

BUSINESS STUDIES

Chapter 1: Nature and Significance of Management



Nature and Significance of Management

Management:

“Management is defined as the process of planning, organizing, actuating and controlling an organization’s operations in order to achieve coordination of the human and material resources essential in the effective and efficient attainment of objectives.”

Concept of Management:



Management is a process that aims to bring the efforts of the people working in the organization to achieve a common objective effectively and efficiently.

1. Traditional Concept Management is the art of getting things done through others.
2. Modern Concept Management is defined as the process (refers to the basic steps) to get the things done with the aim of achieving goals effectively and efficiently (effectiveness refers to achievement of task on time and efficiently implies optimum use of resources).

Process: The term process refers to the primary activities performed in an organization by the management to achieve the objective. It includes planning, organizing, staffing, directing and controlling.

Effectively: The term effectively refers to completion of the given task in the allotted time frame.

Efficient: The term efficient means completing the task within minimum cost as well as optimum utilization of resources.

Characteristics of Management:

1. Management is a Goal Oriented Process Organisation’s existence is based on objectives and management is the process which unites the efforts of every individuals to achieve the goal.

2. Management is All Pervasive The use of management is not restricted, it is applicable in all organisations big or small, profit or non-profit making.
3. Management is Multidimensional it does not contain one activity. it is a complex activity including three main activities:
 - ❑ Management of house.
 - ❑ Management of people.
 - ❑ Management of operations.
4. Management is a Continuous Process It is a never ending process. It consists of series of interrelated functions which performs continuously.
5. Management is a Group Activity Organisation is a collection of many individuals, every individual contributes towards achieving the goal.
6. Management is an Intangible Force It cannot be seen or touched only it can be felt in the way the organisation functions.

Functions of Management:



1. **Planning:** Planning is a process of setting goals and objectives and formulating a strategy and an action plan to achieve it. It bridges the gap between our current position and desired position. This is the basic function of an organization and is the first step of management.
2. **Organizing:** Organizing is the process of establishing authority and responsibility relationships. It involves assigning tasks to individuals and allocating resources for the same.

3. **Staffing:** Staffing is a process of placing the right person on the right job at the right time. It includes recruitment, selection, placement, induction and training of employees. It can be called as the Human Resource function of the organization.
4. **Directing:** Directing refers to the process of leading, influencing and motivating the individuals working in the organization to complete the assigned task effectively and efficiently. The employees need to be constantly motivated to perform better. Leadership and motivation are the key components of directing as a function. It tends to bring out the best in an employee.
5. **Controlling:** Controlling is the process of keeping a check on the performance of the organization and comparing it with the standards set. Also, corrective actions are taken, in case any deviation is found between the actual and desired results.

Importance of Management:



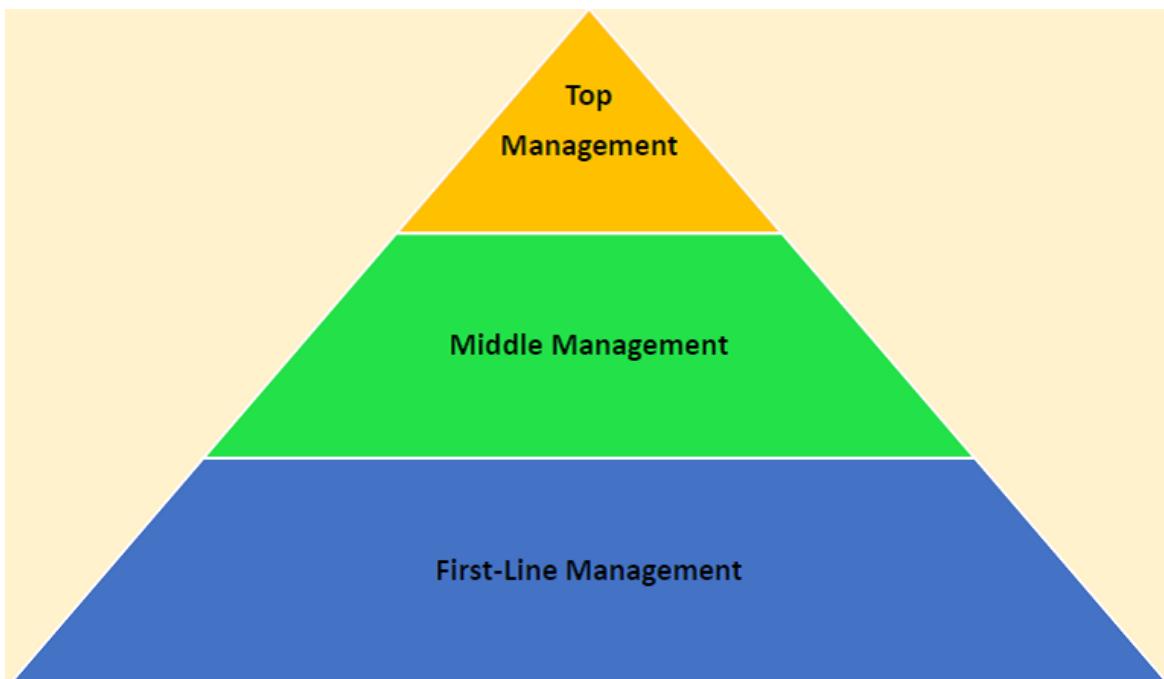
The importance of management can be understood from the following points:

1. **Management helps in achieving group goals:** Management creates teams and coordinates with individuals to achieve individual goals along with organizational goals.
2. **Increases efficiency:** Management increases efficiency by using resources in the best possible manner to reduce cost and increase productivity.
3. **Creates dynamic organization:** Management helps the employees overcome their resistance to change and adapt as per changing situation to ensure its survival, growth and its competitive edge.
4. **Achieving personal objectives:** Through motivation and leadership management helps the

individuals in achieving personal goals while working towards organizational objective.

5. **Development of society:** Management helps in the development of society by producing good quality products, creating employment opportunities and adopting new technologies.

Levels of Management:



1. **Top Management:** Designations and Functions Comprises of CEO, Board of Directors, MD, GM, VP. Main task is conceptualizing of organizational goal, policy and strategy formulation and organising, controlling, and monitoring activities and resources. Controlling the work performance of individuals and approving Budgets.
2. **Middle Management:** Designations and Functions Comprises of Departmental, Sub-Departmental and Divisional heads, its main task is execution of plans, policies framed by the top-level management and preparing organisational set up & appointing employees and issuing instructions and motivating employees. Ensuring interdepartmental cooperation as well.
3. **First-line Management:** Designations and Functions Consists of Foremen and supervisor etc. Main task is to ensure actual implementation of the policies as per directions of top and middle level managers and also to Bring workers' grievances before the management & maintain discipline among the workers.

Co-ordination:



The Essence of Management Co-ordination means binding together all the activities such as purchase, production, sales finance to ensure continuity in the working of the organisation. It is considered as a separate function of management, in order to achieve harmony among individual efforts towards the accomplishment of goods.

Characteristics of Co-ordination

1. It integrates group efforts.
2. It ensures units of action.
3. It is a continuous process.
4. It is an all pervasive function.
5. It is the responsibility of all managers.

Features of Coordination:

1. **Coordination Integrates Group Effort:** It is an orderly arrangement of group effort to ensure that performance is at par with the plans and schedules.
2. **Coordination Integrates Group Effort:** It is an orderly arrangement of group effort to ensure that performance is at par with the plans and schedules.
3. **Coordination is a Continuous Process:** It is a never-ending process as its needs are felt at all levels and in all activities in the organisations. It begins at the planning stage and continues until controlling.

