

# PROFESSIONAL ETHICS IN BUSINESS

## LECTURE ONE

### INTRODUCTION TO MANAGEMENT

Groups of people working in an organization to develop or appraise or attain the common goal of the organization by utilizing the available resources are called Management. In simple terms it means managing the work done by the people. Just as the mind coordinates and regulates the various activities of the person, the management coordinates and regulates the activities of various members of an organization.

Management is the process of Planning, Organizing, Staffing, Directing, Coordinating and Controlling the human, physical, financial, and information resources of the organisation in an effective and efficient manner in order to maintain the common objectives.

#### **DEFINITION:**

- F.W. Taylor -“Art of knowing exactly what you want your men to do and then seeing that it is done the best and cheapest way”.
- Henry Fayol -“To Manage is to forecast, to plan, to organize, to command, to co-ordinate and to control”.
- Peter F.Drucker -“Management is work and as such it has its own skills, its own tools and its own techniques”.
- Mary Parker - “Management is the art of getting things done through and with people”.
  
- Theo Haiman and William G Scott - Management is a social and technical process which utilized resources influences human action and facilitates changes in order to accomplish organizational goals.
- Koontz and O Donnel - Management is the creation and maintenance of an internal environment in an enterprise where individuals working in groups goals, efficiently and effectively towards the attainment of group goals. It is the art of getting the work done through and with people in formally organized groups.

#### **RESOURCES – 5 M’S**

These are as follows

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- 1) Men
- 2) Machine
- 3) Material
- 4) Money
- 5) Methods

### **FUNCTIONS OF MANAGEMENT**

#### **Planning**

- Look ahead and chart out future course of operation
- Formulation of Objectives, Policies, Procedure, Rules, Programmes and Budgets

#### **Organizing**

- Bringing people together and tying them together in the pursuit of common objectives.
- Enumeration of activities, classification of activities, fitting individuals into functions, assignment of authority for action.

#### **Directing**

- Act of guiding, overseeing and leading people.
- Motivation, leadership, decision making.

#### **Controlling**

- Laying standards, comparing actuals and correcting deviation-achieve objectives according to plans.

#### **Co-ordination**

- Synchronizing and unifying the actions of a group of people.

#### **'POSDCORB' FUNCTIONS OF MANAGEMENT:**

- 1) **Planning:** Planning means forecasting or predicting the future activity in a specific manner or structure. It is the basic function and essential for all the organization.
- 2) **Organizing:** It is collection or joining of all the resources available within the organizational and outside, in order to achieve the organizational goal with efficiency.
- 3) **Staffing:** It involves appointing the right man for the right job at the right time. The management is to analyze the human resource, see if he is suitable for the job and accordingly allocate the work in the organization.
- 4) **Directing:** It is showing the correct path or correct way to achieve the organizational goal within the stipulated time.

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- 5) **Controlling:** Controlling as a function involves regulating the person or examining the person whether he is working in the right way or not. In order to achieve the common goal as efficient as possible.
- 6) **Coordinating:** It is a type of support function. It involves accumulating the work to achieve the task.
- 7) **Budgeting:** It means allocation of the resources. It involves financial planning for the future activities.
- 8) **Reporting:** It is a statement showing the various activities to the top management. It shows the status of the work done.

### NATURE/CHARACTERISTICS OF MANAGEMENT

1. **It is an Universal Activity:** Management is relevant in every sphere of activity. It is relevant in army, government, private household work etc. the work can be done in a more systematic manner with the application of the techniques of management. The material and human resources can be effectively handled and the goal can be attained with maximum efficiency. Ex. a student study at random and systematic manner. Later is best one.
2. **It is goal oriented:** Management focuses attention on the attainment of specific objectives. For Ex a business may aim for a particular level of sales. This can be achieved by proper forecast of sales by planning production by fixing the targets.
3. **It is an Intellectual activity:** The practice of management requires application of mind and intelligence. Every work needs to be properly planned and execute work has to be assigned to different Individuals and responsible have to be fixed on them. Ex in a manufacturing unit production finance and marketing are the important activities performed. It has to work in proper co-ordination with the other departments. Then only objectives of the firm can be achieved.
4. **It is a process:** It is process consisting of various stages/ functions such as Planning, Organising, Directing, Controlling and Co-ordination. Planning is the starting point of management and control is its last stage.
5. **Management is both Art and Science:** The practice of science needs knowledge of theory and formulae. But the practice of art requires skill management is social science. It focuses attention on the behavior of individuals and groups. The theoretical knowledge may not help always that time they require skill ex if the workers in a factory demand more pay and

