

Unit 2 Introduction to Management and Management Process

Structure:

- 2.1 Introduction
 - Objectives
- 2.2 Case Study
- 2.3 Definition and Importance of Management
- 2.4 Evolution of Management Thought
- 2.5 Principles of Management
- 2.6 Management Process/Functions, a Systems View
- 2.7 Summary
- 2.8 Glossary
- 2.9 Terminal Questions
- 2.10 Answers

2.1 Introduction

During the prehistoric days of man living on hunting, life was rather simple but then too, men hunted and women tended for food. They chose a leader who could lead them into hunting, and they chose someone to make their hunting equipment sharp and precise. They stored food for the lean days and sought new places to find food.

At a very rudimentary level, this was planning, specialisation, and division of labour, all of which are part of management. As man progressed, his activities became more complex and multifunctional teams came into being. His management techniques, perhaps, became more complex too, but its fundamental remained the same.

In the previous unit we have learnt what an organisation is and how an organisation creates its structure and systems. This unit is on learning the basics of management so that we can see how it is used in building organisations.

Objectives:

- To give an overview of management and management thought
- To recognise the implications of principles of management
- To learn the systems concept and management process

Learning Outcomes

After studying this unit, you will be able to:

- define management
- determine its importance.
- describe the evolution of management
- explain the principles of management
- identify and explain the steps in management process
- construct a simple system following the systems approach

2.2 Case Study**Green Path Hotels India Ltd.**

The ambience of their economic but unique rooms interspersed with rough and tumbling village house like verandas make it an ideal place to laze, relax, or use as a place to reinvent oneself. As the soft tune of the flute flows by, the visitors, attracted to the source of the flowing music, are even more surprised to see the man behind the melody - a blind beggar turned court musician of the hotel. Against the gurgling of the artificially created water flow in which a natural log boat rocks, the music seems to be enthralling. As you sit on the roughly finished platforms called 'thinna', the staff, largely recruited from the villages nearby and speaking fairly fluent English, float past and hand you over some fresh coconut water slightly minted to tease your taste buds. As you open a book to catch up with something that you always wanted to, the fragrance of the warm oil and the touch of softness on your feet turns into a never-before experience of foot massage.

The restaurant is bubbly and built around huge trees that the hotel group refused to uproot to give way for man's favourite concrete, and the food is unbelievable with a little over 25 varieties of dosas served, each with an explanation of its uniqueness and contribution to your tongue and health. The lobby is like a park interspersed with collections of the past. There is something unique about his place. There is peace everywhere, and there are people everywhere, and they go about doing their job as if in heaven supervised by angels.

You hear no telephone rings even as it is picked up at the first call and the soft and persuasive talk of the front office lady persuading someone to pay up USD 150 for a night may make you wonder as to how do they manage things here, how does everything look so smooth? Why do people come here again and again and pay such high tariff? How do they inculcate this spontaneity, commitment, elegance, and sheer business persuasiveness (or is it subtle arrogance?) of not relenting to a cajoling customer even at the heat of a half-occupied hotel premises in the midst of the off season period.

When the owner of the Green Path was asked as to how he does all these so smoothly, his answer was simple, 'we manage things well here'. He continued, "We have a series of hotels all with different ambience themes but with the same level of experience". They plan their expansion systematically and induct people to build capacity before they open another. The plethora of employees is not an accident or over employment. This is their training ground where the passion to deliver this exceptional hospitality experience is injected into their selected employees.

You may be aware that behind this seemingly simple ways of creating a competitive advantage, there were men and women and behind them there were deliberate strategy, smoothed systems, complex processes, and detailed planning. You may then realise that this is management.

2.3 Definition and Importance of Management

From the case and the introduction, we can realise that management has been happening right through the history of man and it is all about making things smooth or shall we say efficient. It is also about achieving our goals which in modern management literature we call 'effectiveness'.

According to Harold Koontz, "Management is an art of getting things done through and with people in formally organised groups. It is an art of creating an environment in which people can perform as individuals and can co-operate towards the 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".

Let us modify the definition of Harold Koontz and define management as 'the process of designing and maintaining an environment in which the individuals working in groups efficiently employ resources and accomplish the selected goals of self and the organisation'. This definition brings to fore the following key issues of management:

- It is about people and other resources
- There are goals but goals of the individual and the organisation has to be managed
- It involves creating an environment where people and resources interact to produce the goals.

