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Business Dynamics and Entrepreneurship

Chapter 01: introduction to management

Meaning:

1. Pattern of change or growth of an object, or force or intensity of a phenomenon.
2. Study of how things change over time.

” Business dynamics is concerned with learning in and about complex systems. Effective decision-making by growing dynamic complexity requires executives to become systems thinkers—to expand the boundaries of their mental models and develop ways to understand how the structure of complex systems creates behavior

Sterman’s (2000) book entitled Business Dynamics

Entrepreneurship has been described as the "capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit."

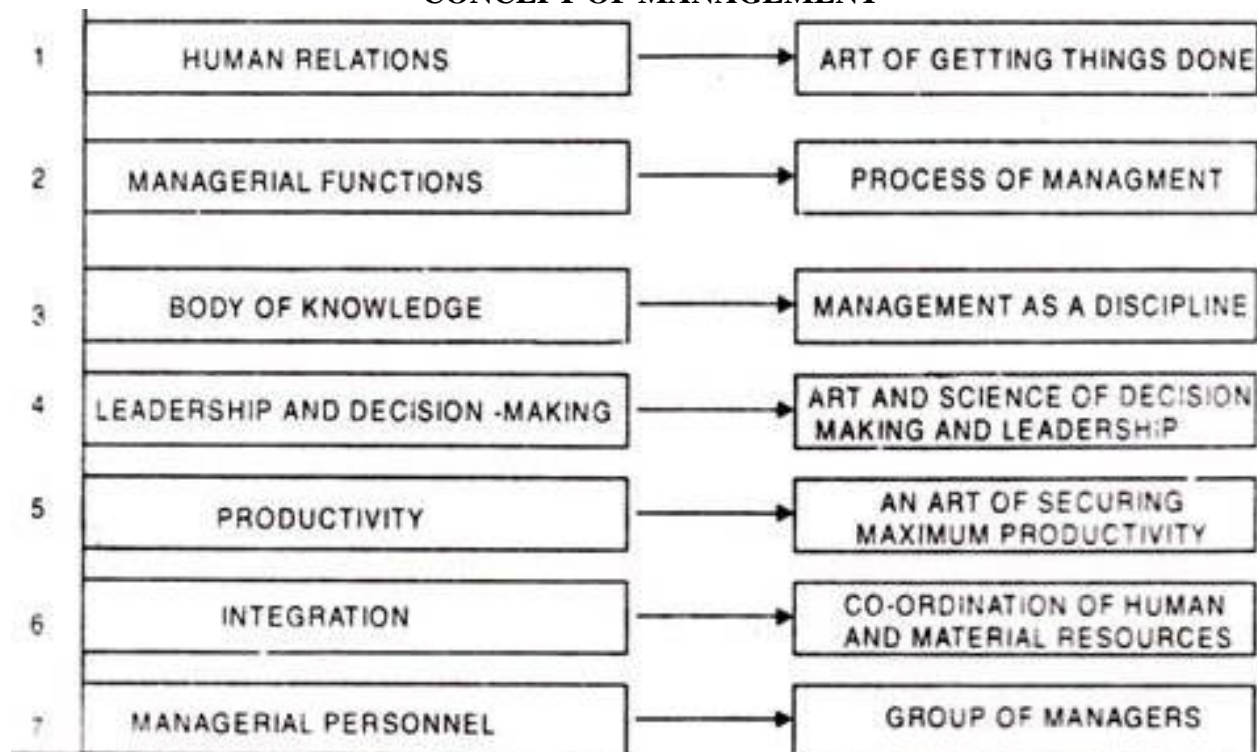
Let us move on to Management

Definition

“Management is art of knowing what you want to do and seeing that it is done in the best and cheapest way” F.W.Taylor

“To manage is to forecast and to plan, to organise to command, to control and to coordinate”. Henry fayol

CONCEPT OF MANAGEMENT



Need for Management

- Organization management gives a sense of security and oneness to the employees.
- An effective management is required for better coordination among various departments.
- Employees accomplish tasks within the stipulated time frame as a result of effective organization management.
- Employees stay loyal towards their job and do not treat work as a burden.
- Effective organization management leads to a peaceful and positive ambience at the workplace.