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threaten to go on strike if their demand is not considered. Here the skill of the manager will help to avert the strike then its theoretical.

6. **It is a Social Process:** Management deals with the behavior of individuals and group. In a work place individuals work as a team. The behavior of an individual is bound to be different while he is part of a group ex: an individual worker may be forced to join a strike program because of the union.

7. **It is an on-going Activity:** It is a continuous process planning, organizing etc have unlimited use. Management will exist as long as there are human activities.

8. **It is Intangible:** It is invisible cannot be seen, but it can be felt.

9. **Management is a Profession:** Like medical, law and engineering, management has also come to be recognized as a profession

### MANAGEMENT IS AN ART AND SCIENCE

#### Art:

- Practical know how
- Technical skills
- Concrete results
- Creativity
- Personalised nature

#### Science:

- Empirically Derived
- Critically tested
- General principles
- Cause and effect relationship
- Universal applicability

**‘Management as a science provides principles and as an art helps in tackling situations’.**

### ROLE AND IMPORTANCE OF MANAGEMENT

- Achievement of group goals
- Optimum utilization of resources
- Minimum Cost
- Survival and growth
- Generation of employment
- Development of nation

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## MANAGEMENT VS ADMINISTRATION

### Meaning

Administration as a function is concerned with determination of corporate policies, coordination of the various departments (production, finance, distribution etc.) of the organization under the control of the executives.

Management is concerned with execution of the policy within the limits setup by administration and employment of the organization for the particular objective before it. In other words Management is the doing process and administration is the thinking process.

POINTS	ADMINISTRATION	MANAGEMENT
1. Nature of work	It is concerned about the determination of objectives and major policies of an organization.	It puts into action the policies and plans laid down by the administration.
2. Type of function	Determinative	Executive
3. Scope	Takes major decisions of an enterprise as a whole	Takes decisions within the framework set by the administration.
4. Level of authority	Top-level activity.	A middle level activity.
5. Nature of status	Consists of owners who invest capital in and receive profits from an enterprise.	It is a group of managerial personnel who use their specialized knowledge to fulfill the objectives of an enterprise.
6. Nature of usage	It is popular with government, military, educational, and religious organizations.	It is used in business enterprises.
7. Decision making	Its decisions are influenced by public opinion, government policies, social, and religious factors	Its decisions are influenced by the values, opinions, and beliefs of the managers.
8. Main functions	Planning and organizing	Motivating and controlling

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	functions are involved in it	functions are involved in it
9. Abilities	It needs administrative rather than technical abilities	It needs administrative rather than technical abilities.
10. Focus	Handles the business aspects such as finance	Handles the employers.

### LEVELS OF MANAGEMENT

#### FUNCTIONS OF TOP LEVEL MANAGEMENT

- To provide a basic sense of direction to the activities of the company by setting its long range mission and translating into clear set of objectives
- To design the organization structure of the company in terms of differentiated and integrated activities, role of various positions, authority & responsibility between them.
- Top management must ensure the quality of personnel in terms of their skills, orientations and commitment
- To ensure that the resource conversion and exchange systems are designed and operated efficiently.
- Periodic review of objectives for necessary modifications is a part of this function

