**CHAPTER - ONE**

**FUNDAMENTALS OF MANAGEMENT**

Because of human limitation, people started cooperation and working in-group. To coordinate and lead groups of people to achieve their pre-stated goals, functions of management i.e., planning, organizing, staffing, leading/ directing, and controlling are important and essential. The monumental accomplishments and scripts of the ancient societies proved their importance. However, the discipline needs to be studied in a modern way.

When people started working in group, although it was not formalized, they planned their work, they organized their activities, assigned people to those positions, led their people/workers and checked whether they achieved their interest or planned action or not; and these activities were prevalent and apparent. This is to say that, management, had existed in the past, exists today, and will exist tomorrow.

**General Objectives of this chapter**:-

After studying this unit, you will be able to:

* Understand the concept of management.
* Understand the nature of management.
* Understand whether management is science or art.
* Understand the management levels, skills and roles.
* Understand the functions of management.
* Explain the universality of management.
  1. **DEFINITION OF MANAGEMENT**

As far as the definition of management is concerned, it is rich in definition. Hence, there is no one universally accepted definition of management. This is because,

(i) Management as a discipline is recent in origin: management as a field of study is too young, to develop.

(ii) Management is so broad that it is difficult to encompass all of its aspects in a single definition.

(iii)There are different approaches to management, definitions change as the environment changes. The environment of an organization change because of changes in political, economic, social, ethical, etc environment changes.

Management has been given various but mutually supportive definitions by different authors and scholars. Among others the following are several of them are:

According to F.W. Taylor, "Management is the art of knowing what you want to do... in the best and cheapest way."

According to H. Koontz and his co-author, "Management is the process of designing and maintaining an environment in which individuals are working together in-group accomplish efficiently selected aims."

According to Terry and Franklin, "Management is a distinct process consisting of activities of planning, organizing, actuating, and controlling, performed to determine and accomplish stated objectives with the use of human beings and other resources.

## **Graphically**

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| Men and Women  Materials  Machines  Methods  Money  Markets |  | Planning | |  | Actuating | |  |  |
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|  |  | Organizing | | |  |  | Controlling |

1. According to Henery Fayol; "to manage is to forecast and plan, to organize, to command, to coordinate, and to control.
2. According to Mery Parker Fellott; "the art getting things done through the efforts of other people."
3. According to Kinard, "Management is the process of maximizing the potential of an organization's people and co-ordinating their efforts to attain predetermined goals.
4. Management is defined as the process of planning, organizing, leading and controlling the efforts of organization members and of using all other organizational resources to achieve stated organizational goals.

From the various definitions of management, we can derive the following important points.

1. Management refers to the managerial functions of planning, organizing, staffing, leading and controlling.
2. Management co-ordinates both human and non human resources (land, labour, capital) for the accomplishment of objectives.
3. Management is applied to all types of organization

- Profit or not for profit

- Large, medium or small organization

- Manufacturing or service giving, etc.

1. Management deals with creating a comfortable internal environment, with a great consideration of the external environment.

For the sake of convenience, we can define management as a distinct process consisting of managerial functions of planning, organizing, staffing, directing/leading, and controlling so as to design and maintain conducive environment in order to achieve common group goals and organizational objectives efficiently and effectively.

From this definition, we have the following points that characterize management:

1. Management is a continuous process-whenever there is a group endeavor/effort, the need for management arises.
2. Management is viewed in terms of the managerial function a manager does.
3. Management deals with the coordination of both human and non-human resources/physical resources.
4. Management is applied wherever there is an organization with an objective to be achieved.
5. Since an organization exists in an open system, management creates a favorable environment in order to achieve organizational goals.
6. The target of managerial process is to achieve organizational objective-reason for their existence.
   1. **Significance and nature of Management**
7. **Significant of management**

Why do we study management? There are different reasons to study management these are;

* It is important for personal life. If one of the many important human activities
* Managers is universal managers walk in all types of organization at all levels and

It’s all functional areas these managers are responsible for the success or failure of the organizations. Societies depend on organization/institutions for the provision of goods and services these institutions are guided by the decision of few individuals/owners two/designated as managers.