Importance of Management

From the definition, we can derive the importance of management. If you see the definition and carefully read the case, we find that management is important because of the following reasons:

- ***It helps in achieving group goals*** – GreenPath Hotels was on expansion and to create the capacity for service, they had hired more people and were training them in one place so that when the new hotels are opened, these trained men can go there and be productive from day one. This is about achieving the goals set, i.e., smooth expansion.
- ***Optimum utilisation of resources*** – GreenPath could have avoided hiring these people in advance and thus saved money but then if they had hired them late, these resources would not have been ready to render the service and would probably have earned a bad name in those initially. So there is a trade-off between maintaining the brand name and the service quality and hiring in advance and bearing the cost. The overstaffing was therefore deliberate and planned and not the result of a haphazard planning. This is optimisation of resources.
- ***Reduces costs*** – It gets maximum results by using minimum input through proper planning. You saw how Green Path uses physical, human, and financial resources in such a manner that it creates great results at low costs. Management is about cost reduction. You can see how the physical resources, the flute playing blind man, the foot massage, and the people are judiciously combined to create happiness to the hotel guests (in hotel parlance we call the customers as guests). These reduced the cost of building expensive rooms to create the

ambience, hiring expensive hotel school graduates to serve the guests, etc.

- **Establishes sound organisation** – No overlapping of efforts (smooth and coordinated functions) is an important lesson from the case. You saw how the service staff moved around with calmness and rendered the service smoothly which avoided all duplication of effort and perhaps how they covered each other's deficiency in service through teamwork.
- **Establishes equilibrium** – It enables the organisation to survive in a changing environment. Green Path was able to see the new era coming with its focus on environment and social responsibility. It keeps in touch with the changing environment. Green Path is an example of how it changes to the demand of market/changing the needs of societies and becomes responsible for growth and survival of organisation. You saw how Green Path is riding the new wave of sensitivity to environment, social responsibility of caring for the blind beggar, etc. This is the new reality that Green Path has been able to capture in its service.
- **Essentials for prosperity of society** – Efficient management leads to better economical production and also increases the economic, social, and general welfare of the people. Good management makes a difficult task easier and more importantly, avoids wastage of scarce resources. It improves the standard of living. You saw how GreenPath uses the local men and woman and creates prosperity to the village folks.

Self Assessment Questions

1. Efficient _____ leads to better economical production and also increases the economic, social, and general welfare of the people.
2. In addition to organisational goals, one has to manage _____ goals also.
3. Process of designing and maintaining environment in which individuals working in groups efficiently employ resources is called _____.
4. Reduction of costs gets _____ results through _____ input through proper planning.

2.4 Evolution of Management Thought

Management is a recent discipline and it draws from the disciplines of Economics, Psychology, Sociology, Anthropology, etc. However, as we

have seen earlier, management has evolved as an independent discipline. Let us now track how this progression has taken place.

Scientific management theory

The focus of this thought is increase in productivity and efficiency through applying scientific methods on the shop floor or workplace. It tries to identify one best way of doing a job; however, emphasises on worker's cooperation, management-labour relations and developing workers and motivating. However, the focus is on shop floor efficiency through scientific methods and even motivation is proposed to be executed through piece rate system or paying based on the number of pieces of work produced. The thought was led by Fredrick W. Taylor, and he enunciated the principles of scientific management in 1911 after experimenting on the shop floor of a steel company as a supervisor. He was influenced by Frank and Lillian Gilbreth and their 'Time and Motion' study (a study that identifies the least time required for a motion in workplace and make it scientific) of 1900 and that of Henry L. Gantt who propounded the idea of scientific selection of workers and harmonious cooperation in 1901. Scientific management in Taylor's parlance means:

- Develop a science for each element of a man's work which replaces the old rule of thumb method
- Scientifically select and then train, teach, and develop the workman, whereas in the past, he chose his own work and trained himself as best as he could
- The workers heartily cooperate with the men so as to ensure that all of the work are done in accordance with the principles of science which has been developed
- There is an almost equal division of work and responsibility between the management and the workmen. The management takes over all work for which they are better fitted than the workmen, while in the past, almost all of the work and the greater part of the responsibility were thrown upon the men.

Social scientist Max Weber, between the late 1980s and early 1990s, propounded the idea of bureaucracy. He was trying to find the systems that put order in a complex industrial economy. Weber's ideal bureaucracy envisaged hierarchical organisation and delineated the lines of authority in a

fixed area of activity, action on the basis of written rules, implementation by neutral officials, and career advancement based on the idea of primacy of the organisation over the individuals. His thoughts are considered in the scientific school but transcends into behavioural science area also since he is talking about how people should behave in an organisation and how that should be structured.

