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PRINCIPLES OF MANAGEMENT



Note

4.0 INTRODUCTION

In earlier chapters you have studied how the insurance sector is developing in Indian economy and in the present scenario insurance sector is one of the promising sectors to provide employment opportunity. Once you have opted your career in insurance sector and select any form of organization to do the insurance business, as discussed in the previous chapter and to run any organization one should have the knowledge of principles of management. In the following paragraphs the principles of management is being explained.

Before discussing the principles of management it is to explain that all industrial or business activities can be classified as follows:

1. Technical activities consisting of production or manufacture
2. Commercial activities consisting of buying, selling and exchange
3. Financial activities concerning search for optimum use of capital
4. Security activities concerning protection of property and persons
5. Accounting activities concerning with maintenance of accounts including statistics
6. Managerial activities consisting of planning, organizing, commanding, co-ordinating and controlling

Although industrial or business organizations differ from one

another in nature, size or complexities of operation yet all these six activities are common in all enterprises. The first five activities are quite well known therefore we are discussing only the sixth i.e managerial activities. We will explain these principles applicable in any insurance company.



Notes

4.1 OBJECTIVES

At the end of this lesson you will be able

- ⌘ To know the principles of management
- ⌘ How to apply these principles in insurance organization

4.2 MANAGERIAL ACTIVITIES /PRINCIPLES OF MANAGEMENT

The management activities are known as principles of management which are as follows:

- ⌚ Forecasting and Planning,
- ⌚ Organizing,
- ⌚ Commanding,
- ⌚ Co-ordinating and
- ⌚ Controlling

A)Forecasting and Planning

Planning means looking ahead or to foresee. To foresee means, “both to assess the future and make provision for it. To plan means to foresee and provide means for future. The process of planning includes:

- 1. The identification of organizational goals.** The aim of any insurance company is to insure life or property of the human being. The goal is to insure maximum number of person or the property so that the risk can be spread on number of persons.
- 2. The line of action to be followed.** Once aim is set to insurer human being or property then the next step is how to insure human beings or property. The action will be to create a Marketing Department for a company.

3. The various stages through which the action would



pass: To sell the insurance product only marketing department at one place i.e head office cannot achieve the results therefore various offices at different location to be set up to sell the insurance products.

4. **The method to be used to achieve the desired _____**

goals: The next issue comes how to sell the insurance products.

Notes Weather it should be through Agents or Corporate Agent or Broker. Accordingly the action of the insurance company will start to recruit the manpower.

B) Organizing

To organize means building up the dual structure, material and human of the organization. To organize means to provide the organization with everything useful to its functioning raw material, tools, capital and personnel. An insurance company may not require the raw material but it requires other material i.e. tool (computers), capital and personnel. A sound organization should have the following to achieve the good relationship between material and human.

- ⌚ **A single competent and energetic guiding authority:** There should be a single person to be overall in-charge of the organization who will report to the Board of directors. Like Chief Executing Officer (CEO) or Managing Director is appointed in all organization whether it is insurance or other type of organization. Irrespective of the size of the organization.
- ⌚ **Efficient selection of personnel:** Any organization is run by the human beings therefore it is always endeavor of the CEO /Managing Director to recruit the manpower weather technical or finance or marketing the person should be intelligent and efficient. It saves the cost because the efficient people understand the working of the organization and take the decisions quickly. In an insurance industry the trained manpower is required because the insurance policies are technical in nature and requires lot of skill to make the understand to the customer

- ⌚ **Clear definition of duties at all levels:** The duties of

each employee should be defined to get the better results from the employees. If duties are not defined then the employees will be confused what to do or not to do. In an insurance company the target should be given to the marketing personnel to insure so many lives or property and being a marketing function, it should not be assigned to Finance Deptt. Moreover there will be many employees in the department the target should be given to the Head of the Deptt and then he will assign the targets to his juniors at different locations.



Notes ⌚ **Initiative and responsibility:** The management should ensure that employees take initiative to complete the job assigned to them. The employees should be held responsible for not doing the things. In an insurance company the marketing team should be very strong to sell the insurance products. The team should take initiative to meet the number of persons to get the insurance business. The team should not wait for the instruction of their superiors to meet the customers.

- ⌚ **Minimum paper work:** In the computer era the paper work can be reduced and the employees of the organization should maximum use the computers to save paper work. In insurance the marketing team should send the daily performance report through email which will reduce the paper work.
- ⌚ **Reward & efficiency:** The good performers should be awarded cash or non cash award which boost the moral and efficiency of the employees.
- ⌚ **Unit of command:** Every employee should report to one superior not to more than otherwise the performance and controlling of the employees will be very difficult.
- ⌚ **Clear and precise decision making:** Any decision taken by any employee should not be ambiguous i.e double meaning because it creates confusion.
- ⌚ **Proper control**
- ⌚ **Disincentives for faults and error:** for any fault of any employee or non performer should be penalized otherwise it will affect the working of the performers.
- ⌚ **Supremacy of general interest in relation to individual etc:** Any individual interest should not be



clash with the organization interest. The organization interest should be protected.