Coordination is the responsibility of all managers:

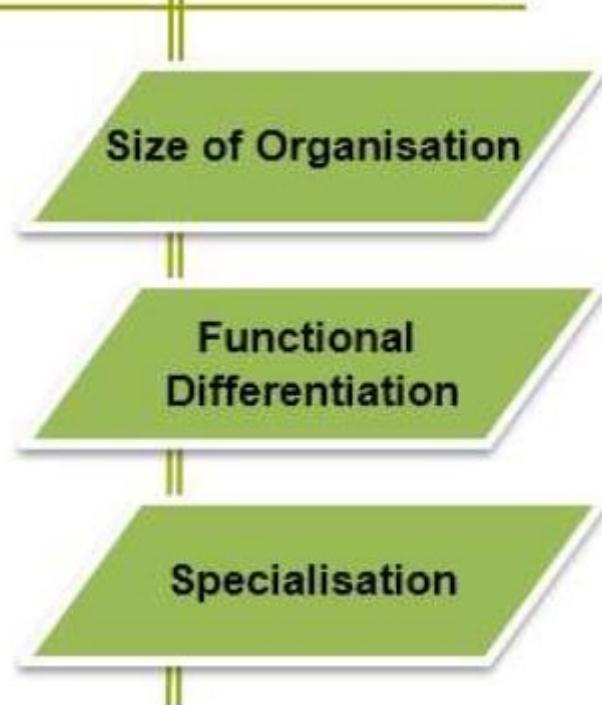


Coordination is equally important at all levels of management. It is the responsibility of all the individuals in an organisation to carry out their work in a responsible manner and coordinate with each other to achieve organizational goals.

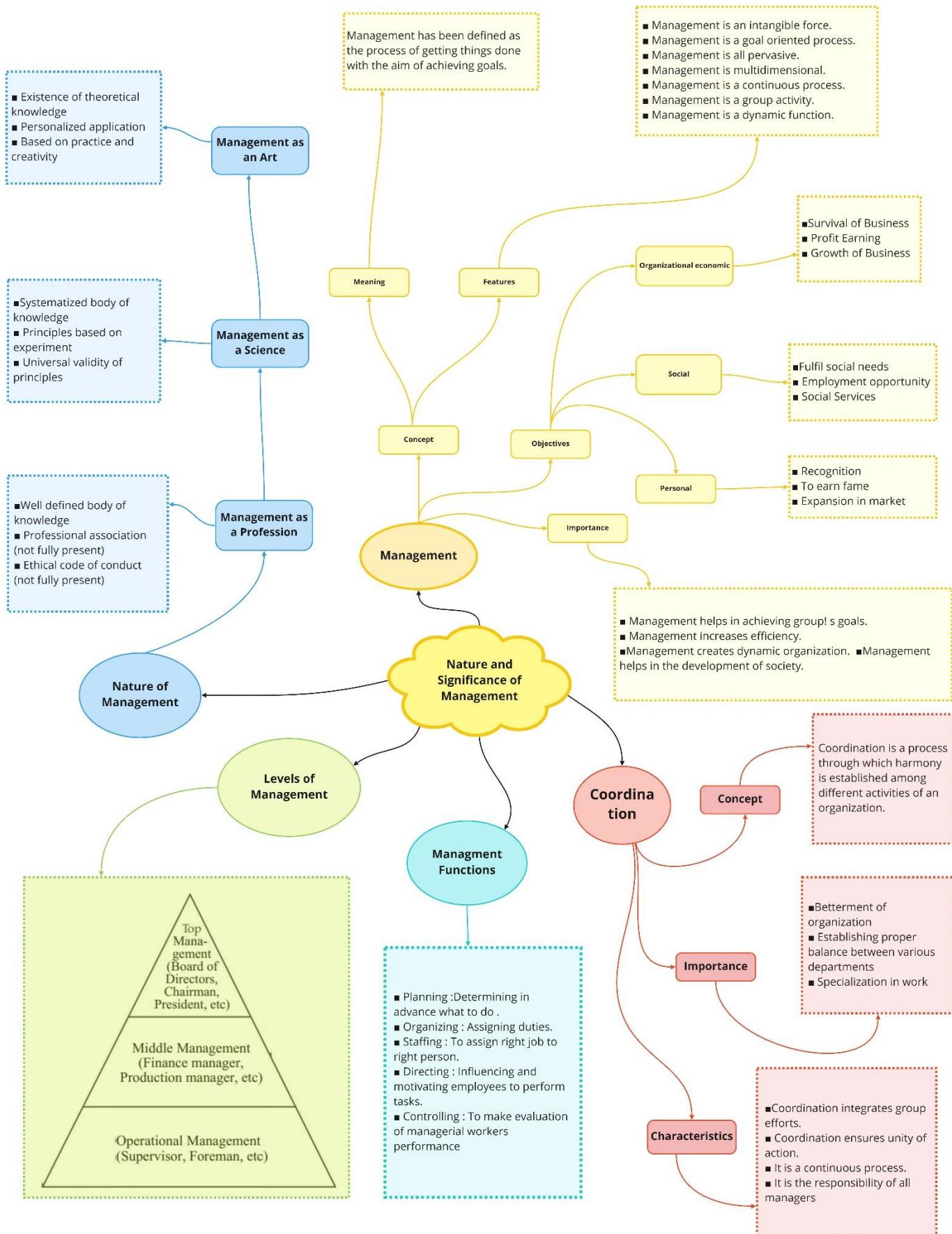
1. **Coordination is a deliberate function:** A manager has to coordinate the efforts of different people in a conscious and deliberate manner.
2. **Coordination is all pervasive function:** It is needed in all departments and at all levels. Lack of coordination can lead to overlapping of activities.

