



Management

Code – 17601



Topic

- Overview of Business
 - Management Process
 - Organization Management
 - Industrial Safety and Legislative Acts
 - Financial Management
 - Material management
- 

Overview of Business

- Types of Business
- Industrial sectors
- Globalization





Business and Types of Business

Business : A business, also known as an enterprise or a firm, is an organization involved in the trade of goods, services, or both to consumers.

Types of Business:

Manufacturing, Service and Trade

- a) Manufacturing companies are involved in the conversion of raw material into some tangible, physical product.
- b) Service are companies that do deal with tangible products, but rather provides some sort of service as its major operation.
- c) Trade are involved in selling of finished goods produced by other business.
 - wholesale trade is a company that buy its product from the manufacturer and then sells the product to the company that eventually sells it to the consumer.
 - retail merchandiser is a company that buy its product from a wholesales or manufacturer and then sells the product to the end consumers.



Industry broadly refers to **any form of economic activity** that has the **purpose of making money**.

Types of Industries

Primary industries

Directly involved with natural resources. Examples include fishing, farming, etc.

Secondary industries

Involves processing and transforming of raw materials obtained from primary activities or that of packaging manufactured goods

Tertiary industries

Involves selling and exchanging of goods and services

Quaternary industries

Involves handling and processing of information and knowledge

Primary Industries

- **Primary industries** are directly involved with **natural resources**.
- The following are some examples of primary industries:



Fishing industry

Involves the **catching of sea produce from oceans, rivers, seas and lakes for sale**. Some examples of produce are fish, prawns, crabs and mussels.

Primary Industries

Farming industry

Involves the cultivation of crops and rearing of animals for sale. Some examples include vegetable farming, cattle ranching and poultry rearing.



Mining industry

Involves the extraction of minerals, such as iron and diamonds. Also involves the extraction of fossil fuels, such as petroleum and natural gas.



Primary Industries



Forestry industry

Involves the **felling of trees in forests for resources**, especially timber. Timber is used for shipbuilding, paper-making and construction work.



Secondary Industries

- **Secondary industries** involve the **processing and transforming of raw materials** obtained from primary activities or packaging of manufactured goods.
 - They are also known as '**manufacturing industries**'.
- 

Secondary Industries



Primary industry

Logging



Secondary industry

Processed into paper



Secondary industry

Construction



Secondary industry

Shipbuilding

Secondary Industries

- Primary and secondary industries are closely linked together because they depend on each other for future growth.
- Secondary industries can be described as **light industries** or **heavy industries**, mainly based on the **amount of raw materials used** and the **nature of goods produced**.

Light and Heavy Industries

- **Light industries** use **few raw materials** to produce relatively **lightweight goods**.



E.g.
Manufacture
of garments

- **Heavy industries** use **bulky machinery** and **large quantities of raw materials** to produce **large and heavy goods**.



E.g. Steel
industries

Secondary Industries

Labour-intensive and Capital-intensive Industries

- **Labour** refers to people in an industry, while **capital** refers to money used to set up and maintain a business.
- **Labour-intensive industries** and **capital-intensive industries** are differentiated by the **number of people employed** and **amount of capital used** in the industry.

A shoe factory
(A labour-intensive industry)



Oil refinery
(A capital-intensive industry)

Tertiary Industries

- **Tertiary industries** are also known as 'service industries'. Some examples include banking, education, tourism, entertainment, transportation, and sale or distribution of food.
- Tertiary industries may be classified as those providing **basic services** (e.g. medical services at a polyclinic) and those providing **premium services** (e.g. specialist clinics and private hospitals).



