

MANAGEMENT FUNDAMENTALS

Revised
CBCS & GS
Syllabus

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A Book Of

MANAGEMENT FUNDAMENTALS

For

M.B.A. (Semester - I)

Also Useful for PGDBM, MMM, MPM (Semester - I)

As Per Pune University's Revised Syllabus

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MANAGEMENT FUNDAMENTALS

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Preface

The world of business affects our lives every day, and “management” will affect the lives of all of us who work for a living. Our goal, therefore, has been to help deliver a text, supplemental materials, and online learning package that will engage students in a positive and direct manner as they build their fundamental knowledge of business in general and management in particular.

Increasing number of students want more than just an understanding of the concepts of management. They also want skills they can use in their everyday life at work. It is not enough to learn about management. They want to learn how to be managers. The text covers all the key management fundamentals topics and concepts covering all the traditional concepts and current topics.

This book uses plain and lucid language to explain fundamentals of this subject. The book provides a logical way of explaining various complicated concepts and stepwise methods to explain the important topics. Each chapter is well supported with necessary illustrations, practical examples and solved problems.

We wish to express our profound thanks to all those who helped in making this book a reality. Much needed moral support and encouragement is provided on numerous occasions by our families.

We are grateful to Nirali Prakashan for giving us this opportunity to explore and express our knowledge in the form of a textbook. We thus express our deep gratitude to Mr. Dinesh Furia and Mr. Jignesh Furia for their kind cooperation and support. This effort wouldn't have been a possibility with the perfect coordination from Mrs. Nirja Sharma, Mr. Prasad Chintakindi, Mr. Akbar Shaikh and Mrs. Anjali Mule from Nirali Prakashan, hence my sincere thanks to them as well.

Any suggestions for the improvement of the book will be acknowledged and well appreciated.

– Authors

Syllabus ...

Management Fundamentals (MBA and PGDBM : Semester I)

- 1. Introduction to Principles of Management (6 + 1)**
 - 1.1 Basic Concepts:** Definition of Management, Contribution of F.W. Taylor, Henri Fayol, Elton Mayo, Mary Parker Follet, Rensis Likert, Chestard Bernard, Douglas McGregor, Peter Drucker, Michael Porter and C.K. Prahlad.
 - 1.2 Approaches to Management:** Scientific Approach, System Approach and Contingency Approach.
 - 1.3 Managerial Competencies:** Communication, Team work, Planning and Administrative, Strategic and Global competencies.
 - 2. Organisation and Organisational Culture (6 + 1)**
 - 2.1 Organization:** Formal and Informal, Line and staff relationship, Centralization Vs. Decentralization, Basic issues in organizing, Work specialization, Chain of command, Delegation, Span of Management, Organization Structure - Bases for Departmentation.
 - 2.2 Organizational Culture:** Cultural Diversity, Multi Ethnic Workforce, Organizing Knowledge resource.
 - 3. Planning (5 + 1)**
 - 3.1 Planning:** Nature & elements of planning, Planning types and Models, Planning in Learning Organizations; Types, Steps, MBO, MBE, Planning Premises.
 - 3.2 Decision Making:** Risk and Uncertainty, Decision Trees, Decision making process, Models of decision making, Increasing participation in decision making, Decision making creativity.
 - 4. Controlling (4 + 1)**
 - 4.1 Controlling:** Process, Standards and Bench Marking - Co-ordination - Principles of Co-ordination-Inter-dependence.
 - 5. Challenges in Management (4 + 1)**
 - 5.1 Challenges in Management:** Change Management -Timing of Change - Reaction to change - Planning organizational Change-Technological Change - Effective use of Communication Devices and IT.
-

Management Fundamentals (MMM: Semester I)

