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Business Studies

Chapter-1

Nature and Significance of Management

Meaning

Management consist of a series of inter-related function that are performed by all managers, for example-Managers have to plan the objective of the firm organise resources to achieve that objectives ,recruit and select employees who can implement these objectives. Giving direction, communicating and motivating these employees to achieve objective effectively and efficiently and ultimately checking whether everything is going as per plan or not.

Definition

Management can be defined as a process of getting the work done by others with the aim of achieving goals effectively and efficiently.

Effective

Effectiveness refers to completion of work or achievement of target on time.

Efficiency

Efficiency refers to optimum utilization of resources or no wastage of resources.

Differences between Effectiveness and Efficiency

Basis of difference	Effectiveness	Efficiency
Meaning	It refers to completing the task on time no matter whatever the cost.	It helps in completing the task with the minimum cost, optimum utilization of resources and in cost effective manner
Objective	To achieve end result on time	To conduct cost benefit analysis
Main Consideration	Time	Cost

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Relation between efficiency and effectiveness

Effectiveness and efficiency are equally important as being effective means completing the task on time but it is not enough to just complete the task on time but it must be done correctly without any wastage of resources. Effectiveness and efficiency are the two sides of a same coin; one without the other is of no use. Effectiveness and efficiency together lead to higher profit and prosperity of an organisation.

Characteristics or features of Management –

1. **Management is a goal oriented process** – Management always aims at *achieving the organisational objectives*. The functions and activities of manager lead to the achievement of organisational objectives.
2. **Management is pervasive**- Management is a *universal phenomenon*. The use of management is not restricted to business firms only it is applicable in profit making, non-profit making, business or non business organisation; even a hospital, school, club etc Management is used in the whole world whether it is USA, UK or India. It is the task of every level.
3. **Management is multi dimensional** – Management is a complex activity that has three main dimension-
 - a) **Management of work**- All organisations are set up to perform some task or goal. Management activities aim at achieving goals or task to be accomplished, the task or work depends upon the nature of Business, for ex – school is providing education, in hospital is to treat patient etc. Management makes sure that work is accomplished effectively and efficiently.
 - b) **Management of people**- Human resources or people are the most important assets of an organisation. An organisation can win over competitor with efficient employees only because two organisations can have same physical, technological and financial resources but not human resources. Management has to get task accomplished through people by making their strength effective and their weakness irrelevant. Managing people has two dimension –
 - (i) *Taking care of employees individual needs*
 - (ii) *Taking care of group of people*
 - c) **Management of operation** – Operation refers to activities of production cycle such as buying, inputs converting them into semi-finished goods, finished goods. Management of operation concentrates on mixing management of work with management of people.
4. **Management is a continuous process** – Management is a continuous or never ending function. All the function of management are performed continuously (planning , organizing, staffing, directing and controlling these functions are simultaneously performed by all managers all the time
5. **Management is a group activity** – An organisation is a collection of diverse individual with different needs. Every member of the group has a different purpose for joining the organisation but as a member of the organisation they work towards fulfilling the common organisational goal. The result of management affects every individual and so it always refers to a group effort and not the individual efforts of one person.

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6. **Management is a dynamic function** – Management has to make changes in goal, objectives and other activities according to change taking place in the environment. The external environment such as social economical, technical, & political environment has great influence over the management. As changes take place in this environment, same are implemented in organisation to survive in competitive world.
7. **Intangible**- Management function cannot be physically seen but its presence can be felt working environment. It is easier to feel the presence of mismanagement as it leads to chaos confusion in the organisation.

Objectives of Management

In any organisation there are different objectives and management has to achieve all objectives in an effective and efficient manner. The objectives can be classified into three major categories

1. **Organisational objectives**
2. **Social objectives**
3. **Personal objectives**

Organisational objectives – These objectives aim at prosperity and growth of the organisation. Management is responsible for setting and achieving objectives for the organisation. It has to achieve a variety of objectives in all area considering the interest of all stakeholders including shareholders, employees, customers and the govt. The main objective of any organisation should be to utilize human and material resources to the maximum possible advantage i.e. to fulfill the economic objectives of a business.