Operational management theory

This thought was led by Henri Fayol. The thought identified six groups of activities in an organisation, i.e., technical, commercial, financial, security, accounting, and managerial. He recognised the need for teaching management and identified 14 principles in 1916 which enabled the management to grow as a discipline and is therefore often called the 'father of modern management'. We will see these principles in a separate section.

Behavioural science theory

The thought was originated by Vilfredo Pareto in 1896, and he researched on organisation and management relationship. Later, Hugo Munsterberg applied psychology to increase industrial production in 1912 and around the same time, Walter Dill Scott applied psychology to advertising, marketing, and personnel in 1910 and 1911. But it was Elton Mayo and F.J Roethlisberger who made an impact on the behavioural science theory through their Hawthorne experiments in Western Electric Company in 1933. These experiments proved that good working relationship with the supervisor and colleagues and the idea of challenge in the job accounted for higher productivity. Challenge is created through setting high goals which cannot be normally achieved but which can be achieved with a little additional effort. These experiments brought to fore the importance of behavioural science in management. Extending the idea sometime in 1946 and 1947, Max Weber propounded the theory of bureaucracy.

Systems theory

Though the systems theory can be traced to biology, where we have cardiovascular system, nervous system, etc which are fairly independent yet interdependent, it was Chester Barnard who extended this into management area through his writing 'Functions of the Executive' in 1938. In systems theory, we perceive that organisations have a number of fairly independent systems such as purchase system, operations system, marketing system,

financial system, etc. The working of these are independent, but it has to be integrated by the manager. This theory, perhaps, brings the idea of integration as a key component of management.

Modern management thought

Some of the modern management thoughts are discussed below:

- **Peter Drucker** – Peter Drucker wrote on several management issues and is known for management by objective which implies that the management should lay down objectives to be achieved at every level including the individual worker and ensure that course correction is done from time to time through feedback to increase smoothness and productivity. He also propounded the idea of knowledge worker who uses primarily his intelligence for productivity in the workplace.
- **Edward Deming** – Edward Deming extended his thoughts to the area of quality and how it can be improved without any significant increase in cost in many cases.
- **William Ouchi** – After years of research on the reason for higher productivity in Japanese companies compared to the US companies, Professor Ouchi found that it was the way people were managed and connected and not technology that created the productivity. This style focuses on a strong company philosophy, a distinct corporate culture, long-range staff development, and consensus decision-making (Ouchi, 1981). Ouchi demonstrates that the results show lower turn-over, increased job commitment, and dramatically higher productivity. This is called Theory Z. Theory Z is not an independent theory but an intelligent fusion of several theories of motivation by Maslow et al combined with the writing on quality by Deming.
- **Thomas Peters and Robert Waterman** – They reached on what creates excellence in companies and identified eight characteristics namely:
 - 1) High/strong action orientation
 - 2) High/strong customer orientation
 - 3) High/strong managerial autonomy and entrepreneurship
 - 4) High/strong employee orientation
 - 5) High/strong company philosophy based on the values of top leadership

- 6) High/strong focus on the business they knew best
- 7) High/strong organisational structure that was simple and lean staffed
- 8) High/strong balance between centralisation and decentralisation

Self Assessment Questions

5. In Taylor's parlance there are _____ identifiable components to scientific management.
6. Elton Mayo's Hawthorne experiments proved that _____ with the supervisor and colleagues and the idea of _____ in the job accounted for higher productivity.
7. Ouchi is known for Theory _____ .
8. Thomas Peters and Robert Waterman identified _____ characteristics in successful companies.

2.5 Principles of Management

Importance of management principles

Principles of management are important because of the following reasons:

- **Improves understanding** – It increases the knowledge on how to manage an organisation and act as a guiding light to take decisions on various issues such as chain of command, centralisation, etc. It also helps them to predict the impact of following one principle on another or the impact of ignoring one (e.g., if you ignore initiative, then division of labour may have no meaning or if you ignore decentralisation, then initiative may not take place).
- **Direction for training of managers** – These principles give a clear indication of the training needs by establishing what is required to be done to accomplish something. For example, if the organisation needs initiative, then we should train people in taking responsibility and then decentralise.
- **Role of management** – It acts as a light house to guide managerial decision making and warns of dangers and enables course correction. For example, if we change job roles frequently, it will affect the morale, etc.

