

Chapter 1

Nature and Significance of Management

Introduction

Management is required in all kinds of organizations whether they are big or small, service or manufacturing, profit (business) or non-profit (non-business). It consists of a series of interrelated functions that are performed by all managers to achieve the goals of the organization. The success of any organization depends on the quality of its management.

Concept

Meaning and Definition of Management

1. *Give the meaning of management. (OR) What is management?

Ans: Management is a process of getting things done with the aim of achieving goals effectively and efficiently.

OR

Management is the art of getting things done through and with the help of others in order to achieve the specific organizational objectives.

2. *Define management.

Ans: According to **Harold Koontz** and **Heinz Weihrich**, "Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims."

OR

In the words of **Kreitner**, "management is the process of working with and through others to effectively achieve organizational objectives by efficiently using limited resources in the changing environment."

OR

In the words of **Robert L. Trewelly** and **M. Gene New Port**, "Management is the process of planning, organizing, actuating and controlling an organizations operations in order to achieve coordination of the human and material resources essential in the effective and efficient attainment of objectives."

3. Give the meaning of the term 'process' used in the definition (meaning) of management.

Ans: The term 'process' used in the definition of management means the primary functions or activities that management performs to get things done. These functions are **planning organizing, staffing, directing and controlling.**

4. Give the meaning of term "Effectiveness" in management.

OR

What is Effectiveness?

Ans: Effectiveness means achieving the goals by completing the given task within the expected time.

5. What is 'Effectiveness' concerned with?

Ans: Effectiveness in management is concerned with doing the right task, completing activities and achieving goals.

In simple, effectiveness is concerned with the end result.

6. What is Efficiency? (OR) Give the meaning of the term 'Efficiency' in management.

Ans: Efficiency means doing the task correctly by using minimum quantity of resources and with minimum cost.

(Note: This term does not consider the time taken to complete the task).

7. State any one difference between effectiveness and efficiency.

Ans: Difference between effectiveness and efficiency.

	Effectiveness	Efficiency
(1)	It gives importance for completing the given task within the expected time.	It gives importance to complete the task by using minimum quantity of resources and with minimum cost.
(2)	It does not consider the quantity of resources used and the cost involved in it.	It does not consider the time when the task is completed.

Characteristics of Management

8. *Explain the characteristics (or features) of management.

Ans: Management is a process of getting things done with the aim of achieving goals effectively and efficiently.

Characteristics of management: Some of the elements or characteristics of management are:

- (1) **Management is a goal – oriented process:** Every organization is established to achieve certain goals. For example, the goal of a retail store may be to increase sales. It is the management that unites the efforts of different individuals to achieve these goals of the organization. Thus, management is a goal – oriented process.
- (2) **Management is all pervasive:** The activities involved in managing an enterprise are common to all organizations whether economic, social or political. What managers do in India, the USA, Germany or Japan is the same. Thus, management is all pervasive and management activities are universally applicable to all organizations.
- (3) **Management is multidimensional:** Management is a complex activity that has three main dimensions.

They are:

- (a) **Management of work:** All organizations exist for the performance of some work. E.g. In a factory a product is manufactured and in a hospital a patient is treated. Management translates this work in terms of goals to be achieved and assigns the means to achieve it. Thus, management plans, organizes and controls the work to be done.
- (b) **Management of people:** Management is concerned with "getting work done through people". Therefore, management takes necessary steps to recruit, train up and motivate the staff (i.e., employees). Further,

management will make people work towards achieving the organisations goals by giving common direction to their efforts. Thus, management manages the people in the organization.

(c) **Management of operations:** Management will ensure that various operations of the business such as finance, purchase, production, sales etc. are conducted efficiently and effectively so that required goods and services are produced and supplied to the customers.

(4) **Management is a continuous process:** Management is a continuous process consisting of series of functions such as planning, organizing, staffing, directing and controlling. All the managers perform these functions regularly. It continues till the organization lasts.

(5) **Management is a group activity:** Management is a group effort. All the managers and their subordinates work as a group (i.e., team) in order to achieve the objectives of the organization.

(6) **Management is a dynamic function:** Management is a dynamic function and adjusts itself to the changing environment. It changes its goals (objectives), plans, policies, strategies etc., according to the changing needs of the environment.

E.g. Mcdonalds made 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 terms of increased production, increased sales revenue, employee satisfaction, wealth creation etc.

Thus, management is all pervasive, multi dimensional, continuous and a dynamic function which aims at achieving the goals of the organization successfully.

9. State any two features of management.

Ans: Two features of management:

- (1) Management is a goal oriented process.
- (2) Management is a continuous process.
- (3) Management is all pervasive.