#### FUNCTIONS OF MIDDLE LEVEL MANAGEMENT

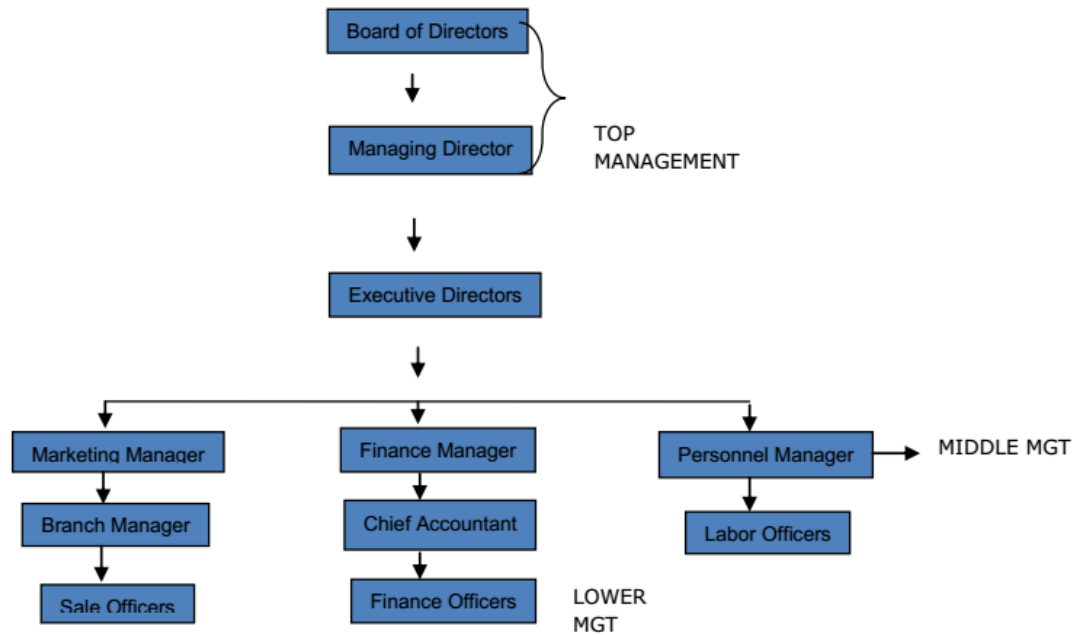
- To interpret and explain the plans and policies formulated by top management
- To monitor & control the operating performance
- To cooperate among themselves so as to integrate the various activities of a department
- To train, motivate and develop supervisory personnel; and
- To lay down rules & regulations to be followed by supervisory personnel.

#### FUNCTIONS OF LOWER LEVEL MANAGEMENT

- To plan day to day production within the goal laid down by higher authorities
- To assign jobs to workers and to make arrangements for their training and development
- To issue orders & instructions
- To supervise & control workers' operations and to maintain personal contact with them
- To arrange materials and tools and to maintain machinery
- To advise & assist workers by explaining work procedures, solving their problems etc.
- To maintain discipline and good human relations among workers
- To report feedback information and workers' problems to the higher authorities.

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## THREE LEVELS OF MANAGEMENT



## CONTRIBUTIONS OF TAYLOR AND FAYOL

### F.W.Taylor's Scientific Management (USA 1856-1915)

He started as an apprentice machinist in Philadelphia, USA. He rose to be the chief engineer at the Midvale Engineering Works and later on served with the Bethlehem Works where he experimented with his ideas and made the contribution to the management theory for which he is so well known. Frederick Winslow Taylor well-known as the founder of scientific management was the first to recognize and emphasize the need for adopting a scientific approach to the task of managing an enterprise. He tried to diagnose the causes of low efficiency in industry and came to the conclusion that much of waste and inefficiency is due to the lack of order and system in the methods of management. He found that the management was usually ignorant of the amount of work that could be done by a worker in a day as also the best method of doing the job. As a result, it remained largely at the mercy of the workers who deliberately shirked work. He therefore, suggested that those responsible for management should adopt a scientific approach in their work, and make use of "scientific method" for achieving higher efficiency. The scientific method consists essentially of

- (a) Observation
- (b) Measurement

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(c) Experimentation and

(d) Inference.