- **Guide to research in management** – The principles indicate the lines along which research should be undertaken to make management practical and more effective because it predicts the cause and effect relationship which can be empirically tested and then used to make management more scientific.

Features of management principles

The principles of management are universal or applicable to all organisations, flexible, have a cause and effect relationship, (e.g., given the degree of decentralisation, the degree of initiative can be predicted), aims at influencing human behaviour (i.e., reduce the variations in the human behaviour to make it more predictable in an organisational context), and all of them are of equal importance.

14 Principles of management by Henri Fayol

There are fourteen principles of management which Henri Fayol enunciated. This has wide acceptance and let us discuss them in detail.

1. Division of labour

We saw in the case how everyone was doing their own job. For example, playing flute, selling rooms from the front office, massaging feet, etc. When the major tasks and activities of the organisation is divided and carried out by different people in the organisation it is called division of labour.

2. Authority and responsibility coexist

If the manager is given the responsibility to run his hotel in a specified manner, he should be given the formal authority to do so and if he has been given the authority, he has to be responsible for the right and wrong things going on.

3. Unity of command

This means that one person should report to only one boss. This principle has undergone considerable changes, and we now have ideas like adhocracy or matrix organisations where a person may report to multiple bosses. However, the principle stands in good stead. Suppose you had two bosses, whom would you listen to? Who will make you follow some discipline, to whom will you be loyal? Will there be confusion and chaos and will you pitch one boss against the other and escape responsibility? Will there be duplication of work and overlapping

of efforts? Your candid answers to these questions will make the idea of unity of command clearer to you.

4. Unity of direction

If you have many guests checking into Green Path, we need many people to do the foot massage. This needs one plan and one way of doing it. Also it is preferable that the same people serve the welcome drink and carry the baggage to the rooms. If we do that, there will be better direction in the work since these works can be grouped under, receiving the guest, showing hospitality, giving them some physical comfort and then getting him settled in his room. This is creating unity of direction or one head one plan.

5. Equity

Equity is a combination of fairness, justice, and empathy. It does not mean absence of assertive action rather existence of it to ensure fairness for all. This does not mean giving all the same reward but rewarding according to one's effort. In fact, the idea of productivity-based incentives emanates from the principle of equity.

6. Order

In the case, we saw how the service staff was moving around smoothly and doing their job. You might have observed how things are kept in order in a Maruti Genuine Workshop as against a wayside workshop. Appointing the most suitable person for a job is also part of this principle of order. In other words, it means doing things systematically.

7. Discipline

Having clearly defined the superiors, subordinates, norms, procedures, rules, and regulations, adherence to these is an essential principle of management. This enhances productivity by increasing the harmony in the workplace activities.

8. Initiative

When the workers are encouraged to do things which are not strictly defined but which add to the productivity, cost reduction, etc. which are the objectives of management, the workers enjoy doing their job and efficiency and effectiveness increase just like the front office manager who took the initiative to negotiate full room tariff rather than yield to a request for discount.

9. Fairness

Fairness in remuneration and the way people are treated in reward implies reward and recognition keeping in mind the current market rate, the living needs of the workers, safe working conditions, medical facilities, wages being linked to the nature of the work and being reasonable in everything. It implies a dialogue between the employer and the employee. Modern industrial laws are society's means of ensuring fairness in organisations.

10. Stability

It takes time and effort to train a person to do a job and therefore keeping him stable in the job for a reasonable period is necessary to get returns on this investment. Further, it creates team spirit, smoothness, and enhances productivity. The worker will also be able to take more initiative because of the knowledge gained. In the modern context of frequent change, this may look like an antithesis, but we all know the impact of frequent changes. If it is inevitable, we must take actions to reduce the negative effects of it.

11. Scalar chain

The flow of information and exercise of authority has to flow in a chain from top to bottom. This does not mean a strict hierarchy, but it means the existence of a clear flow. This flow may be and should be circumvented during an emergency. This process enables one to coordinate effort, create smoothness, plan, amend plans, and solve problems faster and more efficiently.

12. Subordination of individual interest to general interest

Individuals draw their identity and livelihood from the organisation. Others also do that. Therefore, the organisational interest should supersede individual interest because the former affect the interest of many stakeholders.

