

## About the Book

The book, **Principles of Management – Text and Cases**, exhaustively covers the concepts, functions, principles of management and many more. This book would fulfil the need for a text which covers the concept of principles of management, motivational theories, leadership traits, its styles, job analysis, performance appraisal etc and their applications in day-to-day business. Integration of management functions and principles is the underlying theme of the book, which recognises the fact that today there is probably no business organization that does not have management principles as well.

In addition to these basic fundamentals, the book also deals with some topics which a Manager should be aware of. The book has been written in a simple and easily understandable language. The unique feature of the book is the inclusion of self test questions and case studies at the end of each chapter to help the students in various stages of the study. To illustrate the concepts; diagrams, charts and tables have also been incorporated.

The book is divided into 16 chapters which extensively deal with the basic elements, principles and techniques of Management. It will be very useful for MBA, BBA, B.Com as well as B.Tech students. This book has been prepared as per the standards of various Indian universities.

## About the Author

The author, **Esha Jain**, is Assistant Professor at Gurgaon Institute of Technology & Management, Gurgaon, Haryana and is teaching MBA and B.Tech students. She is doing her Ph.D. in Foreign Exchange and Derivatives Currency Futures from Department of Management Studies, Pacific University, Udaipur. She did her Post Graduate in Business Administration from Kurukshetra University with dual specialization in Finance and Marketing.

She has a brilliant academic career since beginning which brought her many accolades including scholarships and certificates of merit. She has more than five years of post-graduate management teaching experience along with 6 months of industry experience.

Besides publishing two books on 'Foreign Exchange Management' and 'Business Regulatory Framework' and about two dozens research papers in refereed international journals of repute, she has contributed about a dozen papers in conferences and seminars.

She has also been actively consulted by many organizations of regional and national importance in areas related to Finance and Marketing.

She has held various assignments including,

Academic Advisor and Research Paper Reviewer in "ACADEMICIA: An International Multidisciplinary Research Journal", ISSN: 2249-7137

Research Paper Reviewer and Academic Advisor in "South Asian Journal of Marketing & Management Research (SAJMMR)", ISSN: 2249-877X.

Member, International Journals of Multidisciplinary Research Academy which includes Four Journals:

- International Journal of Management, IT & Engineering (IJMIE), ISSN : 2249-0558
- International Journal of Marketing & Technology (IJMT), ISSN : 2249-1058
- International Journal of Physical & Social Sciences (IJPSS), ISSN : 2249-5894
- International Journal of Research in Social Sciences (IJRSS), ISSN : 2249-2496

Member of The Society for Management Education (TSME).

Her experience of interacting with her students and understanding of the problems faced by them motivated her to write a book on this topic and she has tried her best to provide solutions to their practical problems.



**INTERNATIONAL  
BOOK HOUSE P. LTD.**

Since 1941

**INTERNATIONAL BOOK HOUSE PVT. LTD.**

12, Ansari Road, Daryaganj, New Delhi-110 002, INDIA

Phone : 23243815 / 16, 4354 2743 / 44 45 • Fax : 43542746

Email: [ibh.delhi@intbh.com](mailto:ibh.delhi@intbh.com) • Website : [www.ibhbookstore.com](http://www.ibhbookstore.com)

**MEDABAD • BENGALURU • BHUBANESHWAR • CHENNAI • KOCHI**

**LAKHATA • LUCKNOW • MUMBAI • NAGPUR • PUNE • NEW DELHI**

ISBN 978-93-81335-31-4



Price: ₹ 295/-

**Principles of Management**  
Text and Cases

**ESHA JAIN**

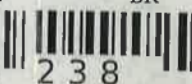
**INTERNATIONAL  
BOOK HOUSE P. LTD.**  
Since 1941

# Principles of Management

**Text and Cases**

CASMTKM

BK



238



**ESHA JAIN**



# PREFACE

Every book needs a reader to sail the boat to the destination in the same way. Management is needed in every sphere of business and is all responsible for the success and failure for every organization. This book grew out of the passion for the subject which mixes my experience in the classroom teaching of basic concepts and techniques of management. The book is divided into 18 chapters which extensively deal with the basic elements, principles and techniques of management. It will be more useful for MBA, BBA, B.Com as well as B.Tech students.

