

7th

Commerce
Class - XII

10/7/2020

Clap - 5 (Management)

- Q1. Discuss the various concept of Management.
- Q2. Define the term Management.
- Q3. Discuss the characteristics of Management.
- Q4. Discuss the following
- a) Management as a Science.
 - b) Management as an Art.
 - c) Management as a Profession.
- Q.5. Discuss the objectives of Management.
- Q.6. Discuss the importance of Management.
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MANAGEMENT—MEANING, NATURE AND IMPORTANCE

LEARNING OBJECTIVES

After studying this chapter, you should understand:

- 5.1 Concept (Meaning) of Management
- 5.2 Definitions of Management
- 5.3 Characteristics of Management
- 5.4 Nature of Management – as an art, as a science and as a profession
- 5.5 Management and Administration
- 5.6 Objectives of Management
- 5.7 Importance of Management
- 5.8 Levels of Management
- 5.9 Scope (Branches) of Management

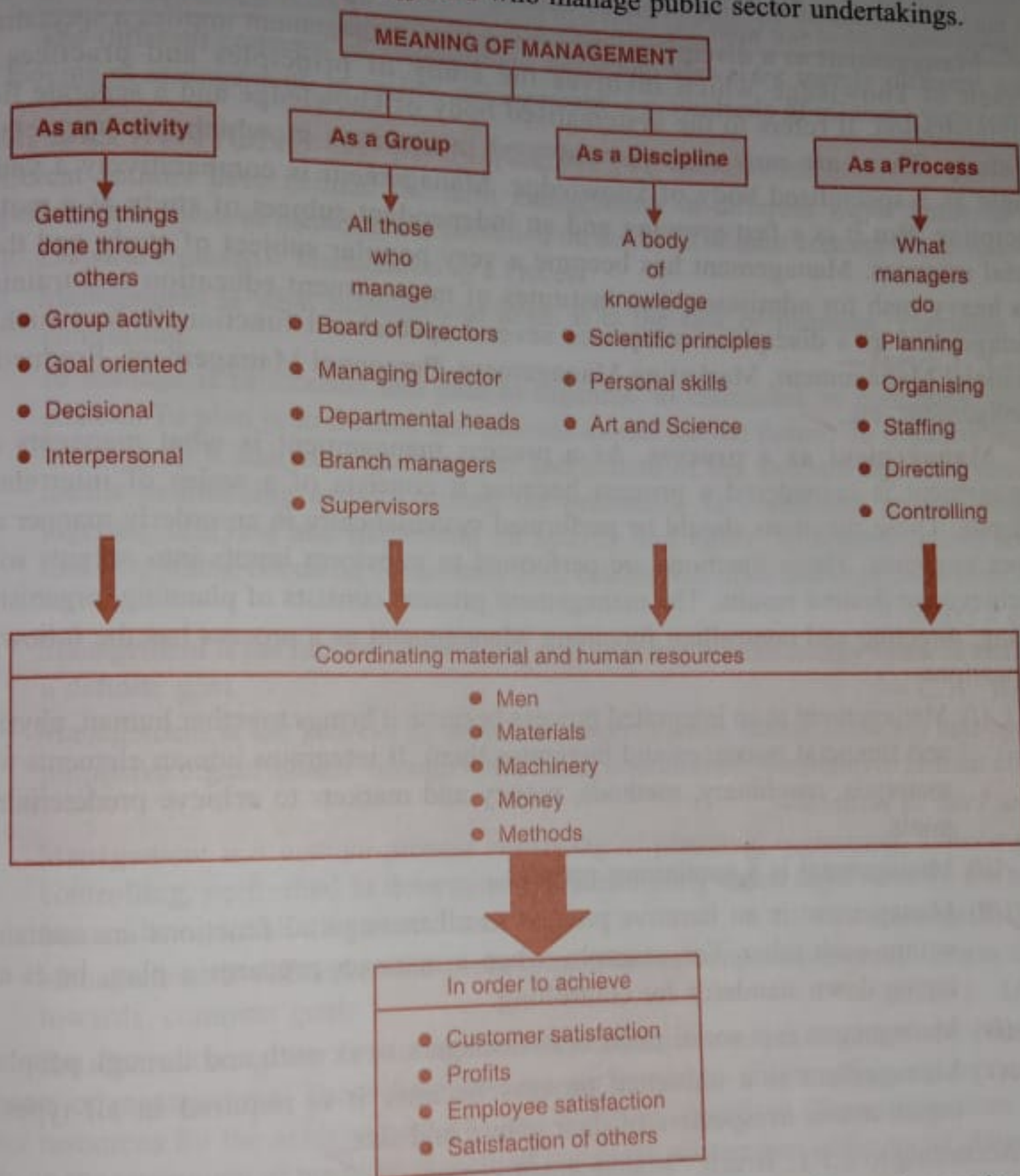
Every human being has several needs and desires. But no individual can satisfy all his wants in isolation. Therefore, people work together to meet their mutual needs which they cannot fulfil individually. Moreover, man is a social being as he likes to live together with other people. It is by working and living together in organised groups and institutions that people satisfy their economic and social needs. As a result, there are several types of groups, e.g., a family, a school, a government, an army, a business firm, a cricket team, etc. Such formal groups can achieve their goals effectively only when the efforts of the people working in these groups are properly coordinated and controlled. The task of getting results through others by coordinating their efforts is known as management. Just as the mind coordinates and regulates all the activities of a person, management coordinates and regulates the activities of various members of an organisation. Whenever there is an organised group of people working towards a common goal, some type of management becomes essential.