13. Esprit de corps

It is about creating team spirit and harmony. It is about creating the internal cohesion among workers so that they feel as part of the organisation. In the modern days, we use terms like employee engagement, involvement, etc which flow from this principle. Fairness, equality, unity of command, etc help in creating esprit de corps. Face-to-

face communication is more important than written communication to do this.

14. Centralisation and decentralisation

Centralisation means concentration of authority at the top level and decentralisation means delegating it to the lower levels. While absolute centralisation or decentralisation is not feasible, the principle propagates finding the ideal balance keeping in mind the size, nature of business, experience of superiors and subordinates, dependability and ability of the subordinates, etc. This principle permits people to solve problems speedily and efficiently and enables taking initiative.

Self Assessment Questions

9. Unity of command means _____ person should report to _____ one boss.
10. Centralisation principle propagates finding the _____ between these keeping in mind the size, nature of business, experience of superiors and subordinates, dependability and ability of the subordinates
11. Order means doing things _____.

2.6 Management Process/Function, a Systems View

The term management process and management functions are interchangeably used in several text books though in strict terms they are not. Management has some functions. These are planning, organising, staffing, leading/directing, and controlling. In an organisation, these have to take place in a logical sequence, i.e., you cannot organise something before you plan or you cannot control something before it is planned, organised, staffed, and executed by giving leading/or by giving directions. So when the management functions are placed into its logical sequence, we call it a process. A process converts an input into an output. For example, the input for a cup of tea is the tea leaves, sugar, milk, and the cooking gas. The process is how much and when you add the tea leaves, milk, sugar, etc and the output is the cup of tea. The processes can differ. For example, you can add the tea leaves to the water and then bring it to boil or bring the water to boil and then add the tea leaves or bring the water to heat to about 70

degrees, add tea leaves, and then leave it for three minutes before serving, etc. Each of these will give you an output of tea but will taste different. Thus the quality of tea and its value can differ on the process which is the reason why we get different taste when the tea is made by different people. This analogy will make it clear to you that management process is extremely important for the output of an organisation.

Though mentioned elsewhere, it is prudent to repeat here that directing perhaps has a more authoritarian tone or a one way connotation and hence modern literature tends to use the term leading which implies that the leader, persuades a person to reach his/her goals by guiding and coaching him/her to achieve the organisational goals. The end result would be the same, but the process is different and more enriching if you lead someone rather than keep directing him.

Systems approach (or view) of management process implies connecting the management process to the external environment and viewing it as a system that is existing in the overall system. To understand it better, we will first discuss what a system is.

The term system is borrowed from life sciences. You can see how human body has many independent systems such as cardiovascular system, respiratory system, skeletal system, etc. Each of these is fairly independent yet interdependent. So, if you break your bone, you can rectify it without seriously affecting the other systems such as cardiovascular system. This is facilitated because of the independence of the skeletal system which requires input like calcium for its growth and output. But your cardiovascular system will not shut down just because your bone is broken; however, it is affected through bleeding. Your doctor gives you calcium to strengthen your bone and that tablet has to dissolve in the blood and reach the bones. What happens if the cardiovascular system refuses to carry calcium to the bones? So, the systems are also interdependent. If we understand this analogy, we can understand the business system more easily.