Importance of Coordination:

Importance of Coordination in Management



1. **Growth in Size:** Coordination harmonizes individual goals with the organizational goals. This results in the growth of the organization which results in an increase in the number of people employed with it.
2. **Functional Differentiation:** The various departments of the organization have their own objectives, policies and their own style of working. But to achieve organizational objective coordination is important so as to link the activities of all departments.
3. **Specialization:** Coordination integrates all the specialists activities into a collective effort.



Important Questions

Multiple Choice questions-

Question 1. Which one of the following is not an objective of Management?

- (a) Political Objective
- (b) Social Objective
- (c) Organisational Objective
- (d) Personal Objectives

Question 2. Management is _____

- (a) Wastage of time
- (b) Multi-Dimensional
- (c) Not required in small business firms
- (d) Individual Activity

Question 3. Management is a _____ Activity

- (a) Group
- (b) Supervisor Level
- (c) Accounting
- (d) Individual

Question 4. The word _____ denotes a function, a task, a discipline.

- (a) Management
- (b) Leadership
- (c) Motivation
- (d) None of the above

Question 5. Mainly planning is concerned with _____

- (a) Formulation of Policies and Strategies
- (b) Management in Action
- (c) Manpower Planning
- (d) None of the above

Question 6. A process needs

- (a) Throughout to execute
- (b) Timer to execute
- (c) Resources to execute
- (d) Both a and b

Question 7. Coordination is:

- (a) The essence of management
- (b) Function of Management
- (c) An objective of management
- (d) None of the above

Question 8. Providing the facility for Schools and hospitals is the _____ objective of management.

- (a) Social Objectives
- (b) Organisational Objective
- (c) Personal Objective
- (d) None of the above

Question 9. Organisational objective is not concerned with _____

- (a) Growth
- (b) Profit
- (c) Survival
- (d) Supply of quality goods

Question 10. Which of the following is not an example of non-economic activity?

- (a) Patriotism
- (b) Teaching
- (c) Sentiment
- (d) Sympathy

Question 11. Effectiveness is concerned with _____

- (a) Doing the task correctly with minimum cost
- (b) Getting things done with the aim of achieving goals effectively and efficiently
- (c) Doing the right task, completing activities, and achieving goals
- (d) None of the above

Question 12. Which aspect of management is concerned with the end result?

- (a) Co-ordination
- (b) Efficiency
- (c) Effectiveness
- (d) Controlling

Question 13. Pramod Limited targets production of 22,000 units in a year. The production manager was able to cut down the cost but could not achieve the target. In this case, manager is _____ but not _____

- (a) Efficient but not honest
- (b) Effective but not efficient
- (c) Efficient but not effective
- (d) None of the above

Question 14. Water pollution can be identified by testing its

- (a) PH level
- (b) Biological Oxygen Demand (BOD)
- (c) Both (a) and (b)
- (d) None of the above

Question 15. Which of the following is not included in Top Level Management?