This book has been prepared as per the standards of various Indian universities particularly the new syllabus of the Uttaranchal Technical University.

In the first chapter, the concept of management is truly defined by following the details of its theories in the second chapter. In the third chapter, how organization can be treated as a system is taken into consideration. Then, manufacturing information system and its decision making is discussed in the fourth and fifth chapters. In the sixth and seventh chapters, planning approach to organizational analysis with further discussion of design of organizational structure has been discussed. Now, while it goes through planning and organizing it's very important to design a job for the right people at a right place in the right time. For this, job design, job enrichment, job analysis, job evaluation and performance appraisal is properly defined in detail in eighth, ninth and tenth chapters. In the eleventh, twelfth and thirteenth chapters, the concept of motivation and its theories (both process and content) is discussed in detail. While motivation is discussed, it is of almost importance to describe leadership as well as controlling to control all the activities of an organization. So, in the fourteenth chapter, leadership with its styles and models is discussed in detail by following the concept of coordination and control in the eleventh chapter. Last, but not the least, an overview of Japanese management techniques are taken into consideration.

I hope that this book will be appreciated by the teachers as well as the students as lots of cases and examples are taken into consideration to make the concept more understandable and interesting. The teacher fraternity is requested to oblige me by giving their valuable suggestions to make this book even more useful.

# Contents

1. Introduction to Management	1
Definitions	1
Management as Process	4
Management as an Activity	4
Management as a Group of Personnel	4
Management as a Discipline	5
Theoretical Scope	5
Characteristics of Management	5
Features of Management	6
Importance of Management	8
The Role of Management	9
Principles of Management	9
Process of Deriving Principles	9
Nature/Characteristics Features of Principles of Management	10
Management Principles and its Importance	12
Principles of Management	13
Question	22
Case Study	23
2. Theories of Management	51
Behavioural Management Theory	27
System Approach	28
Elements in Business Systems	29
Flow, Process, and Response in Business Systems	30
Developments in System Theories	30
General Systems Research and Systems Inquiry	30
Contingency Approach	31
Historical Overview	32

Contingency Perspective and Organization Theory	33
Contingency Perspective and Leadership	34
The McKinsey 7-S Model	34
Usage	35
Outline of the Approach	35
How to Use the Model	37
7S Checklist Questions	37
Question	39
Case Study	40
<b>3. Organization as a System</b>	<b>41</b>
Definitions	42
Characteristics of Organizing	42
Purpose of organization	43
Structure	44
Work Specialization	44
Chain of command	44
Delegation	44
Types of authority	45
Span of management	45
Tall Versus Flat Structure	45
Importance of organizing	46
Process	47
Importance of Organizing Process	48
Organizations as Systems	48
Standard Planning Process is Similar to Working Backwards Through the System	49
Question	49
Case study	50
<b>4. Marketing Information System</b>	<b>51</b>
Overview	51
Types of MIS	53
Advantages of MIS	58
Enterprise applications	59
Supply Chain Management	60
Customer Relationship Management	61
Financial Management	62

Objectives of Financial Management	63
Functions of Financial Management	64
Manufacturing Resource Planning	65
Human Resource Planning	66
Knowledge Management System	67
Developing Information Systems	67
The External Environment	69
Directly Interactive Forces	69
Indirectly Interactive Forces	70
Questions	71
Case Study	71
<b>5. Decision Making</b>	<b>75</b>
Decision Principles	76
What is a Decision?	78
Kinds of Decisions	79
Characteristics of Decision-making	80
Importance of Decision Making	81
Making High Quality Decisions	83
Declare	84
Work	85
Strategic Decision Making	86
Management Control Decisions	86
Operational Control Decisions	86
Process of Decision making	87
Intelligence	87
Components of a Marketing Information System	89
Marketing Research Systems	90
Marketing Intelligence Systems	91
Marketing Models	92
Role of MIS in Corporate Decision Making	92
Techniques used in Decision-Making	93
Impact of Decision Making in MIS	94
Conclusion	95
Questions	96
Case Study	96