* It affects the accomplishment of social, economic, political signal goals
* Management is the force that determines whether business, organizations and social institution will serve us as waste our talents and resources.
* Every since people began forming groups to accomplish aims they could not achieve as individuals managing has been essential to ensure the co-ordinate and direct the efforts of individual efforts.
* Management is needed to co-ordinate and direct the efforts of individuals groups and the entire organization to achieve desired objectives
* Is responsible for the success or failure of an organization. That is, when an organization fails it is because of poor mgt, and when an organization success it is because of good mgt. when ever and whatever there is group work having stated objectives, mgt is needed to direct and coordinate their efforts. According to peter Drucker, “management is the organ of the society that is charged with the responsibility of making resources productive.” Without management effort will be wasted

## **The Nature of Management**

1. **Universal Application:-** Management is applied in any organization (large, small in size, or service or manufacturing or for-profit or not-for-profit) and its functions are practiced in any level of management.
2. **Goal Oriented:-** Any organization is established to achieve objectives, and management is important for any organization to achieve its pre-stated objectives efficiently and effectively.
3. **Guidance:-** The main task of management is guidance in the utilization of material and human resources in the best possible manner. Without the involvement of management, resources might be miss utilized and wasted. Through the optimum utilization of resources, it to ensure that the objectives are attained.
4. **Divorced/Separated from proprietorship**:- Management does not signify proprietorship/ownership. Managers work for the attainment of organizational goals and objectives.
5. **Management is a human activity: -** Management functions are discharged by individuals not by machines such as computers. However, it can be aided by such instruments as computers.
6. **Management signifies Authority:-** Since the significance of management is to direct, to guide and to control, it has to have authority. Authority is the power to compel others to work and behave in particular manner.
7. **Leadership**:- The manager has to lead a team of workers. He/she must be capable of inspiring, motivating and winning their confidence.
8. **Management is Multidisciplinary:-** It has grown as a body of discipline taking the help of so many social sciences like sociology, psychology, economics, etc.
   1. **Managerial Functions an Overview**

Regardless of the type, size and objective of the firm, all managers have certain basic functions. These are planning, organizing, staffing, leading/directing/, and controlling. The nature and scope of these functions differ from manager to manager and from firm to firm.

**Planning-**It is a decision making process which involves selection of missions and objectives and choose the best course of action to achieve them from among alternatives. It is an intellectual task, which bridges the gap between the present and future conditions of the organization (From where we are to where we want to be in a desired future).

Planning is a decision making process that determines what to be done, how it is to be done, why it is done, when it is to be done, and by whom it is to be done.

The first step in planning is determination of the objective of an organization. And then objectives are established for the sub units of the organization- its departments, divisions, etc. Once the objectives are determined, programs are established for achieving them in a systematic manner.

Top level managers set plans for the entire company; while lower level managers prepare plans for their immediate areas of responsibility. Planning doesn't occur in a vacuum. It is done in light of budgetary constraints, personnel requirements, competition, and other factors.

Planning, as a managerial function, is the process of integrating the future activities of an organization, and requires the ability to foresee, visualize, and look ahead purpose fully.

**Organizing-**It is a managerial activity that involves establishing an intentional structure of roles for people to fill in an organization. In other words, it is the process of creating an environment for human performance depending on the objectives set. In short, organizing is the process of determining the role by which an individual plays and the individual roles are related and integrated to achieve the common organizational goal. Organizing, thus involves:

* identification of activities to achieve the predetermined objective;
* grouping these activities into working units;
* assignment of responsibility to each unit with corresponding authority; and
* the creation of intentional organizational relationship so as to enhance coordination.

**Staffing-**It is the process of filling and keeping filled the positions in the organization structure. This is done by identifying work force requirements, inventorying the people available, recruiting, selecting, placing, promoting, compensating, training and developing both candidates and current job holders to accomplish their tasks effectively and efficiently.

**Leading-**It is influencing, motivating and directing people so that they will contribute to organization and group goals; it has to do predominantly with the interpersonal aspect of managing. To be effective leaders, managers need to understand individual and group behavior, techniques of motivation, and effective styles of leadership. Mangers must develop relationships that ensure adequate communication with their subordinates. Leading also includes managing personal conflict, helping employees, deal with changing conditions, and in some cases disciplining employees. Leadership requires good interpersonal skills. Leading /directing has the following three elements:

(i) Motivation

(ii) Leadership styles

(iii) Communication

### **Controlling-**It is the measuring and correcting of activities of subordinates, to ensure that events conform to plans. It also involves taking corrective measures (actions) if negative deviations exist. The controlling function involves the following steps:

* Establishing standards of performance:
* Measuring actual performance and comparing it against the plan the goal /the established standard;
* Taking corrective measures if there are deviations (Taking corrective actions when standards are not met or in anticipation that they may not be met.)

