

CBSE CLASS 12 BUSINESS STUDIES
CHAPTER – I
NATURE AND SIGNIFICANCE OF MANAGEMENT
REVISION NOTES

1. DEFINITION OF MANAGEMENT:

“Management is the process of working with and through others to effectively achieve the organizational objectives by efficiently using limited resources in the changing environment.”

Kreitner

2. MEANING/CONCEPT OF MANAGEMENT:

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

- a. **Process:** refers to the primary function like planning, organising, staffing, directing and controlling performed by the management to get things done.
- b. **Effectiveness:** means completing the right task to achieve the deputed goal within the time frame.
- c. **Efficiency:** means completion of task using minimum resources

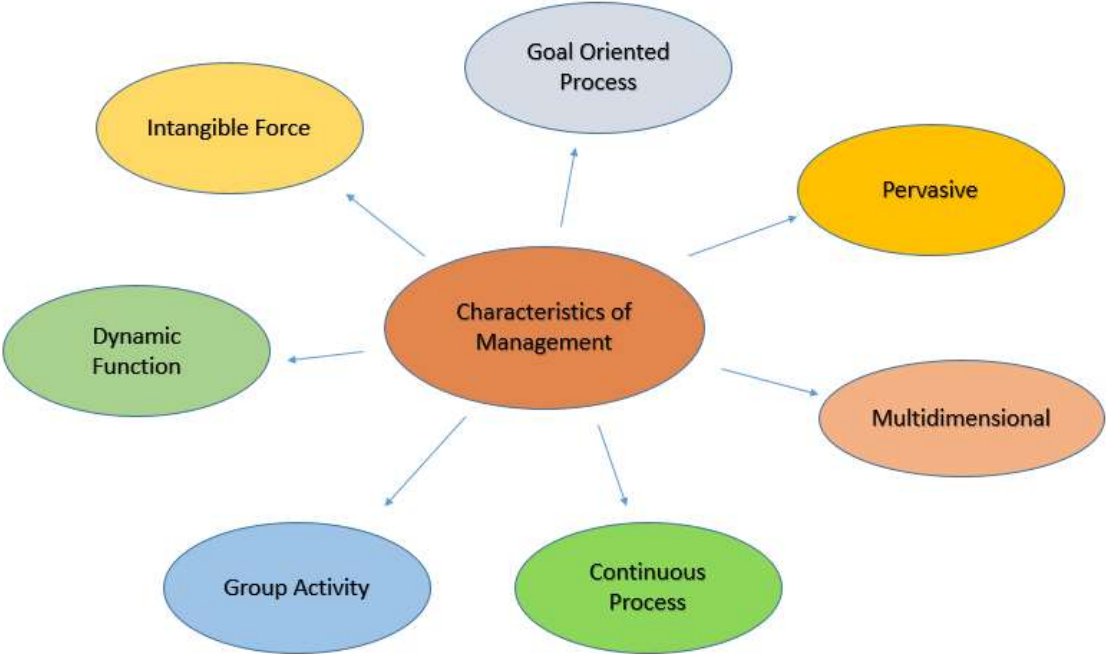
3. EFFECTIVENESS VS EFFICIENCY

- Effectiveness is about doing the right task, completing the assigned job on time, no matter whatever the cost.
- Efficiency is about doing the job in cost effective manner i.e. getting maximum output with minimum input

Basis	Effectiveness	Efficiency

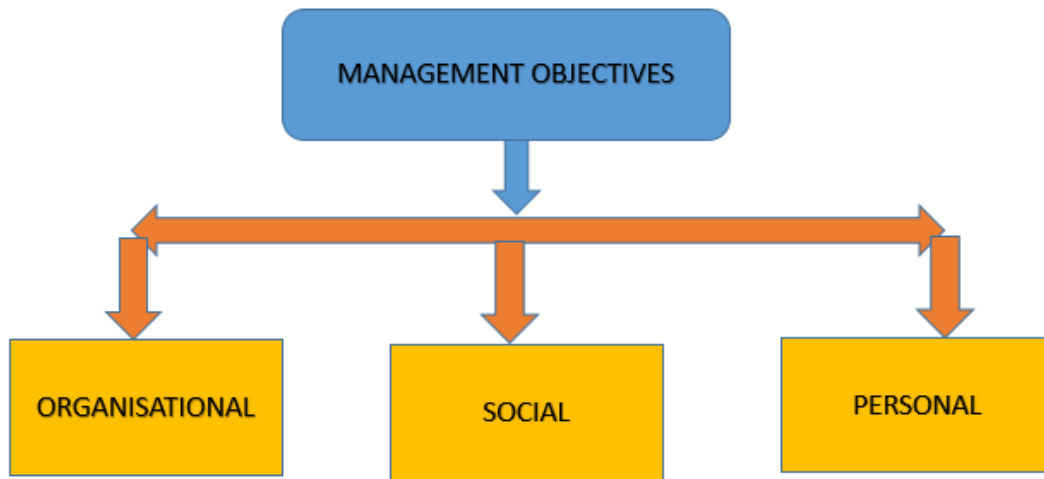
Meaning	It refers to the completion of work on time.	It refers to the completion of work correctively with minimum cost and maximum profit
In simple words	It simply means doing right things	It simply means doing things correctly in a faster and cost efficient manner.
Objective	To achieve end results on time	Performing task with least wastage of time and effort(cost)
Main Focus	Is on time	Is on cost

