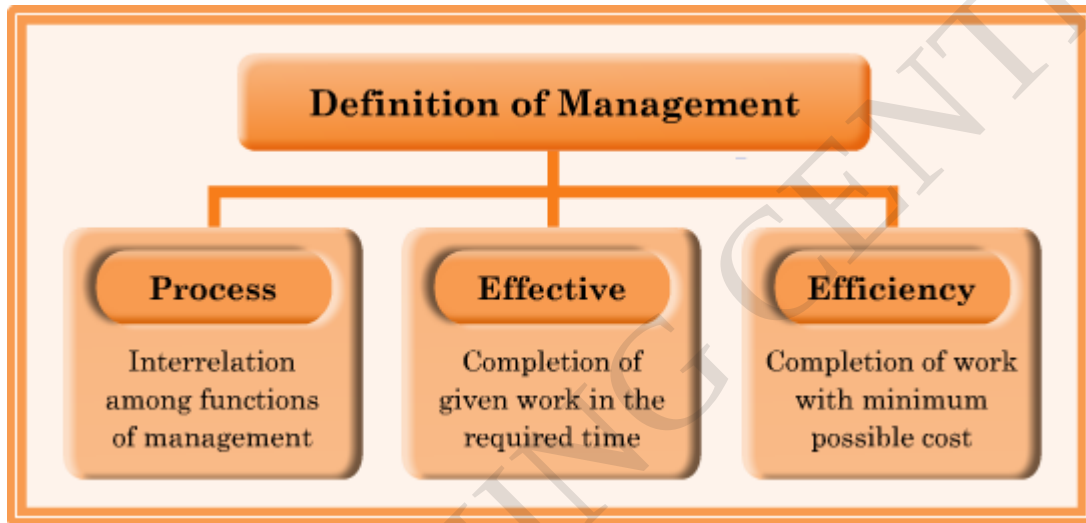


CHAPTER - 1

Nature and Significance of Management

- ❖ Management is a process of getting work done with the aim of achieving the goals of an organisation in an efficient and effective manner.
- ❖ Key terms in the definition of management



- **Process:** Process means the interrelationship among the basic functions of management such as planning, organising, staffing, directing and controlling. None of the functions can be performed in isolation.
- **Effectiveness:** Completing a given work in the required time with a focus on the end results.
- **Efficiency:** Completing a task with the minimum possible cost and resources.

Greater benefits with less resources $\Rightarrow$ Efficiency

Same benefits with less resources $\Rightarrow$ Efficiency

Less benefits even with more resources $\Rightarrow$ Inefficiency

- ❖ **Interrelationship between Effectiveness and Efficiency**

Both effectiveness and efficiency are two prime inputs for achieving an organisation's goals. However, a trade-off has to be often made between them. This means that if an organisation aims at achieving efficiency, then it may have to compromise on effectiveness and vice versa.

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For example, if, to complete a task:

More workers are hired $\Rightarrow$ Task gets completed on time $\Rightarrow$ **Effective**, but if

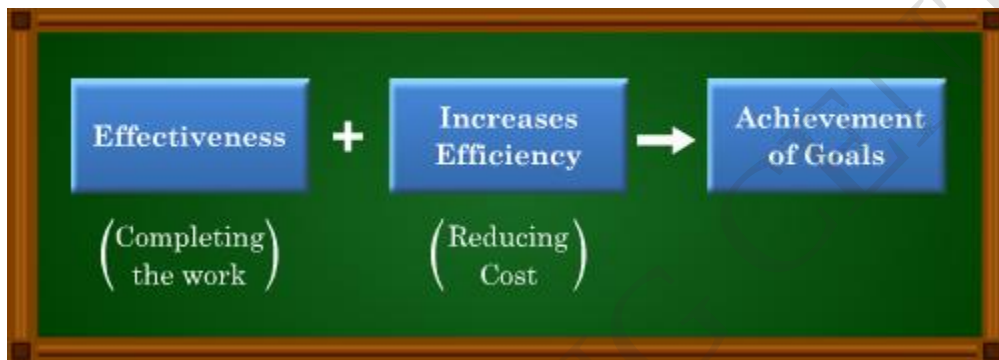
More workers are hired $\Rightarrow$ Cost increases in form of increased salary $\Rightarrow$ **Not efficient**

On the other hand,

Task is carried out with the same number of workers $\Rightarrow$ Less cost $\Rightarrow$ **Efficiency**, but if

Task is carried out with the same number of workers $\Rightarrow$ Delay in completion of work

$\Rightarrow$ **Not effective**



Thus, a balance must be maintained so as to complete the task (effectively) employing minimum resources with a focus on cost minimisation (efficiently).