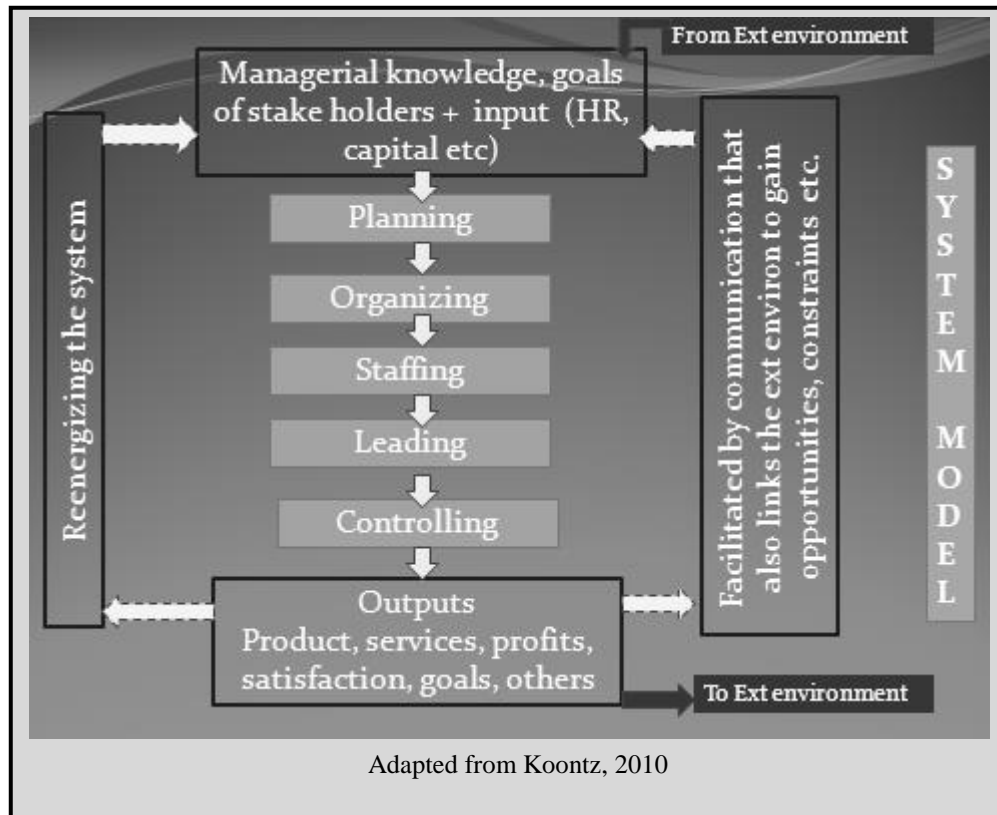


Fig. 2.1: System Model of Management Process

System approach to management enables us to understand management from a holistic perspective as given in Fig. 2.1. Through this approach, we realise that the inputs come from external sources and the outputs go to the external sources. For example, the material used in Green Path Hotels, the guests, the employees who do such good job are all inputs which come from outside and the great satisfaction, profit, and growth are the outputs. Some of this output goes to the society in terms of tax paid, overall economic growth, profit shared with the investors, prosperity created to the families of the employees, self esteem of the employees, etc.

A system exists in an environment. For example, the hotel exists in India, in a state, in the neighbourhood and therefore has to follow the laws of the land, the state, and the local laws. It has to purchase the input, i.e., raw materials and hire people. It is the information system which helps an organisation to do this. In other words, information system connects the organisation to the external system. The output also goes to the external

system in terms of taxes paid as discussed. Can all output go to the external system? Not really. As a system operates and creates an output, some of the input such as ambience, the rooms, the furniture, etc will deteriorate. The quality of employees also deteriorates. Hence, some part of the output has to be pumped back to repair or rejuvenate these. In technical parlance, we use the term 'negative entropy' to refer to this process.

We saw what an input is; an output is also a way of connecting it to the external environment through the information system. To do this optimally, the organisation has to be in alignment with the external environment, but this is not sufficient. If the input has to be converted into an output, i.e., service to the guests, it requires some process. First, this requires planning of the input such as rooms, their sale, maintenance, etc. Then you have to organise the various activities such as room-related activities, food-related activities, and ambience-related activities. These activities have to be manned or staffed. The staff has to lead, i.e., they should be given directions, coaching, guidelines, and encouraged to take decisions and initiative if the service has to be rendered. Thereafter, someone has to see that things are done as per the standards and if there is any variance, there should be a way of correcting it.

This is what we call Management Process (MP) and each of the components mentioned above are the functions. In simple terms, management process is the way of converting the input into an output through a logical sequence of major managerial functions of planning, organising, staffing, leading, and controlling.

Each of these functions, in turn, can have their own sub functions and systems. For example, the organising function could have marketing, operations, HR, and finance as its sub functions. Let us now look at this as a function to understand the entire gamut of systems approach. The marketing function, to be effective, needs some input and process so that it can fill the rooms and restaurants. This would then become another system. The input into this system of GreenPath Hotel would be sales staff, input about the room cost, room availability, marketing materials such as leaflets, videos, photographs, etc. Several activities such as advertising, personal selling, promotion, and price discounting would be required and would have to be done in some logical sequence which becomes the process. These

activities have to be planned, organised, staffed, led, and controlled and therefore, this gives birth to another system (call it marketing system). Marketing system is fairly independent, but it is interdependent on the finance system for the money for advertising and hotel operations to get a good feedback of the guests to ensure that the sales are repeated. Hence, though it is independent to an extent, it is interdependent on the other systems. Marketing can be perceived as a subsystem of the GreenPath Hotel organisational system. Perhaps, you can perceive an organisation as a network of systems and subsystems.