Nature of management:

THE ECHELONS OF MANAGEMENT • Three levels of management that are found in most medium-sized and large firms-top, middle, and lower management. • In very small firms, the owner usually is the only manager. • In very large firms, there may be more than three levels of management

THE NATURE OF MANAGEMENT • The different layers, or levels, of management in an organization are called the echelons of management. • Members of top management work through a greater number of Management Science



Function of management

1. *Management as a Process:*

Some authors view management as a process because it involves a number of functions. Management refers to all Involves different a manager does. Various functions which are performed by managers to make the efficient use of the available material and human resources so as to achieve the desired objectives are summed up as management.

2. Management as a Discipline:

Sometimes the term 'management' is used to connote neither the activity nor the personnel who performs it, but as a body of knowledge, a practice and a discipline.

3. Proper Utilization of Resources:

The main objective of management is to use various resources of the enterprise in a most economic way. The proper use of men, materials, machines and money will help a business to earn sufficient profits to satisfy various interests.

4. Improving Performance:

Management should aim at improving the performance of each and every factor of production. The environment should be so congenial that workers are able to give their maximum to the enterprise.

5. Mobilizing Best Talent:

The management should try to employ persons in various fields so that better results are possible. The employment of specialists in various fields will be increasing the efficiency of various factors of production.

6. Planning for Future:

Another important objective of management is to prepare plans. No management should feel satisfied with today's work if it has not thought of tomorrow.

Meaning of manager

A manager is a person who exercises managerial functions primarily. They should have the power to hire, fire, discipline, do performance appraisals, and monitor attendance. They should also have the power to approve overtime, and authorize vacations.

Types of manager

The Problem-Solving Manager

This boss is task-driven and focused on achieving goals. These problem solvers are constantly putting out fires and leading by chaos

The Pitchfork Manager

People who manage by a pitchfork are doing so with a heavy and often controlling hand: demanding progress, forcing accountability, prodding and pushing for results through the use of threats and fear tactics. This style of tough, ruthless management is painful for people who are put in a position where they are pushed to avoid consequences rather than pulled toward a desired goal.

The Pontificating Manager

These managers will readily admit they don't follow any particular type of management strategy. Instead, they shoot from the hip, making it up as they go along, often generating sporadic, inconsistent results. As a result, they often find themselves in situations that they are unprepared for.

The Presumptuous Manager

Presumptuous Managers focus more on themselves than anything else. To them, their personal production, recognition, sales quotas, and bonuses take precedence over their people and the value they are responsible for building within each person on their team. Presumptuous Managers often put their personal needs and objectives above the needs of their team

The Perfect Manager

Perfect Managers possess some wonderful qualities. These managers are open to change, innovation, and personal growth with the underlying commitment to continually improve and evolve as sales managers—almost to a fault.

The Passive Manager

Also referred to as Parenting Managers or Pleasing Managers, Passive Managers take the concept of developing close relationships with their team and coworkers to a new level. These managers have one ultimate goal: to make people happy. While this is certainly an admirable trait, it can quickly become a barrier to leadership efforts if not managed effectively.

The Proactive Manager

The Proactive Manager encompasses all of the good qualities that the other types of managers possess, yet without all of their pitfalls. Here are the characteristics that this ideal manager embodies, as well as the ones for you to be mindful of and develop yourself.

Responsibilities and skills of professional manager

Providing direction to the firm: The first task, envisioning goals, is one of the tasks that should never be delegated. This is the ability to define overarching goals that serve to unify people and focus energies. It's about effectively declaring what's possible for the team to achieve and compelling them to accomplish more than they ever thought possible.

