



# Management and Organisational Behaviour



# **Management and Organisational Behaviour**



**Isaac John**

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# Leadership

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# Student's guidelines

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The course is divided into modules. Each module is categorised into subtopics. The pedagogy used to design this course is to enable the student to acquire the concepts with ease by using the following elements.

- **Videos & PPT:** Online videos and respective ppts provided for all the modules to understand the concepts given by the SRIHER Subject Matter Experts.
- **Self-Learning Material:** Self-learning materials provided for all the modules for the learners to learn independently, at their own pace.
- **Live Lectures:** At the end of each module 1 hour live lecture will be given by SRIHER Subject Matter Experts.
- **Demo Videos:** Demo videos will help learners to actualise concepts, ideas, principles, strategies, and best practices for the respective modules.
- **E-References:** A list of online sources including academic e-Books and journal articles, you-tube videos that provides reliable and accurate information on each topic.
- **Discussion Forum:** Learners can engage in conversations, share ideas, and discuss topics with the Subject Matter Experts.
- **Blogs:** Platforms for learners to share knowledge, experiences, and resources related to the course.
- **Self-Assessment:** These include a set of “True” or “False” statements, fill-in-the blanks and multiple choice questions to be answered at the end of each topic.
- **Hands-on / Field Projects:** Interactive experiential learning and on-the-field projects will be assigned to learners to fully understand the subject and train them to be industry ready.
- **Real time scenarios / Case studies / Activities / Use cases / Caselets:** These instances of the real happenings reinforce that concepts, principles, and strategies mentioned in the theory part of the subject.
- **Final Assessment:** Learners who successfully secure a score of 50% or above in the final proctored exam will be awarded a course completion certificate.

## Author's Profile

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Isaac John is an eminent scholar in the field of management science. He is currently working as a teaching faculty at Sri Ramachandra Institute of Higher Education and Research (Deemed to be University), Porur, Chennai. His book on “Management and Organisational Behaviour” is the witness of his years of experience navigating real-time business and management scenarios. Though the study of management is vast and complex, Isaac John has broken down facts, concepts, and data into crisp and simpler terms that both a novice and a professional can understand and apply in real-life situations.



Some of the evolving concepts that pique the interests and aspirations of the author are: Data-Driven Decision Making; Agile Methodologies; Cultural Intelligence and Ethical Leadership; Digital Strategy; Human-Centered Management; Systems Thinking; Entrepreneurship; and Sustainability and Corporate Social Responsibility.

Isaac John's passion for management studies makes him constantly have an eye on the business practices and management skills employed by the Fortune 500 companies across the globe. Several students of the author have landed in big corporates and other industries exhibiting exemplary innovative managerial skills. Isaac John's tagline has always been “Empowering Teams, Navigating Change, Driving Results.”

# Course Description

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This course has four credits. To begin with, you need to have a higher level of knowledge regarding the basic tenets of management and organisational behaviour (OB) to get a better understanding of other vitals of management and OB, such as managerial economics, marketing management, operations management, business environment and strategic management, hospital management, marketing, investment analysis and portfolio management, human resource management and business analytics.

In the present era, an in-depth understanding of management and organisational behaviour is necessary for the success of any organisation. The study of management delves into three main aspects, namely, strategic decision-making, employee engagement, and adaptability to change.

Concurrently, organisational behaviour analyses the importance of understanding human dynamics, promoting innovation, and fostering diversity and inclusion.

This course has four credits with 11 units. The first unit deals with the nature and process of management, where you will learn what management is and how it is executed.

The second unit deals with management functions, such as planning and organising, where you will look into the core activities of planning that steers the organisation. Next, organising deals with building a robust organisational/enterprise structure.

In the third unit, you will learn about staffing, directing, controlling, environment of organisations, and forecasting and decision-making. Staffing talks about manpower and its essentials. Directing and controlling is all about initiating action to propel the rest of the management functions. In the environment of organisations you will learn about the internal and external environments that affect the organisation. Forecasting and decision-making is all about predicting the future probabilities and taking probable decisions that is necessary for an organisation to plan essential activities.

The fourth unit deals with an introduction to organisational behaviour, in which you will get a basic knowledge of how individuals, groups, and structures interact within an organisation.

In the fifth unit, you will learn about individual behaviour and context and how personal, psychological and environmental factors influence an individual within an organisational setting.

The sixth unit talks about learning and attitudes. By learning, you acquire new skills and change how you perform tasks. Likewise, your psychological attitudes about people, objects, and situations also change significantly.

In the seventh unit, you will learn about values and perception, where values shape culture and influence ethical practices and employee motivation, guiding your behaviour and decision-making. On the other hand, perception is how you interpret and make sense of the information surrounding you.

In the next unit, you will learn how group behaviour is about how you act, interact, and relate within a group influenced by shared goals, norms, roles, etc. This, in turn, defines how groups function to achieve organisational goals.

Unit nine discusses decision-making and teamwork, where decision-making helps you choose the best action to achieve a goal. Likewise, teamwork is the joint effort of individuals to achieve shared objectives. Both are needed for the success of an organisation.

The 10th unit talks about the importance of motivation, wherein the manager gives the needed impetus for the co-workers to effectively and efficiently work to achieve organisational goals.

The 11th unit walks you through leadership, not about someone exercising authority but influencing, guiding, and empowering individuals or teams to solve complex challenges and achieve shared goals in fast-evolving and dynamic environments.

The final unit describes in detail the importance of holding a healthy organisational culture, upholding the values of diversity, the importance of cross cultural communication, and much more.

Therefore, this course will discuss and interpret the multifaceted aspects of management and OB and how they are vital to achieving an organisation's strategic objectives.

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## UNIT 1

# Nature and Process of Management



From the introduction to the course you just read above, you would have understood how important it is to get a holistic idea of management to ensure any organisation's all-round success. The next step would be to learn what management is, its nature, and its processes.

## 1.1 Definition of Management

### Instructional Objective

In this section, essential definitions of management from eminent management scholars will be listed.

### Learning Outcome

After learning this section, you will be able to state the various management definitions coined by leading management scholars and authors.

Let's begin with a general understanding of management from what you would have seen in your colleges or organisations or any small or big group setups.

You would have seen that it is the higher officials or the authority that control people and other essentials needed to ensure the functioning of an organisation, resulting in fulfilling the goals and purposes of the organisation. This would be your basic understanding of management, which is correct.

Let's step up and see if you can now understand this explanation. Management involves how the managing body, including the founders, chief mentors, CEOs, functional heads, and experts, decide and deal with employees and interact with the business environments. Hope this makes a higher level of sense to you of what management is.

From the above explanations, you can agree that the success of any organisation or business depends on who manages it. Therefore, isn't management the brain of any company or organisation?

You can infer from this that businesses and organisations try to appoint capable managers and leaders who can manage their business activities efficiently.