The three important organisational objectives are-

1. **Survival**- The basic purpose of every organisation is to survive and exist in the competition market for a long period of time and it possible only when it is able to cover its cost.
2. **Profit**- The main important objectives of every organisation is earning adequate amount of profit. Profit is essential for survival, growth and expansion of business. Profit is the reward given to businessman for bearing risk.
3. **Growth**- Business organisation must grow and expand their activities .The success of any organisation is measured by the growth rate and growth is measured in terms of sales ,number of branches ,number of products ,number of employees etc.

Social Objectives-

Social objectives of the organisation deal with the commitment of the organisation towards the society. Business organisation are the part of society .They earn by using the resources of society so they must do something for society.

Social objectives are-

- **Supply of quality product at reasonable prices.**
- **Generation of economic wealth.**
- **Environmental friendly methods of production.**

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- Providing employment to weaker section of society.
- Providing basic amenities like schools and crèches to employees.
- Generation of employment opportunities.
- Organising educational, health and vocational training programmes.
- Financial support to community.

Personal Objectives-

Organisations are made up of people who have different personalities, background experiences and objectives. They all become part of the organisation to satisfy their diverse needs. Employees are most important resources of every company and satisfied and motivated employees contribute maximum for the organisation.

Individual objectives are-

- Competitive salary.
- Personal growth and development
- Peer recognition.
- Social recognition.
- Good and healthy working conditions.

Importance of Management-

In the absence of management no organisation can run successfully.

1. Management helps in achieving group goal –

Management is required not for itself but for achieving the goals of the organisation the task of a manager is to give a common direction to the individual effort in achieving the overall goal of the organisation.

2. Management increases efficiency-

The aim of a manager is to reduce costs and increase productivity through planning, organising, staffing, directing and controlling the activities of the organisation.

3. Management creates a dynamic organisation-

Organisations have to survive in dynamic environment so managers keep making changes in the organisation to match the environmental changes. The employees in the organisation are generally resistant to change. Efficient management motivates employees to adopt changes willingly by convincing them that changes is not only beneficial for organisation but it improves the employee's work also in the competition world.

4. Management helps in achieving personal objectives-

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A manager motivates and led his team in such a manner that along with organisational goals, personal goal of employees is also achieved. Organisational goal and personal goal are in one direction only. Individual wants to earn more and organisation wants maximum production. Employees can earn more by producing more. This will fulfill the objectives of both the groups.

5. Management helps in the development of society-

An organisation has multiple objectives, they give due importance to social obligation towards different groups of people such as employees, customers, suppliers etc. it helps to provide good quality product & services create employment opportunities adopt new technology for the greater good of the people and leads the path towards growth & development

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Nature of Management

Management as an Art- Art can be defined as systematic body of knowledge which requires skill, creativity and practice to get perfection

The basic features of an art are:

- i) **Existence of theoretical knowledge** – In every art there is systematic and organised study material available to acquire theoretical knowledge of the art. For example various books on different ragas are available in music.

In management a success full manager practices the art of management in the day to day job of managing an enterprise based on study, observation and experience. There is lot of literature available in various areas of management like marketing, finance and human resources which the manager has to specialise in. There is existence of theoretical knowledge

- ii) **Personalised application** – In the field of art only theoretical knowledge is not enough every artist must have personal skill and creativity to apply that knowledge. For example all musicians learn same ragas but they apply these ragas according to their personal skill and creativity which makes them different.

In management also all managers learn same management theories and principles. But their efficiency depends on how well they use these principles under different situations by applying personal skills and creativity.

- iii) **Based on practice and creativity** – The artist requires regular practice of art to become more fine and perfect. Without practice artists lose their perfection. Art requires creative practice i.e. artist must add his creativity to the theoretical knowledge he has learned.