- 1. Introduction to Management (5 + 1)**
Basics of Management: Definition, Need and Scope, Understand what is management? Key terms in management, Nature of management, Process of management, Significance of management, Different levels of management. Managerial Skills, Types of managers, Introduction to Strategic Management - definitions, process and purpose.
 - 2. Current Issues in Management (5 + 1)**
Managing innovation, Corporate governance, Globalization.
 - 3. Development of Management Thought (5 + 1)**
Different Schools of management - Introduction, Classical Theories: F. W. Taylor, Modern theories, Behavioral Approach, Quantitative School of Management, Systems management theory, Contingency School of Management, Quality School of Management Modern Management Concepts - Peter Drucker, Peter Senge, Gary Hamel, "M Alvin Toffler, Tom Peters, "Michael Hammer", C.K. Prahalad, Michael E. Porter.
 - 4. Functions of Management (5 + 1)**
Planning: Introduction, Nature, Factors affecting planning, Myths about Planning, Tools for Planning: Importance/Need/Of Planning: Benefits of planning/disadvantages of Planning, Steps in Planning Function, Types of Plans, MBO.
Organizing: Organizing - Concept, name, Importance, Principles, Centralization, Decentralization, Organization structures, Line and Staff authority, Functional, Product matrix, Geographical, Customer, Virtual, - Organizations as networks - Types of network, Organizational design for change and innovation.
Staffing: Nature and Importance of Staffing Function, Steps in Staffing Process: Manpower planning, Need of Manpower Planning, Types of Recruitment, Selection, Placement, Training, Remuneration, Concept of Knowledge Workers.
Directing: Concept, Nature/Characteristics, Importance, Role of a supervisor, Functions of a supervisor Leadership, Motivation - Supervision and Communication.
Controlling: Concept: What is Controlling?, Features, nature, importance, process, techniques, Co-ordination, Planning and Controlling.
 - 5. Decision Making (5 + 1)**
Introduction to decision making, Meaning, Nature, Components, Steps in decision making, Decision making environment, Decision making conditions, Types of Decisions, Styles, Decision making tools/Models, Constraints on Decision Making.
-

Principles and Practices of Management (MPM: Semester I)

- 1. Introduction to Management (7 + 2)**
Basics of Management: Definition, Need and Scope, Understand what is management? Key terms in management, Nature of management, Process of management, Significance of management, Different levels of management. Managerial Skills, Types of managers, Introduction to Strategic Management - Definitions, Process and Purpose.
 - 2. Current issues in Management (7 + 2)**
Managing innovation, Corporate governance, Globalization.
 - 3. Development of Management Thought (8 + 2)**
Different Schools of Management - Introduction, Classical Theories: F. W. Taylor, Modern theories, Behavioral Approach, Quantitative School of Management, Systems management theory, Contingency School of Management, Quality School of Management Modern Management Concepts - Peter Drucker, Peter Senge, Gary Hamel, "M Alvin Toffler, Tom Peters, "Michael Hammer", C. K. Praha, Michael E. Porter.
 - 4. Functions of Management (8 + 2)**
 - (a) Planning:** Introduction, Nature, Factors affecting planning, Pyths about Planning, Tools for Planning: Importance/Need/Of Planning: Benefits of planning/Disadvantages of Planning, Steps in Planning Function, Types of Plans, MBO.
 - (b) Organizing:** Organizing - Concept, Name, Importance, Principles, Centralization, Decentralization, Organization structures, Line and Staff authority, Functional, Product matrix, Geographical, customer, Virtual, Organizations as networks - Types of network, Organizational design for change and innovation.
 - (c) Staffing:** Nature and Importance of Staffing Function, Steps in Staffing Process: Manpower planning, Need of Manpower Planning, Types of Recruitment, Selection, Placement, Training, Remuneration, Concept of Knowledge Workers.
 - (d) Directing:** Concept, Nature/Characteristics, Importance, Role of a supervisor, Functions of a supervisor Leadership, Motivation - Supervision and communication.
 - (e) Controlling:** Concept - What is Controlling? Features, Nature, Importance, Process, Techniques, Co-ordination, Planning and Controlling.
 - 5. Decision Making (5 + 2)**
Introduction to decision making, Meaning, Nature, Components, Steps in decision making, Decision making environment, Decision making conditions, Types of Decisions, Styles, Decision making tools/Models, Constraints on Decision Making.
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Chapter 1 ...

Introduction to Principles of Management

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 - 1.1.12 Characteristics of Management
 - 1.1.13 Role / Importance / Need of Management
 - 1.1.14 Functions of Management
- 1.2 Approaches to Management
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- 1.3 Managerial Competencies
 - Points to Remember
 - Questions for Discussion
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Learning Objectives ...

- To understand the concept and need of management;
- To know the different contributions of management thinkers.
- To learn managerial competencies to be a successful manager.

Introduction

Global competition has become a way of life. Changes in technology, international affairs, business practices are causing managers to re-examine their methods and goals. For the economic growth of the country, management brings together the four factors of

production: land, labour, capital and entrepreneurship. When people are working to achieve a common objective of the concern, it is management which decides the direction and correct way of doing the work.