5.1. CONCEPT (MEANING) OF MANAGEMENT

The term 'management' is used in various senses. Some people consider it an activity, some treat it as a group, some call it a discipline while others look at it as a process.

✓ **Management as an activity.** As an activity, management means the art of getting things done through the efforts of other people. According to B.O. Wheeler, "Business

1. **Family managers** who have become managers by virtue of their being owners, or relatives of the owners of a company.
2. **Professional managers** who have been appointed on account of their degree or diploma in management.
3. **Civil servants or IAS officers** who manage public sector undertakings.



Managers have become a very powerful and respected group in modern society. This is because the senior managers of companies take decisions that affect the lives of a large number of people. For example, if the managers of Tata Iron & Steel Company decide to expand production, it will create jobs for thousands of people. Managers also help to improve the social life of the public and the economic progress of the country. Senior managers also enjoy a high standard of living in society. They have, therefore, become an elite group of the society.

As a group, management is a rule-making and rule-enforcing body. It is a team of managers who are responsible for making decisions and supervising of others. Management constitutes a hierarchy of authority because managers at different levels possess varying degrees of authority. It has a network of superior-subordinate relationships. Management refers to a group of people well versed in planning an enterprise towards the attainment of definite objectives.

✓ **Management as a discipline:** As a discipline, management implies a branch of knowledge which involves the study of principles and practices of administration. It refers to the systematised body of knowledge and a system of study. There are now several renowned institutions in which management is taught as a specialised body of knowledge. Management is comparative in nature and a discipline. But it is a fast growing and an independent subject of study in the social sciences. Management has become a very popular subject of study and there is a heavy rush for admission into institutes of management education and research. Management as a discipline comprises several specialised functional areas like Financial Management, Marketing Management, Personnel Management, Production Management, etc.

✓ **Management as a process.** As a process management is what management does. Management is considered a process because it consists of a series of interrelated elements. These functions should be performed systematically in an orderly manner in proper sequence. These functions are performed to transform inputs into outputs to achieve the desired results. The management process consists of planning, organising, staffing, directing and controlling functions. Management as a process has the following implications:

- (i) Management is an integrated process because it brings together human and financial resources and integrates them. It integrates human elements like materials, machinery, methods, money and markets to achieve pre-determined goals.
- (ii) Management is a continuous process.
- (iii) Management is an iterative process as all managerial functions are interrelated within each other. For example, when a manager prepares a plan, he is laying down standards for controlling.
- (iv) Management is a social process as managers work with and through other people.
- (v) Management is a universal process because it is required in all organisations irrespective of their nature and size.

According to E.F.L. Brech, "Management is a social process entailing responsibility for the effective and economical planning and regulation of the operations of an organisation in fulfilment of a given purposed task, such responsibility involving

- (a) judgement and decision in determining plans and in using data to measure performance, and progress against plans, and
- (b) the guidance, integration, motivation and supervising of the personnel of the enterprise, and carrying out its operations."

1. As an end goal
2. As a process
3. As a discipline
4. As a science

The difference between management and administration is looking at management from a different angle.

2. DEFINITION

There are many different authorities who have given different definitions of management.

1. Classical Definition

Management is the art of getting things done through other people.

Management is the process of controlling the activities of an organisation.

To manage is to control.

Building up a system of control means management.

Management means putting things together.

Management is that which makes things happen.

Management is the art of making things happen.

Management is the art of getting things done.