Actual results may differ from desired results in any area, but the three that require the most attention are product quality, worker performance, and cost control.

* 1. **Levels of Management and Types of Managers**

Managers can be classified into two ways,

1. by their level in the organization – so called first line, middle and top managers and
2. by the range of organizational activities for which they are responsible – so called Functional and general managers.
3. **Levels of management**
4. **First line Managers-** Managers who are responsible for the work of operating employees only and do not supervise other managers; they are the first or lowest levels of managers in the organizational hierarchy. These pest people are managers at the firing line where most concrete organizational tasks are performed.

It includes office managers, superintendents, foreman, chief clerks, supervisors, etc. First level management is often called "supervisors". They are mainly concerned with:

1. Planning of day to day work.
2. Assignment of jobs
3. Keeping a watch on workers performance.
4. Sending reports and statements to superiors
5. Maintaining close and personal contacts with workers and evaluation of their work.

* Responsible for:
* Managing the performance of entry-level employees.
* Teaching entry-level employees how to do their jobs.
* Making detailed schedules and operating plans on middle management’s intermediate range plans.

1. **Middle level Managers:** these are managers who direct the activities of lower level managers and sometimes extend to supervision of operating employees. Their principal responsibilities are to direct the activities that implement their organization's policies and to balance the demands of their superiors with the capacities of their subordinates. The titles include Department heads, deputy department heads, branch managers, work managers, etc.

* Responsible for:
* Planning and allocating resources to meet objectives.
* Coordinating and linking groups, department and divisions.
* Monitoring and managing the performance of the subunits and individual managers who report to them.
* Implementing the changes or strategies generated by top managers.

1. **Top Managers:-** composed of a comparatively small group of executives and they are responsible for the overall management of an organization.

* They establish operating policies and guidelines the organization's interactions with environment. Typical titles include CEO, president, senior vice president, etc.
* Responsibility of planning and executing broad policy decisions.
* Responsible for:
* Creating a context for change.
* Developing attitudes of commitment and ownership in employees.
* Creating a positive organizational culture through language and action.
* Monitoring their business environments.

#### **Functional and General Managers**

The other major classification of managers depends on the scope of the activities they manage.

1. **Functional Managers:-** these are managers who are responsible for only one organizational activity, such as production, marketing, sales, or finance. The people and activities headed by a functional manager are engaged in a common set of activities.
2. **General Managers: -** these managers, on the other hand, oversee a complex unit, such as a company, a subsidiary, or an independent operating division. He or she is responsible for all the activities of that unit, such as its production, marketing, sales, and finance. Managers who are responsible for managing the entire operations of a more complex unit or division which may have two or more functional units.
   1. **Managerial Roles and Skills**
3. **Managerial Roles**

Managerial functions are general administrative duties that need to be carried out in all productive organizations. Managerial roles are specific categories of behavior/managerial behavior. Managerial functions involve "desired out comes". These outcomes are achieved through the performance of managerial roles (actual behavior). In other words, Roles are the means and functions are the ends of the manager's job.

Henry Mintzberg identified ten different but interrelated organized sets of behavior, or roles. These ten roles can be separated into three categories /general groupings.

1. **Interpersonal roles:** three managerial roles are enacted when the manager engages in interpersonal relationship. They are:

* **Figure head role:-** this role is played by managers who are required to perform duties of ceremonial and symbolic in nature such as signing documents, receiving visitors, etc.
* E.g. when the president of a college hands out diplomas at commencement.
* **Leader role: -** managers play this role through hiring, training, motivating and disciplining employees to get the job done properly.
* **Liaison role: -** managers play this role by contacting people outside the group, ^ by serving as a link in a horizontal (as well as vertical) chain of communication.

- E.g. the sales manager who gains information from the personnel manager with in the same company. Internal liaison.

