

CHAPTER TWO



THEORETICAL BACKGROUND

2.1 MEANING AND DEFINITION OF MANAGEMENT:

Modern industrial age is patterned on an economic system in which all the factors of production are exploited in such a manner that it will give maximum returns. In getting the maximum returns, there is a group of persons who use their knowledge and skills. They take decisions and see that these decisions are implemented. To achieve the goal, they decide what is to be done and then motivate and guide the people to do it and keep proper control over their performance. Such people are called managers and the knowledge or skill or the art of getting things done by others is called 'management'.

Management has been defined by several authorities; some of which are as under:

1. James Lundy:

"Management is principally a task of planning, coordinating, motivating and controlling the efforts of others towards a specific objective. It involves the combining of traditional factors of production, such as land, labour and capital, in an optimum manner, paying due attention to the particular goals of the organization" [1].

2. Peter Drucker:

"Management is that 'it is an economic organ of society. It means taking action to make the desired results to pass'" [2].

3. Koontz and O'Donnell:

"Management is defined as the creation and maintenance of an internal environment in an enterprise where individuals working together in groups can perform efficiently and effectively toward the attainment of group goals" [3].

2.2 LEVELS OF MANAGEMENT:

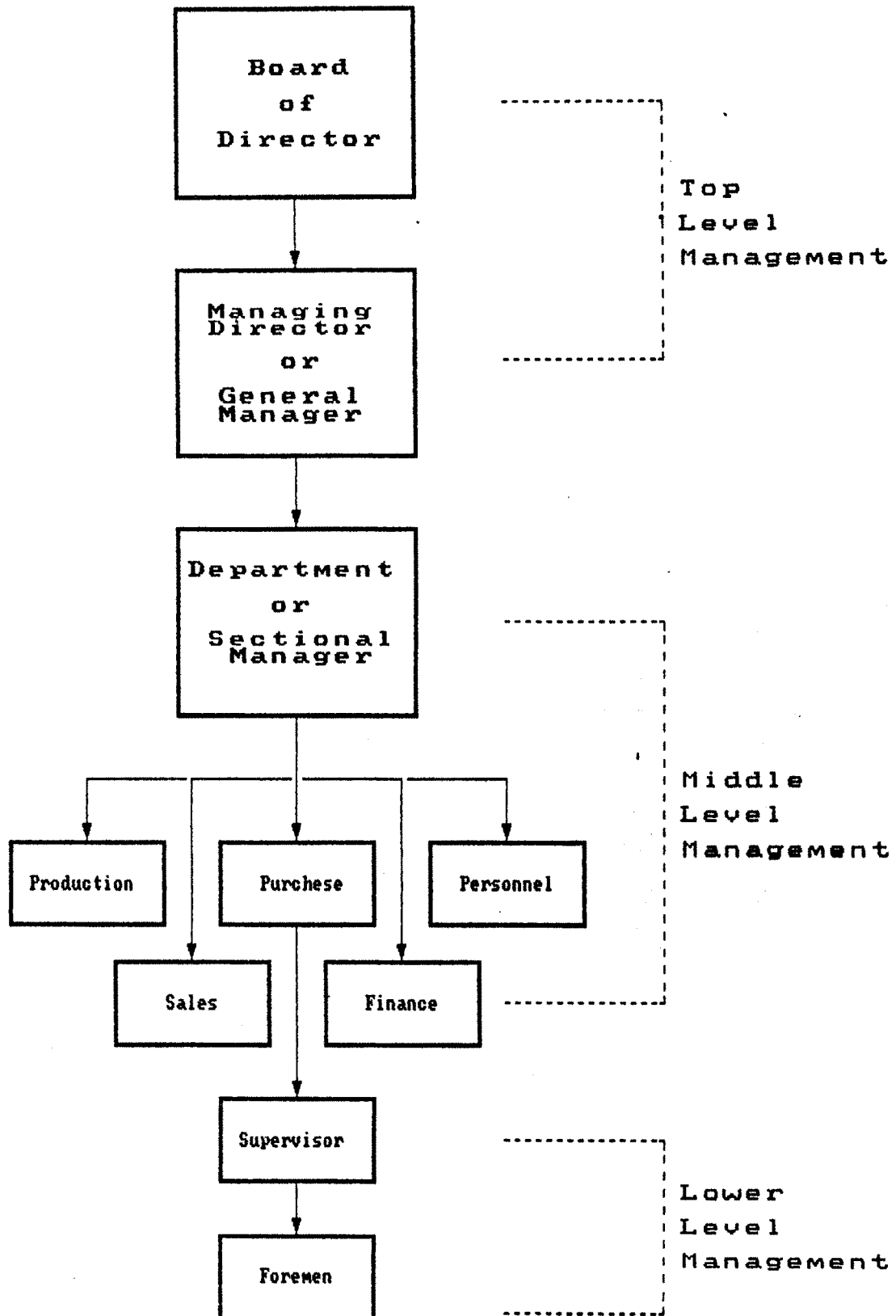
Managerial hierarchy means the arranged managerial position in an organization. There is no fixed number of management levels. But ordinarily, there are three levels of management, that is, top-level management, middle-level management and lower-level management. These functions are universal which suggests that the managers at all levels do perform all the functions.