<b>6. Planning Approach to Organizational Analysis</b>	<b>99</b>
Functions of Management	99
Planning	99
Organizing	100
Staffing	100
Directing	101
Controlling	101
Planning	102
Strategic Planning	103
Tactical Planning	103
Operational Planning	103
Definitions of Planning	103
Definitions of Planning	103
Need of Planning	104
Importance of Planning	104
Advantages of Planning	109
Limitations of Planning	110
Steps in Planning Process	112
Questions	115
Case Study	115
<b>7. Design of Organization Structure</b>	<b>117</b>
Importance of Organizing	117
Principles of Organizing	118
Principle of Specialization	118
Principle of Functional Definition	118
Principles of Span of Control/Supervision	119
Factors Influencing Span of Control	119
Principle of Scalar Chain	120
Principle of Unity of Command	120
Authority Flows from Top to Bottom	120
Process of Organization	120
Classification of Organizations	121
Relationship between Formal and Informal Organizations	121
Line Organization	122
Features of Line Organization	122

Merits of Line Organization	122
Demerits of Line Organization	123
Line and Staff Organization	123
Features of Line and Staff Organization	124
Merits of Line and Staff Organization	124
Demerits of Line and Staff Organization	125
Functional Organization	126
Features of Functional Organization	126
Merits of Functional Organization	127
Demerits of Functional Organization	127
Delegation of Authority	127
Elements of Delegation	127
Process of Delegation of Authority	127
Relationship Between Authority and Responsibility	128
Differences Between Authority and Responsibility	129
Importance of Delegation	129
Principles of Delegation	130
Centralization and Decentralization	131
Implications of Decentralization	132
Delegation and Decentralization	132
Questions	133
Case Study	134
<b>8. Job Design and Enrichment</b>	<b>135</b>
Job Design	135
Factors Affecting Job Design	137
Organizational Factors	138
Environmental Factors	138
Behavioral Factors	139
Approaches to Job Design	139
Job Engineering Approach	140
Problems with Engineering Approach	140
Human Relations Approach	141
The Job Characteristics Approach	141
Socio-Technical Systems Approach/Social Information Processing Approach	142
Work Scheduling/ Quality of Work Life	144
Techniques/Methods of Job Design	145

Job Simplification	147
Job Enlargement	148
Job Rotation	149
Job Enrichment	150
Does Job Enrichment Pay Off	152
How Widespread Job Enrichment Is	152
What is Wrong with Job Enrichment	153
How to make Job Enrichment Effective	154
Questions	154
Case Study	155
<b>9. Job Analysis and Evaluation</b>	<b>153</b>
Defining Job Analysis	157
Benefits	157
Job Analysis Information	158
Uses of Job Analysis	160
Process of Job Analysis	161
Methods of Collecting Job Analysis Data	163
Job Performance	163
Personal Observation	163
Actual Performance of the Job	163
Interview	164
Critical Incidents	164
Questionnaire Method	164
Log Records	165
HRD Records	165
Job Description	165
Contents	165
Guidelines	166
Mode of writing	167
Job Specification	167
Role Analysis	168
Role Analysis Involves the Following Steps	169
Job Evaluation Concept	169
Features	170
Process of Job Evaluation	170
Gaining Acceptance	170

Creating Job Evaluation Committee	171
Finding the Jobs to be Evaluated	171
Analyzing and Preparing Job Description	171
Selecting the Method of Evaluation	171
Classifying Jobs	171
Installing the Programme	171
Reviewing Periodically	171
Benefits	171
Some Principles of Job Evaluation	172
Conduct a Job Evaluation	173
Assess Employee Contribution	173
Assess Job Content and Value	173
Factors in Job Evaluation	173
Implement Job Evaluation	174
Create a Team	174
Select the Job Evaluation Method	174
Communicate with Employees	174
Job Evaluation Methods	174
Ranking Method	174
Classification Method	175
Factor Comparison Method	176
Merits	177
Point Method	177
Merits	179
Demerits	179
Market Comparison	179
Questions	180
Case Study	180
<b>10. Performance and Potential Appraisal</b>	<b>179</b>
Definitions	184
Features	185
Objectives	185
Appraisal of Employees Serves Several Useful Purposes	186
What is to be Appraised	186
Aims	187
Who Will Appraise	187