In management a manager applies this acquired knowledge in a personalised and skillful manner in the light of the realities of a given situation. He is involved in the activities of the organisation, studies critical situations and formulates his own theories for use in a given situation. This gives rise to different styles of management.

Management as a Science – Science can be defined as a systematic and organised body of knowledge based on logically observed findings, facts and events.

Following features of science are present in management as well [Question – Why management may be regarded as a science?]

- i) **Systematic body of knowledge** - Science is a systematic body of knowledge. Its principles are based on a cause and effect relationship, for ex- the phenomenon of an apple falling from a tree towards the ground is explained by the law of gravity.

Management also has a systematised body of knowledge. It has its own theory and principles that have developed over a period of time.

- ii) **Principles based on experimentation** –

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Scientific principles are first developed through observation and then tested through repeated experimentation under controlled conditions similarly principles of management are also developed through repeated experimentation over a period of time.

Following features of science are not present in management as well [Question – Why management is an inexact science? Or why management may not be regarded as a science?]

(i) Absence of universal validity –

Scientific principles have universal validity and application the principles of management are not universally applicable and have to be modified as per the situation of the organisation.

Management principles just provide standardized techniques for management.

(ii) Unpredictable outcome –

Unlike science the outcome by applying principles of management cannot be exactly predicted this happen because management deals with human being and human behaviour.

Note – Management as an art and a science are therefore not mutually exclusive, but complement to each other

Management as a profession – Profession can be defined as an occupation backed by specialised knowledge and training, in which entry is restricted.

Management may be called as a profession because of the following reason –

• **Well defined body of knowledge –**

All professions are based on a well defined body of knowledge that can be acquired through instruction.

Management is also based on a systematic body of knowledge comprising well defined principles based on a variety of business situations. This knowledge can be acquired at different colleges and professional of books and journals. The subject of management is taught of different institutions.

• **Management may not be called as a profession because of the following reason –**

- i. **Restricted entry –** The entry to a profession is restricted through an, examination or through acquiring an educational degree but there is no restriction on anyone being designated or appointed as manager in any business enterprise. Anyone can be called a manager irrespective of the educational qualifications possessed.
- ii. **Professional association –** All professionals are affiliated to a professional association which regulated entry; grants certificate of practice and formulates and enforces a code of conduct. There are several associations of practicing managers in India, like the AIMA (All India Management association) however, no compulsion for managers to be members of such a neither association nor does it have any statutory backing.
- iii. **Ethical code of conduct –** All professions is bound by a code of conduct which guides the behavior of its members. Although no code of conduct is binding on managers.

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- iv. **Service Motive** – The basic motive of a profession is to serve their client is interest by rendering dedicated and committed service while the basic purpose of management is to help the organisation achieve its stated goal. This may be profit maximization for a business enterprises and service for a hospital.

Levels of Management –

In companies larger number of persons are employed and placed at different places to perform different managerial activities. Every individual in the hierarchy is responsible for successful completion of a particular task. To be able to fulfill that responsibility he is assigned a certain amount of authority or the right to take a decision.

This authority – responsibility relationship binds individuals as superior and subordinates and gives rise to different levels in an organisation

There are three levels in the hierarchy of an organisation.

1) **Top Management** –

They consist of the senior most executive of the organisation. Top level management consists of Chairman, Board of director chief executive officer, chief operating officer, president & Vice-president Etc. it includes group of crucial persons essential for leading and directing the efforts of other people. The managers working at this level have maximum authority.

Main function –

- Determining the objectives of the enterprise.
- Framing the plans & policies.
- Organising activities to be performed by persons working at middle level.
- Assembling all the resources such as finance, fixed assets etc.
- Responsible for welfare and survival of the organisation
- liaison with outside world i.e. meeting govt. officers etc.
- They analyze the business environment and its implication for the survival of the firm
- They are responsible for all the activities of the business and for its impact on society

The job of top level managers is complex and stressful, demanding long hours and commitment to the organisation.