- (a) Accountant
- (b) Managing Director
- (c) Chief Executive
- (d) Board of Directors

Very Short -

1. “Planning, Organizing, Staffing, Directing and controlling” is the sequence of functions in a process. Name it.
2. Name that intangible force which creates productive relationships among resources of an organization.
3. What is the main objective of any organization?
4. Production manager tries to produce goods with minimum costs. Name the concept which is being focused by management?
5. What do you mean by effectiveness?
6. “Management is a group activity”. Give reasons for statement.
7. In order to be successful, an organization must change its according to the needs of the environment. Which characteristic of management is highlighted in the statement?
8. Give one designation each of top and middle level management?
9. Your Grand Father has retired as the director of a manufacturing company. At what level of management was he working?
10. Why is management called inexact science?

Short Questions -

1. Explain the meaning of management. What do you mean by managers?
2. ‘Management is a process’ Explain?
3. ‘Management is multi-dimensional’. Explain?

4. What are the personal objectives of the management?
5. Enumerate the importance of management.
6. What do you mean by level of management?
7. Define co-ordination. Enumerate the features of co-ordination?
8. Distinguish between coordination and cooperation.
9. Write the characteristics of management and explain any two.
10. "Lack of proper management results in wastage of time money and efforts." Do you agree with this statement? Give reasons in support of your answer. (2003)

Long Questions-

1. Explain any five features of management?
2. Explain the organizational objectives of management.
3. Explain the 'social objectives' of management.
4. Do you mean by' Personal Objectives' of management? Enumerate personal objectives of management.
5. Explain five functions of top-management.
6. Do you think proper Management is an important part of an organization?

or

Explain the importance of management.

7. Explain the level of management and their main functions.

Case Study Based Question-

1. Josh Enterprises decides to have a meeting of all the key employees of different departments in the organisation. The main motive is to tell the employees to keep the target of 20% increase in sales as the main objective when they work throughout the year. The meeting is full of ideas regarding the employees and processes involved. Various plans are made to harness the potential of the employees and streamline the processes. However with the passage of a few days the external business environment checks the capability of the organisation to adapt to the situations. The company successfully comes out at the end of the year with flying colours.

What are the various characteristics of management you can find highlighted here? Also identify the lines in which these characteristics have been highlighted.

2. XYZ Ltd. is a management oriented company. Time and again all the employees learn from their seniors various ways of dealing with diverse situations. They are provided training whenever required. They are also given incentives both financial as well as non financial. The result is employees see their development in the organisation. The organisation tries to behave as a responsible constituent of society and always creates good quality products. It has a very good image in the market. The training modules are superb and the employees always try to find unique ways of providing solutions in the context of rapidly changing business environment. This has helped the organisation to

adjust frequently in a very good manner.

Which importance of management is highlighted here? Also identify the lines.

Assertion Reason Question-

1. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.
 - a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
 - b. Assertion and reason both are correct statements but reason is not correct explanation for assertion.
 - c. Assertion is correct statement but reason is wrong statement.
 - d. Assertion is wrong statement but reason is correct statement.

Assertion (A): Coordination is needed in all departments and at all levels.

Reason (R): Activities are independent in all departments and levels.

2. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.
 - a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
 - b. Assertion and reason both are correct statements but reason is not correct explanation for assertion.
 - c. Assertion is correct statement but reason is wrong statement.
 - d. Assertion is wrong statement but reason is correct statement.

Assertion (A): Efficiency aims at performing tasks with the least wastage of time and effort.

Reason (R): Efficiency is about doing the job in a cost-effective manner, i.e., getting maximum output with minimum input.