Now, it's time you look at certain advanced levels of the definitions of management coined by experts in the field of management.

According to Koontz, an American author and Wehrich, a renowned author, management consultant and professor, "Management is the process of designing and maintaining an environment in which individuals, working together in a group, efficiently accomplish selected goals." (1990s and early 2000s).

John F. Mee, a prominent figure in the field of management studies, irons out a comprehensive definition of management, stating that "Management is the art of securing maximum results with a minimum of efforts so as to secure maximum prosperity for the employer and the employee, and give the public the best possible service." (1950s and 1960s).

Peter. F. Drucker, a renowned Austrian-born American management consultant, educator, and author, has a broad view of management, wherein he states that "Management is a multipurpose organ that manages business, manages managers, and manages workers and work." (1973).

Joseph L. Massie, an American management theorist and author, is on point while briefing what management is, stating, "Management is defined as the process by which a cooperative group directs action towards common goals." (1973).

James L. Lundy, an influential figure in management and business education, is crisp and clear while defining management, stating, "Management is principally the task of planning, coordinating, motivating, and controlling the efforts of others towards a specific objective." (1963) Would there be anything more precise than this?

J.N. Schulze, an important contributor to the field of management, clearly points out the role of management, stating that "Management is the force which leads, guides, and directs an organisation in the accomplishment of a pre-determined object." (1912). This definition hits the nail on the head.

Stanley Vance, a recognised figure in management and organisational theory, clearly summarises the role of management and its derivative, stating, "Management is simply the process of decision-making and control over the actions of human beings for the express purpose of attaining pre-determined goals." (1955).

John J. Wheeler, known for his expertise in behaviour management and positive behaviour supports (PBS), coins an integrated definition of management, stating, "Business management is a human activity which directs and controls the organisation and operation of a business enterprise. Management is centred in the administrators of managers of the firm who integrate men, material, and money into an effective operating limit." (1956).

E. Peterson, a notable figure in the field of business management and E. Grosvenor Plowman, another eminent author in the field of business management, put the definition of management in

a nutshell, stating, “Management is a technique by means of which the purpose and objectives of a particular human group are determined, classified, and effectuated.” (1965).

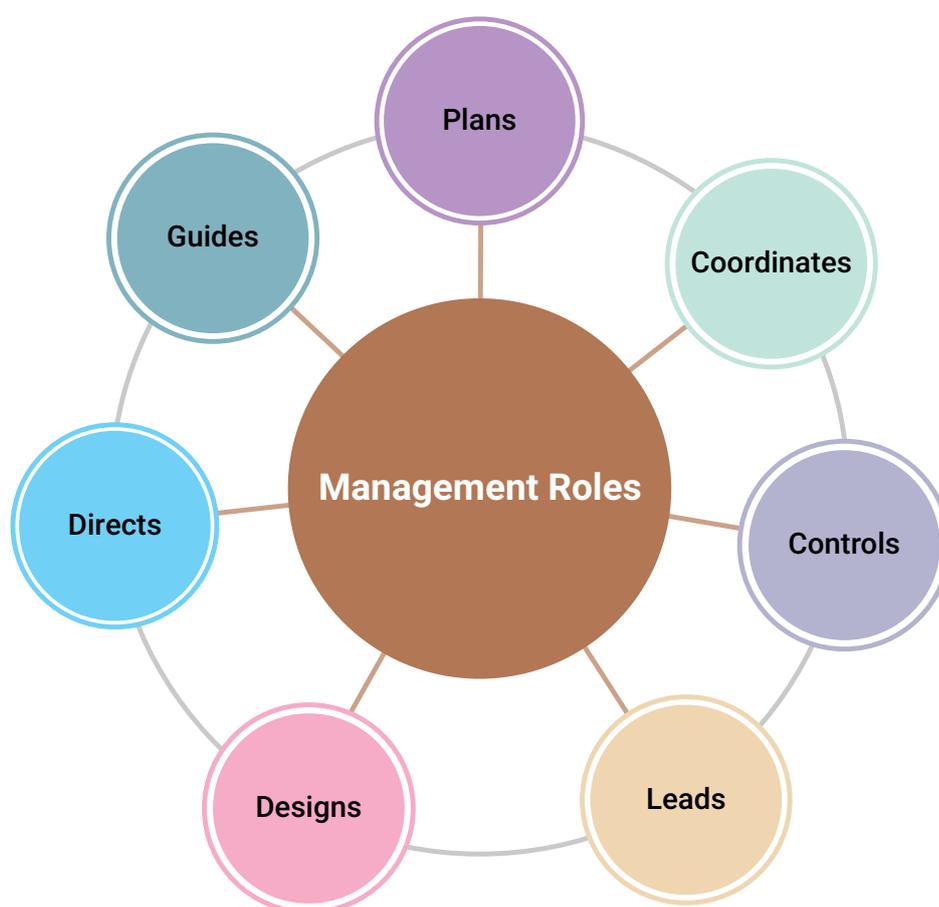
From the above nine definitions, except for John F. Mee, all the other management experts address two pertinent questions: What everyone in the organisation is working on? What does management do to the body of workers, and how does it streamline workflows to achieve end goals?

The answer to the first question is that any given group or organisation work together to achieve predetermined objectives.

The answer to the second question is that the management designs, maintains, plans, coordinates, motivates, controls, leads, guides, and directs the organisation to achieve the predetermined strategic objectives.

John F. Mee is interested in the result of the work of management, where he says that management works to maximise profit with minimum efforts and concurrently witness the prosperity of both the employer and the employee while simultaneously offering the best of services to the clients/customers.

Having grasped the idea of management from the above definitions, let’s move ahead to understand the essential elements that shape how management operates within organisations. In other words, you will get a glimpse of the nature of management.



*Figure 1.1 Management Roles*



*Figure 1.2 Organisation's Main Goal*

## Self-Assessment Questions-1

**State if the following statements are "True" or "False."**

1. According to Koontz and Weihrich, "Management is the process of designing and maintaining an environment in which individuals, working together in a group, efficiently accomplish selected goals."
2. James L. Lundy, an influential figure in management and business education, is crisp and clear while defining management, stating, "Management is principally the task of planning, coordinating, motivating, and controlling the efforts of others towards a specific objective."
3. Henry Fayol states, "Business management is a human activity which directs and controls the organisation and operation of a business enterprise. Management is centred in the administrators of managers of the firm who integrate men, material, and money into an effective operating limit."
4. Management does not have an established process.
5. Management does not have the right to direct and control the various activities of an organisation to achieve its pre-determined objectives.
6. Management is operable only when there exists a group activity.
7. Management should be both dynamic and static.
8. Management imbibes interdisciplinary properties.
9. Management is tangible.