Managing survival and growth: Ensuring survival of the firm is a critical task of a manager. The manager must also seek growth. Two sets of factors impinge upon the firm's survival and growth. The first is the set of factors which are internal to the firm and are largely controllable. These internal factors are choice of technology, efficiency of labour, competence of managerial staff, company image, financial resources, etc. The second set of factors are external to the firm like government policy, laws and regulations, changing customer tastes, attitudes and values, increasing competition, etc.

Maintaining firm's efficiency: A manager has not only to perform and produce results, but to do so in the most efficient manner. The more output a manager can produce with the same input, the greater will be the profit.

Meeting the competition challenge: A manager must anticipate and prepare for the increasing competition. Competition is increasing in terms of more producers, products, better quality, etc.

Innovation: Innovation is finding new, different and better ways of doing existing tasks. To plan and manage for innovation is an on-going task of a manager. The manager must maintain close contact and relation with customers. Keeping track of competitor's activities and moves can also be a source of innovation, as can improvements in technology.

Renewal: Managers are responsible for fostering the process of renewal. Renewing has to do with providing new processes and resources. The practices and strategy that got you where you are today may be inadequate for the challenges and opportunities you face tomorrow.

Building Human Organization: Man is by far the most critical resource of an organization. A good worker is a valuable asset to any company. Every manager must constantly look out for people with potential and attract them to join the company.

Leadership: Organizational success is determined by the quality of leadership that is exhibited.
Skills of mager

Technical Skills

Technical skill is the ability to use specific knowledge, techniques, and resources in performing tasks. Examples of technical skills are writing computer programs, completing accounting statements, analyzing marketing statistics, writing legal documents, drafting a design for a new airfoil on an airplane. 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.

Analytical Skills

These skills are the abilities to identify key factors and understand how they interrelate, and the roles they play in a situation. Analytical skills involve being able to think about how multiple complex variables interact, and to conceive of ways to make them act in desirable manner.

Decision Making skills

These skills are present in the planning process. A manager's effectiveness lies in making good and timely decisions and is greatly influenced by his or her analytical skills.

Digital Skills

These are important because using digital technology substantially increases a manager's productivity. Computers can perform in minutes tasks in financial analysis, HRP, and other areas that otherwise take hours, even days to complete.

Human Skills

Human skill involves the ability to interact effectively with people. Managers interact and cooperate with employees. Human skills, therefore, relate to the individual's expertise in interacting with others in a way that will enhance the successful completion of the task at hand.

Communications Skills

Effective communication is vital for effective managerial performance. The skill is critical to success in every field. Communication skills involve the ability to communicate in ways that other people understand, and to seek and use feedback from employees to ensure that one is understood.

Conceptual Skills

Conceptual skill is the ability to see the "big picture," to recognize significant elements in a situation, and to understand the relationship among the elements. Examples of situations that require conceptual skills include the passage of laws that affect hiring patterns in an organization, a competitor's change in marketing strategy, or the reorganization of one department which ultimately affects the activities of other departments in the organization.

Design Skills

It is the ability to solve problems in ways that will benefit the organization. To be effective, particularly at upper levels, managers must be able to do more than see a problem. They must also be able to design a workable solution to the problem.

HENRY FAYOL principles

Henri Fayol (1841 – 1925) was a French coal-mine engineer, director of mines and modern management theoretician. His **scientific management theory** forms the base for business administration and business management. In the academic world, this is also known as **Fayolism**. Henri Fayol provided one of the most influential **modern management** concepts of his time. He is founder of the **14 Principles of management**

This management principle of the 14 principles of management is applicable to both technical and managerial activities.

1. Division of work

In practice, employees are specialized in different areas and they have different skills. Different levels of expertise can be distinguished within the knowledge areas (from generalist to specialist). Personal and professional developments support this. According to **Henri Fayol** specialization promotes efficiency of the workforce and increases productivity. In addition, the specialization of the workforce increases their accuracy and speed.

2. Authority and Responsibility

In order to get things done in an organization, management has the authority to give orders to the employees. Of course with this authority comes responsibility. According to **Henri Fayol**, the accompanying power or authority gives the management the right to give orders to the subordinates. The responsibility can be traced back from performance and it is therefore necessary to make agreements about this. In other words, authority and responsibility go together and they are two sides of the same coin.