Quaternary Industries

- **Quaternary industries** involve **handling and processing of information and knowledge** (e.g. research and development (R&D), education or consultancy)
- Companies in the other types of industries may engage the services of quaternary industries (e.g. a manufacturing company may engage a consultancy firm to seek advice on cost cutting, market research, etc)
- Quaternary industries also work towards **developing new products and services** to meet the needs of consumers (e.g. R&D in a pharmaceutical company to develop new drugs and medicine)



Industrialisation of a Country

- **Industrialisation** is the process whereby the machine-assisted production of goods develops greater importance in an economy or a country.
- Industrialisation is often synonymous with the **rapid growth of the secondary industries or manufacturing industries.**

- Generally, industries move from:



Primary



Secondary



Tertiary




Quaternary





Globalization



Globalization integrates trade, technology, investments, and the mobile factors of production like labor and capital. All types of goods ranging from Coca-Cola, Sprite, Louis Philippe shirts, Marie Claire bags, Police sunglasses, to Adidas and Nike shoes are all available in every market globally, all credit to globalization.



Advantages of Globalization

- Employment
 - Product Quality
 - Cheaper Prices
 - Free Movement of Capital
 - International Trade
 - Communication
 - Transportation
 - Education
 - GDP Increase
- 



Disadvantages of Globalization

- Uneven Wealth Distribution
 - Environment Degradation
 - Cut-throat Competition
 - Conflicts
 - Monopoly
- 

2: Management process

- What is management ?
- Principles of Management(14 principles of Henry fayol)
- Functions of Management

What is Management ?

"Art of getting things done by others"

- This definition brings in two elements namely accomplishment of objectives, and direction of group activities towards the goal.
- The weaknesses of this definition is that firstly it uses the word "art", whereas management is not merely an art, but it is both art and science.
- George R. Terry, defines management as a process "consisting of planning, organizing, actuating and controlling, performed to determine and accomplish the objectives by the use of people and resources."
- Firstly it considers management as a "process" i.e. a systematic way of doing things.
- Secondly it states four management activities: Planning, organizing, actuating, and controlling

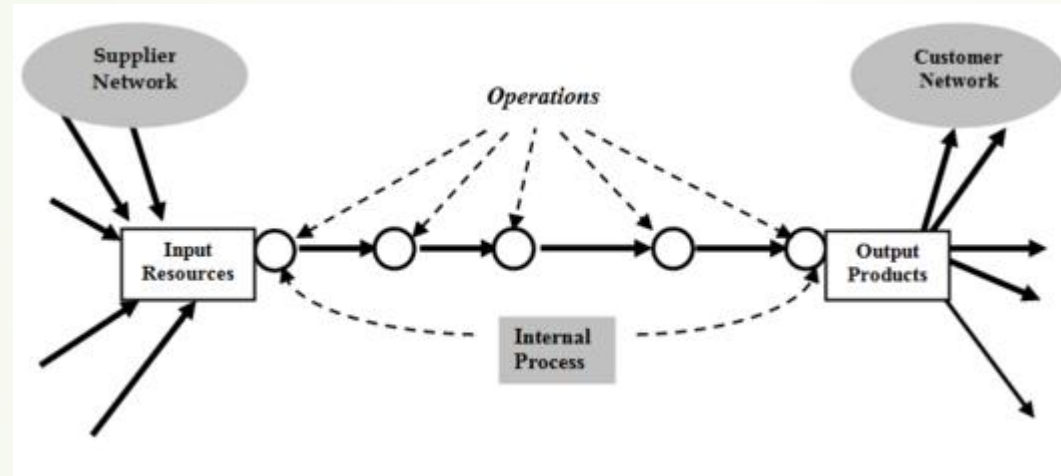
What is management?



- Planning is thinking of an actions in advance.
- Organizing is coordination of the human and material resources of an organization.
- Actuating is motivation and direction of subordinates.
- Controlling means the attempt to ensure no deviation from the norm or plan.