1.1 Basic Concepts

1.1.1 Definition of Management

The concept of management has acquired special significance in the present competitive and complex business world. Efficient and purposeful management is absolutely essential for the survival of a business unit. Management concept is comprehensive and covers all aspects of business. In simple words, management means utilising available resources in the best possible manner and also for achieving well defined objectives. It is a distinct and dynamic process involving use of different resources for achieving well defined objectives.

Management is the planning, organising, leading, and controlling of various resources to achieve organisation goals effectively and efficiently.

- According to **Harold Koontz**, "*Management is the art of getting things done through and with people in formally organised groups.*"
- According to **Henri Fayol**, "*To manage is to forecast and to plan, to organise, to command, to co-ordinate and to control.*"
- According to **Peter Drucker**, "*Management is a multi-purpose organ that manages business and manages managers and manages workers and work.*"
- According to **Mary Parker Follet**, "*Management is the art of getting things done through people.*"
- "*Management is the process of coordinating work activities so that they are completed efficiently and effectively with and through other people*". (Robbins et al., 2006, p.9).

Management is a term variously defined by different authors. Management thinkers have defined it as given below.

1.1.2 F. W. Taylor

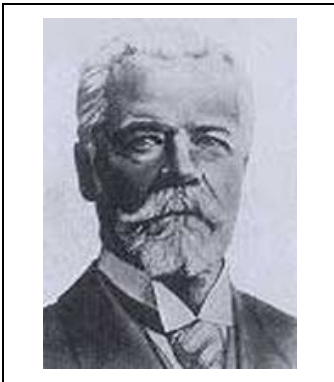


Frederick W. Taylor (1856- 1915), the father of Scientific Management, was an American mechanical engineer, efficiency expert, and management consultant. The '*Principles of Scientific Management*', in which he laid out the process of scientifically studying work to increase workers and organisational efficiency. The principles underlying his theory contributed to a wide array of management practices during the 20th century including task specialisation, assembly line production practices, job analysis, work design, incentive schemes, person-job fit, and production quotas and control.

“Management is the act of knowing what you want to do and then seeing that is done in the best and cheapest way.”
 – Frederick W. Taylor

Skilled labourers were in short supply in USA at the beginning of twentieth century. To expand productivity, ways had to be found to increase the efficiency of workers. Taylor’s ideas grew primarily out of his years of experience and experiment in three companies: Midvale Steel, Simonds Rolling Machine and Bethlehem Steel. He developed a body of principles which came to be known as ‘**Taylorism**’. Taylor based his management system on his own production –line *time studies*. This method marked the beginning of scientific management. He divided each job into components and designed the quickest and best methods of operation for each part of the job. By doing this he was able to establish how much workers should be able to do with the equipment and available materials and how pay could be related to levels of productivity. This process developed into a ‘differential rate system’ based on greater pay for greater productivity which in return will lead to greater profits.

1.1.3 Henri Fayol



Henri Fayol (1841-1925), was a contemporary of Taylor, but was interested in the management of large groups of people rather than organisational functions. He believed that sound managerial practice falls into certain patterns that can be identified and analysed. Trained as a mining engineer, Fayol made his mark as an industrialist with the French coal and iron, where he spent his entire working career.

According to him ***“management is to forecast, to plan, to organise, to command, to co-ordinate and control activities of others”***.

Fayol divided business operations into six activities, all of which were closely dependent on one another. These activities were: (see Fig. 1.1)