10. State any one feature of management.

Ans: Management is a goal oriented process

11. *State any one dimension of management.

- Ans:**
- (1) Management of work.
 - (2) Management of people.
 - (3) Management of operations.

Objectives of Management

12. *Explain the objectives of management.

Ans: Every organization is established to achieve certain objectives. Management has to achieve all those objectives effectively and efficiently. The main objectives of management are as follows:

- (1) Organisational objectives
- (2) Social objectives
- (3) Personal objectives.

(1) **Organisational objectives:** Management is responsible for setting and achieving objectives for the organization. In this connection, it should keep in mind the interest of all stakeholders including shareholders, employees, customers and the government.

The main objective of any organization is to utilize human and material resources to the maximum possible advantage, i.e., to **fulfill the economic objectives of a business**. They are:

(a) Survival, (b) Profit and (c) Growth

(a) **Survival:** The basic objective of any business is survival. The management must work hard to ensure the survival of the organisation by earning sufficient (i.e., enough) revenues to cover its costs.

(b) **Profit:** Mere survival is not enough for business. Management has to ensure that the organization makes sufficient (i.e., reasonable) profit. Profit acts as an incentive for the successful continuity of the business. Profit is also essential for covering costs and risks of the business.

(c) **Growth:** For the existence of business organisation for a long period, the management must explore all its prospects of growth and development. Therefore, management must ensure that there is increase in production, increase in sales volume, increase in number of employees and increase in capital investment which are the indicators of growth of an organization.

(2) **Social objectives:** As a part of society, every organization has to fulfill certain obligations towards society, (E.g., corporate social responsibility (CSR), Basically, it involves creation of benefit for society. Some of the social objectives of management include:

(a) Protecting the environment by using **environmental friendly methods** of production.

(b) **Giving employment opportunities** to the deserving (i.e., especially disadvantaged section) people of the society.

(c) **Providing basic amenities** like schools, hospitals and creches to employees and other members of the society.

(3) **Personal objectives:** Personal objectives are concerned with the employees of the organization. The management has to satisfy the diverse needs of the employees to get their whole hearted support in achieving the organizational objectives. Some of the personal objectives of management are:

(a) Satisfying the **financial needs** of the employees by giving them **fair salaries, incentives and other financial benefits**.

(b) Satisfying the **social needs** of employees by duly recognizing their services (i.e., **Peer recognition or recognition by superiors**) in the organization.

(c) Satisfying the **higher level needs of employees by creating opportunities for their personal growth and development**.

Thus, management has to fulfill the organizational, social and personal objectives for the success of an organization.

13. State any two objectives of management.

Ans: Two objectives of management:

(1) Organisational objectives: e.g., earning of profit

(2) Social objectives, e.g., using environment friendly methods of production.

14. *State any two organizational objectives of management. (OR) State any two economic objectives of management.

- Ans: (1) Survival,
(2) Profit ; and
(3) Growth

15. State any one social objective of management.

- Ans: (1) Using environmental friendly methods of production.
(2) Giving employment opportunities to the disadvantaged sections of society.
(3) Providing basic amenities like schools and crèches (i.e., nursery where babies and young children are cared for) to employees.

16. State any one personal objective of management.

- Ans: (1) Satisfying the financial needs of employees by giving them competitive salaries and perks.
(2) Satisfying the social needs of employees such as peer recognition.
(3) Satisfying the higher level needs of employees such as personal growth and development.

Importance of Management

- (1) **Management helps in achieving group goals:** Management helps in achieving the goals of the organization by giving a common direction to the individual effort.
- (2) **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 organizational objectives.
- (3) **Management increases efficiency:** Efficient management team helps to reduce costs and increase productivity and thus increases the efficiency of the organization.
- (4) **Management creates a dynamic organization:** Management convinces people (employees) to accept changes as and when there is a need for such change and keeps the organization a dynamic one.
- (5) **Management helps in the development of society:** Management helps in the development of society by providing good quality products and services, by providing employment opportunities and so on.

Thus, management helps in the development of the organization, employees and the society by making an organization an efficient and a dynamic one.

17. State any two importance of management.

Ans: **Two importance of management**

- (1) Management helps in achieving group goals.
- (2) Management helps in achieving personal objectives.

18. State any one importance of management.

Ans: Management helps in achieving group goals.

Nature of management: Management is a combination of an organized body of knowledge (science) and its skillful application (art). Thus, management is both an art and a science. Further, to a large extent, it is professional in character.