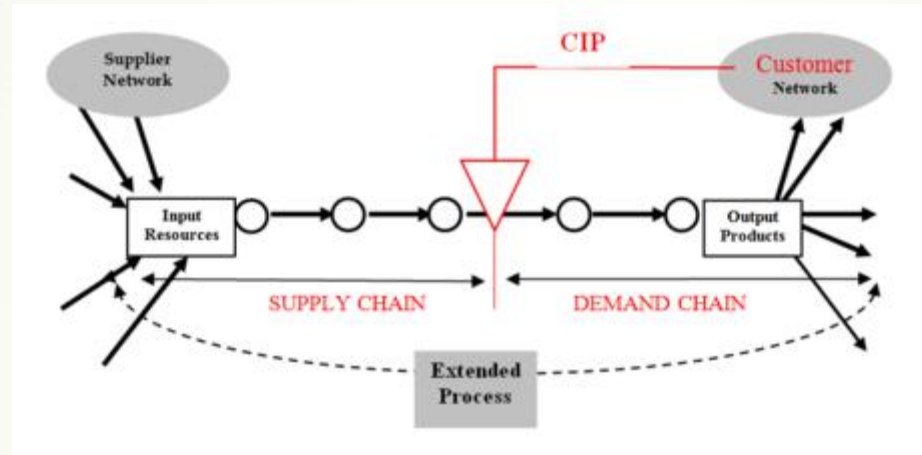
Management is the process of planning, organizing, leading and controlling the efforts of organization members and of using all other organizational resources to achieve stated organizational goals.

Evolution of Management



Above flow represents the traditional linear input-process-output management system. This system has been fixed and unchanging for centuries

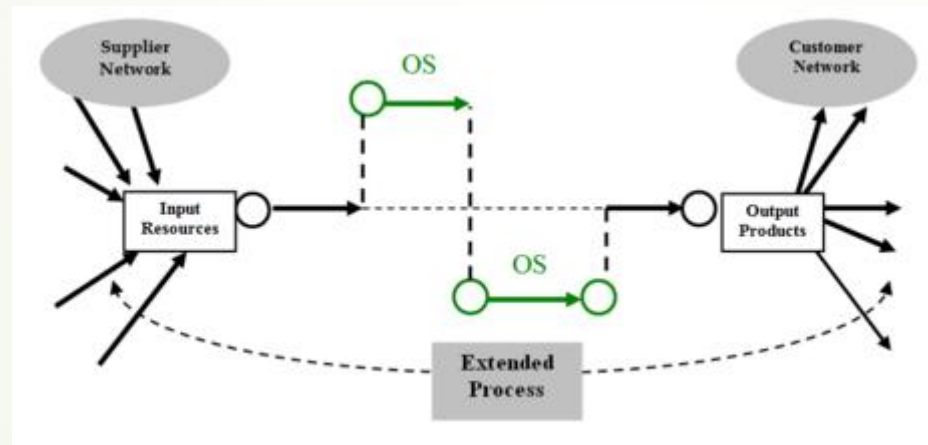
Extended Process



- In this process internal processes expanded into the extended process – including supplier networks and alliances as well as customer self-service, mass customization and disintermediation – as the increasingly external sources of competitive advantage.
- Supply and demand chains management have emerged, in dependence on shifting CIP (Customer Intervention Point).

Distributed process

- Sections and components of the internal process are being outsourced to external providers and contractors in search of the highest added value contribution.



Difference between Administration and Management

Sr. No.	Parameters	Administration	Management
1	Main Function	Administration is a determinative function	Management is an executive function
2	Scope	It takes major decisions of an enterprise as a whole and is a policy making Function.	It takes decisions within the structure or framework set by administration.
3	Skills required	Administrative skills are required	Management skills are required
4	Level	It is at top-level activity in an organization	It is a middle level activity in an organization
5	Example	It is mostly used with govt., military, educational organizations.	it is used in business enterprises

Principles of Management(14 Principles of Henry Fayol)


- *Henry Fayol was one of the renowned management thinkers who was a French mining engineer.*
- *His major contribution to the management theory is his 14 principles of management that are based on his thoughts and experiences.*
- *These principles are very useful for managers to manage their work efficiently and effectively.*

Principles of Management(14 Principles of Henry Fayol)

- **1.Division of work** : *assigning job as per specification which result into better output in terms of work.*
- **2.Authority and responsibility:**
 - *Authority is referred to the right for giving orders .*
 - *Authority creates responsibility.*
 - *Authority ensure that once the work or work related orders are given to the subordinates, they become responsible for that work and also they need to obey all the instruction of authorized person.*
- **3.Discipline:**
 - *Discipline is important not only for the individual but for an organization too.*
 - *It helps organization to reach to its goal or objectives with ease.*