- The sales manager who has contact with other sales executive through a making trade association. – External liaison.

1. **Informational roles: -** All managers, to some degree, will receive and collect information from organizations and institutions outside his or her own. Managers play:

* **Monitor/Nerve Center Role: -** as a monitor /nerve center, the manager tries to keep informed about what is happening in the organization or group. Managers serve as a focal point for non-routine information; they receive all types of information from news reports, trade publications, magazines, clients, etc.
* **Disseminator role:-** the information a manager gathers as a monitor must be gleaned and transmitted to appropriate members of the organization. As a disseminator, a manager sends out side information into the organization and internal information from one subordinate to another. /Transmitting selected information to subordinates.
* **Spokes person role:-** it is the role of a manager in transmitting selected information to outsiders. It is played by a manager whenever he/she represents the organization or its position to other groups, including government agencies, customer, and trade organizations.

1. **Decisional Roles:-** Both interpersonal and informational roles are really includes to the decisional role. It involves decision-making. The manager plays this role as:

* **Entrepreneur**: managers as an entrepreneur initiate and oversee new projects that will improve their organization's performance. (Designing and initiating changes within the organization.
* **Disturbance handler: -** taking corrective actions in none routine situations/the manager deals with situations our which he or she has little control. These may involve conflict between people or groups or unexpected events outside the company may affect the firm's operations.
* **Resource allocates:-** managers play this role when they are in a position to decide exactly who should get what resources. (These resources include time, money, people-people, physical resources)
* **Negotiator:-** participating in negotiating sessions with other parties (e.g. vendors and unions) to make sure the organizations interests are adequately represented. Managers perform this role, in which they discuss and bargain with other units to gain advantages for their own unit.

1. **Skills of Management**

A skill is a person's or an individual's ability to do or perform a certain thing expertly or intellectually. Similarly, managerial skills are skills of a manageability of a manager to perform his duties and responsibilities expertly. These skills help managers to perform their activity in efficient and effective way/manner for the achievement of the objective of the organization.

These managerial skills can be classified as:

1. **Technical skills:** These skills are the abilities of a manager that are necessary to carry out a specific task. It involves the ability to use specialized knowledge and expertise with work related tools, procedures, and techniques. Technical knowledge is of great importance at lower levels where the organization's goods and services are produced. Examples include:

- Writing computer programs

- Completing accounting statements

- Analyzing marketing statistics

- Drafting a design for a certain building etc…

Technical skills are usually obtained through training programs that an organization may offer its managers, or employees, or may be obtained by way of a college degree.

1. **Human Skill:** the ability to work with, motivate, direct individuals or groups in the organization whether they are subordinates, pears, or superiors and the ability to resolve conflict. Because, all tasks in an organization are done with people, these skills are equally important to all levels of management. This skill includes:-

- Effective communication (writing and speaking);

- Creation of positive attitude toward others and the work setting;

- Development of co-operation among group members; and

- Motivation of subordinates.

1. **Conceptual skill:-** the ability of a manager "to see" the big picture of the organization /to view the organization from a broad perspective. It is the ability of a manager to see the organizational system in its totality, how its different parts are interrelated and how they affect each other. A manager needs conceptual skills to recognize the interrelationships of various situational factors, and; therefore, make decisions that will be in the best interests of the organization. They are most important in strategic (long range) planning; therefore, it is top level managers/executives who require more conceptual skill than middle level managers and supervisors.

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| Top  Level Management | |  | | | Conceptual Skill | Human Skill | Technical Skill | Strategic Planning  and  Decision Making | | |
|  | |  | |  |  |  |
| Middle Management | | | | |  | Coordination and Planning for Implementation | | |
| First Line Management /supervisors | | | | |  | | Implementation | | |

Fig. 1.1 Managerial levels, required skills, and primary responsibilities.

***Is Management Science or Art?***

**Science:-** It is an organized/systematized body of knowledge constituting concepts, theories and principles concerning a particular field of study. Especially, it is knowledge obtained from observation, test and experimentation of facts; and it is universally true; and applied in any country, organization, etc. Besides, it exploits mathematical models.

When we say it is a systematized body of knowledge, it is in the sense that relationship between variables and their limitation have been ascertained and underlying principles have been discovered. These facts are again verified through continuous observation. Finally, certain relationships and principles are developed which are fundamental truths that help to reflect or explain reality.