The functions of management includes planning, organizing, controlling, motivating, etc. All these functions cannot be looked after by the same person. Therefore, the principle of specialization is applied in the process of management. Authorities and responsibilities are diversified and various grades are created. Broadly speaking, there are three levels of management. But the gradation is not a water-tight compartment. Each level may be functionally blended into one another.

The number of levels depends upon the size and the nature of business. If the business is a large scale, the number of levels will be many. On the other hand, if the business is small scale, the number of levels will be less.

The chart on the following page shows the levels of management.

Level of Management



(A) Top level Management:

Top management is at the head of organization. It consists of the Board of Directors, managing directors, shareholders, general manager, etc. Although the enterprise is legally owned by the shareholders, who contribute the money but they are scattered over a long distance. They cannot take part in the day-to-day management. Therefore, they elect a board of directors. It lays down the objectives and policies. But they cannot work as full-time officials. Therefore, they appoint a general manager. He is known as the chief executive. He is accountable for all the activities. He is responsible for planning, organizing, controlling, etc.

Following are the functions of the top level management:

1. Determining the Objectives:

The objectives are the goals which the enterprise seeks to achieve. The general objectives of the business are to earn maximum amount of profit, creation of goodwill, growth of business, etc. But there are also other objectives related with competitive prices, marketing methods, etc. Top management determines the goals of an enterprise after considering various points.

2. Framing the Policies:

The objectives are realized only through the policies. Policies are the pathways of action to be pursued for the fulfilment of predetermined objectives. Policies may be about production aspects, marketing aspects, financial aspects, etc. Top management has to plan and prepare scheme for the execution of certain goals.

3. Setting-up of the Organizational Structure:

Organization means division of function, allocation of duties, fixation of responsibilities and coordination among various activities. Top management has to set up the organizational structure and relation among various functions.

4. Assembling the resources:

Prior to the activities of business factors such as men, material, machine, money have to be assembled. Capital has to be raised through the issue of shares, debentures, bank advances, reserves, etc. The management has to find out the resources of finance for implementing the plans and programs.

5. Controlling:

Controlling means comparison of actual results with planned performance. It means evaluation of works. Top management has to lay down the standards for income, net-profit, etc., for administering the control.

(B) **Middle level Management:**

(a) Upper Middle Management:

It consists of the heads of personnel administration department, production or works manager, sales manager or other responsible for research, finance, accounting and the like.

(b) Middle Management:

It consists of deputy heads of the various sections under the departments of personnel, administration and management, such as deputy head, employment section, deputy head, training section, deputy head, labour welfare and social welfare section, etc. Middle level management

is concerned with plans and policies and controlled by the top level management.

Functions of the middle level management:

- Interpretation of policies framed by the top level management;
- Preparation of organizational set up in each department;
- Motivating the personnel for higher productivity and rewarding them;
- To run the details of organization leaving the top officers as free as possible of their responsibility;
- To cooperate for the smooth running of business;
- To achieve the coordination among various departments;
- To develop the leaders for the future by broad training and experience;
- To build up team spirit among all the workers;
- Collecting reports, statistical information and other records about the work done and forward it to the top management.