Principles of Management(14 Principles of Henry Fayol)

- **4. Unity of command** : *It is necessary that an employee should get orders from one boss or superior. There should not be multiple superiors to the same employee. It leads to work related confusions.*
- **5.Unity of direction** : *There should be unique plan of action that has taken place for completing organization objective.*
- **6.Subordination of individual interest to general interest:** *The interests of organization should be supreme and interest of one employees must be subordinate to the interest of the interest of organization.*
- **7. Remuneration(Salary) of employees:** *Salaries should be satisfying to the employees as well as employer.*
- **8.Centralization:** *Centralization allows employees to get involved in the process of decision making for better results. Main purpose of centralization is to manage personnel in best possible way.*



Principles of Management(14 Principles of Henry Fayol)

- **9. Scalar chain** : *Organization is generally a hierarchical structure. There is always a chain of authority instead of a single authority. Generally this flow of chain or direction of chain is from highest organization authority to the lowest ranks.*
- **10. Order** : *Order is concern with the systematic arrangements made for men, machines and materials. Every employee should have a specific designation or place in an organization.*
- **11. Equity** : *Equity in an organization is a blend of kindness and justice. Equity has to be maintained in an organization while treating the employees.*
- **12. Stability (Retention) to tenure of personnel** : *Turnover of the employees (rate of number of employees leaving the job and number of employees joining the job in an organization) should be minimum and controlled.*



Principles of Management(14 Principles of Henry Fayol)



13. Initiative (Planning and Organization) :

- *Initiative refers as planning.*
- *Only planning is not sufficient. It is to be ensured that work done as per the plan made.*
- *So Planning and its successful execution is the key motivator.*



14. Esprit de corps (team sprit) :

- *Teamwork is a key to the best utilization of personnel.*
- *Teamwork spirit ensures harmony in and unity in an organization.*

Function of Management

- ▶ Planning
- ▶ Organizing
- ▶ Directing
- ▶ Controlling
- ▶ Decision Making





Functions of Management

- Planning
 - Organizing
 - Directing
 - Controlling
 - Decision Making
- 

Planning



- ▶ Planning is the process of thinking before doing.
- ▶ Planning is deciding in advance what to do, how to do, why to do, where to do and who will be?
- ▶ Planning can be defines as the set of steps to do the particular activity or activities in systematic manner.
- ▶ Success of the project or work depends on the quality of planning.



Planning

➤ Advantages of planning:

1. A complete guidelines about how, when and what work has to be done.
2. Planning helps in completing goals of organization.
3. Delays in work can be avoided.
4. Plans ensure minimization of risk and uncertainty of work.
5. Work can be done efficiently.

Organizing



- Once the plan is in place, managers need to organize the necessary resources to accomplish their goals.
- Organizing can be defined as the process establishing the orderly use of resources by assigning and coordinating tasks.
- Steps for organization process:
 1. Review plans and objectives.
 2. Determine the work activities necessary to accomplish objectives.
 3. Classify and group the necessary work activities into manageable units.
 4. Assign activities and delegate authority.
 5. Design a hierarchy of relationships.

Directing



- After plans have been made and the organization has been established and staffed, the next step is directing.
- **DIRECTING** is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals.



Directing

- ▶ Directing involves three sub-functions:
 1. Communication
 2. Leadership
 3. Motivation
- ▶ 1. Communication: It is the process of passing information and understanding from one person to another. Effective communication system in the organization become backbone of coordination.
- ▶ 2. Leadership: Leadership can be defined as the process by which a manager guides and influences the work of his subordinates.
- ▶ 3. Motivation: Inspiring workers.



