

Class XII - Business Studies

CHAPTER – 1

NATURE AND SIGNIFICANCE OF MANAGEMENT

MANAGEMENT

It is the process of working with and through others to effectively achieve organisational objectives by efficiently using limited resources in the changing environment

---- kreitner

Management is the process of designing and maintaining environment in which individuals working together in groups, efficiently achieve organisational objectives.

----koontz

Management has, therefore, been defined as a **process** of getting things done with the aim of achieving goals **effectively** and **efficiently**.

This definition stresses on the following three points

1. **PROCESS**- Process in the definition means the primary functions or activities that management performs to get things done. These functions are planning, organising, staffing, directing and controlling.
2. **EFFICIENCY** – Efficiency means doing the tasks correctly and with minimum cost. Efficiency is also increased when for same benefit or outputs, fewer resources are used and less costs are incurred.
3. **EFFECTIVENESS**– Effectiveness in management is concerned with doing the right task, completing activities and achieving goals on time.

Effectiveness versus Efficiency

Effectiveness means finishing the given task and achieving the goals on time.

Efficiency means doing the task correctly with minimum wastage.

These two terms are different but interrelated. They are the two sides of the same coin.

- Suppose a company's target production is 5000 units in a year. To achieve this target the manager has to operate on double shifts due to power failure on most of the time. The manager is able to produce 5000 units but at higher a cost, thus the manager was effective but not efficient.

- At times manager may concentrate on cutting down cost but could not achieve the target production. Thus, the goods do not reach the market on time and company has to suffer losses. This is the case of being efficient but not effective.

Conclusion: Therefore it is important for management to achieve goals, efficiently as well as effectively.

Characteristics Or Features of Management

1. **MANAGEMENT IS A GOAL ORIENTED PROCESS**- An organisation has a set of basic goals which are the basic reason for its existence. They should be simple and clearly stated. Different organisations have different goals.
For example : The goal of a retail store is to increase the sales while the goal of an NGO is to educate the slum children.
 - Management unites the effort of different individuals in the organisation towards achieving these goals.
2. **MANAGEMENT IS ALL PERVASIVE** – Management is common to all organisations whether economic, social or political.
 - A Petrol Pump needs to be managed as much as a hospital or a school.
 - What managers do in India, USA, Germany or Japan is the same. How they do it, may be quite different because of differences in culture, tradition and history.
3. **MANAGEMENT IS MULTIDIMENSIONAL** - Management is a complex activity that has three dimensions:-
 - a) Management of People – People are the greatest asset of an organisation. The task of management is to make people work towards achieving the organisational goal. It includes two dimensions
 - Dealing with employees as individuals
 - Dealing with employees as groups.
 - b) Management of work – All organisations exist for the performance of some works. . Management translates this work in terms of goals to be achieved.
 - c) Management of operations-- Every organisation has production operations, which deals with transforming inputs into output. These operations also need to be managed.
4. **MANAGEMENT IS A CONTINUOUS PROCESS** – Management consists of continuous, composite but separate functions i.e. planning, organising, staffing, Directing and controlling.
 - These functions are simultaneously performed by all manager all the time. Thus the task of a manager consist of never ending series of functions.
5. **MANAGEMENT IS GROUP ACTIVITY** – An organisation is a collective of diverse individuals with different needs. Every member of the group has a different purpose for joining the organisation but they have to work together for the achievement of organisational objectives.
 - This requires team work and coordination of individuals efforts in a common direction.

6. **MANAGEMENT IS A DYNAMIC FUNCTION** – Management is a dynamic function and has to adopt itself to the changing environment. An organisation has to adjust itself to the changes in the external environment which consist of economic, social, political and technological factors.
For example – McDonalds has to make many major changes in its menu to be able to survive in the Indian market.
7. **MANAGEMENT IS AN INTANGIBLE FORCE** – Management is an intangible force that cannot be seen but its presence can be felt in the way the organisation works. The effects of Management is noticeable is an organisation where-
- Targets are met according to plans.
 - Employees are happy and satisfied.
 - There is orderliness instead of chaos

Objectives of Management

In an organisation, there are different objectives and management has to achieve all objectives in an effective and efficient manner.