## 1.2 Nature of Management

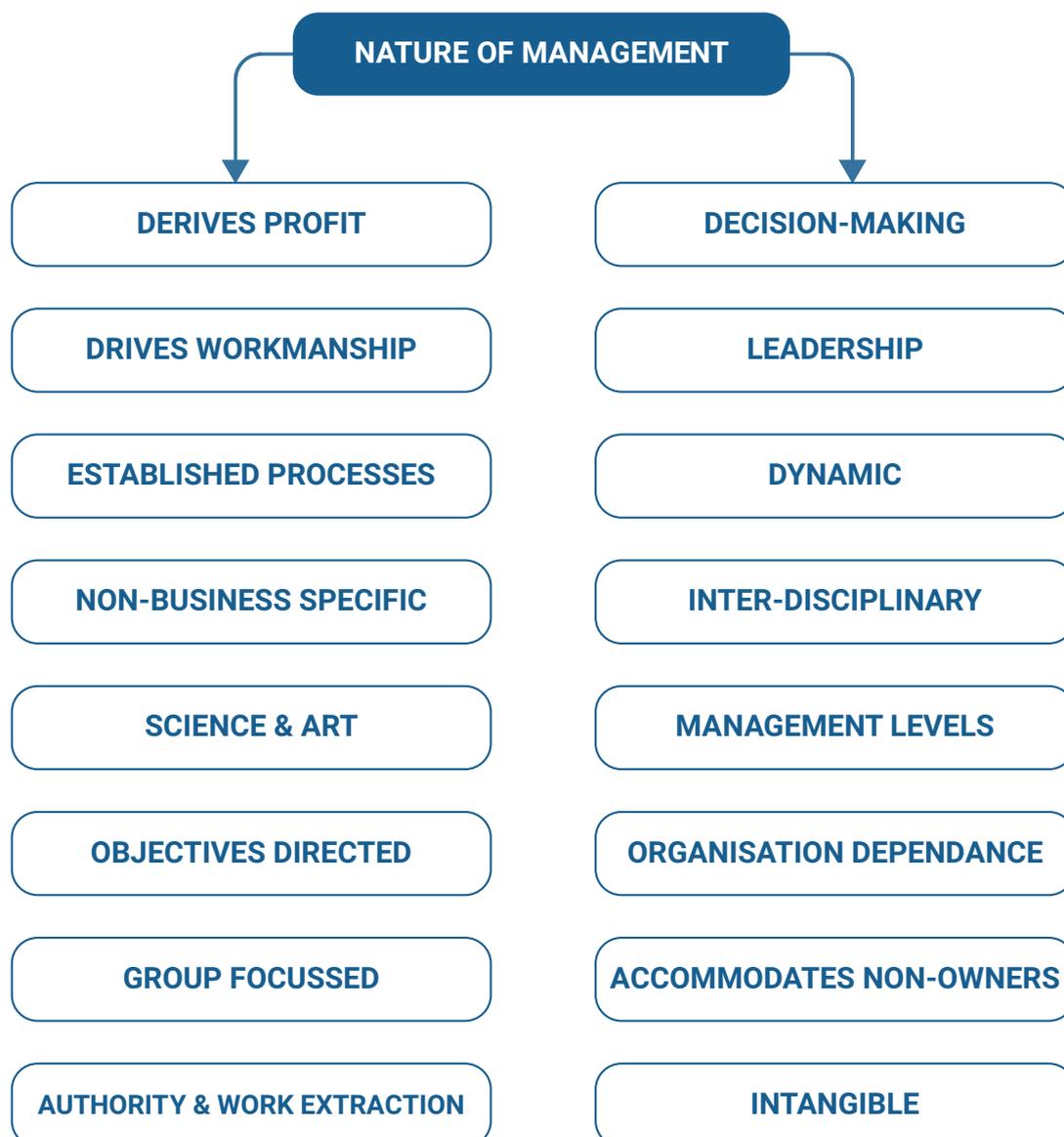
### Instructional objective

This section will discuss the multi-faceted aspects of management and its necessity to direct any group/organisation to perform the pre-determined objectives and goals.

## Learning Outcome

After learning this section you will be able to differentiate and interpret the manifold aspects of management and their relevance to direct the functioning of any group/organisation.

A walkthrough of management definitions hints that management has some inherent characteristics. In other words, this is called the nature of management. Essentially, management has 16 characteristic features or nature that it exhibits. Let's look at those one by one briefly with appropriate examples. Figure 1.3 give a representation of the nature of management.



*Figure 1.3 Natures of Management*

## Management Aims at Deriving Profit

The goal of any management is to utilise the available resources and bring profit to the organisation. Managers especially strive to bring in more profit with minimum resources. Hence, profit-yielding is the top priority of any management.

## Example for your understanding

For example, Airbnb implemented the sharing economy model<sup>1</sup> to provide accommodation services without owning physical property. Most importantly, Airbnb focused on a digital platform and customer trust rather than investing in large-scale real estate.

So, here we see that Airbnb got revenue with a bare minimum of what they had using the sharing economy model. This is a good example of how management can gain profit with minimum resources.

## Management Drives Workmanship to Get Things Done

Management needs people to execute tasks. This workforce should have a positive attitude and cooperate with management to accomplish tasks. The artistry of people is a vital necessity to achieve the organisation's strategic objectives.

### Example for your understanding

For example, the iPhone became a \$3 trillion company in 2023. How was this possible? The iPhone employees in the design and engineering teams were encouraged to think creatively and focus on perfection in product development.

Using encouragement and liberty as a springboard, the iPhone employees worked collaboratively to solve technical challenges, facilitating a seamless user experience. This strategy of imparting encouragement and inculcating perfection among employees made iPhone the most valuable company in the world.

Therefore, the management at Apple knew how to win the confidence of its employees to get their work done.

## Management is an Established Process

Management is a functional activity comprising planning, organising, staffing, leading, and controlling, and it is directed at achieving the objectives set by the administration. Simply put, these processes happen step-by-step to achieve the goals.

### Examples for your understanding

For example, top companies like McDonald's, Toyota, Amazon, Apple, Tesla, Walmart, Google, Starbucks, Proctor & Gamble and Uber have used selected functions such as planning, organising, staffing, leading, and controlling to achieve their strategic objectives.

Thus, these processes are prime functions or established processes of any management required to achieve the end goal.

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<sup>1</sup> Sharing economy model refers to an economic system where individuals or organisations share access to goods, services, or resources, often facilitated by digital platforms.

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## Management is not Confined to Businesses

Management comes into action wherever a group activity exists. Hence, management applies even to religious, political, social, and educational institutions and bodies. Management is not confined to business setups only.

### Examples for your understanding

For example, NASA, The United Nations (UN), The Red Cross, The World Health Organisation (WHO), The Gates Foundation, The U.S. Military, Harvard University, The International Olympic Committee (IOC), The Vatican, and The New Zealand All Blacks (Rugby Team) employ management processes such as organising, controlling, goal setting, coordination, monitoring, leading, strategic planning, impact measurement, execution, innovation, leadership, strategic communication, and motivation to achieve their end goals.