❖ Features / Characteristics of Management



Nature and Significance of Management

The following are the various features of management.

- 1) **All-pervasive:** 'Pervasive' implies practised and followed by one and all. Management is practised and needed by all organisations irrespective of their geographical location and whether they are large or small, whether they work for economic, social or political interest and whether they are located in rural or urban areas.
- 2) **Goal-oriented:** Management consolidates the efforts of various individuals in an organisation for the achievement of the common goals of the organisation.
- 3) **Continuous:** Various functions of management (such as planning, organising, directing, staffing and controlling) are performed simultaneously and continuously by the managers at all levels.
- 4) **Dynamic:** Every organisation operates in a dynamic environment. Factors such as government policies, competitors' policies, consumers' tastes and preferences vary widely. Such factors are collectively termed external forces. Thus, management must aim at adapting to various changes in the external forces for the pursuit of the organisation's goals.
- 5) **Multidimensional:** Management involves multiple dimensions, namely, managing the work, managing the people and managing the operations.
- 6) **Intangible:** 'Intangible' refers to something that 'cannot be seen and cannot be touched'. Management as a process cannot be seen, but its presence can be felt by the success of an organisation. For instance, a high degree of harmony and orderliness in an organisation confirms the effectiveness of its management.
- 7) **Group activity:** Every Individuals in an organisation work together as a part of the same group for the fulfillment of the common goals of the organisation. But management must ensure the individual growth and development of each member of the organisation.

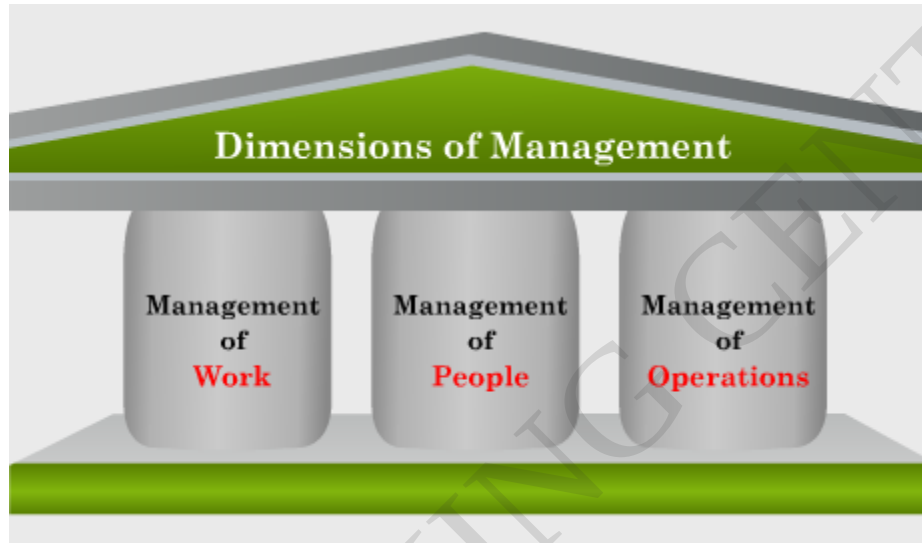
❖ Management - A Multi-Faceted Concept

The following are the three main dimensions of management.

- 1) **Managing the work:** With management, the work of an organisation is interpreted in terms of the objectives and goals achieved owing to the work. Management also specifies the guidelines regarding how these objectives can be achieved.

Nature and Significance of Management

- 2) ***Managing the people***: Managing the people implies dealing with the employees both as individuals and as a group such that their strengths are utilised and their weaknesses are identified.
- 3) ***Managing the operations***- The production process where the inputs are transformed into a product or a service requires continuous management in order to ensure the utilisation of the resources efficiently and effectively.



❖ Objectives of Management

- 1) ***Organisational/economic objectives***: Organisational or economic activity involves optimal utilisation of the material and human resources available. The following are the objectives involved.
 - a. *Survival*: The overall revenue must be adequate to cover the costs.
 - b. *Profit*: Profits must be earned such that the risks and costs are covered.
 - c. *Growth*: To continue in the long run, an organisation should focus on growth in terms of sales, production, number of employees, etc.
- 2) ***Social objectives***: Social obligations such as adoption of environment-friendly production methods, contribution to social causes such as imparting education to children and providing employment to the unemployed, etc., should be considered.
- 3) ***Personal objectives***: The personal objectives of the individuals (financial objectives as well as social objectives) must be accommodated.