1. **ORGANISATIONAL OBJECTIVES-** The main objective of an organisation is to utilise human and material resources to the maximum possible advantage to the organisation.
 - Survival : The basic objective of any business is survival. In order to survive an organisation must earn enough revenues to cover costs.
 - Profit earning: Mere survival is not enough for business. Management has to ensure that the organisation makes sufficient profit. Profit is essential for covering costs and risks of the business.
 - Growth: a business needs to add to its prospects in the long run. Growth of the business can be measured in terms of :-
 - Sales volume
 - Increase in the number of employees
 - Increase in the number of products.
 - Increase in capital investment, etc.
2. **SOCIAL OBJECTIVES-** It involves the creation of benefit for society. As a part of society, every organisation has to fulfil its social responsibilities. These may include :-
 - Using environment friendly methods of production.
 - Giving employment opportunities to the weaker sections the society.
 - Providing facilities like schools and creches for the employees.
3. **PERSONAL OBJECTIVES-** Organisations are made up of people who have different personalities, background, experience and objectives. They have their diverse needs such as-
 - Financial needs- Fair salaries, perks etc.

- Higher level needs – such as personal growth and developing.
- Social needs- such as peer recognition

Management has to reconcile personal growth with organisational goals for harmony in the organisation.

Importance of Management

Or

Anything without Management is nothing

Or

Without Management resources will always remain resources and never become production.

1. **MANAGEMENT HELPS IN ACHIEVING GROUP GOALS-** Management is required not for itself but for achieving the goals of the organisation.
 - The task of the manager is to give common direction to the individual efforts in achieving the overall goals of organisation.
2. **MANAGEMENT INCREASE EFFICIENCY-** The aim of a manager is to reduce cost and increase productivity.
 - This is done through better planning, organizing, staffing, directing and controlling the activities of the organisation.
3. **MANAGEMENT CREATES A DYNAMIC ORGANISATION** – All organisations have to function in an environment which is constantly changing. It is generally seen that people resist changes.
 - Management helps people to adapt to these changes so that the organisation is able to achieve its organisational objective.
4. **MANAGEMENT HELPS IN ACHIEVING PERSONAL OBJECTIVES** – A manager motivates and leads his team in such a manner that individual members are able to achieve personal goals while contributing to the overall organisational objectives.
 - Through motivation and leadership the management helps individuals to develop to develop team spirit, cooperation and commitment to group success.
5. **MANAGEMENT HELPS IN DEVELOPMENT OF SOCIETY-** An organisation has multiple objectives to be achieved. Management helps in the development of the organisation and through that it helps in the development of the society.
 - It helps to provide good quality products and services
 - It helps to create employment opportunities

- It adopts new technology for the good of the people.
- It leads the path towards growth and development.

Management As An Art

Art is the skilful and personal application of existing knowledge to achieve desired results. It is concerned with personal application of knowledge with some creativity.

1. **EXISTENCE OF THEORETICAL KNOWLEDGE** – Art has the existence of certain theoretical knowledge. Experts in their respective fields have created certain basic principles of art.
 - There is a lot of literature available in various areas of management like marketing, finance, human resources, etc, Thus, there is existence of theoretical knowledge in Management.
2. **PERSONALISED APPLICATION** – The use of the basic knowledge varies from individual to individual. Art, therefore is a personalised concept. For ex: 2 dancers, 2 speakers, 2 actors or 2 writers will always demonstrate their art differently.
 - There are various theories in management but a manager applies them differently in the different situations. He was his own unique manner to solve managerial problems.
3. **BASED ON PRACTICE AND CREATIVITY** – All art is practical. It involves practice of theoretical knowledge.
 - A manager achieves perfection after long practice. He applies the theoretical knowledge into real situations with lots of creativity. All management practices are based on the same set of principles. What distinguishes a successful manager from a less successful one is the ability to put these principles into practice.

Conclusion :

Based on the above discussion we can say that management is an art.

Management As a Science

Science is a systematised body of knowledge that certain explains general truth or general law.

1. **SYSTEMATISED BODY OF KNOWLEDGE** – Science is a systematic body of knowledge. The principles are based on cause and effect relationship.

- Management is also a systematised body of knowledge. It has its own theories and principles, its own vocabulary, concepts and terms.
2. **PRINCIPLES BASED ON EXPERIMENTATION**- scientific Principles are first developed through observation and then tested through repeated experimentation.
 - The principles of Management are also based on repeated experimentation and observation,. But since management deals with human beings the results of the experiments cannot be accurately predicted.
 3. **UNIVERSAL VALIDITY** – Scientific principles have universal validity and application.
 - The principles of management are not as exact as principles of science. Thus, their application and use is not universal. They have to be modified according to the situation.

Conclusion:

Management is an inexact or soft science. It is neither as precise nor comprehensive as a natural and pure science like physics or chemistry.

Management is considered to be both as an Art as well as a Science.