Supervisors	187
Peers	187
Subordinates	188
Self-appraisal	188
Users of Services	188
Consultants	188
Essential Characteristics of an Effective Appraisal System	188
Reliability and Validity	189
Job Relatedness	189
Standardization	189
Practical Viability	189
Legal Sanction	189
Training to Appraisers	189
Open Communication	189
Employee Access to Results	189
Due Process	190
Problems with Performance Appraisal	190
Judgment Errors	190
Poor Appraisal Forms	191
Lack of Rater Preparedness	191
Ineffective Organizational Policies and Practices	191
The Performance Appraisal Process	191
Establish Performance Standards	192
Communicate the Standards	193
Measure Actual Performance	193
Compare Actual Performance with Standards and Discuss the Appraisal	194
Taking Corrective Action, if Necessary	194
Methods of Performance Appraisal	194
Individual Evaluation Methods	195
Confidential Report	195
Essay Evaluation	195
Critical Incident Technique	196
Checklists and Weighted Checklists	196
Graphic Rating Scale	197
Behaviorally Anchored Rating Scales	198
Forced Choice Method	200

Management by Objectives (MBO)	201
Features	201
MBO Benefits	203
MBO Limitations	204
Suggestions for Improving the Effectiveness of MBO	205
Organizational Commitment	205
Training	206
Adequate Time and Resources	206
Take Care of the Necessary Mechanics	206
Timely Feedback	206
Politics	207
Multiple - Person Evaluation Methods	207
Ranking Method	207
Paired Comparison Method	208
Forced Distribution Method	208
Appraisal Interview and Feedback	211
Feedback Defined	211
Potential Appraisal	214
Definition	214
Introducing a Good Potential Appraisal System	214
Process of Performance Evaluation System	215
Key Points	216
Develop an Evaluation Form	216
Quality of Work	217
Quantity of Work	217
Work Habits	217
Attitude	217
Job Knowledge and Skills	217
Identify Performance Measures	220
Set Guidelines for Feedback	222
Create Disciplinary and Termination Procedures	222
Set an Evaluation Schedule	223
Questions	224
Case Study	220
<b>11. Motivation</b>	<b>221</b>
What is Motivation	227

201	Defining Motivation	228
202	Characteristics of Motivation	229
203	Types of Motivation	230
204	Intrinsic Motivation	231
205	Extrinsic Motivation	231
206	Other Types of Motivations	232
207	Taking It All In	233
208	Importance of Motivation	234
209	Puts Human Resources into Action	234
210	Improves Level of Efficiency of Employees	234
211	Leads to Achievement of Organizational Goals	234
212	Builds Riendly Relationship	234
213	Leads to Stability of Work Force	235
214	Motivation is Important to an Individual as	235
215	Complexity of Motivations	236
216	Special Motivational Techniques	236
217	Money	236
218	Participations	236
219	Quality of Working Life	236
220	Motivation Incentives-Incentives to Motivate Employees	237
221	Positive Incentives	238
222	Negative Incentives	238
223	Managerial Roles	238
224	Motivation and Morale-Relationship and Differences	239
225	Staff Motivation-Motivation Tips for Employees	240
226	Workplace Motivation	243
227	Self Motivation at Work	244
228	Team Motivation	245
229	Motivational Challenges	246
230	Essentials / Features of a Good Motivation System	246
231	Seven Rules of Motivation	247
232	Questions	248
233	Case Study	248
<b>12.</b>	<b>Motivation Theories</b>	<b>245</b>
234	Economic theory of Motivation	251
235	Abraham Maslow's Hierarchy of Needs Motivational Model	252

