

PRINCIPLES OF
MANAGEMENT

FOURTH EDITION

PRINCIPLES OF MANAGEMENT

FOURTH EDITION

Prem R. Pant, Ph.D.

*Professor of Management
Former Head of the Central Department of Management, and
Dean, Faculty of Management
Tribhuvan University*

B U D D H A



P U B L I C A T I O N S

PRINCIPLES OF MANAGEMENT

Edition	First	2003
	Second	2010
	Third	2013
	Fourth	2014
	<i>Reprint</i>	<i>2016</i>
	<i>Reprint</i>	<i>2018</i>

Text © reserved by Prem R. Pant, press processing, layout, design and formatting © reserved by publishers.

Publishers: **Buddha Publications Pvt. Ltd.**
Anamnagar (Buddha Complex)
Kathmandu-29, Nepal
Tel. 00977-1- 5705165, 5705210, 5705177
e-mail: buddha@wlink.com.np
info@buddhapublication.com
www.buddhapublication.com

Price: **Rs.495.00**

ISBN: 978-9937-30-236-4

Printed in Nepal

Contents

Chapter 1

Introduction to Management

Concept, Meaning and Essence of Management	2
Functions of Management	5
Types of Managers	7
<i>Managers by Level</i>	7
<i>Managers by Types</i>	10
Managerial Roles and Skills	10
<i>Managerial Roles</i>	10
<i>Managerial Skills</i>	12
Becoming a Manager: Role of Education, Experience and Situation	14
Business and Society	15
<i>Business Environment</i>	16
<i>Organization – Environment Relationship</i>	17
<i>Types of Business Environment</i>	19
<i>Internal Environment</i>	19
<i>External Environment</i>	20
Corporate Social Responsibility	23
<i>Concept of Corporate Social Responsibility</i>	23
<i>Approaches to Corporate Social Responsibility</i>	24
<i>Areas of Corporate Social Responsibility</i>	25
Ethics and Ethical Standards	27
<i>Concept of Ethics</i>	27
<i>Ethical Standards</i>	28
Corporate Governance	29
<i>Concept of Corporate Governance</i>	29
<i>Principles of Corporate Governance</i>	30
<i>Corporate Governance Issues in Nepal</i>	31
Summary	32
Review Questions	33
Exercise	34
Case 1	34

Case 2	35
Project Work	36
Web-Based Assignment	37
Readings and References	37

Chapter 2

Perspectives in Management

Early Developments	40
The Classical Perspective	41
<i>Scientific Management</i>	41
<i>Administrative Management and Bureaucracy</i>	45
The Behavioural Perspective	49
<i>Hawthorne Studies</i>	49
<i>Human Relations Movement</i>	51
<i>Emergence of Organizational Behaviour</i>	53
Quantitative Perspective	54
<i>Management Science and Operations Management</i>	54
Integrating Perspective	55
<i>Systems Perspective</i>	55
Contingency Perspective	58
Contemporary Perspectives on Management	59
Emerging Management Issues and Challenges	61
Summary	66
Review Questions	67
Exercise 1	68
Exercise 2	68
Case 1	68
Case 2	69
Project Work	70
Web-Based Assignments	70
Readings and References	70

Chapter 3

Planning and Decision Making

Part I: Planning

Meaning of Planning	72
The Planning System	73
Levels of Planning	74

<i>Plans by Managerial Levels</i>	74
<i>Plans by Time Horizon</i>	75
<i>Plans by Frequency of Use</i>	76
Hierarchy of Plans	77
Steps in Planning	78
Tools for Planning	79
<i>Forecasting</i>	79
<i>Network Techniques</i>	81
<i>Flow Charts</i>	82
<i>Gantt Chart</i>	83
<i>Break-even Analysis</i>	84
Planning Premises	85
<i>Meaning</i>	85
<i>Types of Planning Premises</i>	85
Pitfalls of Planning	87
Improving Planning	88
Summary	88

Part II: Decision Making

Meaning and Concept	90
Types of Decisions	91
<i>Types by Frequency</i>	91
<i>Types by Nature</i>	92
Decision Making Process	92
Decision Making Conditions: Certainty, Risk and Uncertainty	95
Practical Exercise on Taking a Decision	97
Summary	99
Review Questions	99
Exercise	100
Case 1	100
Case 2	101
Case 3	102
Project Work	102
Web-based Assignments	103
Readings and References	103

Chapter 4

Organizing and Staffing

Part I: Organizing

Meaning of Organizing	106
-----------------------------	-----

Principles of Organizing	107
Process of Organizing	109
Organizational Architecture	110
Vertical Differentiation	111
Horizontal Differentiation	113
<i>Functional Structure</i>	113
<i>Multi-divisional Structures</i>	115
<i>Matrix Structure</i>	117
<i>Strategic Alliances and Network Structure</i>	118
<i>Team-Based Structures</i>	119
Responsibility	120
<i>Establishing Task and Reporting Relationships</i>	121
<i>Reporting Relationships</i>	122
<i>Creating Accountability Culture in Organization</i>	122
Authority	124
<i>Line Authority</i>	125
<i>Staff Authority</i>	125
Delegation of Authority	126
<i>Meaning and Purpose</i>	126
<i>Characteristics of Delegation of Authority</i>	127
<i>Tasks for Effective Delegation</i>	127
<i>Advantages of Delegation of Authority</i>	128
<i>Problems Associated with Delegation of Authority</i>	128
Centralization	129
Decentralization and Devolution	129
<i>Forms of Decentralization</i>	130
<i>Advantages of Decentralization and Devolution</i>	130
<i>Disadvantages of Decentralization and Devolution</i>	131
Difference between Delegation and Decentralization	131
Emerging Issues in Organizing and Design	132
Summary	134
 Part II: Staffing	
Concept of Staffing	135
Staffing and Human Resources Management	135
Objectives of Staffing	136
Importance of Staffing	137
Components of Staffing Function	137
Summary	138
Review Questions	139
Exercise	140