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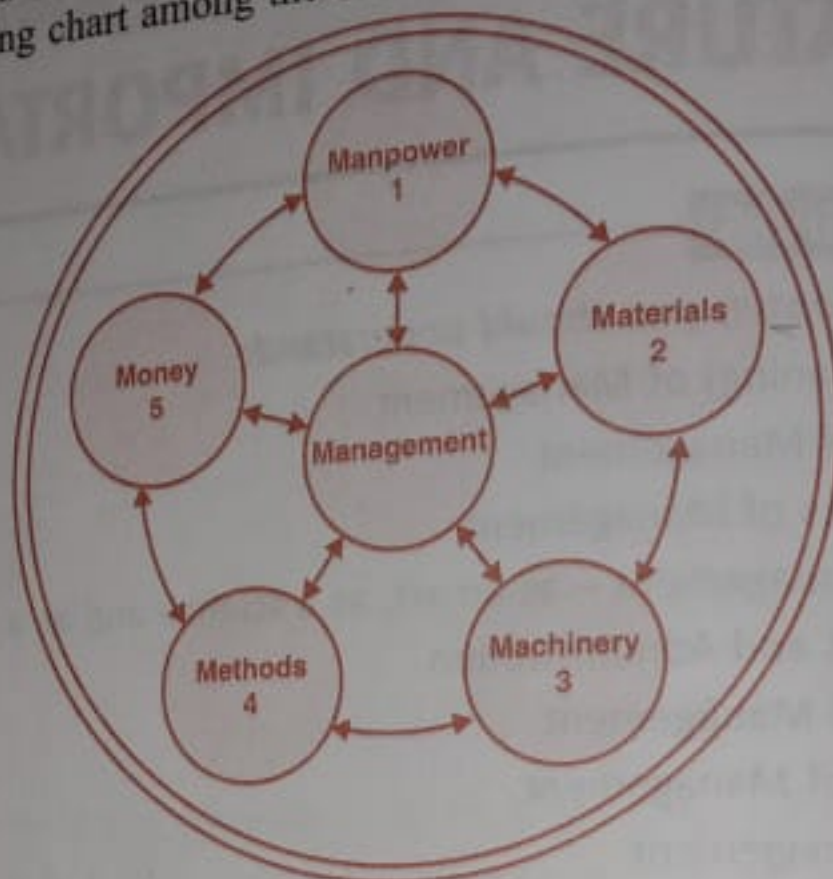
Management is the art of making things happen.

Management is the art of getting things done.

management is a human activity which directs and controls the organisation and operation of business enterprise. Management is centred in the administrators or managers of a firm who integrate men, material and money into an effective operating unit."

As an activity, management guides, directs, regulates and integrates human efforts towards the achievement of certain common goals. It integrates the inputs of men, material, machinery and methods and makes a productive enterprise out of them.

These are called 5 Ms of management. Management occupies the central place shown in the following chart among these five Ms.



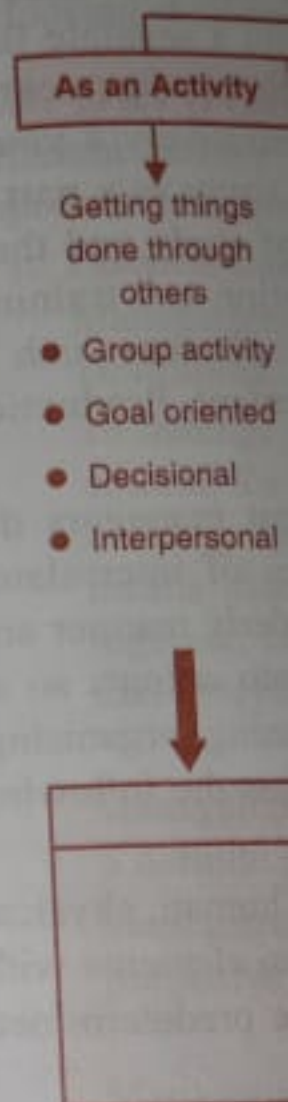
Five Ms of Management

Management as an activity has the following implications:

- ✓(i) Management is an interpersonal activity because in order to get things done, a manager has to interact with other persons.
- ✓(ii) Management is a group activity since a manager coordinates the efforts of a group of persons.
- ✓(iii) Management is a goal-oriented activity in the sense that a manager seeks to achieve some common goals.
- ✓(iv) Management is a decisional activity because managers take decisions to run the organisation. They also receive and give information in the course of running the enterprise.