Thus, for any organisation, college, university, hypermarket, school, restaurant, private organisation, rural-level group, and government body to function, it is important to have management.

## Management is Both a Science and an Art

Management is an art as it contains definitive principles of management and is also a science because these principles can be applied to achieve predetermined objectives.

### Examples for your understanding

Let's look at how Nike employs the science and art aspects of management.

How Nike uses the science aspect of management:

- Nike uses advanced logistics and technology to regulate its supply chain.
- Nike conducts extensive market research to match product offerings with consumer preferences.

### How Nike uses the art aspect of management:

- Nike uses creative advertising campaigns such as “Just Do It”<sup>2</sup> to build an emotional connection with customers.
- Most importantly, Nike uses design and storytelling to create aspirational products.

Therefore, management at any setup will have a set of principles to apply to steer the organisation's activities towards achieving the predetermined objectives.

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2 The slogan “Just Do It” is a way of encouraging individuals to push boundaries, overcome obstacles, and take the first step toward their goals. Nike launched the “Just Do It” campaign in 1988.

## The Role of Management is Directed towards Achieving Pre-Determined Objectives

Management directs and controls various activities of an organisation to achieve pre-determined objectives. Hence, management derives a plan to steer the organisation's multiple activities properly.

### Example for your understanding

For example, Amazon had a goal to expand Amazon Prime, and to do this, it came up with a plan to enhance consumer loyalty and increase revenue through a subscription-based model for Amazon Prime. To achieve this plan, Amazon executed the following strategies:

- Amazon created unique Prime benefits such as free shipping, streaming services, and Prime Day sales.
- Expanded globally, tailoring Prime offerings to regional markets.
- Amazon analyses customer data to improve service continuously.

The outcome of the above strategies was that in 2023, Amazon Prime had a customer base of over 200 million worldwide, significantly increasing revenue growth.

Therefore, management must work towards the set targets or predetermined objectives to see the expected results or ROI.

## Management Exists Only When there is a Group Activity

Management is mainly concerned with group activities and not individual efforts. And that group activity should focus on achieving the prime objectives of a particular entity/organisation. Here comes management, which plans, organises, coordinates, directs, and controls the group's activities to achieve those shared objectives.

## Management Signifies Authority and the Capability to Extract Work

Any given management's role is to develop a set standard of rules and regulations and make the employees comply. Moreover, management also exercises authority over workers to get things done and achieve the set objectives.

### Example for your understanding

For your understanding, let us look at how Ford Motor Company (Assembly Line System) exercises authority to extract work:

***System of Management:*** Taylorism with a focus on strict workflows.

### How authority is used

- Employees work under strict supervision to perform repetitive tasks efficiently.
- Authority ensures that employees adhere to predetermined schedules and quality standards.

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**Outcome:** Ford reduced the production time of cars, making the Model T<sup>3</sup> affordable and revolutionising the automobile industry.

The above example shows that no organisation can succeed without the management wielding appropriate authority to extract work from the employees. This is in coherence with the idea that employees work to achieve the objectives drafted by the management.

## Management Involves Decision-Making in Different Dimensions

Management implies making purposeful decisions regarding the organisation and business operations in various dimensions. The managers' decisions are important because they directly impact the success or failure of the organisations. Therefore, managers are evaluated based on the decisions they make.

### Examples for your understanding

Let's look at an example of a corporation that made a good decision and succeeded:

#### An example of Netflix that shifted its focus to streaming

**Decision:** In 2007, the CEO of Netflix, Reed Hastings, brought in the idea of a streaming platform rather than renting DVDs with the notion that customers would embrace the change.

**Successful Outcome:** Reed's vision translated into great success, with Netflix becoming a leader in the entertainment industry and having more than 230 million subscribers globally in 2023.

Netflix continues to dominate the streaming market by providing original content and expanding its global reach.

Next, let's look at an example of a corporation that made a bad decision and failed:

#### An example of Nokia ignoring the smartphone revolution

**Bad decision:** Nokia's management completely underestimated the rise of smartphones and didn't want to switch to Android. Instead, they tried to stick to their outdated Symbian OS.

**Result of the bad decision:** Nokia lost its dominant position in the mobile market to Apple and Samsung. Unfortunately, in 2013, Nokia sold its mobile division to Microsoft, ending its leadership in the mobile industry.

The above two examples emphasise how the decisions made by the management can result in the success or failure of the organisation.

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3 Model T was designed by Ford Motor Company in 1908. Often called "Tin Lizzie," the Model T was the first car to be mass-produced on assembly lines, making automobiles affordable and accessible to the average American.

## Management implies Tactful Leadership

Good managers will know how to positively influence the behaviour of their employees, extract work from them, and achieve the expected goals of the organisation.

### Example for your understanding

Let's look at an example of how Sathya Nadella, the CEO of Microsoft, positively influenced his employees to make them more committed to work.

**Impact:** Nadella transformed Microsoft's culture from internal competition to collaboration and innovation.

### Approach

Nadella focused on empathy and continuous learning, encouraging employees to take risks and grow.

- He introduced a growth mindset philosophy to eliminate the fear of failure.

### Outcome

- There was an improvement in employee morale that led to the successful pivot to cloud computing with Azure.
- Microsoft became one of the most valuable companies with a market cap of over \$2.5 trillion in 2023.

The above example signifies the attitude, behaviour, culture, and empathy that management would show its employees to nurture a positive mood and ensure the utmost contribution of the workers.

## Management is Dynamic and not Static

The principles of management are dynamic and have to adapt to social changes.

### Example for your understanding

Let us look at an example of how the management principles of Google (Alphabet Inc.) are dynamic.

Google's dynamic management principle: Innovation and flexibility

### Adaptation to social change

Google continuously adapts to shifts in technology and consumer behaviour, such as giving importance to artificial intelligence (AI), machine learning (ML), and privacy concerns.

- Google responded to social demands for diversity and inclusion by launching initiatives like the Google D&I Index<sup>4</sup>.

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<sup>4</sup> Google D&I Index<sup>4</sup> refers to a metric used by Google to measure the level of diversity and inclusion within its workforce.

Any given management cannot derive a standard set of principles for life and expect to watch its organisation grow. That's impossible in a world where evolving creativity and innovation have almost become the ethos of society. Concurrently, management principles must evolve with the changing trends and new societal and market cultures.

## Management is not a Standalone Discipline. It is Interdisciplinary

The study of and management concepts are holistic, drawing ideas from multiple disciplines such as economics, statistics, mathematics, psychology, sociology, etc.

### An example from Amazon for your understanding

Let's look at how Amazon draws ideas, concepts, and practices from statistics, mathematics, psychology, sociology, and information technology.

#### 1. Statistics

- **Concept:** Data Analytics and Predictive Modeling
- **Application:** Amazon uses statistical models to analyse customer purchase behaviour and predict future demand. For example, Amazon's recommendation engine, which accounts for 35% of total sales, employs advanced statistical methods to recommend products based on user behaviour.