236	Maslow's Hierarchy of Needs	253
237	Maslow's Hierarchy of Needs	253
238	1970's Adapted Hierarchy of Needs Model, Including Cognitive and Aesthetic Needs	254
239	Modified Hierarchy of Needs	255
240	1990's Adapted Hierarchy of Needs Including Transcendence Needs	255
241	What Hierarchy of Needs Model is Most Valid	256
242	Maslow's Self-Actualizing Characteristics	256
243	Maslow's Hierarchy of Needs in Advertising	257
244	Interpreting Behaviour According to Maslow's Hierarchy of Needs	257
245	Maslow's Hierarchy of Needs and Helping Others	258
246	Self-Actualisation, Employees and Organisations	259
247	Implications of Maslow's Hierarchy of Needs Theory for Managers	259
248	Limitations of Maslow's Theory	260
249	Douglas McGregor's Theory X and Theory Y	260
250	Theory X	260
251	Theory x	261
252	Characteristics of the X Theory Manager	261
253	How you can Manage Upwards Your X Theory Boss	262
254	Theory Y	263
255	Theory y	263
256	Theory X and Theory Y Combined	263
257	Comments on Theory X and Theory Y Assumptions	264
258	McGregor and Maslow's Hierarchy	265
259	Herzberg's Two Factor Theory	265
260	Limitations of Two-Factor Theory	267
261	Implications of Two-Factor Theory	268
262	Validity and Criticisms	268
263	Erg Theory	270
264	Difference Between Maslow Need Hierarchy Theory	271
265	Similarities to Maslow's Hierarchy	272
266	Implications of the ERG Theory	272
267	Mc Clelland's Theory of Needs	273
268	Mc Clelland Identifies Three Specific Needs	273
269	Thematic Apperception Test	275
270	Implications for Management	276

Theory Z - William Ouchi	276
Characteristics of the Theory Z	277
Theory Z	277
Implications of these Types of Theories for Leaders in Modern Organizations	278
Questions	278
Case Study	279
<b>13. Process Theories of Motivation</b>	<b>275</b>
Expectancy Theory of Motivation	283
Advantages of the Expectancy Theory	284
Limitations of the Expectancy Theory	284
Implications of the Expectancy Theory	284
Equity Theory of Motivation	284
Assumptions of the Equity Theory	286
Porter Five Forces Analysis	286
The Threat of Substitute Products	287
The Threat of the Entry of New Competitors	287
The Intensity of Competitive rivalry	288
The Bargaining Power of customers	288
The Bargaining Power of Suppliers	288
Porter's Five Forces	289
A Model for Industry Analysis	289
Rivalry	290
Dynamic Nature of Industry Rivalry	296
Generic Strategies to Counter The Five Forces	296
Goal Setting Theory of Motivation	297
Five Principles of Goal Setting	298
Clarity	299
Challenge	299
Commitment	299
Feedback	300
Task Complexity	300
Key Points	301
Advantages of Goal Setting Theory	301
Limitations of Goal Setting Theory	301
Reinforcement Theory of Motivation	301
Implications of Reinforcement Theory	302

Strengths and Weaknesses	302
Strengths	302
Weaknesses	303
Twelve Principles of Efficiency	303
Harrington Emerson's Twelve Principles of Efficiency	303
Principles of Efficiency	304
Motivation Process	305
The Motivational Process is	305
How can Learning about the Motivational Process Help You	306
Management and Motivation	306
Understanding Others	307
Effect of Societal Culture	307
Cultural Dimensions	308
Intelligence	309
Personality	309
Gender	310
Questions	310
Case Study	311
<b>14. Leadership and its Styles</b>	<b>307</b>
Definitions	313
Characteristics of Leadership	314
Four Factors of Leadership	315
Leader	315
Followers	315
Communication	316
Situation	316
Boss or Leader	316
Bass Theory of Leadership	316
Total Leadership	317
Importance of Leadership	317
Role of a Leader	318
Qualities of a Leader	319
Attributes of Leadership	320
Be Know Do	320
Environment	320
Goals, Values, and Concepts	321