3. Discipline

This third principle of the 14 principles of management is about obedience. It is often a part of the core values of a **mission and vision** in the form of good conduct and respectful interactions. This management principle is essential and is seen as the oil to make the engine of an organization run smoothly.

4. Unity of Command

The management principle 'Unity of command' means that an individual employee should receive orders from one manager and that the employee is answerable to that manager. If tasks and related responsibilities are given to the employee by more than one manager, this may lead to confusion which may lead to possible conflicts for employees. By using this principle, the responsibility for mistakes can be established more easily.

5. Unity of Direction

This management principle is all about focus and unity. All employees deliver the same activities that can be linked to the same objectives. All activities must be carried out by one group that forms a team. These activities must be described in a plan of action. The manager is ultimately responsible for this plan and he monitors the progress of the defined and planned activities. Focus areas are the efforts made by the employees and coordination.

6. Subordination of Individual Interest to group interest

There are always all kinds of interests in an organization. In order to have an organization function well, **Henri Fayol** indicated that personal interests are subordinate to the interests of the organization (ethics). The primary focus is on the organizational objectives and not on those of the individual. This applies to all levels of the entire organization, including the managers.

7. Remuneration

Motivation and productivity are close to one another as far as the smooth running of an organization is concerned. This principles of management argues that the remuneration should be sufficient to keep employees motivated and productive. There are two types of remuneration namely non-monetary (a compliment, more responsibilities, credits) and monetary (compensation, bonus or other financial compensation). Ultimately, it is about rewarding the efforts that have been made.

8. The Degree of Centralization

Management and authority for decision-making process must be properly balanced in an organization. This depends on the volume and size of an organization including its hierarchy.

Business Dynamics and Entrepreneurship

Centralization implies the concentration of decision making authority at the top management (executive board). Sharing of authorities for the decision-making process with lower levels (middle and lower management), is referred to as decentralization. **Henri Fayol** indicated that an organization should strive for a good balance in this.

9. Scalar Chain

” management principle states that there should be a clear line in the area of authority (from top to bottom and all managers at all levels). This can be seen as a type of management structure. Each employee can contact a manager or a superior in an emergency situation without challenging the hierarchy. Especially, when it concerns reports about calamities to the immediate managers/superiors, and it is termed as gang plank.

10. Order

According to this principle of the 14 principles of management, employees in an organization must have the right resources at their disposal so that they can function properly in an organization. In addition to social order (responsibility of the managers) the work environment must be safe, clean and tidy.

11. Equity

The management principle of equity often occurs in the core values of an organization. According to **Henri Fayol**, employees must be treated kindly and equally. Employees must be in the right place in the organization to do things right. Managers should supervise and monitor this process and they should treat employees fairly and impartially.

12. Stability of Tenure of Personnel

This management principle represents deployment and managing of personnel and this should be in balance with the service that is provided from the organization. Management strives to minimize employee turnover and to have the right staff in the right place. Focus areas such as frequent change of position and sufficient development must be managed well.

13. Initiative

Henri Fayol argued that with this management principle employees should be allowed to express new ideas. This encourages interest and involvement and creates added value for the company. Employee initiatives are a source of strength for the organization according to **Henri Fayol**. This encourages the employees to be involved and interested.

14. Esprit de Corps

The management principle ‘esprit de corps’ stands for striving for the involvement and unity of the employees. Managers are responsible for the development of morale in the workplace; individually and in the area of communication. Esprit de corps contributes to the development of the culture and creates an atmosphere of mutual trust and understanding.