#### 2. Mathematics

- **Concept:** Optimization and Algorithms
- **Application:** Amazon implements mathematical optimisation techniques in its supply chain and logistics. For example, the Amazon Fulfilment Network uses algorithms to optimise delivery routes, reduce costs, and ensure timely delivery.

#### 3. Psychology

- **Concept:** Consumer Behaviour and Motivation
- **Application:** Amazon studies psychological factors like purchasing habits and the impact of reviews on buying decisions. For example, using "1-Click Ordering"<sup>5</sup> and Prime Membership benefits appeals to consumer psychology, simplifying decision-making and fostering loyalty.

#### 4. Sociology

- **Concept:** Social Influence and Community Building
- **Application:** Through reviews, ratings, and social proof, Amazon builds a community of trust, thereby engaging with customers. For example, Amazon's customer reviews help create a sense of community and transparency, thereby encouraging informed purchases.

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5 1-Click Ordering is a feature offered by Amazon that allows customers to make purchases with a single click, without having to go through the usual multi-step checkout process. This feature streamlines the shopping experience by automatically using the customer's pre-saved payment method and shipping address to complete the order immediately.

## 5. Information Technology

- **Concept:** E-Commerce Platform Development
- **Application:** To create a seamless online shopping experience, Amazon combines software engineering and database management principles. For example, AWS (Amazon Web Services), a product of interdisciplinary innovation, contributes significantly to Amazon's revenue.

The above examples of Amazon clearly show how management should rely on various aspects of knowledge disciplines to reach its desired objectives successfully. Hence, today's corporates and companies undoubtedly select employees with varied educational backgrounds and skills to contribute to the specific work demands.

## Different Levels of Management

Management is needed at the organisation's top, middle, and lower levels. At each level, management plays different roles.

### An example of Starbucks for your understanding

For example, in Starbucks, at the top-level management, you have the CEO, board of directors, and senior executives. In middle-level management, you have regional directors, district managers, and functional heads. Finally, at the lower management level in Starbucks, you have store managers, shift supervisors, and team leaders.

The top-level management in any organisation is involved in strategic decision-making. The middle-level management implements the strategies and policies devised by top management. They also supervise and coordinate activities across various departments or units. The lower level of management ensures operational efficiency.

## Organisation is Needed for the Existence and Functioning of Management

Management ceases to exist where there is no organisation/company/entity/firm because it is only with the organisation that it can achieve its predetermined objectives.

Only with an organisation can a management have the following:

- Structure and clarity
- Coordination and integration
- Resource optimisation
- Communication and decision-making
- Motivation and accountability
- Adaptability and growth
- Unified vision

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## An example from Toyota for your understanding

Toyota is a large-scale car manufacturing company. Just imagine that Toyota is launching a new car model. To achieve this goal, Toyota would need a robust organisational structure to manage the complex activities involved in manufacturing the latest model cars.

First, the roles and responsibilities have to be established. What does this mean? At this juncture, imagine that Toyota has no organisation. What would happen? Without an organisation, managers may lack clarity on who is responsible for designing, manufacturing, marketing, and distributing the cars.

On the other hand, with an organisation, Toyota's structure would divide roles as follows:

- R&D Department
- Manufacturing Unit
- Marketing Team
- Supply Chain Team

Secondly, with an organisation, there is coordination between departments in Toyota. Without organisation, there would be poor communication between departments, leading to mismatched timelines. On the other hand, with organisation, there would be better coordination through regular inter-departmental meetings facilitated by project managers at Toyota to ensure all departments align their schedules.

Thirdly, with organisation, there will be a well-planned resource allocation. Without organisation, resources like capital, labour, and machinery might be over-utilised in one area and under-utilised in another. In the case of having an organisation, organisational planning will be used to allocate resources.

Fourthly, with an organisation, there will be accountability and oversight. In this case, if we explore further, without an organisation, it will be challenging to hold teams accountable and identify the root cause of delays or failures. On the other hand, with an organisation, Toyota's structured reporting ensures accountability where managers report progress at each stage to higher management and performance metrics are tracked to evaluate success.

Lastly, with organisation, the execution of plans will be easy. Just imagine that Toyota didn't have an organisation. In this case, the execution of plans for Toyota becomes chaotic without a framework to guide activities. On the other hand, with an organisation, Toyota can implement its plans effectively through a transparent chain of command and well-defined processes like Lean Manufacturing<sup>6</sup> to minimise waste and maximise efficiency.

The above example strongly emphasises how vital a structured organisation is to execute the plans of the management to yield productivity and get more revenue.

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<sup>6</sup> Lean Manufacturing is a systematic approach to production that focuses on minimising waste, maximising value, and optimising processes to deliver high-quality products or services efficiently.

## Owners Need Not be the Management Always

It's not always the case that owners alone can manage the organisation. In joint stock companies, owners and management are different entities.

### Example for your understanding

For example, in Microsoft Corporation, the owners are shareholders, including large institutional investors like Vanguard and BlackRock. On the other hand, the management team comprises a CEO (Satya Nadella) and a board of directors overseeing the company's operations and strategy.

## Management is Intangible

Management cannot be seen with the eyes. You can only witness the results of the work of the management as evidenced by increased productivity, more profits, and other visible outcomes.

### Examples for your understanding

The first example we will look at is Amazon's data-driven decision-making strategy. Amazon's management heavily relies on data-driven strategies to enhance customer experience, such as its recommendation algorithms and dynamic pricing.

As you know, data analysis and decision-making processes are intangible, but the result of these activities, such as customer satisfaction, increased sales, and operational efficiency, will be obvious and highlight the critical role of management in Amazon's success.

The second example we will see is Google's innovation-driven management, which encourages a culture of innovation by implementing the "20% Time" policy. As per this policy, employees can dedicate 20% of their time to work on the side projects they are passionate about. As a result of this management style, products like Gmail and Google Maps came up as side projects. It goes without saying that Google's policy of fostering creativity and trust cannot be physically observed, proving the intangibility of management.

The above-listed 16 natures of management signify how management focuses on achieving the pre-determined objectives, its interdisciplinary nature, its scope defined by the structure of an organisation, and its capability to extract work from its workers effectively and efficiently.

Having understood management's nature, you have to know the process or course that management takes to ensure the fulfilment of its strategic objectives. The process provides the streamlining of the path that management takes to achieve its targets.

## Self-Assessment Questions (SAQs)-2

### State if the following statements are "True" or "False."

10. Management is a science and art.
11. Management is an established process.
12. Management is confined only to businesses.

## 1.3 The Process of Management

### Instructional Objective

This section will classify and examine the various processes/functions of management.

### Learning Outcome

After learning this section, you can compare and contrast the different management processes and use them for executing in real-life scenarios.