✓ **Management as a group:** As a group, management refers to all those persons who perform the task of managing an organisation. It is a collective noun consisting of Board of Directors, Chief Executives, Heads of Departments, Branch Managers, Superintendents, Supervisors, etc. All the managers from the chief executive to the first line supervisor are collectively known as management. However, in practice the term management is used to indicate only the top management of an organisation. When we say that the management of Tata Iron & Steel Company is good, we are referring to the persons who are managing this company. There can be several types of managers:

- ✓ 1. Family manager or relative
- ✓ 2. Professional diploma holder
- ✓ 3. Civil servant



Manager is because the number of people to expand production improve the managers also an elite group

Management consists in guiding human and physical resources into a dynamic, hard-hitting organisation unit that attains its objectives to the satisfaction of those served and with a high degree of morale and sense of attainment on the part of those rendering the service.

—Robert L. Trewatha and M. Gene Newport

Management entails the coordination of human and material resources towards the achievement of organisational objectives as well as the organisation of the productive functions essential for achieving stated or accepted economic goals.

—Lawrence A. Appley

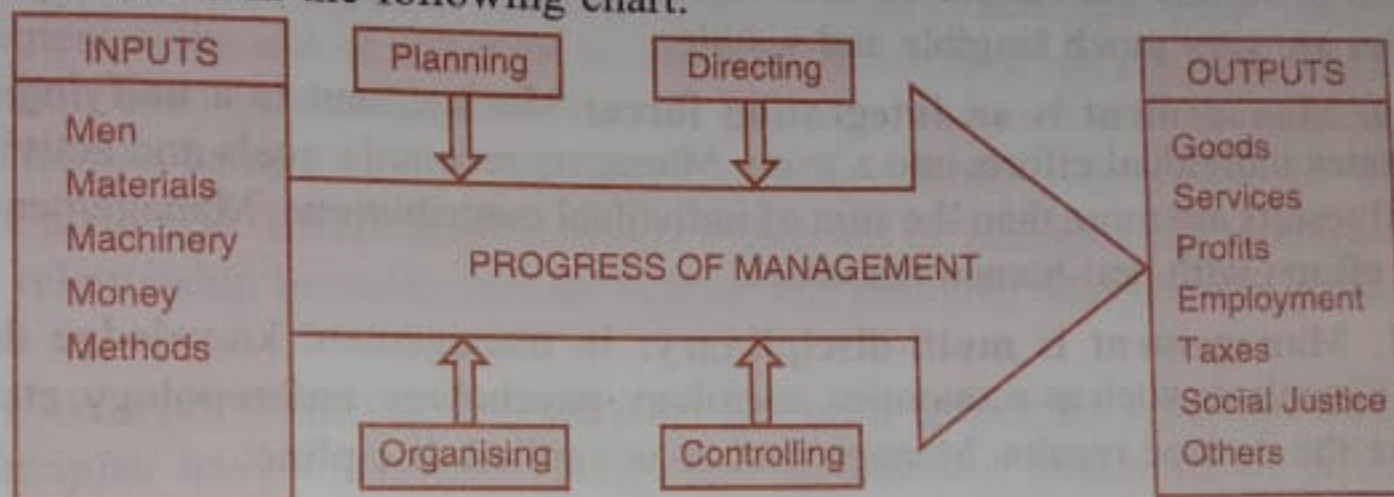
Management is the force that integrates human and non-human resources into ineffective operating unit.

—Barry M. Richman

These definitions point out that proper integration and coordination of resources is essential for effective attainment of goals.

—Keith and Gubelini

The various definitions of management given above are not contrary to one another. Rather management is the sum total of all these viewpoints. This unified concept of management is shown in the following chart:



5.3. CHARACTERISTICS OF MANAGEMENT

The salient features of management are given below:

1. Management is goal-oriented: Management aims to achieve economic and social objectives. It exists and operates to secure certain results. The success of management is measured by the fulfilment of desired goals. Therefore, effective management is always management by objectives. Management is a purposeful activity.

2. Management is universal: Management is all-pervading: It is required in all types of organisations big or small, business or non-business. The basic functions of management are performed at every level of authority—top, middle or lower.

3. Management is a group activity: Management is concerned with the efforts of a group of people. It unites the efforts of different members of the group so that they can function as a team. It implies the skill in getting things done through group efforts. It involves team work.

4. Management is a system of authority: Management is a rule-making and rule-enforcing authority. There is a chain of authority among people working at different levels of the organisation. Efficient management is impossible without well-defined lines of command or superior-subordinate relationships at different levels of decision-making.