MCQ Answers -

1. Answer: (a) Political Objective
2. Answer: (b) Multi-Dimensional
3. Answer: (a) Group
4. Answer: (a) Management
5. Answer: (a) Formulation of Policies and Strategies
6. Answer: (c) Resources to execute
7. Answer: (a) The essence of management
8. Answer: (a) Social Objectives
9. Answer: (d) Supply of quality goods

10. Answer: (b) Teaching
11. Answer: (c) Doing the right task, completing activities, and achieving goals
12. Answer: (c) Effectiveness
13. Answer: (c) Efficient but not effective
14. Answer: (c) Both (a) and (b)
15. Answer: (a) Accountant

Very Short Answer -

1. Ans. Management
2. Ans. Management
3. Ans. Main objective of any organization is optimum utilization of resources
4. Ans. Efficiency
5. Ans. It means completing the task or achieving the goals within stipulated time period.
6. Ans. An organization is a collection of diverse individuals with needs and purposes but they work towards fulfilling the common organizational goals.
7. Ans. Management is a dynamic function.
8. Ans. Top – CEO, Middle – Divisional Manager
9. Ans. Top management.
10. Ans. Management relates to human behavior, whose cause and effect is not certain, that's why it is called and inexact science.

Short Answers -

1. **Ans.** Management is a process of getting things done with the aim of achieving desired common goals effectively and efficiently persons engaged in performing the functions of the management are known as managers. In other words, those managing the organizational resources for releasing its goals are known as managers.
2. **Ans.** Management includes various steps such as planning, organizing, staffing, directing and controlling. This process begins with those at the top of the organization and continues in varying degrees at almost every level of the organization. These *i n t e r -* related steps help to achieve organizational goals in effective manner. That is why management is known as process of employing and organizing resources to accomplish predetermined objectives.
3. **Ans.** Management is a complex activity and involves following three main dimensions –

i) Management of works

In each and every organization, certain type of work is to be performed. In school, overall development of a child is to be done; in hospitals, patients are treated etc. Management converts these works into goals and devises the means to achieve them.

ii) Management of People.

Management is concerned with "getting things done through people", which is a very difficult task. All the employees have different personalities, needs backgrounds and methods of work. Thus, it becomes management's job to make them work as a group by giving common direction to their efforts.

iii) Management of operations.

In order to survive, each organization has to provide certain goods or services. This involves production process thus, management of operations is inter linked with both the above dimensions viz., management of work and the management of people.

4. Ans. Personal objectives refer to the objectives which are related to the employees of an organization. They are as follows:

- i) Financial needs like competitive salaries, incentives and other monetary benefits.
- ii) Social needs like recognition in the organization.
- iii) Higher level need which includes personal growth and development.

5. Ans. Following points are the importance of management.

- i) Management helps in achieving group goals.
- ii) Management increase efficiency
- iii) Management creates a dynamic organization.
- iv) Management helps in achieving personal objectives.
- v) Management helps in development of society.

6. Ans. Levels of management means the hierarchy of organization representing the relationships among managers and subordinates on the basis of their relative authority, status and responsibility. There are three levels in the hierarchy of an organization viz.

- (i) Top management (ii) Middle management and (iii) Supervisory or operational management.

7. Ans. Coordination is an orderly arrangement of group efforts to maintain harmony among individuals' efforts towards the accomplishment of common goals of an organization.

Features of co-ordination

- i) It integrates group efforts.
- ii) It unifies the action.
- iii) It is a continuous process.
- iv) It is an all-pervasive function
- v) It is the responsibility of all managers.
- vi) It is a deliberate function.

8. Ans.

Co-ordination	Cooperation
1. It is an orderly arrangement of a group effort to provide for unity of action.	1. It is a voluntary desire to help each other
2. Co-ordination includes cooperation, hence it is a wider term.	2. Co-operation is a narrow term as it is a part of co-ordination.
3. It is a deliberate effort made by the management to balance interrelated activities.	3. It is the voluntary effort made by a group of people depending on their mental needs or liking
4. It is a technique.	4. It is an attitude.

9. Ans.

Characteristics The key features of management are –

1. Goal-oriented process,
2. all-pervasive,
3. multidimensional,
4. Continuous process,
5. group activity
6. dynamic function,
7. tangible force.

1. Management is a goal-oriented process: An organization has a set of basic goals which are the basic reason for its existence. These should be simple and clearly stated.
2. Management is all-pervasive: The activities involved in managing an enterprise are common to all organizations whether economic, social, or political. Thus it is all-pervasive.

10. Ans.

Yes, the above-mentioned statement holds true as the reasons are as follows.