He advocated a thorough planning of the job by the management and emphasized the necessity of perfect understanding and co-operation between the management and the workers both for the enlargement of profits and the use of scientific investigation and knowledge in industrial work.

He conducted the experiments at his work places to find out how human beings could be made efficient by standardizing the work and better method of doing the work. These experiments have provided the following features of scientific management:

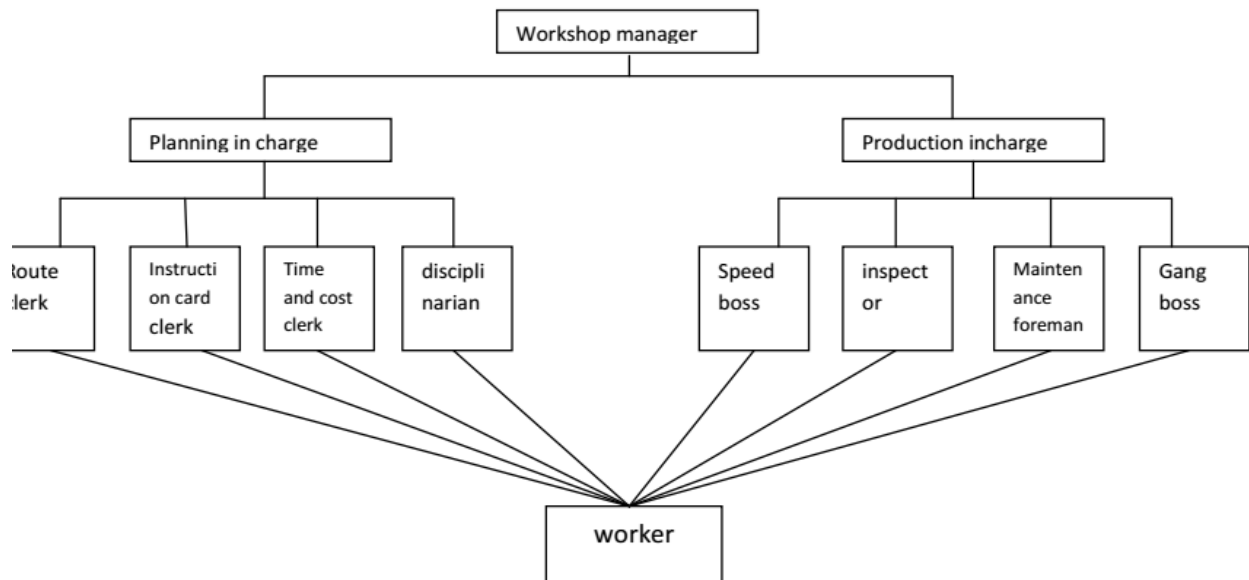
## ELEMENTS AND TOOLS OF SCIENTIFIC MANAGEMENT

Taylor conducted various experiments at his work places to find out how human beings could be made efficient by standardizing the work and better method of doing the work. These experiments have provided the following features of scientific management.

**1. SEPERATION OF PLANNING AND DOING:** Worker was put under the supervision of a supervisor commonly known as gang boss. Thus, supervisor's job was merely to see how the workers were performing. This was creating a lot of problems, and Taylor emphasized that planning should be left to the supervisor and the worker should emphasize only operational work.

**2. FUNCTIONAL FOREMANSHIP:** Separation of planning from doing resulted into development of supervision system which could take planning work adequately besides keeping supervision on workers.

For this purpose, Taylor evolved the concept of functional foremanship based on specialization of functions.



**3. JOB ANALYSIS:** Job analysis is undertaken to find out the one best way of doing the thing. The best way of doing a job is one which enquires the least movements, consequently less time and cost.

(i) **Time study** involves the determination of time a movement takes to complete. The movement which takes the minimum time is the best one. This helps in fixing the fair work for a period.

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(ii) **Motion study** involves the study of movements in parts which are involved in doing a job and thereby eliminating the wasteful movements and performing only necessary movements. This reduces the time taken in performing a work and also the fatigue of workers.