2. **As a group:** A team managing organisations. An elite group in society.
3. **As a discipline:** A specialised subject of study. A young but growing discipline.
4. **As a process:** A series of interrelated functions performed in every organisation.

The different concepts of management described above are merely different ways of looking at management. In reality, management is a synthesis of all these viewpoints.

5.2. DEFINITIONS OF MANAGEMENT

Different authors have defined the term management in different ways. Some of the important definitions of management classified on the basis of their concept are as follows:

1. **Classical Concept** – Management as a Process

Management is what management does. It is the task of planning, executing and controlling.

—James L. Lundy

To manage is to forecast and plan to organise, to command, to coordinate and to control. To plan is to foresee and provide means for the future; To organise means building up a dual structure material and human of the undertaking. To command means maintaining activity among the personnel. To coordinate means bringing together, unifying and harnessing all activity and effort. To control means seeing that everything occurs in conformity with established rules and expressed command

—Herry Foryol

Management is the process of releasing and directing human energy towards attaining a definite goal.

— C.W. Wilson

Management is the process by which managers create, direct, maintain and operate purposive organisations through systematic, coordinated, cooperative human efforts.

—Dalton E. McFarland

Management is a distinct process consisting of planning, organising, actuating and controlling, performed to determine and accomplish stated objectives by the use of human beings and other resources.

—George R. Terry

Management is defined as the process by which a cooperative group directs action towards, common goals.

—James L. Massie

The definitions given above highlight the functions which together constitute the process of management. These functions are performed to utilise efficiently human and other resources for the achievement of some common objectives. These definitions focus only on the attainment of business objectives and make no mention of the social obligations of management.

2. **Productivity Concept:** Management as an art of increasing productivity

Management is the art of knowing exactly what you want people to do and seeing that they do it in the best and cheapest way.

—F. W. Taylor

Management is the art of securing maximum results with a minimum of effort so as to secure maximum prosperity and happiness for employer and employees and give the public the best possible service.

—John F. Mee

5.4. NATURE OF MANAGEMENT

The nature of management can be analysed in terms of art, science and profession.

5.4.1. Management as a Science

Science means a systematised body of knowledge which can be acquired through observation and experimentation. It consists of universally accepted principles which establish relationship between causes and their effects.

The essential features of science are as under:

- (i) Systematised body of knowledge.
- (ii) Principles based on observation and experiments.
- (iii) Cause and effect relationship.
- (iv) Universal validity of principles.

Let us examine how far management fulfils these requirements to qualify as a science.

(i) Systematised Body of Knowledge: Management is a systematised body of knowledge in the form of basic principles and concepts.

(ii) Observations and Experiments: Management knowledge has been built up through continued observations and experiments. Management experts and practitioners have developed the knowledge after careful analysis, enquiry and experience. The principles of management make use of scientific methods of observation and analysis. The methods of observation used in management are not completely objective because management deals with human beings whose behaviour cannot be scientifically predicted.

(iii) Cause and Effect Relationship: Principles of management establish a cause and effect relationship between various factors. For example, dual subordination leads to confusion.

(iv) Universal Validity of Principles: Scientific principles represent basic truths. These principles have universal validity and application. Fundamental principles of management are universally applicable. Their results can be tested and verified.

Thus, management is definitely a science. It is a social science as it deals with people and their behaviour. Human behaviour cannot be subjected to laboratory experiments. Therefore, management is an inexact science. Its principles cannot be regarded as fundamental truths. They may not always have a universal application.

5.4.2. Management as an Art

Art means the practical application of knowledge and skills to achieve the desired results.

The essential features of art are as follows:

- (i) Practical knowledge
- (ii) Personal skills
- (iii) Creativity (concrete results)
- (iv) Perfection through practice

Let us examine how far management fulfils these requirements to qualify as an art.

(i) Practical Knowledge: Art involves application of theoretical knowledge. Management is the art of getting things done through people to accomplish the desired results. It involves putting the available knowledge into practice so as to attain predetermined goals.

5. Management is a social process: Management involves getting things done with and through people. In order to achieve the desired results, a manager has to regulate and coordinate the efforts of human beings. Human factor is an indispensable part of management.

6. Management is a dynamic function: Management is performed continuously so as to mould the policies and practices of the organisation according to changing environment. Managers also try to modify the environment in order to ensure the success of the enterprise. Therefore, management is a never-ending function.