1. Means to accomplishing goals: Management is important because it helps in achieving group goals, increases efficiency, and creates a dynamic organization.
2. Unified direction: Management motivates and directs the workforce by unifying goals with the group goals.

3. Establishes sound industrial relations: The success of any organization depends upon its workforce. It is the only factor of production which is movable in nature. Effective management tries to build a feeling of team and loyalty towards the organization.
4. It looks after for future uncertainties: An effective management prepares the organization for future contingencies and paved the way for its survival and growth. In the ' absence of this foresightedness, an organization may be forced to wind up its operations resulting in wastage of time, efforts, and resources.

Long Answers -

1. **Ans.** Following are the features of management:

(i) Management is a group activity

Management consists of a number of persons who work as a group.

Their efforts are directed towards the common goals. Members initiate, communicate, coordinate and join their hands for the achievement of organizational objectives.

(ii) Management is a goal-oriented process

Management aims at common goals through a process of series of continuous functions via planning, organizing, directing, staffing and controlling. These composite functions of management are separately performed by all managers all the time simultaneously to realize organizational goals

(iii) Management is all pervasive

Whether it is a commercial organization or noncommercial organization, big or small all require management to handle their operations effectively and efficiently.

(iv) Management is a continuous process

Management is a continuous process consisting of a series of functions viz., planning, organizing, directing and controlling. All the managers perform these functions regularly.

(v) Management is a dynamic function

The environment in which a business exists keeps on changing. Thus in order to be successful, management must change its goals, plans and politics according to the needs of its environment.

2. **Ans.** The organizational objectives of management refer to the main objectives required to fulfill the economic goals of the business organization. The main objective of management is to utilize the human and material resources in such a manner that it

should give maximum advantage to the organization. Every management group strives to accomplish these objectives for its organization.

These objectives of every organization are survival, profit and growth:

- (a) **Survival:** The basic objective of every business is to survive for a longer period in the market. The management must ensure survival of the organization by earning enough revenue to cover its costs.
- (b) **Profit:** Only survival is not sufficient for business. Profit earning is essential for meeting the expenses and for the successful operation of the bus' Thus management must ensure earning of sufficient profit.
- (c) **Growth:** The next important objective of the management is to ensure future growth and development of the business.

3. Ans. Each organization is a part of society and thus it has certain social obligations to fulfill.

Some of them are as follows:

- (i) To supply quality goods and services
- (ii) Providing basic amenities to the employees like schools and creches for their children, medical facilities etc.
- (iii) To generate employment opportunities especially for the backward classes.
- (iv) To provide environment friendly methods of production.
- (v) To provide financial support to society by donating for noble causes.
- (vi) To organize educational, health and vocational training programmes.
- (vii) To participate in social service projects of Government and Non – Governmental Organizations (NGOs).

4. Ans. Personal Objectives refer to the objectives which are related to the individual needs of the employees of an organization. All organizations are made up of people with different values, experiences and objectives. People join an organization to satisfy their different needs. These are as follows:

- i) Financial needs like competitive salaries, incentives and other monetary benefits.
- ii) Social needs like recognition in the organization.
- iii) Higher level need which includes personal growth and development.

5. Ans. Top management performs the following functions.

- i) **Develops long-term objectives:** Top-level managers develop the long – term objectives like expansion of business, manpower planning etc.
- ii) **Framing of policies:** They lay down guidelines for departmental head i.e., policies relating to production, marketing, personnel, finance public relation etc.
- iii) **Organizing :** Top management organizes the business into various sections and

departments to achieve the desired organizational objectives.

- iv) Key appointments: Top-level authorities appoint the departmental heads and some other key persons to develop the organizational structure for profitable growth of the enterprises.
- v) Controlling: Top-level managers periodically review the work of executives at different levels to ensure that their performance is as per predetermined plans.