Nature and Significance of Management

❖ Importance of Management

- 1) ***Achievement of goals:*** The efforts of all the individuals must be organised and directed towards the common goals of the organisation.
- 2) ***Increases efficiency:*** An increase in efficiency implies minimising the costs and increasing the productivity through the optimum utilisation of resources.
- 3) ***Creates dynamic organisation:*** Management helps an organisation to adapt to the changes in external factors such as political, social, environmental and economical changes.
- 4) ***Development of society:*** Management must contribute to the development of society by producing good quality products at fair prices, using honest selling practices, etc.



❖ Management as a Science

- 1) ***Systematic body of knowledge:*** Management has its own body of theories and principles that were developed over the years. In addition, it has its own vocabulary.
- 2) ***Theories based on experimentation:*** The principles of management have developed over the years based on repeated observations and experiments. However, as management deals with human behavior, no exact cause-and-effect relationship can be established.
- 3) ***Universal validity:*** Theories and principles of management are valid universally to a great extent. They can be used to impart basic knowledge and managerial skills to budding managers.

Nature and Significance of Management

❖ Management as an Art

- 1) **Existing literature:** Management has its own literature for theoretical knowledge and learning, such as Henry Fayol's principles of management and Frederick Taylor's scientific management theory.
- 2) **Dynamic application:** Managers mould the theories and principles of management as per situations and the need of the hour.
- 3) **Practice and creativity:** Managers use creativity and imagination to apply the theories and principles of management to different situations. Just like each artist specialises in one form of art, different managers distinguish themselves in terms of their creativity and application of their managerial skills. For instance, the acting skills of Mr. Amitabh Bachchan differ from those of Mr. Robert Downey Jr; similarly, the managerial skills of two managers differ in some way.

❖ Management as a Profession

As a profession, management fulfils the following criteria.

- 1) **Systemised knowledge:** Knowledge of management can be attained by studying in various management colleges and institutes and by reading management books.
- 2) **Freedom to be a manager:** No specific qualification or degree is required to be a manager.
- 3) **Professional association:** Managers are affiliated to professional associations, such as the All India Management Association (AIMA), which regulate the functions of their members.
- 4) **Code of conduct:** Managers have a specific code of conduct. But it is not obligatory for them to abide by the code.

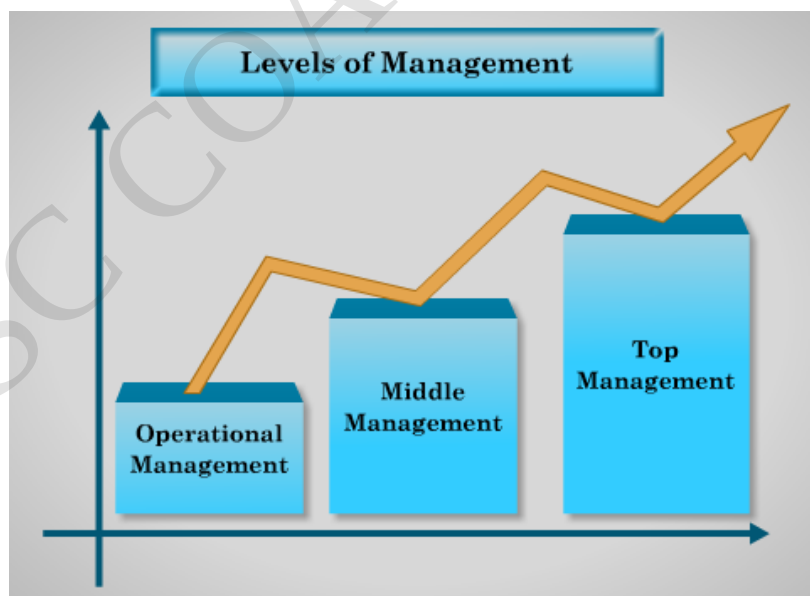


Nature and Significance of Management

❖ Levels of Management / Level of Hierarchy in Organisation

Three levels of hierarchy can be identified in an organisation.