2) **Middle Management** –

Middle management is the link between top and lower level managers. They are subordinates to top managers and superior to the first line managers. They are usually known as division heads for ex- Production manager, sales manager, finance manager, executive officer, marketing manager etc, and middle management is responsible for implementing and controlling plans & strategies developed by top management. At the same time they are responsible for all the activities of first line managers. Their main task is to carry out the plans formulated by the top managers

Main functions –

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- Interpret the policies framed by top management.
- Organising the activities of their department.
- Finding out or recruiting/ selecting and appointing the required employees
- Motivating the persons to perform to their best ability.
- Controlling and instructing the employees
- Cooperate with other departments for smooth functioning of the organisation
- Implementing the plans framed by top level.
- Responsible for all the activities of first line managers.

3) Supervisory or operational management –

Lower level consists of supervisors, foreman, clerk, sub department etc. manager of this group actually carry on the work or perform the activities according to the plans of top and middle level management. Their authority is limited. The quality and quantity of output depends upon the efficiency of this level of managers. They pass on the instruction to workers and report to the middle level management. They are also responsible for maintaining discipline among the workers.

- Representing the problems or grievances of workers
- Maintaining good working conditions and developing healthy relations between superior and subordinate.
- Looking to safety of workers
- Helping the middle level management and in recruiting, selecting and appointing the workers.
- Maintaining quality of output
- Minimizing the wastage of materials
- Maintenance of safety standards
- They are responsible for boosting the morale of the workers.
- Communicating with workers and welcoming of their suggestion

The quality and quantity of output depends upon the hard work, discipline and loyalty of the workers.

Functions of Management

- ❖ **Planning** – Planning is the function of determining in advance what is to be done and who is to do it. This implies setting goals in advance and developing a way of achieving them efficiently and effectively planning cannot prevent problems but it can predict them and prepare contingency plans to deal with them if and when they occur.
- ❖ **Organising** – Organising is the management function of assigning duties, grouping tasks, establishing authority and allocating resources required to carry out a specific plan. Organising involves the grouping of the required tasks into management departments or work, units and the establishment of authority and reporting relationship within the organisational hierarchy.
- ❖ **Staffing** – Staffing means finding the right people for the right job. A very important aspects of management is to make sure that the right qualification are available at the

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right places and times to accomplish the goals of the organisation. It involves activities such as recruitment, deletion, placement and training of personnel.

- ❖ **Directing** – Directing involves leading, influencing and motivating employees to perform the task assigned to them. This requires establishing an atmosphere that encourages to do their best. Motivating and leadership are two key components of direction. *Directing also involves communicating effectively as well as supervising employees at work. Motivating worker means simply creating an environment that makes them, want to work leadership is influencing others to do what the leader wants them to do.* A good manager directs through praise and criticism in such a way that it brings out the best in the employee.
- ❖ **Controlling** – In this function managers try to match the actual performance and if there is no match between both, then managers try to find out the reason of deviation and suggest corrective measures to come on the path of plan.

Coordination

Meaning: - Coordination means bringing together the activities and resources of organisation and bringing harmony in them.

Definition: - Coordination is balancing and keeping together the team by ensuring suitable allocation of tasks to the various members and seeing that the tasks are performed with harmony among the members themselves.

Coordination – The essence of management

1. Coordination is needed to perform all the functions of management:

- i) In planning coordination is required between main plan and supportive plans of different departments.
- ii) In organising coordination is required between different resources of an organisation and also between authority responsibility and accountability.
- iii) In staffing coordination is required between skill of a person and job assigned to him, between efficiency and compensation, etc.
- iv) In directing function coordination is required between superior and subordinates, between orders, instructions, guidelines and suggestions, etc.
- v) In controlling function coordination is required between standards and actual performance

2. Coordination is required at all levels:

- i) Top level requires coordination to integrate all the activities of organisation and lead the efforts of all the individuals in one common direction.
- ii) Coordination is required at middle level to balance the activities of different departments so that these can work as part of one organisation only.
- iii) Lower level requires coordination to integrate the activities of workers towards achievement of organisational objectives.