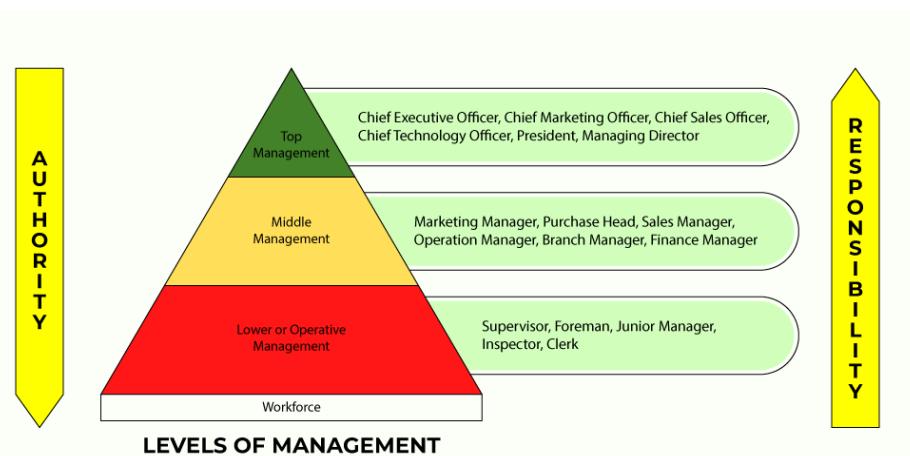
6. Answer:

Yes, management is a universal activity that is integral to any organization. We now examine some of the reasons that have made management so important.

1. Management helps in achieving group goals: Management is required not for itself but for achieving the goals of the organization, the task of a manager is to give a common direction to all.
2. Management increases efficiency: The aim of a manager is to reduce costs and increase productivity " through better planning, organizing directing, staffing, and controlling the activities of the organization.
3. Management creates a dynamic organization: All organizations have to function in an environment that is constantly changing.
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 organizational objective.
5. Management helps in the development of society: An organization has multiple objectives to serve the purpose of the different groups that constitute it. In the process of fulfilling all these management helps in the development of the organization and through that it helps in the development of society. It helps to provide good ' quality products and services, creates employment opportunities, and leads the path towards growth and development.

7. Answer:

Level of Management.



Generally speaking, there are three levels in the hierarchy of an organization.

1. Top Management:

They consist of the senior-most executives of the organization by whatever name they are called. They are usually referred to as the chairman, the chief executive officer, chief operating officer, president, and vice-president. Top management is a team consisting of managers from different functional levels. Their basic task is to integrate diverse elements and coordinate the activities of different departments according to the overall objectives of the organization. They are responsible for the welfare and survival of the organization. Their job is complex and stressful.

2. Middle Management:

It is the link between top and lower-level management. They are subordinate to top managers and superior to the first-line managers. They are usually known as division heads, operation managers, or plant superintendent. They are responsible for implementing and controlling plans developed by top management. At the same time, they are responsible for all the activities of first-line management. Their main task is to carry out the plans formulated by the top management and at the same time, they are responsible for all the activities of first-line managers.

3. Operational Management:

Foreman and supervisors comprise the lower level in the organization. Supervisors directly oversee the efforts of the workforce. Their authority and responsibility are limited according to the plans drawn by the top management. They play a very important role in the organization since they interact with the actual workforce and pass on instructions of the middle management to the Workers. Through the quality of their efforts of output is maintained. Wastage of materials is minimized and safety.

Case Study Answer-

1. Answer:

The various characteristics of management involved here are:

Goal Oriented: The main motive is to tell the employees to keep the target of 20% increase in sales as the main objective when they work throughout the year.

Multidimensional: Various plans are made to harness the potential of the employees and streamline the processes. Employees—People and Streamline the process—Operations.

Dynamic: However with the passage of a few days the external business environment checks the capability of the organization to adapt to the situations.

2. Answer:

The importance of management highlighted here are:

Development of personnel: They are also given incentives both financial as well as non financial. The result is employees see their development in the organisation.

Development of society: The organisation tries to behave as a responsible constituent of society and always creates good quality products.

Helps in becoming dynamic organisation: The training modules are superb and the employees always try to find unique ways of providing solutions in the context of

rapidly changing business environment.

Assertion Reason Answer-

1. c. Assertion is correct statement but reason is wrong statement.
2. a. Assertion and reason both are correct statements and reason is correct explanation for assertion.