Administration vs management

BASIS FOR COMPARISON	MANAGEMENT	ADMINISTRATION
Meaning	An organized way of managing people and things of a business organization is called the Management.	The process of administering an organization by a group of people is known as the Administration.
Authority	Middle and Lower Level	Top level

Business Dynamics and Entrepreneurship

BASIS FOR COMPARISON	MANAGEMENT	ADMINISTRATION
Role	Executive	Decisive
Concerned with	Policy Implementation	Policy Formulation
Area of operation	It works under administration.	It has full control over the activities of the organization.
Applicable to	Profit making organizations, i.e. business organizations.	Government offices, military, clubs, business enterprises, hospitals, religious and educational organizations.
Decides	Who will do the work? And How will it be done?	What should be done? And When is should be done?
Work	Putting plans and policies into actions.	Formulation of plans, framing policies and setting objectives
Focus on	Managing work	Making best possible allocation of limited resources.
Key person	Manager	Administrator
Represents	Employees, who work for remuneration	Owners, who get a return on the capital invested by them.
Function	Executive and Governing	Legislative and Determinative

Management as a processes

As a process, management refers to a series of inter-related functions. It is the process by which management creates, operates and directs purposive organization through systematic, coordinated and co-operated human efforts,

According to George R. Terry, “Management is a distinct process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish stated objective by the use of human beings and other resources”. As a process, management consists of three aspects:

1. Management is a social process - Since human factor is most important among the other factors, therefore management is concerned with developing relationship among people. It is the duty of management to make interaction between people - productive and useful for obtaining organizational goals.

2. Management is an integrating process - Management undertakes the job of bringing together human physical and financial resources so as to achieve organizational purpose. Therefore, is an important function to bring harmony between various factors.

3. Management is a continuous process - It is a never ending process. It is concerned with constantly identifying the problem and solving them by taking adequate steps. It is an on-going process.

(A) Management Process:



(B) Elements of Management Process (Functions of Management):



basic functions of management process are;

1. Planning

It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, “Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be”. A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

2. Organizing It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, “To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel’s”. To organize a business involves determining & providing human and non-human resources to the organizational structure.

Organizing as a process involves:

1. Identification of activities.
2. Classification of grouping of activities.
3. Assignment of duties.
4. Delegation of authority and creation of responsibility.
5. Coordinating authority and responsibility relationships.

3. Staffing: It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose of staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O'Donell, "Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed in the structure". Staffing involves:

1. **Manpower Planning** (estimating man power in terms of searching, choose the person and giving the right place).
2. Recruitment, Selection & Placement.
3. **Training & Development.**
4. **Remuneration.**
5. **Performance Appraisal.**
6. Promotions & Transfer.

4. Directing : It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals.

Direction has following elements:

1. Supervision
2. **Motivation**
3. **Leadership**
4. **Communication**

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

Motivation- means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

Leadership- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

Communications- is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

5. Controlling : It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformity with the standards. An efficient system of control helps to predict deviations before they actually occur. According to *Theo Haimann*, "Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation". According to Koontz & O'Donell "Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans **desired to obtain them as being accomplished**".

Therefore controlling has following steps:

1. Establishment of standard performance.
2. Measurement of actual performance.
3. Comparison of actual performance with the standards and finding out deviation if any.
4. Corrective action.

Management approaches to study

QUANTITATIVE APPROACH TO MANAGEMENT The quantitative approach to management, sometimes known as operations research or management science, uses quantitative techniques to improve decision making. This approach includes applications of statistics, optimization models, information models, and computer simulations.

EMPIRICAL APPROACH • Study of managerial experiences and cases(mgt)

- Contributors: Earnest Dale, Mooney & Reiley, urwick.

Features

- Study of Managerial Experiences
- Managerial experience passed from participationer to students for continuity in knowledge management.
- Study of Successful & failure cases help practising managers.
- Theoretical research combined with practical experiences.

HUMAN BEHAVIOUR APPROACH • Organisation as people – a) Interpersonal Behaviour Approach - Individual Psychology – b) Group Behaviour Approach - Organisation Behaviour

• Features

- Draws heavily from psychology & sociology.
- Understand human relations.
- Emphasis on greater productivity through motivation & good human relations
- Motivation, leadership, participative management & group dynamics are core of this approach.

SOCIAL SYSTEM APPROACH • Understanding the behaviour of groups & individuals.