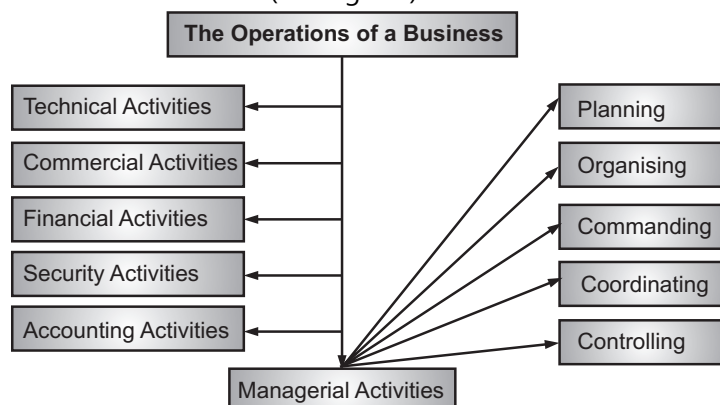


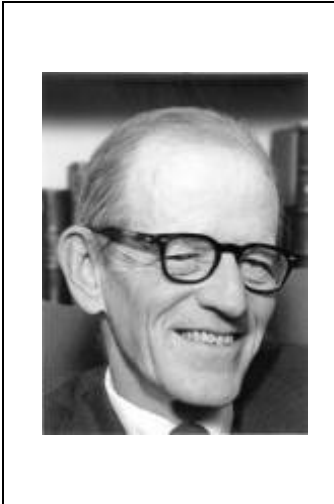
Fig. 1.1

1. **Technical:** Producing and manufacturing products.
2. **Commercial:** Buying raw materials and selling products.
3. **Financial:** Acquiring and using capital.
4. **Security:** Protecting employees and property.
5. **Accounting:** Recording and taking stock of costs, profits and liabilities, keeping balance sheets and compiling statistics.
6. **Managerial skills:** These are defined in terms of five functions:
 - (a) **Planning** means devising a course of action that will enable the organisation to meet its goals.
 - (b) **Organising** means mobilising the material and human resources of the organisation to put the plans into effect.
 - (c) **Commanding** means providing direction for employees and getting them to do their work.
 - (d) **Coordinating** means making sure that the resources and activities of the organisation are working harmoniously to achieve the desired goals.
 - (e) **Controlling** means monitoring the plans to ensure that they are being carried out properly.

Fayol presented *14 Principles of Management* as general guide to the management process and management practice. These are as under:

1. **Division of Work:** The more people specialise, the more efficiently they can perform their work.
2. **Authority and Responsibility:** As the management consists of getting the work done through others, it implies that the manager should have the right to give orders and power the exact obedience. A manager may exercise formal authority. Formal authority is derived from the official position. Responsibility is closely related to authority and it arises wherever authority is exercised.
3. **Discipline:** According to Fayol, discipline will result from good leadership at all levels of the organisation fair agreements. By discipline we mean, the obedience to authority, observance of the rules of service and norms of performance, respect for agreements, sincere efforts for completing the given job, respect for superiors etc.
4. **Unity of Command:** Each employee must receive instructions about a particular operation from only one person. Fayol believed that when an employee reported to more than one superior, conflicts in instructions and confusion of authority would result.
5. **Unity of Direction:** It means that there should be complete identity between individual and organisational goals on the one hand and between departmental goals on the other. They should not pull in different directions.
6. **Subordination of Individual Interest to General Interest:** In a business concern, an individual is always interested in maximising his own satisfaction through more money, recognition, status etc. The interest of employees should not take precedence over the interests of the organisation as a whole.

- 7. Remuneration:** Compensation for work done should be fair to both employees and employers. It should be based on general business conditions, cost of living, productivity of the concerned employees and the capacity of the firm to pay. Fair remuneration increases workers efficiency and morale and fosters good relations between them and the management.
- 8. Centralisation:** Decreasing the role of subordinates in decision making is centralisation, increasing their role is decentralisation. Fayol believed that managers should retain final responsibility but also need to give their subordinates enough authority to do their jobs properly. The management must decide the degree of centralisation or decentralisation of authority on the basis of the nature of the circumstances, size of the undertaking, the type of activities and the nature of organisational structure.
- 9. Scalar Chain or Hierarchy:** It means the hierarchy of authority from the highest executive to the lowest one for the purpose of communication. It states superior-subordinate relationship and the authority of superiors in relation to subordinates at various levels.
- 10. Order:** To put things in an order needs effort. Management should obtain orderliness in work through suitable organisation of men and materials. The principle of "right place for everything and for every man" should be observed by the management. People should be in the jobs or positions most suited for them.
- 11. Equity:** Managers should be both friendly and fair to their subordinates. Equity results from a combination of kindness and justice. It requires managers to be free from all prejudices, personal likes or dislikes. Equity ensures healthy industrial relations between management and labour which is essential for the successful working of the enterprise.
- 12. Stability of Tenure of Personnel:** In order to motivate workers to do more and better work, it is necessary that they should be assured security of job by the management. If they have fear of insecurity of job, their morale will be low and they cannot give more and better work. A high employee turnover rate is not good for the efficient function of an organisation.
- 13. Initiative:** It means freedom to think out and execute a plan. The zeal and energy of employees are augmented by initiative. Innovation which is the hallmark of technology progress is possible only where the employees are encouraged to take initiatives. Employees should be encouraged to make all kinds of suggestions to conceive and carry out their plans, even when some mistakes result.
- 14. Esprit de Corps:** This means team spirit. Since "unity is strength", the management should create team spirit among the employees. Fayol suggested, the use of verbal communication will remove misunderstandings. Differences grow bitterer when cleared through written communication.