(iii) **Fatigue study** shows the amount and frequency of rest required in completing the work. After a certain period of time, workers feel fatigue and cannot work with full capacity. Therefore, they require rest in between.

**4. STANDARDISATION:** As far as possible, standardization should be maintained in respect of instruments and tools, period of work, amount of work, working conditions, cost of production, etc. These things should be fixed in advance on the basis of job analysis and various elements of costs that go in performing a work.

**5. SCIENTIFIC SELECTION AND TRAINING OF WORKERS:** A worker should be given work for which he is physically and technically most suitable like, education, work experience, aptitude, physical strength, etc.

**6. FINANCIAL INCENTIVES:** Financial incentives can motivate workers to put in their maximum efforts. If provisions exist to earn higher wages by putting in extra effort, workers will be motivated to earn more.

**7. ECONOMY:** The economy and profit can be achieved by making the resources more productive as well as by eliminating the wastages.

**8. MENTAL REVOLUTION:** Scientific management depends on the mutual co-operation between management and workers. For this co-operation, there should be mental change in both parties from conflict to co-operation

### PRINCIPLES OF SCIENTIFIC MANAGEMENT

Taylor has given certain basic principles of scientific management. The fundamental principles are:

**1. REPLACING RULE OF THUMB WITH SCIENCE:** Taylor has emphasized that in scientific management, organized knowledge should be applied which will replace rule of thumb. While the use of scientific method denotes precision in determining any aspect of work, rule of thumb emphasizes estimation.

**2. HARMONY IN GROUP ACTION:** Group harmony suggests that there should be mutual give and take situation and proper understanding so that group as a whole contributes to the maximum.

**3. CO-OPERATION:** Scientific management involves achieving co-operation rather than chaotic individualism.

**4. MAXIMUM OUTPUT:** Scientific management involves continuous increase in production and productivity instead of restricted production either by management or by worker.

**5. DEVELOPMENT OF WORKERS:** In scientific management, all workers should be developed to the fullest extent possible for their own and for the company's highest prosperity.

### Benefits of Scientific Management:

Taylor's ideas, research and recommendations brought into focus technological, human and organizational issues in industrial management.

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Benefits of Taylor's scientific management included wider scope for specialization, accurate planning, timely delivery, standardized methods, better quality, lesser costs, minimum wastage of materials, time and energy and cordial relations between management and workers. According to Gilbreths, the main benefits of scientific management are "conservation and savings, making an adequate use of every one's energy of any type that is expended". The benefits of scientific management are:-

1. Replacement of traditional rule of thumb method by scientific techniques.
2. Proper selection and training of workers.
3. Incentive wages to the workers for higher production.
4. Elimination of wastes and rationalization of system of control.
5. Standardization of tools, equipment, materials and work methods.
6. Detailed instructions and constant guidance of the workers.
7. Establishment of harmonious relationship between the workers.
8. Better utilization of various resources.
9. Satisfaction of the needs of the customers by providing higher quality products at lower prices.

### **Criticism:**

#### **1. Worker's Criticism:**

- (a) Speeding up of workers: Scientific Management is only a device to speed up the workers without much regard for their health and well-being.
- (b) Loss of individual worker's initiative: Scientific Management reduces workers to automatic machine by taking away from them the function of thinking.
- (c) Problem of monotony: By separating the function of planning and thinking from that of doing, Scientific Management reduces work to mere routine.
- (d) Reduction of Employment: Scientific Management creates unemployment and hits the workers hard.
- (e) Weakening of Trade Unions: Under Scientific Management, the important issues of wages and working conditions are decided by the management through scientific investigation and the trade unions may have little say in the matter.
- (f) Exploitation of workers: Scientific Management improves productivity through the agency of workers and yet they are given a very small share of the benefit of such improvement.

#### **2. Employer's Criticism:**

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**(a) Heavy Investment:** It requires too heavy an investment. The employer has to meet the extra cost of the planning department though the foreman in this department do not work in the workshop and directly contribute towards higher production.