• Features

1. Social System, a system of cultural relationship
2. Relationship exist between external and internal environment of the organisation.
3. Formal Organisation - Cultural relationships of social groups working within the organisation.
4. Co-operation necessary
5. Efforts directed - harmony between goals of organisation & goals of groups

DECISION THEORY APPROACH • Manager – Decision maker • Organisation – Decision making unit.

• Features – Management is decision making. – Members of Organisation

- decision makers and problem solvers.
- Decision making - control point in management
- Increasing efficiency - the quality of decision
- MIS, process & techniques of decision making are the subject matter of study.

MATHEMATICAL APPROACH • Management- logical entity • Actions- Mathematical symbols, Relationships and measurable data.

Features

1. Problem Solving mechanism with the help of mathematical tools and techniques.
2. Problems Expressed in mathematical symbols.
3. Variables in management – quantified.
4. Scope - Decision making, system analysis & some aspect of human behaviour.
5. Tools - Operations research ,simulation etc.

SYSTEMS APPROACH • An enterprise • Man-Made system • Internal parts • Achieve established goals • External parts • Achieve interplay with its environment • Manager integrates his available facilities with goal achievement.

Management Challenges for the 21st Century

by Peter F. Drucker Management Challenges in the 21st Century looks afresh at the future of management thinking and practice. The content revolves around two fundamental issues that are occurring simultaneously: changes in the world economy, and shifts in the practice of management. These developments, especially in developed countries are crucial in exploring and understanding the challenges of the future. This volume focuses on the key questions for all business: What are the new realities? What new policies are required of companies and executives in order to deal with these changes. Facing a whole swathe of issues head-on in his usual clear-sighted style, Drucker offers up a prescient and informed analysis that will help every executive to build a proactive strategy for the future.

Drucker reviews the seven major assumptions that have been held by experts in the field of management for most of the 20th century, and shows why they are now obsolete. He goes on to give eight new assumptions for the 21st century, ones that are essential for viewing the roles of individuals and management in both profit and not-for-profit organizations.

According to Drucker, six out of seven assumptions (2, 3, 4, 5, 6, and 7) were close enough to reality to be useful until the early 1980s. However, all are now hopelessly outdated - "they are now so far removed from actual reality that they are becoming obstacles to the Theory and even more serious obstacles to the Practice of Management. Indeed, reality is fast becoming the very opposite of what these assumptions claim it to be."

The Eight New Management Assumptions

Drucker identifies the following new assumptions for the social discipline of management.⁸

1. Management is NOT only for profit-making businesses. Management is the specific and distinguishing organ of any and all organizations.
2. There is NOT only one right organization. The right organization is the organization that fits the task.
3. There is NOT one right way to manage people. One does not "manage" people. The task is to lead people. And the goal is to make productive the specific strengths and knowledge of each individual.

Business Dynamics and Entrepreneurship

4. Technologies and End-Users are NOT fixed and given. Increasingly, neither technology nor end-use is a foundation of management policy. They are limitations. The foundations have to be customer values and customer decisions on the distribution of their disposable income. It is with those that management policy and management strategy increasingly will have to start.
5. Management's scope is NOT only legally defined. The new assumption on which management, both as a discipline and as a practice, will increasingly have to base itself is that the scope of management is not legal. It has to be operational. It has to embrace the entire process. It has to be focused on results and performance across the entire economic chain.
6. Management's scope is NOT only politically defined. National boundaries are important primarily as restraints. The practice of management - and by no means for business only - will increasingly have to be defined operationally rather than politically.
7. The Inside is NOT the only Management domain. The results of any institution exist ONLY on the outside. Management exists for the sake of the institution's results. It has to start with the intended results and organize the resources of the institution to attain these results. It is the organ that renders the institution, whether business, church, university, hospital or a battered woman's shelter, capable of producing results outside of itself.
8. Management's concern and management's responsibility are everything that affects the performance of the institution and its results - whether inside or outside, whether under the institution's control or totally beyond it.