(c) Lower level Management:

It is at the bottom of the managerial level. But the important function of this level cannot be overemphasized. The plans and policies of the top level management will fail if this level is not working properly. This level includes supervisors, foremen, etc. The worker looks up to the supervisor for orders and instructions.

Functions of lower level management:

- To give orders and instructions to the workers;
- To direct and guide the workers about their work;
- To make arrangement of all the resources, that is, raw material, tools, equipment, etc., which is necessary for work;
- To give training wherever the workers are actually working;

- To solve the difficulties of the workers;
- To communicate the problems of the workers to the upper level management;
- To advise the upper level management about the improvement in working environment;
- To maintain discipline among the workers;
- To create morale among the workers;
- To maintain sound human relations.

2.3 MANAGEMENT PROCESS:

Management is an activity consisting of a distinct process. The management process is primarily concerned with the important task of goal achievement. In every business enterprise, it has certain pre-determined objectives. But no business enterprise can achieve its objectives until and unless all the members of the units make an integrated proper plan under the directions of a central coordinating system. In view of management terms, this central coordinating system is technically known as the 'management' and the methodology of getting the things done is known as the 'management process'.

The management process means consisting of planning, organizing, staffing, directing, controlling, motivating, coordinating and communicating. In other words, this process is defined as a series of actions and the functional areas of management, including Personnel Function, Finance Function, Marketing Function, etc.

(1) Planning:

Planning is the first and the most important task of management.

It is the determination of a course of action to achieve the desired results. Planning is deciding in advance: What to do?, How to do it?, When to do it? and Who is to do it?. It is an intellectual process. When management is reviewed as a process, planning is the first function performed by the manager. The work of objectives of the organization and goals in each areas of business. This is done through the present situation to find out where he is and he then forecasts future objectives which will be indicating where he wants to be, that is, the destination to be reached. The alternative to achieve the objectives are evaluated and selected alternative becomes the plan-of-action.

A plan is a pre-determined course of action to accomplish the set objectives. It is today's projection for tomorrow's activity.

In practice, planning function includes the objectives, policies, procedures, schedules, standards and budgets. Budget is a part of planning as well as an instrument of control. Planning involves the decision-making and the selection of many choices.

The process of planning involves:

- Determination of corporate objectives;
- Collection and classification of information;
- Development of alternative courses of action;
- Selection of optimum course of action;
- Establishment of policies, procedures, methods, schedules and budget.

(2) Organizing:

It includes putting life into the plan by bringing together the executive personnel, workers, capital, machinery, physical functions and

other things or services to execute the plans. When these resources are assembled the enterprise comes to life. Organizing involves determining activities needed to fulfil the objectives. Grouping these activities into managerial units or departments and assigning such groups of activities to specific managers. It determines authority, responsibility and relationship. Their relationship must be properly coordinated to secure unity of organization. Organization provides a framework of management, or a mechanism for purposive, integrated and cooperative action. It provides an effective machine for achieving the plan/objectives, mechanical aspects provide an organization structure/chart, describing the authority, responsibility relationship.

In short, organizing is the determining, grouping and arranging of the various activities deemed necessary for the attainment of objectives:

The process of organizing involves:

- Division of work into component activities;
- Assigning people to tasks;
- Defining responsibility;
- Delegating authority;
- Establishment of structural relationships to secure coordination.

(3) Staffing:

It involves filling up the position needed in the organization structure by appointing competent and qualified persons for the job. Staffing means manning the position created by organization process. This process includes selection of candidates, training, development,

etc. Staffing process, therefore, provides the organization with adequate, competent and qualified personnel at all levels in the enterprise. Staffing implies that the management should properly estimate manpower requirements of the organization, consistent with qualification expected for proper and efficient discharge of duties in existing and possible jobs in the organization. So, the systematic approach to the problem of selecting, training, motivating and retaining managerial personnel in any organization is referred to as staffing. The job of staffing is concerned with recruitment and development of managers and their maintenance in a high spirit.