7. Management is both an Art and a Science: Management is a science because it contains certain principles having universal application. But the results of management depend upon the personal skill of managers and in this sense management is an art. However, the art and science of management are complementary to each other.

8. Management is a distinct entity: Management is a distinct process performed to determine and accomplish stated objectives by the use of human beings and other resources. It is distinct from its activities, techniques and procedures. As a distinct entity, management consists of planning, organising, staffing, directing and controlling.

9. Management is intangible: Management is an invisible force. It can be seen in the form of results but cannot be seen. However, the persons who perform management activities are very much tangible and visible.

10. Management is an integrating force: Management is a unifying force which coordinates individual efforts into a team. Managers reconcile goals and activities so that the total results are more than the sum of individual contributions. Management integrates human efforts with non-human resources.

11. Management is multi-disciplinary: In management knowledge drawn from several disciplines such as economics, sociology, psychology, anthropology, etc. is used to secure the desired results. Management is an applied discipline.

12. Management is creative. Management makes things happen which would otherwise happen. It activates all other resources and makes them productive. Management resources remain resources and can never become output.

Characteristics of Management at a Glance

1. Goal-oriented or purposeful
2. Universal or all-pervading
3. Group activity
4. A system of authority
5. Social process
6. Dynamic function
7. Art as well as science
8. Distinct entity
9. Intangible
10. Integrating force
11. Multi-disciplinary
12. Creative function

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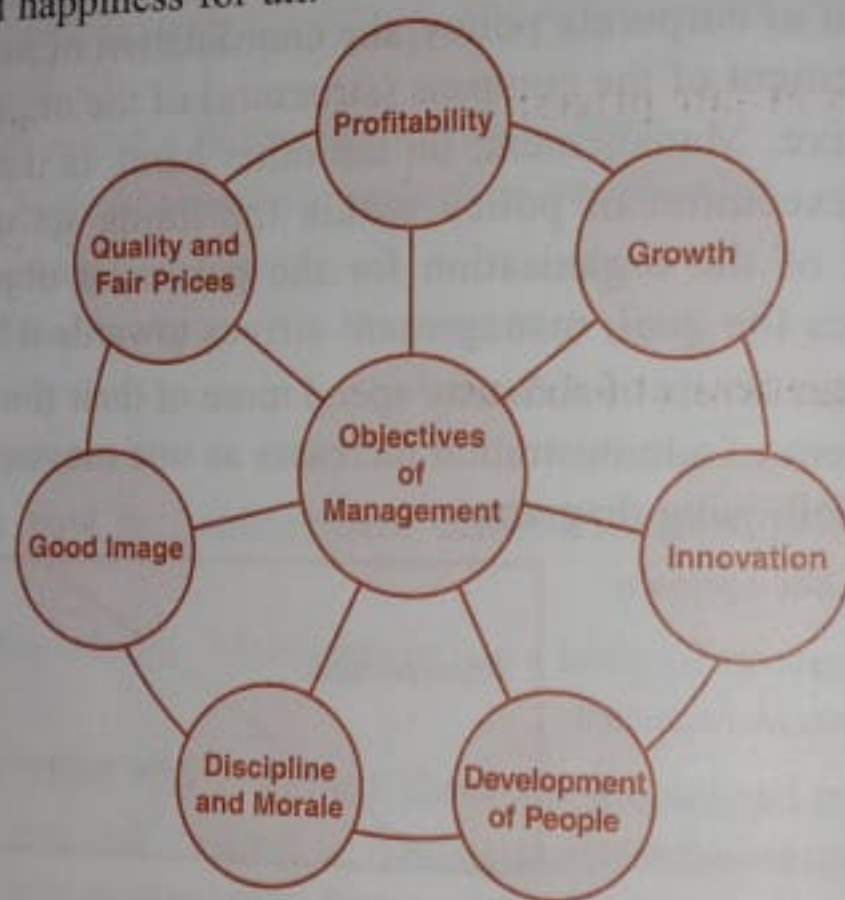
predetermine

5.6. OBJECTIVES OF MANAGEMENT

The main objectives of management are given below:

1. Profitability: Management must ensure that the enterprise earns sufficient profit to meet its various needs. The investors must be given a reasonable return on their investment in the form of dividend, interest, etc. Profits can be earned when managers make best use of men, money, materials, machinery and other resources. They should ensure maximum output at minimum possible cost.

2. Prosperity and growth: Management should aim at continuously improving the performance of the organisation. It should create an environment in which people give their best to the organisation. By providing right type of leadership management can secure prosperity and happiness for all.