Management as an Art [explain three features only second paragraph]

Management as a science [explain three feature only second paragraph]

Conclusion:

Management is a combination of an organised body of knowledge [science] and skill full application of this knowledge [Art]. Effective performance of a Manager needs an adequate basic of knowledge as well as a scientific approach. Thus, management is both a science as well as an Art.

Management As a Profession

Management is a profession or not can be examined on the basis of following features.

- ❖ **WELL DEFINED BODY OF KNOWLEDGE** - All professions are based on a well defined body of knowledge that can be acquired through instruction.
 - All over the world, the knowledge of management can be acquired at different colleges and professional institutes through a number of books and journals.

There are various institutes like Indian Institute of Management (IIM), in Indian for the specific purpose of providing management education.

- ❖ **RESTRICTED ENTRY**- The entry to a profession is restricted through an examination or through acquiring an educational degree.
 - There is no restriction on any one being designated or appointed as Manager in any business enterprise. Anyone can be called a manager, irrespective of the educational qualifications.
- ❖ **PROFESSIONAL ASSOCIATION** – All professions have their own professional Association. For e.g. every lawyer in India is a member of Bar Council of India.
 - There are several associations of managers in India like all India Management Association. However, there is no Compulsion for managers to be members of such an association.
- ❖ **ETHICAL CODE OF CONDUCT** – All professions are bound by a code of conduct which guides the behaviour of its members. For e.g : all doctors have to take the action of ethical practice.
 - All India Management Association had laid down a code of conduct to regulate the activities of their members. There is, however no compulsion for managers to follow the prescribe code of conduct.
- ❖ **SERVICE MOTIVE** – The basic motive of a profession is to serve their clients' interest by rendering dedicated services.
 - However, the basic purpose of management is to help the organisation to achieve its goals. If an organisation has a good management team, it automatically serves society by providing good quality products at reasonable prices.

Conclusion : On the basis of Above discussion, We can say that Management is not presently a profession but gradually it is becoming so.

Levels of management

In a company, the whole relation with managers and subordinates is arranged in a series of levels. There is a chain of authority, responsibility and relationship. This chain is called levels of Management.

TOP LEVEL MANAGEMENT

Top level includes Board of Directors, The chairman, The chief Executive officer [CEO], Chief Operating Officer [COO], General Manager, managing Director, President and Vice – President of the company.

FUNCTIONS :

1. Their basic task is to **integrate and coordinate** the activities of different departments, according to the overall objectives of the organisation.
2. Top Level Managers are responsible for the **welfare and survival** of the organisation.
3. Top level **formulate overall organisational goals and objectives** to be achieved.
4. Top level **assembles and arranges** all the required resources such as finance for the achievement of objectives.
5. Top level **frames the major policies** of the organisation in order to achieve the objectives.
6. Top level Management Assures that the work is being carried out according to the plans. Thus, they **control and monitor** the performance.

MIDDLE LEVEL MANAGEMENT

Middle level consists of divisional or departmental heads, operational managers, plant superintendent etc.

Functions:

1. **Interpretation of Plans and policies** framed by top level management to lower level management.
2. **Organising resources** and activities of their concerned departments for achieving organisational objectives.
3. To ensure that their department has the necessary staff and **assigning duties and responsibilities to them**.
4. Middle **level motivates** their staff to achieve desired objective by rewarding them for their merit and capacity.
5. Middle level has to **cooperate and coordinate** with other departments for smooth functioning of the organisation.
6. **Collecting reports, information and other records** about the work of their respective departments and forwarding these reports to the top level.

LOWER LEVEL/ SUPERVISORY LEVEL/ OPERATIVE LEVEL OF MANAGEMENT

It refers to the bottom level in the management of organisation. It consists of Supervisors, Foremen, Inspectors, etc.

Functions:

1. Lower level plays a very important role in the organisation since, **they interact with actual workforce** and pass on the instruction of the middle level to the workers.
2. Through the efforts of lower level, **quality of output** is maintained, wastage of material is minimized and **safety standards** are maintained.
3. They **represent the worker's grievances** before the middle level managers.
4. They ensure **adequate ventilation, lighting, orderliness** in the working area and provide safe working conditions to the workers.
5. They assist the management in **selection, training, placement and promotion** of workers.
6. They motivate the workers, develop **team spirit** in them and maintain **discipline** in the organisation.

COORDINATION

[INTEGRATION, HARMONISATION, UNITY OF EFFORTS, UNITY OF DIRECTION, SYNCHRONISATION]

Coordination is the process of achieving unity of action among interdependent activity and departments of an organisation.

OR

Coordination Harmonises, Synchronises, Unifies individual efforts for better action and for the achievement of the business objective.