(4) Directing:

The managerial function is directly concerned with the human factors of an organization. The manager by leadership and motivation has to direct and guide all the subordinates and get the work done through people. Directing involves managing managers, managing workers and the work through the means of motivation, proper leadership, effective communication as well as coordination. A manager must develop the ability to command. He must know how to direct others.

Directing involves -

- Issuing of orders and instructions,
- Guiding the subordinates in their work,
- Motivating the employees, and
- Developing effective communication system.

(5) Motivation:

The management function is fully reflected when we define

management as an art of getting things done through other people.

Management is interested in two primary elements -

Things, that is, material resources, and
Men and women, that is, human resources.

A thing is subject to the laws of machines, but human beings cannot be subjected to machines. However, through the power of leadership and the science of cooperation, we can evolve a suitable method of integrating the interests of individuals and the organizations.

The managerial power has its source in the methods of leading, motivating, appraising, teaching, influencing, counselling, coaching, delegating and setting are examples. Motivation and leadership are responsible to ensure productivity of human resources. Democratic leadership heavily relies on motivation of employees through financial and non-financial incentives. Effective communication and participation enhance the power of motivation. Feedback of information is necessary for effective motivation and direction.

The process involves -

- Providing effective leadership;
- Integrating people and tasks;
- Effective communication, and
- Providing climate for subordinates' development.

(6) Controlling:

Controlling is the last phase of the management process. It runs at all levels of the organization. In the olden days, it was believed that the necessity of control arose only when something went wrong. If a

person erred on duty, an action against him was taken. But this negative approach of control is not considered in scientific management. The primary object of control is to bring to light the differences as soon as they appear between performances and standards laid down and then to take steps to prevent such differences in future.

Controlling is the process of measuring actual results or present performance, comparing these results to plan, find out the results and taking corrective measures, whenever necessary. The corrective action may lead to change in the method of implementation of the plan or changes in the plan itself or even a change in the objectives.

Budget is not only a plan but also a valuable means of control. Reporting is another means of control. The subordinates must report about their performance to their boss. Manager is responsible for quality and quantity of goods. Controlling means checking that the plans are carried out as per expectations. There is no control without plan and plans without control. Control on the achievement is the final step in the cycle of management process.

Manager must adopt the following steps in controlling :-

- Identify potential problems;
- Select the best mode of control;
- Audit measure and evaluate the performance in terms of planning;
- Spot significant deviations;
- Ascertain causes of deviations, and
- Take remedial measures.

(7) Coordination:

Coordination means to combine activity into a consistent and harmonious action. It is the integration or orderly pattern of group of efforts in the enterprise towards the accomplishment of common objectives. It means to unite and correlate all the activities in the organization. In coordination, the efforts of the subordinates are synchronized by way of proper timing and quality for executive, so that their unified efforts lead to the stated objectives. Coordination is considered a by-product of direction. It is the inter-relating of factors of organization. It ensures the unity of direction by way of securing spontaneous collaboration on the part of different departments.

(8) Communication:

The word 'communication' has been derived from the Latin word 'communis', which means 'common'. In the managerial field ideas, objectives, instruction, suggestions, etc., have exchanged among the managerial staff for the purpose of planning, executing or operating the business policies. This exchange of ideas, facts, opinions by two or more persons is known as communication. People are to be informed, guided and directed as to what should be done by them every, now and then. This informing is done through communication. It conveys ideas, opinions or decisions of the managers to subordinates at different levels of organization and carries back information, suggestions from the subordinates.

(9) Decision-making:

A business organization is essentially an information and decision-

making system. Managerial decisions are based on the flow of information. The decision is the point at which plans, policies and objectives are transacted into concrete action. Decision-making is at the core of planning. In the entire course of management process that is planning, organizing, directing, controlling, motivating, etc.; decision-making is always essential. Managerial function is exercised through decision-making. Decisions are necessary on numerous issues and problems in each area of business.

Peter Drucker wrote, "whatever manager performs, he performs through decision-making". A decision is an act of choice wherein an executive forms a conclusion about what must or must not be done in a given situation. Decision-making is, therefore, vital to all management activities. It helps set definite objectives, prepare plans of action, determine organizational structure, motivate personnel and introduce innovations.

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