

# **STRATEGY, GOVERNANCE AND ETHICS**

## **PART III**

**CPA SECTION 5  
CCP SECTION 5  
CIFA SECTION 5  
CICT SECTION 5**

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**STUDY TEXT**

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# CHAPTER 1

## OVERVIEW OF MANAGEMENT

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

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

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

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

### Importance of Management

#### 1. Encourages Initiative

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

#### 2. Encourages Innovation

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

### **3. Facilitates growth and expansion**

Management makes optimum utilisation of available resources. It reduces wastage and increase efficiency. It encourages team work and motivates employees. It also reduces absenteeism and labour turnover. All this results in growth, expansion and diversification of the organisation.

### **4. Improves life of workers**

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

### **5. Improves corporate image**

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

### **6. Motivates employees**

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

### **7. Optimum use of resources**

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

### **8. Reduces wastage**

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

### **9. Increases efficiency**

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

### **10. Improves relations**

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

### **11. Reduces absenteeism and labour turnover**

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

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

### **12. Encourages Team Work**

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

## Objectives of Management

The main objectives of management are:

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

## Principles of Management

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

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

**There are 14 Principles of Management described by Henri Fayol.**

### 1. Division of Labor

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

### 2. Party of Authority & Responsibility

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

### 3. Principle of One Boss

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

### 4. Unity of Direction

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

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

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

### 5. SEquity

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

### 6. SOrder

- a. This principle is concerned with proper & systematic arrangement of things and people.
- b. Arrangement of things is called material order and placement of people is called social order.
- c. Material order- There should be safe, appropriate and specific place for every article and every place to be effectively used for specific activity and commodity.
- d. Social order- Selection and appointment of most suitable person on the suitable job. There should be a specific place for everyone and everyone should have a specific place so that they can easily be contacted whenever need arises.

### 7. SDiscipline

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

### 8. SInitiative

- a. Workers should be encouraged to take initiative in the work assigned to them.
- b. It means eagerness to initiate actions without being asked to do so.
- c. Fayol advised that management should provide opportunity to its employees to suggest ideas, experiences & new method of work.
- d. It helps in developing an atmosphere of trust and understanding.

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