19. ***“Management is considered to be both an art and a science”. Explain. (OR) “Management as an art and a science are not mutually exclusive, but complement to each other. Elucidate.**

Ans: Management is considered to be both a science and an art. They are not mutually exclusive but complement to each other. The following explanation justifies this point.

Management as an art: Art is the skillful and personal application of existing knowledge to achieve desired results.

Management is said to be an art since it has the following features of an art:

- (1) **Existence of theoretical knowledge:** Like any other art (e.g., dancing or music), in management, there is existence of theoretical knowledge. Lot of literature is available in various areas of management like marketing, finance and human resources. Further, various theories of management were developed by management thinkers, which prescribe certain universal principles.
- (2) **Personalised applications:** Like an artist (e.g., dancer or actor), every manager has his own way (style and approach) of managing the things depending upon his knowledge and experience. A manager applies management principles to a given situation, or a problem in his own unique manner. Thus, the ability of managers to put management principles into practice distinguishes a successful manager from a less successful one.
- (3) **Based on practice and creativity:** Like any art, management involves the creative practice of existing theoretical knowledge. A good manager works through a combination of practice, creativity, imagination, initiative and innovation. A manager achieves perfection after long practice.
- (4) **Goal oriented:** Like any other art, management is also directed towards completion of the predetermined goals.

Therefore, we can conclude that management is an art.

Management as a science: Science is a systematic body of knowledge. Management is considered to be a science since it has the following features of science:

- (1) **Systematised body of knowledge:** Like science, management has a systematized body of knowledge. It has its own theory and principles. Management has its own vocabulary of terms and concepts.
- (2) **Principles based on experimentation:** Like scientific principles, management principles are also based on repeated experiments and observations in different types of organizations. E.g., Scientific Management principles by F.W. Taylor.
- (3) **Universal validity:** Since management deals with human beings and human behaviour, application and use of management principles is not universal. They have to be modified according to a given situation. However, they provide managers with certain standardized techniques that can be used in different situations.
- (4) **Cause and effect relationship:** Like principles of science, management principles also establish cause and effect relationship in dealing with various situations in the organization. E.g., Division of labour (Cause) results in increased productivity (effect)

Since management deals with human beings and human behaviour, management can be called an inexact science.

Conclusion: The practice of management is an art. The practice of manager is based on the principles – it is a science. Thus, management is both a science and an art. Further, management as an art and a science are not mutually exclusive, but complement each other.

20. ***Is management a science or an art or both?**

Ans: Management is **both** a science and an art.

Management as a Profession

Management does have some of the features of a profession.

- (1) **Well defined body of knowledge:** Like all professions, management is a systematic body of knowledge. It has well defined principles based on variety of business situations. This knowledge can be acquired at different colleges and professional institutes and through a number of books and journals. e.g., Indian institutes of management (IIM) are providing management education in India.
- (2) **Restricted entry:** There is no restriction on anyone being appointed as manager in any business enterprise. It is not mandatory (i.e., compulsory) for a manager to possess any specific degree. However, professional knowledge and training is considered to be a desirable qualification.
- (3) **Professional association:** There are several associations of practicing managers in India, like All India Management Association (AIMA) which have laid down a code of conduct to regulate the activities of their members. However, there is no compulsion for managers to be members of such association nor does it have any statutory backing.
- (4) **Ethical code of conduct:** There is no specific ethical code of conduct for managers. However, there are some good managers who behave in an ethical manner.
- (5) **Service motive:** The basic purpose of management is to help the organization achieve its stated goal. i.e., profit maximization. However, if an organization has a good management team it automatically serves society by providing good quality products at reasonable prices.

Thus, management does not meet the exact criteria of a profession. However, it does have some of the features of a profession.

Levels of Management

Individuals in an enterprise are bound together in a hierarchy of relationships. Every individual in the hierarchy is responsible for successful completion of a particular task. To be able to fulfill that responsibility he is given a certain amount of authority. This authority – responsibility relationship binds individuals as superiors and subordinates and gives rise to different levels in an organisation.

21. What do you mean by levels of management?

Ans: Levels of management means the existence (or presence) of different levels in various managerial positions of an organization based on authority responsibility (or superior – subordinate) relationships.

Levels of management:

- (1) **Top management:** Top management is a team consisting of the Board of Directors, the Chairman, the Chief Executive Officer (CEO), Chief Operating Officer, President, Managing Director, Vice President, Chief Finance Officer, Vice President (Marketing) and so on. They are superiors to other member of the organization. They determine overall organizational goals (objectives) and strategies for their achievement. They also formulate policies and coordinate the activities of different departments. They are responsible for all the activities of the business.
- (2) **Middle management:** Middle management is the link between top level and lower level managers. They are subordinate to top managers and superior to the first line (lower level) managers. It includes division heads. E.g. production manager, purchase manager and so on. Middle management is responsible for implementing and controlling plans and strategies developed by top management. They are also responsible for all the activities of first line managers.

