary rewards in the QC's. However, there are many other gains, which largely benefit the individual and consecutively, benefit the business. These are:

**Self-development:** QC's assist self-development of members by improving self-confidence, attitudinal change, and a sense of accomplishment.

**Social development:** QC is a consultative and participative programme where every member cooperates with others. This interaction assists in developing harmony.

**Opportunity to attain knowledge:** QC members have a chance for attaining new knowledge by sharing opinions, thoughts, and experience.

**Potential Leader:** Every member gets a chance to build up his leadership potential, in view of the fact that any member can become a leader.

**Enhanced communication skills:** The mutual problem solving and presentation before the management assists the members to develop their communication skills.

Job-satisfaction: QC's promote creativity by tapping the undeveloped intellectual skills of the individual. Individuals in addition execute activities diverse from regular work, which enhances their self-confidence and gives them huge job satisfaction.

Healthy work environment: QC's creates a tension-free atmosphere, which each individual likes, understands, and co-operates with others.

Organizational benefits: The individual benefits create a synergistic effect, leading to cost effectiveness, reduction in waste, better quality, and higher productivity.