Controlling

- ▶ The manager should ensure that everything occurs as per plans made.
- ▶ When work diverts from the standards the controlling is very much required.
- ▶ Controlling is the process that ensures whether the resources are obtained and used efficiently in achieving the organizational objectives.
- ▶ Controlling function is important and necessary because of following reasons:
 1. Controlling allows to monitor various work related activities happening in an organization.
 2. Controlling helps in comparing actual performance with standard performance of work.
 3. Controlling ensures that right things happen at right time and in right way.
 4. The major contribution of controlling is in accomplishing goals and objectives of the organization

Process of Controlling



Decision Making

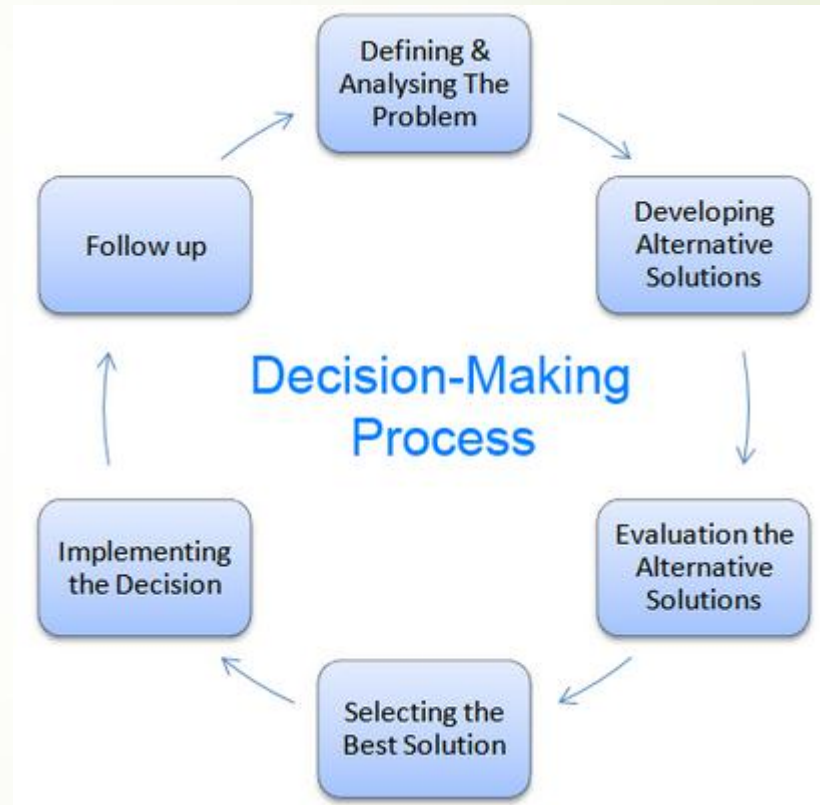


- ▶ Decision making is the process of solving the problem or in finding out the new business opportunity.
- ▶ Decision making is done at every level of organization.

Decision Making

Steps involves for effective decision making:

1. *Defining and Analysing the problem*
2. *Developing potential alternatives*
3. *Analyze the alternatives*
4. *Select the best alternative*
5. *Implement the decision*
6. *Take follow up action*





Decision Making Tools

- ▶ Complicated decision making need certain tools to be used to represent the process of decision making.
- ▶ The tools are :
 1. Decision table
 2. Decision tree
 3. Game theory
 4. Different decision making models like
 - a) Classical model
 - b) Herbert Simon's model
 - c) Administrative model
 5. Pareto analysis
 6. Grid analysis
 7. Paired comparison

Decision Making

- ▶ Condition/factors that influence decision making :
 1. Certainty
 2. Risk
 3. Uncertainty

- ▶ Decision taken by supervisor could be:
 - ▶ Change in work schedule or rescheduling
 - ▶ Increase or decrease in production depending on current situations
 - ▶ Decision regarding rejection of raw material or finished products.
 - ▶ Change in process of product development
 - ▶ Work assignment to the workers.


3: Organization

- ▶ When two or more people get together and agree to coordinate their activities in order to achieve common goals, an organization has been born.
- ▶ Organizing is the process of arranging and allocating work, authority, and resources among an organization's members so that they can achieve organizational goal.