We have already seen what management function is and how they become the management process. We will be discussing each of these in different units in some detail and hence we are not discussing it here.

Importance of systems

In the earlier section, we discussed that an organisation can be perceived as a network of systems. Let us take the example of GreenPath Hotel. Let us assume that the mission of the hotel is to provide 'memorable experiences through leisure'. If you now look at the hotel as an overall system, we will find that the input for creating the said output or fulfilling the mission are the location of the hotel, providing access to the hotel through marketing, providing the rooms, creating the experiences such as unique reception, foot massage, live music, care of the service staff, the food service, laundry service, visits to various places, adventure activities, fun and sports, etc. Let us now take one of these. Let us say the adventure activity.

Since this hotel is near the sea, sailing, boating, surfing, etc are the adventure activities. There should be a system for the adventure activities. This adventure system of the hotel will be fairly independent and will have its own input, output, and a series of throughput or processes. The input will have boats, boatmen, and safety equipment and of course, access to the sea and most importantly, the guests who want to enjoy this. Most of these inputs are quite independent of the hotel but the guests are from the hotel and the adventure system is for the guests in the hotel. Thus, there is a symbiotic relationship between the hotel system and the adventure system.

Let us now build the adventure system (you can call it a subsystem of the hotel operation system if you want to call it that way). We have already seen the inputs of the adventure system. The output will be guest happiness, work for the local boatmen, profit to the hotel, and repeat customers. To create this output, there will be a series of processes such as creating a boat route, announcing the trips to the guests, booking the trips by the guests, confirming their booking, ushering the guests to the boat, seating them and briefing them on the safety and the routes, wearing the safety equipment and demonstrating the safety aspects, briefing by the guide, the boat moving along the predetermined route, providing photo opportunities, serving refreshments, return to the dock, seeking informal feedback about the ride, alighting safely, and ushering them back to the hotel (this is only an indicative list of the processes). These processes need some people. For example, the boatman, the person who ushers, the guide, etc. Some of the processes can be done by the same person. For example, guiding and seeking feedback, ushering to the ride, and ushering back. Based on the feedback, some of the processes may be reinforced or modified or in other words rejuvenate itself. Thus, the adventure system will consist of the inputs, the processes we discussed, and the output. Please remember that there will be several such systems in an organisation.

Since the systems take their own feedback and use this and other resources to self-rejuvenate as explained, the systems will have the ability to perpetuate itself if we do these well. Thus, the system can be ongoing. If the profits are falling and performance is low or high, it is easy to look at the various components of an organisation that we saw in Unit 1. Usually, any change or modification to correct a problem would start by looking at the lowest level, i.e., the task or activity. If that is in good order, we evaluate the system and perhaps by modifying one or two processes or increasing input, we will be able to achieve the output better. By large, in a well-running organisation, improvement is possible by evaluating the systems and the processes therein. You might have heard the Japanese concept of 'kaizen' or continuous improvement. This is done by continuously evaluating the processes and systems and making changes. When the problem is large, perhaps it lies in the way we connect the various systems which is what structure defines, and we may make changes in the structure. We will confine our discussion to this level.

In sum, we can say that the systems approach is very important because it helps us to do continuous improvement by perceiving the system as fairly independent. Even when the problem is large, we are able to analyse the organisation by analysing system by system and making changes where it is most effective. Hence, system is very important.

Perhaps you can understand it even better if you think of the Business Process Outsourcing companies or BPOs. Take the case of a BPO which is a call centre handling customer complaints. The process of customer complaint is well defined and along with the input and output becomes the customer complaint system, which is fairly independent. The input for this comes from the customer and the mother company. Some other company may do the processes on behalf of the mother company and then the output goes to the mother company and the customer. This outsourcing is possible because we can identify the independent nature of the system and then delink the process components only without creating any problem to the other systems in an organisation. I am sure the importance of systems is even clearer now.

Importance of management process

Management process is a term that is used at the macro level. It consists of planning, organising, staffing, leading, and controlling. We have already seen why we call it a process. If each of these is well defined, documented, and made independent, then the organisation can run smoothly and changes in people will not affect it much as the new person, who is replacing it, would be able replicate and then improve upon what the earlier incumbent was doing. Thus, the system becomes dependent on the input and processes rather than an individual. That is why the organisations which are system driven are smoother than organisations which are individual driven. If we have a good planning process which is well defined, then the planning will go on even if some smart manager in the planning function leave. Similarly, if leadership is inculcated in of the systems, then the organisation will not have to depend on one big leader. Thus, the business system gets stability and is able to grow.

