

# Chapter – 1

## **NATURE AND SIGNIFICANCE OF MANAGEMENT**

**Meaning & Definition:** Management simply means getting things done through other people, getting things done means get the activities carried out through others.

### **Definitions:**

1. Management is an art of getting things done through other people – Marry Parker Follet.
2. Management is the creation and maintenance of an internal environment in an enterprise where individuals, working in groups can perform efficiently and effectively towards the attainment of group goals. It is the art of getting the work done through and with people in formally organized groups. – Koonts and O'Donnel.

### **Effectiveness versus Efficiency**

Effectiveness and efficiency are two sides of the same coin. But these two aspects need to be balanced in every organization. For example, a company's targeted production is 5000 units in a year, to achieve this target the manager operates the employees on double shifts with high salary which resulted in high production cost. In this case the manager was effective but not efficient.

If the manager reduces the output with fewer resources to cut down the cost but not achieving the target, consequently the goods do not reach the market and hence competitors may enter into the market. This is a case of being efficient but not effective.

Therefore, it is important to the management to achieve goals (effective) with minimum resources (efficiency). Usually high efficiency is associated with high effectiveness which is the aim of all managers. High efficiency without being effective is not desirable and both inefficiency and ineffectiveness leads to poor management.

## **LEARNING BUSINESS STUDIES**

### **Characteristics of Management:**

1. Management is goal oriented – Management aims at achieving certain specified objectives (goals) of the enterprise.
2. Management is Pervasive – Management activities are universally applicable in all types organizations anywhere in the world.
3. Management is multidimensional – Management has three dimensions:
  - a. *Management of work* – All organizations are engaged in doing some work such as school for education, factory for production of goods, hospitals for treatment etc.
  - b. *Management of people* – Managing human resource as individual and group.

- c. *Management of operations* – Management is also focusing in the production process by which the inputs are transformed into output with help of technology.
4. Management is a continuous process - which involves planning, organizing, staffing, directing and controlling.
5. Management is a group activity – Management cannot exist independent of the group or organization it manages. Goals and objectives of an organization can be effectively attained by a group rather than by an individual.
6. Management is a Dynamic Function – Management principles are not static in all situations. It must be adopted according to the changing needs of the organization.
7. Management is an intangible force – Its presence is felt by the result of the organization e.g. increase in profit.

### Objectives of Management

1. **Organizational Objectives (Economic Objectives)** – Objectives set by management for the organization are called organizational objectives. The elements of economic objectives are **Survival, Profit and Growth**.
2. **Social Objectives** – A business should conduct the activities to fulfill the expectations of the society. Undesirable activities should not be undertaken for maximizing profit.
3. **Personal Objectives** – The management must reconcile personal goals with organizational objectives to have harmony in the organization.

### Importance of Management:

1. **Helps in achieving group goals** – Proper management of all individuals in an organization is very essential for the accomplishment of organizational objective. Group goal is more important than the individual objectives.
2. **Increases efficiency** – Management helps to achieve the goals with minimum resources.
3. **Creates a dynamic organization** – Appropriate changes must be introduced in the organization as and when it is needed. Management helps the people (employees) to adapt such changes through proper training and motivation.
4. **Helps in achieving personal objectives** – Along with the organizational objectives, individual members in the team should be able to achieve their personal goals.
5. **Helps in the development of society** – Management develops not only the organization but also the society.

### Nature of Management:

**Management is an Art** – Art means the application of knowledge and personal skill to achieve desired results. Management is certainly considered as an art because a manager uses his skills

and knowledge in his day to day activities for achieving the goals of the organization. As an art management has the following features:

- a. **Existence of theoretical knowledge:** Art presupposes the existence of certain theoretical knowledge. This knowledge is derived from the experiences of experts and is published in the form of books and literature in different fields like dance, music, public speaking, management etc.
- b. **Personalized application:** The use of basic knowledge varies from person to person.  
E.g. Two dancers, two speakers, two actors etc. will differ in demonstrating their art.
- c. **Based on practice and creativity:** Art involves creative practice of existing theoretical Knowledge.  
E.g. - All music is based on seven basic notes, however what makes the composition of a musician unique is his use of these notes in a creative manner.

2. **Management as a Science** – Science is a systematically organized body of knowledge. It is based on logically observed findings, facts and events. The essential features of science are as follows:

- a. Systematized body of knowledge
- b. Principles based on experimentation
- c. Universal validity

Although management has a systematized body of knowledge, they cannot be compared with the principles of physical science, which are definite and exact. Therefore, management is an inexact or soft science.

3. **Management as a Profession** – A profession is an occupation backed by specialized knowledge and training and to which entry is regulated by a representative body. Because of satisfying the following features, management may said to be a profession.

- a) Well defined body of knowledge – developed by management experts.
- b) Restricted entry – Management requires formal education and training provided by formal institutions like Universities, Professional Organizations such as ICAI (Institute of Chartered Accountants of India), IIM (Indian Institute of Management) etc.
- c) Professional association – for the implementation of code of conduct – E.g. All India Management Association (AIMA).
- d) Ethical codes of conduct - All professions are bound by a code of conduct, which guides the behavior of its members. E.g. - Doctors take an oath of ethical practice at the time they enter the profession.
- e) Service Motive – The primary objective of a profession is providing service to the society.