Roles and Relationships	321
Culture and Climate	321
Principles of Leadership	322
Leadership and Management - Relationship & Differences	323
Differences between Leadership and Management	323
Leader Versus Manager	324
Authority vs. Leadership	325
Leadership and Motivation	326
Emotional Intelligence for Leaders	327
Organizational Leadership	329
Tips for Effective Organizational Leadership	329
Leadership Ethics - Traits of an Ethical Leader	330
An Effective and Ethical Leader has the Following Traits / Characteristics	330
The Process of Great Leadership	331
Leadership Models	331
Four Framework Approach	331
Structural Framework	332
Human Resource Framework	332
Political Framework	332
Symbolic Framework	332
Managerial Grid	332
Authoritarian Leader	333
Team Leader	334
Country Club Leader	334
Impoverished Leader	334
Leadership Strategy-Which Leadership Style to Follow	334
Leadership Styles	335
Authoritarian	336
Advantages	337
Disadvantages	337
Participative	337
Advantages	338
Disadvantages	338
Delegative	339
Advantages	340
Disadvantages	340

Bureaucratic Leadership	340
Forces	341
Positive and Negative Approaches	342
Use of Consideration and Structure	342
How to Create a Personal Leadership Brand	343
Level 5 Leadership	345
Situational Leadership - Meaning and Concept	347
Impact of Situational Leadership on Performance and Motivation	348
Influence of Situational Leadership Styles on Subordinate Development	349
Questions	350
Case Study	350
<b>15. Coordination and Controlling</b>	<b>353</b>
Meaning of Co-ordination	353
Definitions	354
Examples of Coordination	354
Nature and Characteristics of Co-ordination	354
Importance of Coordination	355
Coordination Encourages Team Spirit	355
Coordination gives Proper Direction	355
Coordination Facilitates Motivation	355
Coordination Makes Optimum Utilisation of Resources	355
Coordination Helps to Achieve Objectives Quickly	356
Coordination Improves Relations in the Organisation	356
Coordination Leads to Higher Efficiency	356
Coordination Improves Goodwill of the Organisation	356
Advantages of Co-Ordination	356
Types, Techniques and Principles of Coordination	357
Types of Co-ordination	357
Techniques of Co-ordination	358
Principles of Co-ordination	359
Principle of Early Stage	359
Principle of Continuity	360
Principle of Direct Contact	360
Principle of Reciprocal Relations	360
Additional Principles of Coordination	361
Principle of Effective Communication	361

340	Principle of Mutual Respect	361
341	Principle of Clarity of Objectives	362
342	Principle of Scalar Chain	362
343	Co-ordination is the Essence of Management	362
344	Planning and Coordination	363
345	Organising and Coordination	363
346	Staffing and Coordination	364
347	Directing and Coordination	364
348	Communicating and Coordination	364
349	Motivating and Coordination	364
350	Leading and Coordination	364
351	Controlling and Coordination	365
352	Conclusion on Coordination	365
353	Difference between Coordination and Cooperation	365
354	What is Controlling	367
355	Definitions	367
356	Features of Controlling Function	368
357	Importance of Controlling	369
358	Objectives of Controlling	369
359	Objectives	370
360	Types of Control	371
361	Process of Controlling	372
362	Relationship between Planning and Controlling	373
363	The Elements of Control	373
364	Relationship Between the Elements of Control and Information	374
365	Sensor	374
366	Comparison with Standard	374
367	Implementer	375
368	Management by Exception	375
369	Controlling Techniques	376
370	Direct Supervision and Observation	376
371	Financial Statements	376
372	Budgetary Control	377
373	Break Even Analysis	377
374	Return on Investment	377
375	Management by Objectives	377

Management Audits	377
Management Information System	378
PERT and CPM Techniques	378
Self Control	378
Marketing Controls	379
Human Resource Controls	379
Computers and Information Controls	380
Questions	380
Case Study	380
<b>16. Japanese Management Techniques</b>	<b>377</b>
Historical Context	383
Profile of Traditional Japanese Management Practices	384
Management Education	384
Capital and Priorities	385
Corporate Governance	385
The Ringi System	386
Enterprise Unions	386
Quality Circles	386
Scientific Management	387
Pervasiveness of Engineers	387
New Directions	388
Japanese Management Culture	388
Managerial style	389
Smaller companies	390
Japanese women in management	390
Questions	391

DEFINITIONS