4. CHARACTERISTICS OF MANAGEMENT:



- I. Management is a goal-oriented process:** An organisation has a set of simple and clearly stated goals, which are the basic reason for its existence. Management unites the efforts of the individuals in the organisation towards achieving these goals.
- II. Management is all pervasive:** Management is common to all organisations whether economic, social or political. For e.g. management is applicable for a government company, school, private company or a NGO.
- III. Management is multidimensional:**
Management is a complex activity that has three main dimensions:
 - (a) Management of work
 - (b) Management by people
 - (c) Management by operation
- IV. Management is a continuous process:** It is a series of continuous, composite, but separate functions, performed by all managers all the time.
- V. Management is a group activity:** All the individuals in the organisation contributes towards achieving the goals set by the organization.
- VI. Management is a dynamic function:** It has to adapt itself to its changing external environment, which consists of various social, economic and political factors.
- VII. Management is an intangible force:** It cannot be seen but its presence can be felt from the way organization functions.

5. MANAGEMENT OBJECTIVES:



Organisational Objectives: Organizational Objectives can be divided into **Survival** (Earning enough revenues to cover cost); **Profit** (To cover cost and risk); and **Growth** (To improve its future prospects).

- (a) **Survival:** Earning enough revenues to cover cost. Management by taking positive decisions with regard to different business activities ensures survival of business for long term.
- (b) **Profitability:** Earning adequate profit in order to survive and grow. Profits provide a vital incentive for the continued successful operation of the enterprise
- (c) **Growth:** Growth indicates how well it exploits the potential opportunities. Growth of a business can be measured in terms of sales volume increase, number of employees, products etc.

Social Objectives:

Is to provide quality products at reasonable rates and generating employment opportunities for disadvantaged sections of society. To provide basic amenities like schools and crèches to employees and by using environmental friendly methods of production.

Personal Objectives:

Includes meeting the financial needs like competitive salaries and perks and Social and safety needs of the employee like basic amenities, peer recognition etc.

6. IMPORTANCE OF MANAGEMENT



- 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.

7. NATURE OF MANAGEMENT

1. Management as an Art

Art refers to skillful and personal application of existing knowledge acquired through study, observation and experience. The features of art are as follows:

- a. **Existence of theoretical knowledge:** In every art, Systematic and organized study material is available to acquire theoretical knowledge and experts in the respective fields apply these principles to their respective art forms.
- b. **Personalized application:** The use of basic knowledge differs from person to person and thus, art is a very personalized concept.

- c. **Based on practice and creativity:** Art involves creativity and practice of the experts. For e.g. the music created by musicians are different though the musical notes used are the same.

Every manager has his own unique style of managing things and people. He/she uses his creativity in applying management techniques and his skills improve with regular application. Since all the features of art are present in management. So it can be called an art.

2. Management as a Science

Science is a systematized body of knowledge that is based on general truths, which can be tested anywhere, anytime. The features of Science are as follows:

- a. **Systematized body of knowledge:** Science has a systematized body of knowledge based on cause and effect relationship.
- b. **Principles based on experiments and observation:** Scientific principles are developed through experiments and observation.
- c. **Universal validity:** Scientific principles have universal validity and application.

Management has systematic body of knowledge and its principles are developed over a period of time based on repeated experiments & observations which are universally applicable but they have to be modified according to given situation.

As the principles of management are not as exact as the principles of pure science, so it may be called an inexact science. The prominence of human factor in the management makes it a Social Science.