**Levels of Management** – Levels of management refers to the arrangement of managerial positions in an organization. There are generally three levels of management. They are Top Level, Middle Level and Lower Level (Supervisory or Operational) Management. The hierarchy of level is shown below:

**Top Level Management:** Top level management consists of managers at the highest level in the management hierarchy. Chairman, managing directors, board of directors, chief executive and general managers are regarded as top level management in a business organization. This level of management is responsible for framing business policies and taking major decisions. They perform administrative functions more than the managerial functions.

Functions of Top Level Management:

1. It lays down the objectives of the business organization.
2. It prepares strategic plans and policies.
3. It issues necessary instructions to departmental heads.
4. They appoint the executives for middle level.
5. It co-ordinates the activities.
6. It controls all the departments of the organization.
7. It builds and maintain relations with outside public.

**Middle Level Management:** This level of management consists of different departmental heads. These managers receive orders and instructions from top level managers and pass them to their subordinates. They are responsible for executing the plans formulated by top management. This level consists of production manager, finance manager etc. This level acts as an intermediary between the top management and the lower level management.

**Functions:**

1. Maintain closer watch on day to day results.
2. Participate in operating decisions.
3. Implement the policy decisions made by the top management.
4. Communicating policies of top level to the lower level.
5. Planning the activities to be carried out by their own department.
6. Directing the managers at the lower level.
7. Evaluating the performance of departmental employees.
8. Reporting to top level management.
9. Co-operating with other departments to achieve organizational goals.
10. Motivating and rewarding employees based on their performance.

**Lower Level Management:** This level is also known as *Supervisory Management or Operational Management*. It consists of foreman, supervisors, finance and accounts officers, sales officers etc. They assign specific jobs to the workers, evaluate their performance and report to the middle level management.

**Functions:**

1. Plan day to day activities.
2. Assign workers to different jobs and task.
3. Report feedback information daily.
4. Take corrective actions whenever necessary.
5. Maintain personal and immediate contact with production employees.
6. Act as a link between middle level management and workers.
7. Provide on the job training to workers.

**Functions of Management:**

**“Management** is what management does”. It is a dynamic process consisting of several activities. The activities or elements which a manager performs are called functions of management.

They are planning, organizing, staffing, directing and controlling.

1. **Planning** : Planning is the initial task of every management. It helps in determining future course of action to be followed for achieving organizational goals. It is the act of deciding in advance ‘what to do’, ‘when to do’, ‘who will do’ a particular job. It is a process which involves thinking before doing.
2. **Organizing**: It is a process of establishing relationship among the members of the enterprise. The relationship is created in terms of authority and responsibility. Organization provides the framework within which people associate for the attainment of organizational goals.
3. **Staffing**: Staffing function comprises recruitment, selection, training, development and appraisal of employees in an organization. Its aim is to place the right person at the right job at the right time.
4. **Directing**: It is concerned with instructing, guiding, and inspiring people in the organization to achieve organizational goals. Direction is not only issuing orders and instructions by superior to subordinate, but also guiding, motivating and leading them.
5. **Controlling**: It deals with the measurement and correction of the performance of persons against the predetermined standard. It involves the following steps:
  - a. Establishment of standards,

- b. Measurement of performance,
- c. Comparing actual performance with standards,
- d) Taking corrective actions.

## Coordination – The essence of management

Coordination refers to the process of integrating the activities of different units of an organization to achieve the organizational goals. Coordination is needed in all the functions of management and in all the levels of management, therefore, **coordination is considered as the essence of management.**

### Characteristics of Coordination:

1. **Integration:** It refers to the unification of all the unrelated activities or diverse interest which must be brought together so as to accomplish the work effectively.
2. **Unity of action:** Coordination helps to maintain unity of action among the activities of one department with that of another. For instance, the purchase department should purchase enough material which are necessary for the production department. Imbalance between these two departments will cause loss to the organization.
3. **It is a continuous process:** Management is a continuous process and coordination is associated with all other functions of management, so that it is a continuous process.
4. **It is an all pervasive function:** Coordination requires at all levels of management and in all departments of the organization.
5. **It is the responsibility of all managers:** All managers in the organization are responsible to coordinate the activities in their respective levels of management.
6. **It is a deliberate function:** A manager has to coordinate the efforts of different people in a deliberate manner. Even if the members in a department are very cooperative, coordination gives a direction to that willing spirit. Cooperation without coordination may lead to wasted effort and coordination without cooperation creates dissatisfaction

### Importance of Coordination:

1. **Growth in size** – As an organization grows in size, the number of people employed will also be increased. All individuals differ in their habits, approaches etc. So that it becomes necessary to coordinate their efforts to the common goal.
2. **Functional differentiation** – The functions of an organization is divided into departments and their objectives are also different. For example, marketing department may try to increase the sales volume by offering 10% discount, but the finance department may not approve it because of loss in revenue. In such a situation coordination has a vital role in the integration of efforts by the above two departments.
3. **Specialization** – Now a days many organizations appoint specialists in different jobs. These specialists may think that, they are qualified to evaluate, judge and decide in their professional area. They do not take advice from others. This often leads to conflict

among different specialists. Here also coordination plays an important role to bring harmony among these personnel for the benefit of the organisation.

### **Management in 21 st Century**

Due to the development of communication technology and the positive changes in government policies towards international business, it is possible to think of the world as a “global village” and the scope of international and intercultural relationships is rapidly expanding. Therefore, the modern organization is a global organization that has to be managed in a global perspective.



**LEARNING BUSINESS STUDIES**

An initiative to make learning 24x7