(3) **Supervisory or Operational Management:** Foremen and supervisors comprise the lower level management. Supervisors interact with the actual work force (i.e., workers) and pass on instructions of middle management to them. They directly oversee the efforts of the workforce. They are responsible to minimize wastage of materials and to maintain the quality of output.

22. **State any two levels of management.**

Ans: **Levels of management:**

- (1) Top management e.g., Chairman
- (2) Middle management, e.g. production manager
- (3) Supervisory or operational management. E.g., Supervisors

23. ***Give one example for top level management position.**

- Ans:
- (1) Chairman
 - (2) President
 - (3) Chief Executive Officer

24. ***Give one example for middle level management position.**

- Ans:
- (1) Production manager
 - (2) Purchase manager.

25. ***Give one example for supervisory management. (OR)**

Operational management or lower level management.

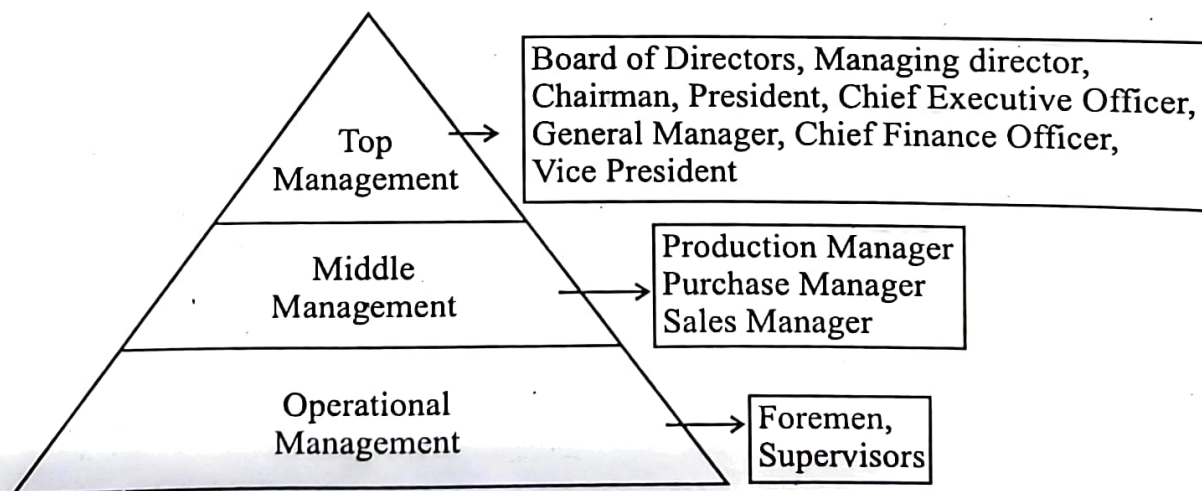
- Ans: (1) Supervisors (2) Foremen

Practical Oriented Question

26. ***Assuming that you are the manager of an organization, draw a neat diagram of different levels of management to specify that authority responsibility relationships create different levels of management.**

Ans:

Diagram showing levels of management



Functions of Management

27. *Briefly explain the functions of management. OR Management is a series of continuous interrelated functions. Comment.

Ans: Management is described as the process of planning, organizing, staffing, directing and controlling the efforts of organizational members and of using organizational resources to achieve specific goals.

Following are the important functions of management:

- (1) **Planning:** Planning is the basic function of management. It is the function of determining in advance what is to be done and who is to do it. It involves setting the goals in advance and developing a way of achieving them efficiently and effectively. It requires the formulation of policies, procedures and budgets.
It is an intellectual activity and is being performed continuously by managers at all levels. The main objective of planning is to ensure proper utilization of all available resources. It helps to avoid confusion, wastages, risk etc.,
- (2) **Organising:** Organising is another important function of management. It is the management function of grouping tasks, assigning duties, arranging and allocating resources and establishing authority responsibility relationships. Thus, organizing involves:
 - (a) Identification of the activities (i.e., tasks) and resources required to implement the plan.
 - (b) Grouping of the required tasks into manageable departments or work units.
 - (c) Assignment of duties.
 - (d) Arranging and allocating resources (i.e., men, money, materials and machinery) required to carryout a specific plan.
 - (e) Establishment of authority and reporting relationships within the organizational hierarchy. .
- (3) **Staffing:** Staffing is finding the right people for the right job. The main purpose of staffing function is to put the right people with the right qualifications at the right place and time to accomplish the goals of the organization effectively and efficiently. This function is also known as the human resource function.