The management process comprises specific steps that are supposed to be followed in a sequence. The process of management is also called the functions of management. There are five steps in the management process: planning, organising, staffing, directing and controlling.

In a capsule, planning comprises forecasting and decision-making; organising involves delegating; staffing predominantly comprises workforce planning, recruitment and selection, and training and development; directing includes motivation, leadership, coordination, and communication; and finally, controlling includes budgeting and reporting.

Let us look at these five functions one by one.



Figure 1.4- The five processes of management

## 1.3.1 Planning

Planning is a thinking process. It is the process of determining organisational objectives and selecting future courses of action necessary for their accomplishment. Planning provides direction to organisational activities.

Planning helps managers cope with change. Moreover, it enables managers to measure progress toward the predetermined objectives so that corrective action can be taken if progress is unsatisfactory.

As the fundamental function of management, all other functions of management are influenced by the planning process.

Planning determines the future course of action based on the following parameters:

- *What to do* (that indicates the type of work).
- *Why to do* (indicating the objectives).
- *When to do* (specifying the time).
- *Where to do* (indicating the place or location).
- *How to do* (specifying the methods and procedures).
- *Who is to do* (identifying the people).

In short, planning comprises two aspects, namely, forecasting and decision-making.

Now, it is essential to understand the nine sequence of steps the planning process would entail. They are as follows:

- *Analysis of business environment.*
- *Determining objectives.*
- *Setting the planning premises.*
- *To identify alternatives.*
- *Evaluate alternatives.*
- *Selection of best alternatives.*
- *Formulate secondary plans.*
- *Implementing the plans and*
- *Reviewing the results.*

### **Case Study – How Apple Inc. Used Planning as a Management Process to Successfully Launch the First iPhone in 2007**

#### ***Statement of the problem***

In the early 2000s, Apple Inc. faced fierce competition in mobile phone technology from its counterparts, Nokia, Blackberry, and Motorola.

On the other hand, customers wanted a phone with multifunction capabilities, such as phone functionality, music playback feature, and internet connectivity, all present in one device. Apple took this demand of the customers seriously and aspired to manufacture a first-of-its-kind device with multifunctional features.

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Some of the key issues Apple Inc. was concerned about were the following:

- There was no precedence for a multifunctional smartphone with a touchscreen interface.
- Apple had to, for the first time, face the challenges of technical complexity, especially in hardware-software integration.
- Apple was apprehensive about the risk of failure in a saturated and competitive market.
- While manufacturing the first iPhone, Apple had to bear in mind its motive of user-friendliness and, at the same time, giving importance to innovation.

### ***Factors leading to a possible solution***

The following factors led to the identification of a feasible solution:

1. Visionary leadership of Steve Jobs: Steve Jobs' goal was to manufacture a single device with a phone, an iPod, and an internet communicator. Moreover, Steve Jobs' vision was towards a long-term innovation plan rather than aiming for short-term profitability.
2. Market research about customers' preferences: Apple discovered that customers were unhappy with the current model and functionalities of mobile phones and preferred to have a phone with multiple functionalities.
3. Advantage of Apple's technological and Research and Development (R&D) expertise: A viable smartphone manufacturing solution was possible because Apple already had a thorough knowledge of the touchscreen technology and software integration. Concurrently, Apple started investing more in R&D, which paved the way for creating components like multi-touch screens and efficient processors.
4. Excellent cross-functional collaboration: Apple's hardware, software, and design teams worked collaboratively to ensure seamless integration. Apple allowed iterative prototyping that helped refine the product based on usability testing.

### ***Analysis and evaluation of various options***

During the planning phase, Apple evaluated various strategies to ensure the success of its first iPhone.

The first strategy that Apple came up with was to outsource key components. While this strategy ensured faster development and lower upfront investment, Apple didn't have much control over quality and innovation, and there was an apprehension about too much dependency on external vendors.

Secondly, Apple opted to manufacture a smartphone that focussed only on phone functionalities, which was the demand in the market and had the advantage of lower development complexity. However, this option had the cons of missing the opportunity to differentiate from competitors and lacking innovation.

Thirdly, Apple opted to develop a multifunctional device that integrated a phone, music, and the internet. This idea was an advantage to Apple as the smartphone would make a differentiation in the market and satisfy the customers who demanded an all-in-one device. However, manufacturing the smartphone required high R&D costs, involved technical complexity, and increased market risk.

Fourthly, Apple wanted to delay the launch of the first iPhone to refine technology further. While this option would increase the likelihood of manufacturing a flawless product; the risk of losing the first-mover advantage and increased development costs loomed large.

Out of the above-mentioned four options, Apple chose the third option to fulfil its brand promise of innovation and consumer-focused design. While Apple took the risk of choosing this option, it eventually disrupted the market and established itself as a leader in mobile phone technology.

### ***Presentation of a possible solution***

The possible solution that Apple came up with was to manufacture an all-in-one device that prioritised user experience and technological innovation. Apple executed this solution through a well-planned approach that comprised a bold vision and goal-setting intending to redefine the smartphone industry and focus on seamless hardware-software integration.

Next, Apple developed multiple prototypes to refine the multi-touch screen, operating system, and device design. Apple also took action on initial feedback, ensuring that the final product met usability and performance expectations.

Furthermore, Apple adopted a cross-functional approach that broke silos between hardware, software, and design teams. Periodic careful evaluations ensured alignment with project goals.

Next, Apple strategically positioned the iPhone as a premium product that boosted Apple's brand image for quality and innovation. The iPhone launch event created a great buzz and set high expectations for customers.

Lastly, Apple unveiled the iPhone in January 2007 and released it in June 2007. Following this, Apple did an intensive marketing highlighting the iPhone's revolutionary features.

### ***Conclusion***

The planning process for Apple's launch of its first iPhone was done through effective strategies and execution. A combination of visionary leadership, market research, technological innovation, and cross-functional collaboration helped Apple to address the challenges of manufacturing a groundbreaking product.

This case study demonstrated the critical role of planning in management, depicting how definite goals, innovative thinking, and strategic decision-making can help overcome complex challenges and bring remarkable transformation.

## **1.3.2 Organising**

Organising depends on the type of plan. It details the formal structure or design of the organisation, which consists of people, tasks, responsibility, authority, communication network, and a plot to arrange all these aspects. Accordingly, the structure prepared enables the implementation of the plan. Most importantly, the structure is represented as an organisation chart.

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To elucidate further, organising can be defined as identifying the activities required to attain the predetermined objectives of the organisation. Organising means putting together the workforce, money, machines, materials, managerial personnel, etc., into working order to achieve the goals laid down by the enterprise. Therefore, it is essential to understand that organising ensures provision for all activities needed to accomplish the objectives. Concurrently, organising helps to increase the efficiency of the workforce.

Another essential aspect of organising is that it avoids repetition and duplication of activities, reducing the operating costs of the enterprise.