The principles developed after a detailed observation acts as a universally applicable foundation.

As science, management is a systematized body of knowledge representing a core of principles or fundamental truths that tend to be true in most managerial situations. This systematized body of knowledge of management helps the practicing manager to make decisions rationally and objectively rather than rule of thumb, hunch, or institution, what they did in the part.

* As an emerging science, management has certain basic principles, which are universally applicable in any organization regardless of its size, mature and objective. Effective managers use the scientific approach in making decisions.
* However, management is not considered as an exact science as chemistry, physics etc. It is an Inexact Science. This is because; it deals with people/human behavior in which change is the fashion rather than the exception. It is to say that human behavior is even changing and unpredictable.

To conclude, management is categorized as science for the following reasons:

* Its principles are systematized body of knowledge
* Its principles are universally applicable
* They are based on scientific inquiry, observation, test and experiment
* They explain the cause and effect relationships among/between various variables.
* Their validity can be verifiable and can serve as a reliable basis for predicting future events.

***Art:***

Art is a skill or know-how, which can be modified to accomplish a desired concrete result. It is doing things in light of the prevailing realities of a situation. It is concerned with the application of know-how and skill to the specific time, place and condition tactfully, creatively and wisely.

* Art is a personal creative power plus skill in performance
* Art is based on subjective judgement, feelings, intuition, etc.
* Art helps to create new ideas and effective methods to use from the underlying knowledge and skill. Management as an art.
* It is know-how or doing things in the realities of the situation.
* Art in management has a great role in creating new idea, innovation, initiating and implementing the skills or know-how in relation with the resources and goals of the organization.
* Calls for subjective judgment, intuition where time pressures force rapid-fire decisions, often based on incomplete and unverifiable data.

To conclude, management as a creative art

1. It required a skill or a practical know-how of the principles and techniques of management in order to perform a specific job efficiently and effectively.
2. It depends on the personal skill and effective use of one's knowledge and proficiency to ensure maximum result at minimum cost.
3. It follows result oriented course of action – or depends on specific objective to be achieved.
4. Management calls for creative ability – to introduce new ideas, new products, new techniques to yield higher returns to an organization (higher surplus)
5. Continuous practice of management theories and principles results in better performance.

***N.B.*** The science and art of management practice are not mutually exclusive but are complementary. If science teaches one to know, art teaches one to do. So managers have to know and do things to perform their activities efficiently and effectively to be successful.

### ***Management as a Profession***

A profession is a vocation requiring:-

1. body of specialized knowledge and Technical proficiency,
2. formal training / standardized education and training,
3. social Responsibility,
4. code of conduct/professional Ethics, and
5. **Body of specialized knowledge and Technical proficiency-**If an organization needs to have rational and scientific decision making ability, managers have to be specialized on a systematic body of management. And also management requires technical proficiency is special fields such as production, marketing, finance, human resource management, etc. To ensure all these, management requires intellectual preparation or graduate study.
6. **Formal/standardized Education and Training:-**A certain field of study to be a profession, it requires formal training and education. This holds true for management. There are universities, colleges, and educational institutions specialized that provide formal teaching of management concepts, theories and principles.
7. **Social Responsibility:-**Any organization has an objective whether to make surplus, or provide efficient services to the society, and the like. And also a manager of an organization is responsible to lead the organization and its members. Besides, managers have to take into account the obligation to serve the society (mission) and strict adherence to the prescribed moral, social, and legal conduct; because their existence depend on the service they give to the society in general.
8. **Code of Conduct:-**Any discipline to be a profession, it is subjected to the fulfillment of strict standards, rules and regulations providing the norm of honesty, integrity, and professional morality to be adhered by the members.

### ***Universality of Management***

Management is universal in the sense that:-

* Basic applications of management in any organizations are the same whether it is small or complex, business or non-business. The managerial functions exist in every organization regardless of the size and the type of the organization. This is because any organization has an objective to be achieved and goal achievement requires planning, organizing, staffing leading and controlling. (The armies general, the bishop of the church, the financial manager use the same management principles to achieve objectives.)
* The concept of universality of management is also applicable to all levels of management within an organization; it is not confined to a particular level. Although the scope of authority held, responsibility assigned and the types of problems dealt vary from one level to another, as managers all obtain results by establishing an environment for effective group endeavor.
* Managers can be transferred from one organization to another and the higher the management level the less will be the operating non-managerial job components and the more "pure" will be the managerial jobs and the easier the transferability of managers.