Activity:

Visit any nearby factory and ask the shop floor Manager/Production Manager as to how the major manufacturing activities are divided among the workers.

Hint: Refer Section 2.5

Self Assessment Questions

12. When the management functions are placed into its logical sequence, we call it a _____.
13. System approach to management enables us to understand management from a _____ perspective.
14. The five management functions that figure in the management process in the modern literature are planning, organising, staffing, _____, and _____.
15. A system is connected to its external environment through _____.
16. The inputs of the adventure system as explained in the section are completely independent of the hotel system. (True/False)
17. Each process of the system would require different people to man. (True/False)
18. One of the benefits of looking at systems is that even when the problem is large, we are able to analyse the organisation by analysing _____ by _____ and making changes where it is most effective.
19. Organisations which are _____ driven are smoother than organisations which are individual driven.

2.8 Summary

Let us recapitulate the important concepts discussed in this unit:

- 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 helps in achieving group goals, optimum utilisation of resources, reduces cost, establishes equilibrium and leads to prosperity of society.

- Management thought began with the F.W.Taylor's Scientific Management Theory, Operational Management Theory, Behavioural Science Theory, Systems theory.
- Modern management thoughts are those of Peter Drucker, Edward Deming, William Ouchi, Thomas Peters and Robert Waterman.
- The fourteen principles of Henri Fayol are division of labour, authority and responsibility, unity of command, unity of direction, equity, order, discipline, initiative, fairness, stability, scalar chain, subordination of individual interest to general interest, esprit de corps and centralisation.
- The term management process and management functions are interchangeably used. Management functions are planning, organising, staffing, leading/directing, and controlling.
- Systems approach (or view) of management process implies connecting the management process to the external environment and viewing it as a system that is existing in the overall system.
- Management process is the way of converting the input into an output through a logical sequence of major managerial functions of planning, organising, staffing, leading, and controlling.
- If each of the management functions is well defined, documented, and made independent, then the organisation can run smoothly and changes in people will not affect it much.

2.9 Glossary

- **Management Function:** Management is about creating some valuable output from some input and for this, management has to plan, organise, staff, lead, and control. These are called management functions.
- **Management Process:** The management functions occur in a logical sequence and hence, it is also called management process. A process means a series of logical steps. The terms management functions and management process are often used interchangeably.

2.10 Terminal Questions

1. Define management.
2. Determine the importance of management.

3. Describe the evolution of management thought and explain the four principles of scientific management as proposed by Taylor.
4. What are the eight characteristics that are found in an excellent organisation? Which of these are applied in the case of Green Path hotels?
5. Explain the importance of principles of management.

2.11 Answers

Self Assessment Questions

1. Management
2. Individual
3. Management
4. Maximum, minimum
5. 4
6. Good working relationship, challenge
7. Z
8. 8
9. One, only
10. Ideal balance
11. Systematically
12. Process
13. Holistic
14. leading and controlling
15. Information system
16. False
17. False
18. System, system
19. System

Terminal Questions

1. According to F. W. Taylor, "Management is an act of knowing what to do, when to do, and see that it is done in the best and cheapest way". Refer Section 2.3 for more details.
2. Management is important as it helps in achieving goals, reducing cost, establishing equilibrium etc. Refer Section 2.3 for more details.

3. Management thought evolved from scientific management, operational management, behavioural science and systems theory. Refer Section 2.4 for more details.
4. Some of the eight characteristics are high action orientation, customer orientation, managerial autonomy, employee orientation etc. Refer section 2.4 for more details.
5. Principles of management are important for better understanding, direction for training, guides research. For more details, refer Section 2.5.

References/ E-References:

- James P.S, (2012), *Understanding Systems*, Instructor Notes to the Students of T.A. Pai Management Institute.
- Koontz, H. and Heinz, W. (2010), *Essential of Management – An International Perspective*, Tata McGraw Hill, New Delhi.
- Nicholas, A. and McGahan, (2002) A. M. *An Interview with Michael Porter*, Academy of Management Executive, P. 47.
- Peters, T. J. and Waterman, R. H. Jr., (1982), *In Search of Excellence*, Harper and Row, New York.