Staffing involves

- (a) Manpower planning
 - (b) Recruitment, selection and placement
 - (c) Training and development
 - (d) Remuneration
 - (e) Performance appraisal
 - (f) Promotion and transfer.
- (4) **Directing:** Directing is one of the important functions of management. While planning, organizing and staffing are merely the preparations for doing the work, directing function actually starts the work. It guides, leads, influences and motivates the subordinates (i.e., employees) to perform the tasks assigned to them. This enables the subordinates to work effectively and efficiently for the implementation of plans.
It has the following elements:
- (a) **Supervision:** It involves supervising employees at work.
 - (b) **Motivation:** It involves creating an environment that makes them want to work.

- (c) **Leadership:** It involves influencing employees to do what the leader wants them to do.
- (d) **Communication:** It involves communicating effectively with the employees.
- (5) **Controlling:** Controlling is the management function of monitoring organizational performance towards the attainment of organizational goals. The purpose of controlling is to ensure that everything occurs in accordance with the plans (i.e., standards set)

Controlling involves

- (a) Establishing standards of performance.
- (b) Measuring current (actual) performance.
- (c) Comparing actual performance with the standard performance and finding out deviation, if any.
- (d) Taking corrective action.

Thus, in order to achieve the objectives of the organization, starting from planning till controlling, management has to perform a series of continuous interrelated functions.

28. State any two functions of management.

- Ans:**
- (1) Planning
 - (2) Organising
 - (3) Staffing
 - (4) Directing
 - (5) Controlling

29. *State any one function of management.

- Ans:** (1) Planning

Coordination – the Essence of Management

Coordination is the process by which a manager synchronises (i.e., combines or adjusts) the activities of different departments in order to achieve the common goal.

The **purpose of coordination is to secure unity of action** in the realisation of a common purpose.

Coordination is the force that binds all the other functions. (i.e. planning, organizing, staffing, directing and controlling) of management. It is a must in all the activities such as purchase, production, sales and finance to ensure continuity in the organization. The process of coordinating the activities of an organization begins at the planning stage itself.

Thus, **coordination is the essence of management**, for achieving harmony among individual efforts towards the accomplishment of group goals.

30. *Give the meaning of coordination.

Ans: Coordination is the process by which a manager synchronises the activities of different departments to bring unity of action in order to achieve the goals of the organisation.

31. *Define coordination.

Ans: According to McFarland, "Coordination is the process whereby an executive develops an orderly pattern of group efforts among his subordinates and secures unity of action in the pursuit of common purpose."

OR

In the words of Theo Haimann, "Coordination is the orderly synchronizing of efforts of subordinates to provide proper amount, timing, the quality of execution so that their united efforts lead to the stated objectives, namely, the common purpose of the enterprise."

OR

According to E.F.L. Brech, "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"

32. *What is coordination? Explain the characteristics of coordination.

Ans: Coordination is the process by which a manager synchronises the activities of different departments to bring unity of action in order to achieve the goals of the organisation.

Following are the characteristics or features of coordination:

- (1) **Coordination integrates group efforts:** Coordination unifies diverse interests of employees and gives a common focus to group effort. It ensures that performance is as it was planned.
- (2) **Coordination ensures unity of action:** Coordination acts as the binding force between departments and ensures unity of action to achieve the goals of the organization.
- (3) **Coordination is a continuous process:** Coordination is a continuous process. It begins at the planning stage and continues till controlling.
- (4) **Coordination is an all pervasive function:** Coordination is required at all levels of management. It integrates the efforts of different departments (such as purchase, production and sales departments) and different levels.
- (5) **Coordination is the responsibility of all managers:** Coordination is the function of every manager in the organization. E.g., middle level management coordinates with both the top level and first line managers.
- (6) **Coordination is a deliberate function:** A manager has to coordinate the efforts of different people in a conscious and deliberate manner.

Thus, being a part of all management functions, coordination is the essence of management.

33. State any two characteristics of co-ordination.

Ans: Write any two points of Q. 32 above.

Importance of Coordination

Coordination is important as it integrates the efforts of individuals, departments and specialists.

34. State any two importance of coordination. (OR) Justify importance of coordination by any two factors.

Ans: (1) **Growth in size:** As organizations grow in size, it is through proper coordination, management can ensure that all individuals work towards the common goals of the organization.

(2) **Functional differentiation:** Coordination helps to link the activities of various departments (based on functions) such as finance, production, marketing and so on.

(3) **Specialisation:** Coordination is required to reconcile the differences in approach, interest or opinion of the specialists.