Steps in Forming Organization

- ▶ Step 1: Determination on objectives and goals.
 - ▶ Step 2: Design functions to achieve the objectives.
 - ▶ Step 3: Categorizing activities into groups.
 - ▶ Step 4: Define positions for different functions.
 - ▶ Step 5: Devise each job descriptions and responsibilities.
 - ▶ Step 6: Fill positions from outside or from existing people.
- 




Principles of Organization

- 1. Understanding and formulating of objectives.
 - 2. Authority and Responsibility.
 - 3. Division and grouping of work.
 - 4. Effective and efficient communication.
 - 5. Line and staff interactions.
 - 6. Balance, stability and flexibility of organization.
-
- *Authority means right (to command) or power to act.*
 - *Stability ensures that in absence of these key persons organisation do not make any losses and run smoothly towards its growth.*

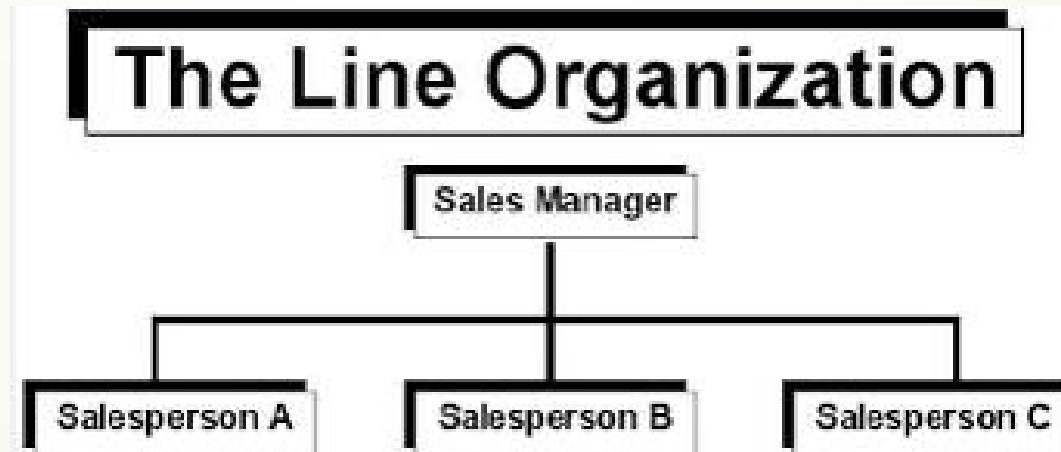


Types of Organization

- ▶ Line, military or scalar organization
 - ▶ Line and staff organization
 - ▶ Functional organization
 - ▶ Project Organization
- 

Line Organization

- ▶ In this, there is a chain of authority which flows from upward to downward.
- ▶ It has simple structure and very easy to understand. Here subordinates and the superiors are clearly defined.
- ▶ Applications: Small business, military, automated industries like textile, paper etc.





Line Organization

Advantages of Line Organization

1. Simple and easy
2. Flexible structure and easy to expand or control.
3. Easy addition and removal of members.
4. Easy communication among employees.
5. Working speed is fast

Disadvantage of Line Organization

1. Neglects area of specialization of employees
2. Not suitable for highly specialized organizations

Line and Staff Organization

1. It is a **modification of line Organization** where additional staff specialist is added.
2. The staff specialist provides advice and support to the line managers. Their nature is simply advisory.
3. The staff specialist do not have any authority to issue orders or make decisions. The ultimate decisions making and order issuing right remains with the line managers only



Line and Staff Organization

Advantage

1. Expert advice is available from specialist staff executives.
2. Improved product quality
3. Duties are clear to each person
4. Systems functions smoothly
5. Complicated system can be implemented

Disadvantage

1. Increase in cost of product because of increase in staff.
2. More people more confusions.
3. Attitude of people can cause harm to organization
4. Communication can be poor if not defined clearly.



Functional organization

- ▶ In Functional organization all activities in the organization are grouped according to the basic functions, i.e., Production, finance, marketing, headed by a specialist.
- ▶ Advantages
 1. Specialisation
 2. Division of work is easy
 3. Improved efficiency and performance
 4. Large scale production
- ▶ Disadvantages
 1. Coordination is difficult as many people are working on the same level
 2. Confusion may arise
 3. Delay in decision making