**(b) Loss due to re-organization:** The introduction of Scientific Management requires a virtual reorganization of the whole set-up of the industrial unit. Work may have to be suspended to complete such re-organization.

**(c) Unsuitable for small scale firms:** various measures like the establishment of a separate personnel department and the conducting of time and motion studies are too expensive for a small or modest size industrial unit.

### **FAYOL**

Henry fayol (1841-1925) is generally hailed as the founder of the classical management school – not because he was the first to investigate managerial behavior but because he was the first to systematize it.

Perhaps the real father of modern operational management theory is the French industrialist Henry Fayol. His contributions are generally termed as operational management or administrative management.

**“To manage is to forecast and to plan, to organize, to coordinate and to control.”**

He found that activities of an industrial organization could be divided into six groups:

1. Technical (relating to production);
2. Commercial (buying, selling and exchange);
3. Financial (search for capital and its optimum use);
4. Security (protection of property and person);
5. Accounting (including statistics) and
6. Managerial (planning, organization, command, coordination, and control).

He has divided his approach of studying management into three parts: (i) managerial qualities and training, (ii) general principles of management, and (iii) elements of management.

### **MANAGERIAL QUALITIES AND TRAINING**

Fayol was the first person to identify the qualities required in a manager. According to him, there are six types of qualities that a manager requires. These are as follows:

1. Physical (health, vigour, and address);
2. Mental (ability to understand and learn, judgement, mental vigour, and capability);
3. Moral (energy, firmness, initiative, loyalty, tact, and dignity);
4. Educational (general acquaintance with matters not belonging exclusively to the function performed);
5. Technical (peculiar to the function being performed); and

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6. Experience (arising from the work).

### **GENERAL PRINCIPLES OF MANAGEMENT (14 principles of Management)**

**1. DIVISION OF WORK:** According to him, "specialization belongs to natural order. The workers always work on the same part, the managers concerned always with the same matters; acquire an ability, sureness, and accuracy which increase their output.

**2. AUTHORITY AND RESPONSIBILITY:** The authority and responsibility are related, with the latter the corollary of the former and arising from it. Fayol finds authority as a continuation of official and personal factors.

**3. DISCIPLINE:** Discipline is obedience, application, energy, behavior, and outward mark of respect shown by employees.

**4. UNITY OF COMMAND:** Unity of command means that a person should get orders and instructions from only one superior..

**5. UNITY OF DIRECTION:** Unity of direction is different from unity of command in the sense that the former is concerned with functioning of the organization in respect of its grouping of activities or planning. Unity of direction provides better coordination among various activities to be undertaken by an organization.

**6. SUBORDINATION OF INDIVIDUAL TO GENERAL INTEREST:** Common interest is above the individual interest. Individual interest must be subordinate to general interest when there is conflict between the two.

**7. REMUNERATION OF PERSONNEL:** Remuneration of employees should be fair and provide maximum possible satisfaction to employees and employers.

**8. CENTRALISATION:** In small firms, centralization is the natural order, but in large firms, a series of intermediaries is required. Since both absolute and relative values of the managers and employees are constantly changing, it is desirable that the degree of centralization or decentralization may itself vary constantly.

**9. SCALAR CHAIN:** There should be a scalar chain of authority and of communication ranging from the highest to the lowest. It suggests that each communication going up or coming down must flow through each position in the line of authority. Fayol has suggested 'gang plank' which is used to prevent the scalar chain from bogging down action.

**10. ORDER:** This is a principle relating to the arrangement of things and people. In material order, there should be a place for everything and everything should be in its place.

**11. EQUITY:** Equity is the combination of justice and kindness. Equity in treatment and behavior is liked by everyone and it brings loyalty in the organization

**12. STABILITY OF TENURE:** No employee should be removed within short time. There should be reasonable security of jobs.

**13. INITIATIVE:** Within the limits of authority and discipline, managers should encourage their employees for taking initiative. Initiative is concerned with thinking out and execution of a plan.

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**14. ESPIRIT DE CORPS:** This is the principle of 'union is strength' and extension of unity of command for establishing team work.