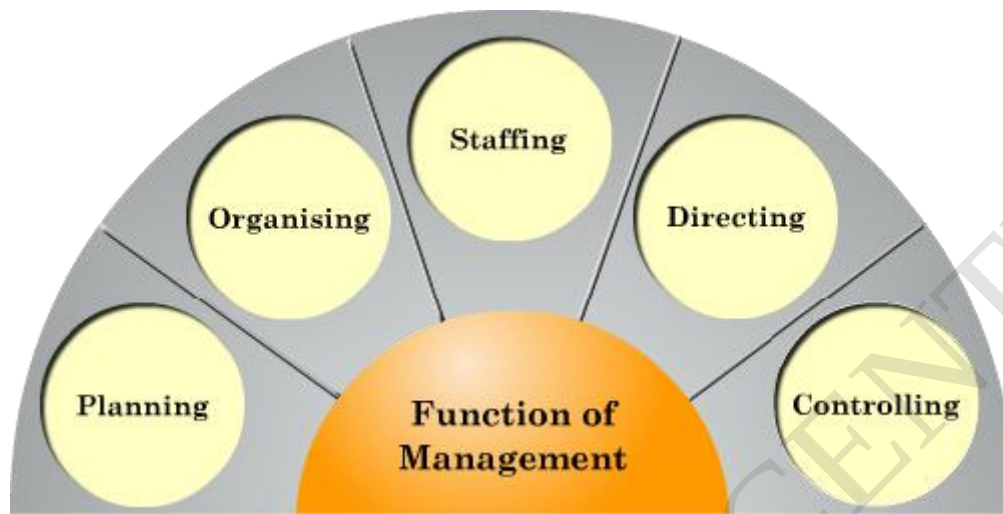
<i>Level of Management</i>	<i>Main Task</i>	<i>Example</i>
<i>Top Level</i>	• Coordinates different activities of the organisation for the accomplishment of the common goals • Works towards the survival of the organisation • Drafts various plans and policies • Takes responsibility for all the activities	Chief executive officer, president
<i>Middle Level</i>	• Acts as a link between the top management and the workers at the lower level • Interprets and implements policies and plans • Assigns responsibilities to the workers	Departmental heads, executive officers
<i>Operational Level</i>	• Acts as a link between the middle management and the workforce • Supervises the tasks of the workers • Ensures that the task are carried out as per the plans and policies	Supervisor, foreman



Nature and Significance of Management

❖ Functions of Management

The five basic functions of management are presented diagrammatically below.



- 1) **Planning:** Deciding what is to be done, who is to do it and how it is to be done—that is, setting the goals and devising the means for achieving them.
- 2) **Organising:** Identifying the tasks and the resources required for the execution of the plans—that is, grouping and assigning the tasks to different departments and defining the hierarchical structure.
- 3) **Staffing/human resource function:** Hiring the right kind of people as per the job profiles. The function includes hiring new people and training and developing the employees.
- 4) **Directing:** Guiding and motivating the personnel so as to help them put in their best.
- 5) **Controlling:** Measuring and comparing the actual work done against the set standards and the plans. This function of management ensures that there is no diversion or errors from the set targets, and that if any deviations or errors exist, then necessary timely steps are taken to rectify them.

❖ Meaning of Coordination

- It is a process through which the activities of various departments and units are synchronised for the achievement of the organisation's goals.

Nature and Significance of Management

- It is a binding force that unites the individuals' efforts for the accomplishment of the common organisational goals.
- It acts as a link between the various functions of management.
- It is found at every level of management.

❖ Elements of Coordination

Coordination consists of the following three elements.

- 1) Integrating individuals' work and efforts towards the attainment of the common goals of an organisation.
- 2) Achieving a balance among the activities of the organisation so as to ensure harmony and a cordial environment.
- 3) Properly scheduling the activities in such a way as to ensure that there are no interruptions or delays and there is no duplication of work.

❖ Features of Coordination

- 1) ***Unifies individuals' efforts***: Coordination integrates the efforts of the individuals towards the set targets or goals of the organisation.
- 2) ***Ensures unity***: It unifies the actions of the individuals and departments to achieve the organisational goals.
- 3) ***Goes on continuously***: Coordination is a never-ending and continuous process that ensures that work is performed as per the planned targets.
- 4) ***Pervades all levels***: It is performed at all the levels of management.
- 5) ***Involves managers***: Coordination is an activity that involves the managers at all levels. The top-level managers perform it to ensure the overall welfare of the organisation. The middle-level managers practise it to ensure that the top-level and lower level managers work together in harmony. The operational level managers perform it to ensure that work goes on according to the planned targets.
- 6) ***Implies deliberate action***: Managers practice coordination deliberately so as to give a direction to the efforts of the individuals of the organisation.

Nature and Significance of Management

❖ Coordination as the Essence of Management

OR

Importance of Coordination

- 1) ***Harmonized goals***: Coordination synchronises the personal goals of the individuals and the overall goals of the organisation.
- 2) ***Allotted work***: Coordination integrates the opinions and thoughts of various specialists and departments of an organisation so as to avoid diversion and conflict among them.
- 3) ***Interdependence of divisions***: As an organisation has various independent departments such as production, sales and finance, coordination is needed to synchronise their activities for the achievement of the common goals.