It is the general objective of management to secure maximum results through minimum efforts and resources. Increased prosperity and growth requires optimum utilisation of human, physical and financial resources. Management seeks to maximize productivity by securing best utilisation of available resources. This alone can ensure maximum prosperity for employers and employees. Management is expected to create conditions for expansion and diversification of business.

3. Change and innovation: An organisation operates in an ever changing environment. Management should aim at technological and other innovations so that the enterprise can successfully face the challenges posed by the uncertainties of the future. Management serves as the agent of change and progress. In this age of science and technology continuous research and development are necessary for developing new and better methods.

4. Development of people: Management should mobilise the best talent, initiative, skill and technical competence through training and participation in management, conducive to development of the organisation.

5. Discipline and morale: Management by exercising authority, assigning responsibilities and control. It motivates people to develop a sense of achievement and a healthy work environment.

6. Rightful decision-making: Management and managers take decisions that determine the future of the organisation. Right decision at the right time is essential for the smooth running of business.

7. Improving image: Management should create a sound image of the organisation through smooth running of business.

8. Quality goods at fair prices: Management should ensure quality at reasonable prices, avoid all kinds of wastages and thereby serve the community.

Objectives of Management

1. Profitability of business
2. Growth and prosperity
3. Change and innovation
4. Development of people
5. Improving discipline
6. Proper decision-making
7. Better image of the organisation
8. Better quality at low cost

Thus, management serves the following objectives:

5.7. IMPORTANCE OF MANAGEMENT

According to **Peter F. Drucker**, "Management is the key to the success of every business. Without it, there is no production". In the words of **W.L. Garrison**, "Management can win a greater output with the same resources except sound management". **D. Roosevelt**, the former President of the USA, said, "Good management is like good health, it is not noticed until it is gone".

(ii) **Personal Skill:** Management is basically an individual skill. Every manager has his own style of working. He tackles various problems on the basis of his own experience and understanding of the situation.

(iii) **Creativity:** Management is creative in the sense that it converts inputs into outputs. It is goal-oriented and result-oriented. Management aims at attaining maximum productivity and profitability at the lowest cost.

(iv) **Perfection through Practice:** Art requires continuous practice to gain perfection. Management also involves regular practice. An efficient manager can convert a challenge into an opportunity through continuous decision-making and leadership.

Thus, Management can be considered both a science as well as an art. Science and art are not mutually exclusive but complementary to each other. Science without art is fruitless and art without science is blind. Only the right combination of the two can make each other complete. Therefore, science and art of management go hand in hand.

5.4.3. Management as a Profession

Profession means a vocation requiring specialised knowledge, practical training, service motive and code of conduct.

The essential features of a profession are as follows:

- (i) Specialised body of knowledge which is transferable.
- (ii) Formal education and training
- (iii) Service motive
- (iv) Statutory body
- (v) Code of conduct

Let us examine how far management fulfils these requirements to qualify as a profession.

(i) **Specialised Knowledge:** Management has a body of specialised knowledge which is transferable.

(ii) **Formal Education and Training:** There are specialised management institutions which provide education and training in management. After completing education and training, students get jobs as managers. Some of the qualified persons act as management consultants.

(iii) **Service Motive:** Like other professionals managers are expected to serve the society rather than simply earning profits for the owners.

(iv) **Statutory Body:** Every profession is regulated by a legally recognised statutory body (e.g., Institute of Chartered Accountants of India). Managers also have their own statutory bodies (e.g., All India Management Association). However, management associations are not statutory bodies.

(v) **Code of Conduct:** Managers also have a code of conduct. But this code is not legally binding on managers.

Although management does not possess all the essential attributes of a profession, it is no doubt emerging as a profession.

Nature of Management

Management is based on observations and principles.

Management is learned through practice.

Management is a service motive, status motive.

5.5. MANAGEMENT

Generally, the terms Management and Administration are used interchangeably. There is a difference between the two. Management is a decision-making function. Administration sets the policies under which the organisation operates.

According to Ogburn, Management is concerned with the determination of the distribution, the settlement of the control of the execution of the plan. Administration is concerned with the employment of the personnel and the employment of the personnel. Administration defines the policies under which the organisation operates.

Managers at high level are concerned with the determination of the distribution, the settlement of the control of the execution of the plan. This is shown in the following diagram.

Top

Mid

Low

Distinction

Basis of Distinction

1. Meaning
2. Nature of work
3. Scope
4. Level of authority
5. Use of the terms

The importance of management can be judged from the following points.