3. Coordination is the most important function of an organisation.

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Any company which fails to coordinate its activities cannot survive and run successfully for a long period of time.

Characteristics of Coordination: -

1. **Coordination integrates group efforts** – The concept of coordination always applies to group efforts. There is no need for coordination when only single individual is working. The need for orderliness, integration arises only when more individuals are working as different individuals come from different backgrounds, have different styles of working so there is need to unify their efforts in common direction.
2. **Ensure unity of efforts** – Coordination always emphasizes on unifying the efforts of different individuals because conflicting efforts may cause damage to organisation. The main aim of every manager is to coordinate the activities and functions of all individuals to common goal. *Ensure unity of direction* – Coordination ensures all departments work hard in hand and create balance in the entire department. It acts as binding force in all departments.
3. **Continuous process** – Coordination is a non-ending function. It is a continuous function although its degree may vary. The managers work continuously to achieve coordination and maintain coordination because without coordination companies cannot function efficiently.
4. **Coordination is a pervasive function** – Coordination is a universal function, it is required at all the levels, in all the departments and to perform all the functions due to interdependence of various activities on each other. For example, if low quality inputs are purchased by purchase department, it will result in production of quality product which further result in low sale, low revenue and so on.
5. **Coordination is the responsibility of all managers** – Coordination is not the task of only top level managers but managers working at different levels try to coordinate the activities of organisation. The top level try to coordinate the overall plans and policies of organisation, middle level try to coordinate departmental activities and lower level coordinate the activities of workers.
6. **Coordination is a deliberate function** – Every manager tries to coordinate the activities of organisation to avoid confusion and chaos. Without coordination efforts of individuals cannot be united and integrated; that is why while performing various activities in the organisation managers deliberately perform coordination function.

Importance of Coordination

1. **Growth in size** – The need of coordination increases with the increase in size of organisation because in large organisation there are more number of persons working, each individual has his own needs and objectives, so there is more need to bring together or synchronize the efforts of these employees towards common goal. Employees may have their individual objectives. For organisational efficiency it is important to harmonize individual goals and organisational goals through coordination.
2. **Functional differentiation** – The functions of an organisation are divided into different departments, sections or divisions and each departments work in isolation by giving more importance to its objective. But in actual practice these departments are interlinked and

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interdependent. So there is more need to relate and bring together the activities of different sections as they are part of one organisation only. The coordination is needed to minimize the differences among departments.

3. **Specialisation** – Modern organisations are characterized by a high degree of specialization. Specialization arises out of the complexities of modern technology and the diversity of tasks to be performed. Organisations, therefore, need to employ a number of specialists. Specialists usually think that they only are qualified to evaluate, judge and decide according to their professional criteria. They do not take advice or suggestions from others in matters pertaining to their area of specialization. This often leads to conflict amongst different specialists as well as others in the organisation are required by an independent person to reconcile the differences in approach, interest or opinion of the specialists.

Differences between Coordination and Cooperation

Basis	<i>Coordination</i>	<i>Cooperation</i>
Meaning	Coordination refers to bringing together the activities of an organisation.	Cooperation refers to voluntary efforts of individuals to work together and help each other.
Nature	Coordination is a conscious and deliberate action of manager	It is a voluntary effort of employees
Interdependence	Coordination is interdependent upon cooperation as it is incomplete without it.	Cooperation is also dependent upon coordination as it is meaningless without it
Relations	Coordination is achieved through both formal and informal relations.	Cooperation arises out of informal relations.
Scope	It includes cooperation and hence has a wider scope.	It has a narrow scope as it is towards establishing coordination.
Requirement	Coordination is essential for achievement of organisation goal, where a group of people work together.	Cooperation is voluntary in nature. It arises only when people desire to work together.