As a result of organising, the following positions come into existence,

- Communication network
- Different levels of management and
- Superior-subordinate categories

The following steps are stipulated in the process of organising:

- *To determine activities necessary to achieve objectives.*
- *To classify and group activities into units.*
- *Assign tasks or duties.*
- *Delegate authority.*
- *Establish relationships among several position holders.*
- *Prepare organisation chart and manual.*

## **Case Study – How Amazon Uses Organising as a Process of Management**

### ***Statement of the problem***

As Amazon leapt in bounds from being an ordinary online bookstore to a large e-commerce and technology giant, it faced the following problems:

First, Amazon faced the challenge of managing the fast-expanding workforce globally and keeping pace with its diverse business functions, from retail to cloud computing.

The second complex challenge was ensuring that the fulfilment centres and supply chains worked efficiently while providing fast delivery of goods.

The third task that Amazon had to make sure was to balance operational efficiency with innovation.

Lastly, Amazon had to address employee retention and maintain a good workplace culture.

So, with the above challenges, let's look at some viable solutions Amazon chalked out.

### ***Factors leading to a possible solution***

Here, we look at various factors that contributed to identifying a solution to Amazon's organisational challenges. Let's look at five of those factors.

Amazon opted for decentralisation: To steer the global workforce, Amazon authorised small teams to make autonomous decisions responsibly for their specific tasks and projects.

Amazon's adherence to 14 salient principles: Amazon developed 14 unique leadership principles like "Customer Obsession" and "Ownership" that provided a consistent framework for decision-making and team alignment.

Adopting the latest technological advancements: Amazon invested in AI, robotics, and ML technologies that helped optimise workflows in fulfilment centres and operational areas.

Unique adoption of the two-pizza team rule: This rule adopted by Amazon ensured that the size of a team would be enough to be fed only with two pizzas. By implementing this rule, Amazon ensured that teams were well-knit together and did not face any inadequacies that a large team would face.

Heavy reliance on real-time data: Amazon capitalised on the benefits of real-time data to efficiently steer through operations, resources, and deal with inefficiencies.

### ***Analysis and evaluation of options***

Amazon evaluated the following approaches to organise its operations:

It first measured the pros and cons of the centralised management model, where it concluded that while centralised management would help it quickly maintain consistency and control across operations, at the same time, it would reduce flexibility and slow the decision-making process, which would not be a match for Amazon's scale and dynamic market environment.

Secondly, Amazon studied the merits and demerits of the hybrid model, where it found out that this model would balance both centralised oversight and decentralised execution, also allowing flexibility and maintaining strategic alignment. On the other hand, adhering to this model would require active communication and coordination mechanisms.

Lastly, Amazon weighed the advantages and disadvantages of a fully decentralised organising model and inferred that it would empower teams, foster innovation, and enable timely decision-making. It also inferred that this model may result in the risk of misalignment across teams and would require strong leadership and established principles to maintain unity across various teams.

Of the above three models, Amazon chose the hybrid model that comprised both decentralisation and centralised oversight driven by its principles of leadership and coordination powered by technology.

### ***Presentation of a possible solution***

The possible solution that Amazon could resort to was the hybrid model that combined decentralisation and centralised oversight. Some of the components that this solution included are as follows.

First, it implemented the small-size "Two-Pizza Team" that would ensure agility, accountability, innovation, and ownership.

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The second component that the hybrid model encompassed was to enable the efficient functioning of its operations with the help of technological advancements like AI, robotics, and real-time data.

Next comes the clear visionary leadership that would be pertinent for decision-making and enabling alignment with Amazon's overarching goals.

The fourth important component is cooperation among diverse teams to work on significant projects.

The fifth key defining component that Amazon implements for the welfare of the workplace culture is to listen to employee feedback and act accordingly and seriously.

The last and most important aspect of adopting the hybrid model is the adaptability of Amazon's organisational structure to its new ventures like the AWS.

### **Conclusion**

Amazon's way of handling the process of organising by adopting the hybrid model is a good example of how a large and complex organisation can be run successfully.

Amazon's organising involved mainly the combining of small and autonomous teams with the help of technology-driven oversight and directed by visionary leadership principles. This effectuated in dynamic operational efficiency, fostering innovation, and maintaining scalability.

Amazon's approach emphasises the need for flexibility, technology, and leadership in the process of organising. In all of this, while Amazon has to address matters like workplace stress and employee retention periodically, its evolving organisational strategies set Amazon as the invincible global leader in the field of e-commerce and technology.

### **1.3.3 Staffing**

Staffing is concerned with placing people with appropriate capabilities. To explain further, staffing is the function of manning the organisation structure. In recent years, due to drastic technological developments, societal changes, increased connectivity, the rise in the prominence of AI, and the prerequisite to have prior job-based skills, staffing has become quite tricky, i.e., you have to put the right person in the right job.

Koontz and O'Donnell define staffing as follows: "The managerial function of staffing involves manning the organisation structure through proper and effective selection, appraisal, and development of personnel to fill the roles designed into the structure." (1955).

Staffing involves acquiring, maintaining, and developing necessary human resources to ensure the smooth functioning of various operations in the organisation.

Staffing, in essence, entails the following activities:

- *To plan manpower and determine the need for people.*
- *To recruit, select, and induct employees.*

- *To train and develop employees.*
- *Determine wage and salary.*
- *To execute promotion and transfer.*
- *To facilitate performance appraisal.*
- *Grievance handling and maintaining good relations.*
- *To monitor security and ensure the implementation of welfare activities.*

### 1.3.4 Directing

The next process in management is directing. To direct is to instruct, guide, inspire, and supervise employees to make them work according to the job protocol. In simple terms, directing is also known as the commanding or executing function. The manager's role here is to suitably and adequately direct the employees to ensure better coordination and integration in their efforts to achieve the intended objectives.

Furthermore, while planning, organising, and staffing are merely preparations for doing the work, the process of directing starts the job. Therefore, directing is pivotal for the entire performance and undertaking.

To direct the efforts of the employees, the following techniques/tools can be employed:

- *To employ leadership that entails guiding and instructing employees at work.*
- *Motivating, which is concerned with inspiring and encouraging people at work.*
- *Communication that provides and receives necessary information within and outside the organisation.*
- *Supervision, which deals with observing and correcting employees' performance. It also involves overseeing people at work.*

### 1.3.5 Controlling

Controlling ensures the regulation of functions. Controlling ensures that the plan is implemented successfully and the objectives are accomplished. One vital function of controlling is to find out what is wrong and how it can be corrected. This function helps prevent and improve poor performance.

E.F.L. Brech defined controlling as follows: "Controlling is a systematic exercise which is undertaken to set performance standards with planning objectives, measure actual performance, compare it with the established standards, and take corrective action if necessary to ensure the achievement of organisational goals." (1957).