Nature/ Features/ Characteristics of Coordination

1. **COORDINATION INTEGRATES GROUP EFFORTS**- coordination unifies unrelated or diverse activities into purposeful work.
 - It gives a common focus or direction to group efforts to ensure that the performance is done according to the plans
2. **COORDINATION ENSURES UNITY OF ACTION** – the purpose of coordination is to ensure unity of action in the achievement of common objectives.
 - It acts as the **binding force** between departments and ensure that all actions are aimed at achieving the goals of the organisation.

3. **COORDINATION IS A CONTINUOUS PROCESS** – coordination is not one time function but a continuous process. It begins at the planning stage and continuous till controlling.
 - A manager has to continuously coordinate the activities of the subordinates.
4. **COORDINATION IN AN ALL PERVASIVE FUNCTION** – coordination is required at all levels of management. It integrates the efforts of different departments and different levels.
 - Coordination is also required in all types of organisation whether small or large, profit or non-profit, private sector or public sector etc.
5. **COORDINATION IS A DELIBERATE FUNCTION** – a manager has to coordinate the efforts of different people in a deliberate manner. When members of a department willingly cooperate and work, coordination gives a direction to their efforts.
6. **COORDINATION IS THE RESPONSIBILITY OF ALL MANAGERS** – coordination is the function of every manager in the organisation.
 - Top level managers coordinate with their subordinates to ensure that the overall objectives are achieved.
 - Middle level managers coordinate with both top level as well as lower level managers.
 - Lower level managers coordinate with the activities of the workers to ensure that the work is done according to the plans.

IMPORTANCE OF COORDINATION

1. **GROWTH IN SIZE** – As organisations grow in size, the number of people employed also grows. At times, it may become difficult to integrate their efforts and activities. It becomes necessary to ensure that all individuals have the common goals.
 - Therefore, for organisational efficiency, it is important to harmonise individuals goals and organisational goals through coordination.
2. **FUNCTIONAL DIFFERENTIATION**- Functions of an organisation are divided into departments, divisions and sections. In an organisation, there may be separate departments of finance, production, marketing or human resources.
 - These departments are interdependent and need to coordinate with each other for the achievement of organisational objectives.
3. **SPECIALISATION** – Modern organisation have a high degree of specialisation. Organisations therefore need to employ a number of specialists. Specialists often think that they only are qualified, to evaluate judge and decide. They do not take advice or suggestion from others. This often leads to conflicts in the organisation.

Question 1. Discuss the function of management.

Question 2. Coordination is needed at all levels of management and it is the responsibility of all managers. Explain how?

Question 3. Coordination is the essence of Management or it is a common thread that binds all the functions of Management.

Ans. Functions of Management are:

1. Planning – It is the function of determining in advance what is to be done and who is to do it. This involves setting objectives and targets and formulating an action plan to achieve them effectively e.g. efficiently.
2. Organising – It is the management function of assigning duties, grouping task, establishing reporting relationship and allocating resources required to carry out a specific plan.
3. Staffing – It simply means finding the right people for the right job. This function of management involves activities such as recruitment, selection, placement and training of personnel.
4. Directing – It is telling people what to do and seeing that they do it to the best of their ability. It involves leading, influencing and motivating employees to perform the tasks assigned to them.
5. Controlling – It is the management function of monitoring organisational performance towards the attainment of organisational goals. It involves establishing standards of performance, measuring actual performance, comparing it with standards and taking corrective action where any significant deviation is found.

Ans 2. Coordination is needed at all levels of management and in all departments. It integrates the efforts of different departments and different levels. The purchase, production, finance and sales departmental efforts must be coordinated for achieving organisational objective harmoniously.

Coordination is the responsibility of all Managers:

- Top level managers need to coordinate with their subordinates to ensure that the overall policies of the organisation are duly carried out.
- Middle level management coordinates with both the top level first line managers.
- Operational level management coordinates the activities of the workers to ensure that work proceeds according to plans.

Ans 3. Coordination is not a separate function of Management. It is the force that binds all other functions and thus called the essence of management.

- The process of coordinating the activities begins at the planning stage in which the top management plans for the entire organisation.
- At the organising stage, the organisational structure is developed as per plans.
- The staffing function is performed thereafter as per the structure developed in the organisational structure.
- Directing is then required to ensure that these plans are executed accordingly.
- Controlling function ensures that the deviations between actual and planned activities are taken care of.

Coordination, therefore, synchronises the efforts through all functions of management and ensures that the organisational objectives are achieved with a minimum of conflict.