C) Commanding

It means setting the business going to get the desired optimum results from the subordinates. The managers must possess the requisite personal qualities and knowledge to command effectively. The managers must **Notes**

- ⌚ have a thorough knowledge of his personnel
- ⌚ have capacity to spot the right and competent workers so as to eliminate the incompetent
- ⌚ set a good example i.e leadership
- ⌚ conduct periodic assessment or audit of performance
- ⌚ be well versed in agreement binding the business and its employees
- ⌚ have lively and constant touch with subordinates
- ⌚ aim at making unity, energy imitative and loyalty prevail among personnel

D) Co-ordinating

It means the process developed by a manager to secure an orderly pattern of group effort among his personnel through unity of action to pursue the common goals. The coordination should be within the resources available in the organization.

E) Controlling

The controlling means to ensure that everything is done in accordance with the established rules and instruction given to the workmen. The purpose of control is to point out weaknesses and errors in order to rectify them and prevent their recurrence. The effective control must be

- i) prompt,
- ii) followed with sanctions and
- iii) include measure to prevent recurrence of variances or error

INTEXT QUESTIONS 4.1

1. What are the common activities of any organization?

2. What do you mean by Planning?

4.3 ADVANTAGE OF PRINCIPLES OF MANAGEMENT:



- i) **To increase Management efficiency:** The principles of management have been developed from experiences of various professional people. These principles provide guidelines as to how managers should function in different situations which in turn increase their efficiency.**Notes**
- ii) **To develop the Science of Management:** The principles of management make use of scientific methods for observation. They have helped to develop the science of management. In absence of principles of management it would not have been possible to develop the organized body of knowledge by management practitioners, thinkers and philosophers.
- iii) **To train managers:** Management of principles is also needed to train managers. In the absence of principles the training of managers depends upon trial and error methods. Formalized methods of acquiring training are possible only when there exists a systemized body of specialized knowledge, techniques or principles.
- iv) **To co-ordinate material and human resources:** The principles of management help to coordinate the material and human resources in order to achieve the desired goals or common objectives. Without principles of management there would be a lot of wastage of resources. The principles of management make optimum utilization of natural resources possible.
- v) **To improve researches:** The principles of management have helped in increase of knowledge and carrying out of further research in the field of management. These have provided new ideas, imagination and visions to the organization.
- vi) **To attain social objectives:** Development of management principles have helped to attain the social goals by increasing efficiency in the use of scarce resources providing good quality products and services at the lowest possible costs.

4.4 SUMMARY

As you know management of any business has become very complex these days. Managers are expected to deal with a number of problems in their day to day working. Therefore



principles of management are needed in all business organization.

A principle means a fundamental truth on the basis of reasoning a primary element of general law. Every social science has developed its own principles. Some principles have

Notes been developed by experts in management. These principles are the results of various problems faced by professional people and then the solution derived by them to meet with those situations

The principles of management are not like the principles of physical sciences. These are general guidelines and they cannot be mechanically applied. The individual factor plays important part in using managerial principles. To control the individuals the forecasting and planning, Organizing, Commanding, Co-ordinating and Controlling is must as an principles of management.

4.5 TERMINAL QUESTIONS

1. "To manage is to forecast, and plan, to organize, to command, to co-ordinate and to control" Discuss.
2. Discuss the principles of management.
3. What are the advantages of Principles of management as applicable to an insurance company?

4.6 OBJECTIVE TYPE QUESTIONS

1. Planning means_____ ahead (Looking/controlling)
2. Choose the correct option

Statement A: Accounting activities concerning with maintenance of accounts including statistics.

Statement B: Managerial activities consisting of planning, organizing, commanding , coordinating and controlling.

- a. Only A is true b. Only B is true c. Both are true d. Neither of two
3. Choose the correct option

- a. The effective control must be prompt.



- b. The effective control must be followed with sanctions.
 - c. The effective control must include measure to prevent recurrence of variances or error.
 - d. All of the above
4. The coordination should be within the _____ available in the organization. (resources/manpower)
5. The Managers set a good example of _____ (leadership/officer)

Notes

4.7 ANSWERS TO INTEXT QUESTIONS

4.1

- 1. Technical activities, Commercial activities, Financial activities, Security activities, Accounting activities, Managerial activities consisting of planning, organizing, commanding, co-ordinating and controlling.
- 2. Planning means looking ahead or to foresee. To foresee means “both to assess the future and make provision for it. To plan means to foresee and provide means for future.

4.8 ANSWERS TO OBJECTIVE TYPE QUESTIONS

- 1. looking
- 2. c
- 3. d
- 4. resources
- 5. Leadership