Henri Fayol defined controlling as follows: "Control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued, and principles established. It has the object of pointing out weaknesses and errors to rectify them and prevent recurrence." (1916).

Therefore, the following steps are involved in the process of controlling:

- *To set standards.*
- *Measure actual results.*
- *Compare derived results with expected results.*
- *To identify deviations between the derived and actual results.*
- *Take corrective actions so that the actual results match the expected results.*

To conclude, the five processes of management—planning, organising, staffing, directing, and controlling—are the integral and interconnected functions that ensure the effective and efficient achievement of organisational goals.

The five processes provide a systematic framework for managers to allocate resources, coordinate efforts, motivate teams, and monitor performance. By executing these processes cohesively, organisations can adapt to dynamic environments, foster innovation, and sustain growth while adhering to strategic objectives.

These five management processes form the foundation of successful management, driving productivity, and ensuring long-term success.

## Self-Assessment Questions–3

**Fill in the blanks with correct answers, looking at the notes provided for the management process.**

13. There are five steps in the management process: \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.
14. Planning is selecting the \_\_\_\_\_ course of action.
  - Past
  - Present
  - Future
15. Planning determines the future course of action based on parameters such as \_\_\_\_\_ to do, \_\_\_\_\_ to do, \_\_\_\_\_, \_\_\_\_\_ to do, \_\_\_\_\_ to do, and \_\_\_\_\_ is to do.
16. Five of the nine sequential steps of the planning process are \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ (or other steps too).
17. Organising means putting together the \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, etc., into working order to achieve the goals laid down by the enterprise.
18. Staffing is concerned with placing people with \_\_\_\_\_ capabilities.
19. Koontz and O’Donnell define staffing as, “The managerial function of staffing involves \_\_\_\_\_ the organisation structure through \_\_\_\_\_ and \_\_\_\_\_ \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ of personnel to fill the \_\_\_\_\_ designed into the structure.
20. Staffing involves \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ necessary human resources to ensure the smooth functioning of various operations in the organisation.
21. To direct is to \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ employees to make them work according to the job protocol.

22. Henri Foyal defined controlling as follows: “Control consists in \_\_\_\_\_ whether everything occurs in \_\_\_\_\_ with the \_\_\_\_\_ adopted, the \_\_\_\_\_ issued, and \_\_\_\_\_ established. It has the object of pointing out \_\_\_\_\_ and \_\_\_\_\_ to \_\_\_\_\_ them and \_\_\_\_\_ recurrence.

## Summary

In this unit, you got a clear idea of the nature and process of management. The knowledge you gained was centred around nine clear-cut definitions of management spelt out by eminent management scholars, the 16 predominant natures of management, and the five management processes.

You will see two common themes reiterated in the first section of the unit, which deal with various definitions. Every organisation or entity works towards achieving specific objectives or goals. Secondly, you also saw how management is responsible for designing, planning, controlling, leading, guiding, and directing the organisation to achieve the predetermined objectives.

The second section discusses the nature of management, and the multifaceted aspects of management are also discussed. We saw how management aims at gaining profit, driving workmanship, and how management is an established process.

The fact that management is not confined to businesses, is both a science and art, aims to achieve predetermined objectives, exists only where there is a group activity, and how management can wield authority and extract work were elucidated with appropriate examples wherever required.

Furthermore, the fact that management involves decision-making and tactful leadership is dynamic and not static and is interdisciplinary was elucidated.

We also touched upon the different levels of management, the importance of an organisation for the existence of the management, and how, in some organisations, owners may not be the management, which was thoroughly discussed with appropriate examples.

The last section dealt with the processes of management where specific steps or parameters followed in the implementation of each process were listed. You also read two case studies to support the arguments.

After reading this unit, you will now know the basic tenets of management that will help you learn the higher level of management concepts in the coming units.

## Glossary of Terms

1. **Designing and maintaining an environment:** This phrase refers to creating and sustaining conditions that enable individuals and teams to work effectively toward achieving organisational goals.
2. **Effectuated:** Brought to reality or something that occurs in real life.
3. **Streamline:** make (an organisation or system) more efficient and effective by employing faster or simpler working methods.

4. **Profit-yielding:** to bring in revenue or money.
5. **Workmanship:** The quality of the work done or made; craftsmanship; something produced by this skill.
6. **Artistry:** skills needed to work.
7. **Seamless user experience:** refers to a design and interaction approach where users can effortlessly and intuitively navigate, interact with, or complete tasks on a product, service or platform without disruptions, confusion, or frustration.
8. **Storytelling:** refers to the art of crafting compelling narratives that engage audiences, evoke emotions, and communicate a brand's message in a memorable and relatable way.
9. **Customer data:** refers to the information and details collected about a company's customers or potential customers.
10. **Customer base:** refers to the number of customers.
11. **ROI:** return on investment
12. **Taylorism:** also known as Scientific Management, is a workflow management theory developed by Frederick Winslow Taylor. It improves workflow efficiency and productivity by analysing and optimising tasks, tools, and processes.
13. **Operational efficiency:** refers to the ability of an organisation to deliver its products or services most cost-effectively while maintaining high-quality standards.
14. **Intangible:** refers to something that cannot be physically touched or measured because it lacks a material or physical presence.
15. **Supply chain management:** refers to the process of planning, coordinating, and managing all activities, including sourcing, procurement, production, and logistics, to deliver goods or services efficiently to the end customer.

## Terminal Questions

1. State the definitions of management given by Koontz, John F. Mee, and James L. Lundy
2. List the 16 natures of management.
3. What are five processes of management?

## Answers to SAQs- 1

1. True
2. True
3. False
4. False
5. False
6. True
7. False
8. True
9. False

## Answers to SAQs-2

10. True
11. True
12. False

## Answers to SAQs-3

13. Planning, organising, staffing, directing, and controlling
14. Future
15. What, Why, When, Where, How, and Who
16. Analysis of the business environment, determining objectives, setting the planning premises, identifying alternatives, evaluating alternatives, and/or four other sequential steps.
17. The workforce, money, machines, materials, and managerial personnel
18. Appropriate
19. Manning, proper, effective selection, appraisal, development of personnel, roles
20. Acquiring, maintaining, developing
21. Instruct, guide, inspire, supervise
22. Verifying, conformity, plan, instructions, principles, weaknesses, errors, rectify, prevent

## Answers to Terminal Questions

1. You can find the answers in the nine listed definitions of management.
2. The 16 natures are described in figure 1.3.
3. The five processes of management are planning, organising, staffing, directing, and controlling.

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## Keywords

1. Universality
2. Multidisciplinary
3. Goal-oriented
4. Continuous process
5. Group activity

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6. Intangible force
  7. Decision-making
  8. Productivity and efficiency
  9. Social process
  10. Planning
  11. Organising
  12. Staffing
  13. Leading
  14. Controlling
  15. Coordination
  16. Communication
  17. Delegation
  18. Feedback mechanism



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