### ***The Environment of Management***

According to Stephan, "the term environment refers to institutions or forces that are outside the organization and that affect the organization's performance." Another writer put it, "just takes the universe, subtract from it the sub set that represents the organization, and the remainder is environment." But an environment is really not that simple.

In management, the term environment refers influences/forces that reside inside or outside the organization and affects the operations of the organization negatively or positively. /which provide both problems and opportunities to the firm./

Therefore, the management environment can be divided in to two:

1. **The Internal Environment**

It includes all the activities that are performed within the organization. Since they are within the organization, internal factors are under the control of the management. These factors include the activities of different divisions and departments, the organizations physical, financial and human resources along with the value systems of managers who control those systems. However we are more concerned with the external environment on which the existence of the organization depends.

1. **The External Environment**

Organizations are neither self sufficient nor self contained. They exchange resources with the environment and depend on it for their survival. Organizations take resource inputs (raw materials, money, labour, energy, etc) from the external environment, transform them into products and services, and then send them back as out pat to the external environment.

The external forces include:-

1. **The political environment**- Government affects virtually every organization and every aspect of life. In respect to business it either promotes or constrains. The general activities of organizations depend on the political directions of the government. Sometimes government promotes business by subsidizing selected industries, by reducing tax payments, by supporting research and development, by increasing the availability of capital etc. It is also the biggest customer, purchasing goods and services.
2. **The legal environment**-The political and legal environments of management are intertwined with the social environment. Laws are ordinarily passed as the result of social pressures and problems. This force is a complex of laws and regulations. Every manager is included by a wed of laws, regulations, and court decisions that are designed to protect different social groups in the society. Many of them are designed to regulate the behavior of managers and their subordinates in business and non-business areas. Thus, managers are expected to know the legal restrictions and requirements applicable to their actions in their decision making process.
3. **The Economic Forces**-The economic forces include the availability /resource inputs (capital, labor, money, energy), trends in GNP, disposable personal income, consumer's purchasing power, industrial investment, price levels, governments policy towards tax and fiscal policies, the nature of competition, price level of goods and services, demands of goods and services by the customers, and other similar variables that influence and are influenced by the organization**.**
4. The Social Forces-The social environment includes national traditions, values, customs, consumer psychology, attitudes, desires, expectations, degree of intelligence and education, and beliefs, of people in a given group or society. There forces present both opportunities and threats to the business sector. The variety of values makes it difficult for managers to design an environment conducive to performance and satisfaction. The reason is the attitudes, values and beliefs are different for numerous social groups such as workers and employers, rich and poor people, literate and illiterate people and among various professions it is really very difficult for a manager to be responsive to these forces, thus managers have no choice but to take them into consideration in their decision making.
5. The Technological Forces- Technological variables are breakthroughs that result in +improved products, services, production methods, techniques, procedures. Its influence is reflected on way of doing things, on how we design, produce, distribute and sell goods as well as services. Greater productivity, higher living standards, more leisure time and a greater variety of products are a few of the advantages of technology. But it also has some disadvantages such as air pollution, unemployment, shortage of energy, etc. Here managers should weigh the advantages and disadvantages of technology and their impacts on the society. Besides, any organization should cope with the technological changes.
6. The Ethical Forces:-Ethics is the discipline dealing with what is good and bad and with moral duty and obligation. Ethics consists of sets of generally accepted and practiced standards of personal conduct. The standards may or may not be confined by law, but for any group to which they are meant to apply, they sometimes have virtually the force of law. The Ethical standards may differ from one society to another. Ethics is beyond legal responsibilities, thus it fills the gap between legal requirements and the actual decisions that managers must take. Beyond the strict term of legal obligation, management of an organization should see what is bad and good, and what is right and wrong. Actually, our conceptions of bad or good depends on the custom, religion, belief, intuition and tradition of the society. Therefore, managers have the responsibility to consider and adhere to the ethical codes of the society by integrating the ethical concepts in their decision making.