1.1.4 Elton Mayo

Elton Mayo, (1880-1949), is one of the few Australians to have appeared on anybody's list of famous management gurus. He was born in Adelaide on Boxing Day 1880 and studied psychology at the city's university. He followed an academic career and became professor of philosophy at the then new University of Queensland.

He applied the theories of sociology that he learned to other Management studies that were being done at the time. The role that Mayo had in the development of management is usually associated with his discovery of social man and the need for this in the work place. Mayo found that workers acted

according to sentiments and emotion. He felt that if you treated the worker with respect and tried to meet their needs than they would be a better worker for you and both management and the employee would benefit. This is pointed out in his books that he wrote.

Mayo's work contributed to management theory through research conducted at Western Electric's Hawthorn Works which took place from 1927 - 1932. Mayo was also able to provide concrete evidence to support Follet's theory that the lack of attention to human relationships was a major flaw in other management theories, (Rieger, 1995, p 1). He was able to prove that employees did react better when they had good relationships with the management that they worked with. If management would treat the employees with respect and give them the attention at the work place that they needed, then the workers would be more willing to work harder for the employer. The was not totally what the Hawthorn study was looking at for they were focusing on working conditions such as lighting that the workers worked in and other factors that could easily be changed without management having to do much. The real solution was to have management get more involved with the workers.

His human-relation theory focuses on the human relations in the production process, cooperation, communication and motivation of people - recommends the managers to pay attention to human needs and improve the human relations in the company.

With all that Elton Mayo has done with his theories of management and how to motivate employees to be more productive it is not a surprise that Human Relations is usually considered the brainchild of Elton Mayo.

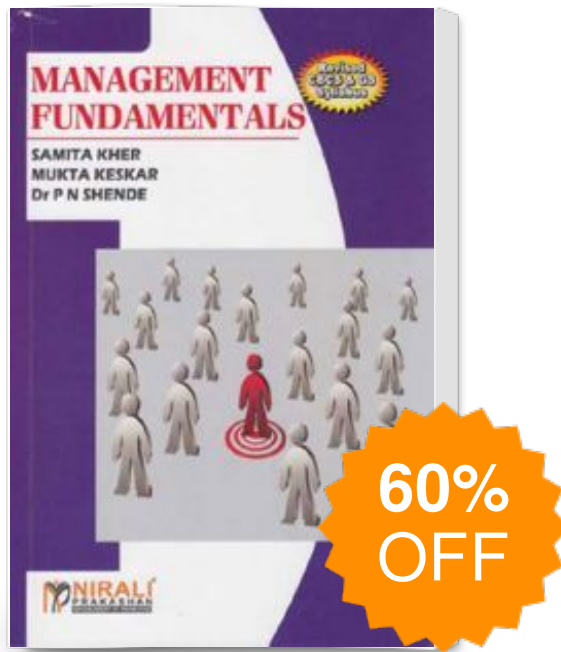
1.1.5 Mary Parker Follet

According to Mary Parker Follet (1868-1933), management is about “**Getting things done through people**”.

She believed in group behaviour and mutuality of interests between employers and employees. She advocated the concept of group dynamics and emphasised on social relationships amongst people in a business organisations. According to her, harmonisation and coordination of group efforts is more important than formal authority-responsibility relationships to achieve organisational tasks. Her theory is characterised by the following features:

1. Better performance is shown by employees by focusing on group tasks rather than individual tasks.
2. Organisational members are influenced by group actions. The group works better through self-control rather than control being exercised from the top managers.
3. Leadership should be based on qualities and abilities of leaders and not on the hierarchical authority.
4. Power, which she defines as “the ability to influence and bring about change” should not be viewed as a coercive way of getting things done through subordinates. Rather, power should be jointly developed by managers and subordinates.
5. She aimed at resolving conflicts through coordinated or integrated efforts of superiors for efficient attainment of organisational goals.
6. Organisation is a single unit with interrelated and integrated parts to contribute towards the overall goals.
7. Open system of communication should be followed in the organisation rather than formal lines of authority.
8. Decisions should be taken jointly by superiors and subordinates rather than accepting them as orders of superiors.
9. Coordination has synergical effects. Continuous and effective coordination through contact with people at early stages of their work schedule of different managerial activities of different units produce results greater than the sum of each individual unit.

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