1. Achievement of group objectives: A human group consists of several individuals each specialising in doing a part of the total task. Each person may be working efficiently but the group as a whole cannot realise its objectives without mutual cooperation and coordination among the individual efforts. Management creates coordination and team spirit in the group. Managers also inspire the members of the group to make their contributions towards the achievement of common objectives.

2. Optimum utilisation of resources: Management brings together human and material resources in the right proportion. Men, money, materials and machines prove ineffective without sound management. Management creates an environment wherein employees can make the best possible use of physical resources. Best use of resources helps to increase productivity and profitability of business.

3. Minimisation of cost: In the modern era of cut-throat competition, a business can be successful only when it is able to supply the required products and services at the lowest possible cost. Management improves efficiency and reduces costs through planning, sound organisation and effective control. By eliminating wastage and reducing cost, management enables an enterprise to face cut-throat competition.

4. Survival and growth: Modern business operates in a rapidly changing environment. An enterprise has to adapt itself to the changing demands of the market and the society. Managers continuously monitor environmental changes and take necessary steps to ensure that the enterprise is successfully facing the uncertainties of the future. Environmental changes create both threats and opportunities. With sound management an enterprise can meet the threats and take advantage of the opportunities. In this way, management ensures the continuity and growth of business.

Management

is important
because it

1. Achieves group objectives
2. Makes optimum use of Resources
3. Minimises costs
4. Ensures survival and growth
5. Improves standard of living
6. Generates employment
7. Contributes to nation-building

5. Higher standard of living. Management is necessary not only for business but also for society as a whole. It raises the standard of living of the people by providing quality products and services at the lowest possible cost.

6. Generation of employment: By setting up new enterprises and expanding existing business enterprises, managers create jobs for the people. People earn their livelihood working in these enterprises. Management helps in developing the human resources through training and guidance. Managers also create such an environment that people working in enterprises can get job satisfaction and happiness. In this way managers help to meet the economic and social needs of the employees.

7. Development
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resources. Capital
growth unless we
There are no unde
promotes peace and

Importance of

1. Achievement
2. Optimum
3. Minimisation
4. Survival and
5. Generation
6. Higher standard
7. National

The important
reasons:

1. Growing
2. Increasing
3. Growing
4. Development
5. Use of capital
6. Increasing
7. Scarcity of
8. Increasing

5.8. LEVELS

in every organisation
to bottom. It consists
management. General
middle level and lower

1. Top Management
Directors, the Chief

The main functions

- (i) to analyse
- (ii) to establish
- (iii) to formulate
- (iv) to design
- (v) to appoint

4. Development of people: People are more important than things. Management should mobilise the best talent. It should seek to develop human talent by encouraging initiative, skill and technical competence. It should provide to employees opportunities for training and participation in management. It should create and maintain an environment conducive to development of people.

5. Discipline and morale: Management aims at improving discipline among people by exercising authority, assigning responsibility and introducing procedures of evaluation and control. It motivates people through financial and non-financial incentives. It ensures a sense of achievement and higher morale by creating and maintaining a better work environment.

6. Rightful decision-making: Decision-making is an essential part of management and managers take decisions at every step of the business. The quality of decisions often determines the future of the enterprise. Therefore, management should aim at making the right decision at the right time.

7. Improving image: Good management always attempts to build and maintain a sound image of the organisation. For this purpose, management ensures efficient and smooth running of business through better planning and effective control.

8. Quality goods at fair prices: Management aims at providing products of better quality at reasonable prices. In order to achieve this aim, managers try to eliminate all kinds of wastages and thereby reduce the cost of production. In this way, managers can serve the community.

Objectives of Management at a Glance

1. Profitability of business
2. Growth and prosperity of the enterprise.
3. Change and innovation to face the future
4. Development of people
5. Improving discipline and morale
6. Proper decision-making
7. Better image of the organisation
8. Better quality at low prices

Thus, management seeks to achieve both economic and social objectives

5.7. IMPORTANCE OF MANAGEMENT

According to **Peter F. Drucker**, "Management is the dynamic life-giving element in every business. Without it the resources of production remain resources and never become production". In the words of Urwick and Brech, "No ideology, no ism, no political theory can win a greater output with less effort from a given complex of human and material resources except sound management. And it is on such greater output that a higher standard of life, more leisure, more amenities for all must necessarily be founded." Late Franklin D. Roosevelt, the former President of U.S.A., once remarked that "a government without good management is like a house built on sand".