Case 1	141
Case 2	142
Case 3	142
Project Works	143
Web-based Assignments	144
Readings and References	144

Chapter 5

Leadership, Motivation and Communication

Part I Leadership

Meaning of Leadership	146
Qualities of Leadership	148
Understanding Individual Differences and Psychological Contacts	149
Leadership Styles	150
<i>Advantages and Disadvantages of Leadership Styles</i>	152
Summary	153

Part II: Groups in Organization

Concept of Work Groups	154
Types of Groups	155
<i>Formal Groups</i>	156
<i>Informal Groups</i>	156
Summary.....	157

Part III: Managerial Ethics

Sources of Managerial Ethics	158
Codes of Managerial Ethics	159
Significance of Managerial Ethics	160
Implications for Organizations	161
Summary.....	161

Part IV: Motivation

Concept of Motivation	162
<i>Classification of Motives</i>	164
Importance of Motivation	164
<i>Types of Motivation</i>	165
Techniques of Motivation	165
<i>Reward System to Motivate Performance</i>	166
<i>Motivation through Employee Participation</i>	168
Summary.....	171

Part V: Communication

Meaning of Communication	172
Importance of Communication in Organizations	174
Purpose of Organizational Communication	176
The Communication Process	177
Communication Networks	179
Concept of Active Listening	180
Communication Flows in Organizations	181
<i>Downward Communication</i>	182
<i>Upward Communication</i>	182
<i>Horizontal or Lateral Communication</i>	182
Types of Communication	183
<i>Formal Communication</i>	183
<i>Informal Communication</i>	183
<i>Interpersonal Communication</i>	185
<i>Non-Verbal Communication</i>	186
Barriers to Effective Communication	187
Enhancing Organizational Communication	190
Summary	192
Review Questions	192
Exercise	193
Case 1	194
Case 2	194
Case 3	195
Case 4	196
Project Works	196
Web-based Assignments	197
Reading and References	197

Chapter 6

Controlling and Quality Management

Part I: Controlling

The Concept of Control	200
<i>Meaning of Control</i>	200
<i>Purposes of Control System</i>	201
<i>Benefits of Control System</i>	201
<i>Relationship between Control and Other Management Functions</i>	201
Types of Control	202
The Control Process	203

Essentials of Effective Control System	205
Control Tools and Techniques	206
<i>Non-financial Control Techniques</i>	206
<i>Financial Control Techniques</i>	207
Summary	213
 Part II: Quality Management	
Concept of Quality	214
Importance of Quality	216
Total Quality Management	218
<i>Concept of TQM</i>	218
<i>Components of TQM</i>	220
<i>Principles of TQM</i>	221
<i>Tools and Techniques of TQM</i>	222
<i>Other TQM Process Improvement Tools</i>	225
Factors Affecting Quality Control	227
Deming Management	228
<i>Deming's Views on Quality Management</i>	228
<i>Deming's 14 Quality Management Techniques</i>	229
Emerging issues in Quality Management	230
Production and Operations Management	231
<i>Production Management</i>	232
<i>Operations Management</i>	233
<i>Supply Chain Management</i>	234
<i>Six Sigma</i>	235
<i>Kaizen</i>	236
<i>The Japanese 5-S Practice</i>	237
Technology Management	238
Management Information System and IT	240
<i>Information Technology (IT)</i>	241
Information Systems for Effective Control	242
Summary	243
Review Questions	244
Exercise	245
Case 1	245
Case 2	246
Case 3	246
Case 4	247
Project Works	249
Web-based Assignments	249
Reading and References	249

Organizational Change and Development

Part I: Organizational Change

Nature of Organizational Change	252
Forces for Organizational Change	253
<i>Internal Forces</i>	253
<i>External Forces</i>	254
Paradigms Shifts and Areas of Organizational Change	255
Types of Organizational Change	257
Processes of Planned Organizational Change	257
Resistance to Change	258
<i>Causes of Resistance</i>	258
Overcoming Resistance to Change	259
Summary.....	260

Par II: Organizational Development (OD)

Concept of OD	261
Objectives of OD	262
Key Benefits of OD	262
OD Activities and Process	263
OD Intervention	264
<i>What are intervention?</i>	264
<i>Intervention Process</i>	264
<i>Methods of OD Interventions</i>	265
<i>Steps for Organizational Development Interventions</i>	267
Summary	268
Review Questions	268
Exercise	269
Case 1	269
Case 2	270
Case 3	270
Project Works	271
Web-Based Assignments	272
Reading and References	272