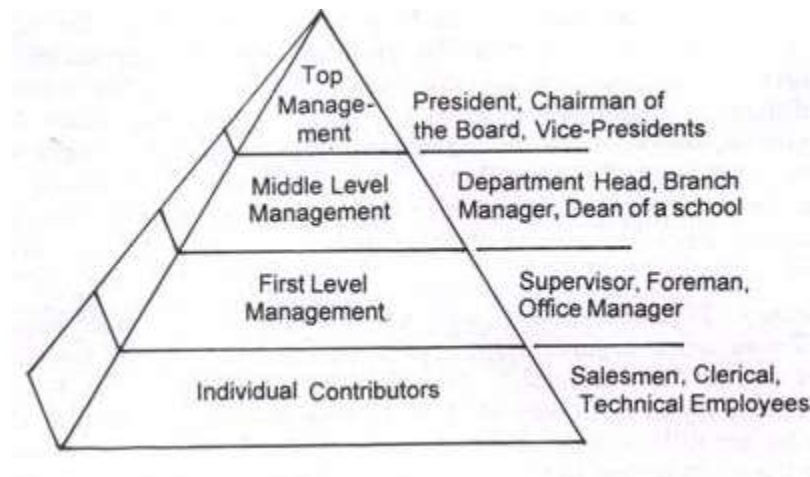
3. Management as Profession

Profession means an occupation for which specialized knowledge and skills are required and entry is restricted. The main features of profession are as follows:

- a. **Well-defined body of Knowledge:** is complete set of principles, concepts, terms and activities that make up a professional domain.
- b. **Restricted Entry:** The entry in every profession is restricted through examination or through educational degree.
- c. **Professional Associations:** All professions are affiliated to a professional association, which regulates entry and frames code of conduct relating to the profession. Eg. IMA, ICAI
- d. **Ethical Code of Conduct:** All professions are bound by a code of conduct, which guides the behavior of its members.
- e. **Service Motive:** The main aim of a profession is to serve its clients.

Management does not fulfill all the features of a profession and thus it is not a full-fledged profession like doctor, lawyer, etc.

8. LEVELS OF MANAGEMENT



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.

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.

Supervisory and operational Level : 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.

9. FUNCTIONS OF MANAGEMENT:

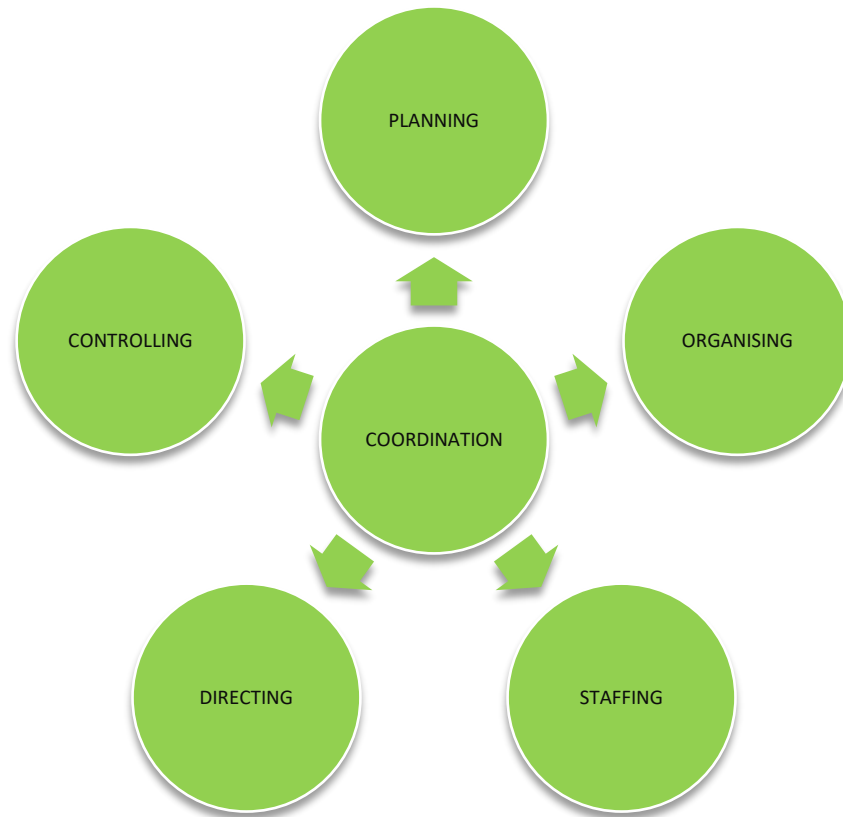
The Functions of Management



- I. **Planning :** **Setting objectives** and **targets** and **formulating an action plan**. It bridges the gap between where we are and where we want to reach.
- II. **Organising:** Involves **assigning duties, grouping tasks, establishing authority and responsibility relationships** and allocating the resources required to perform a specific plan.
- III. **Staffing:** Finding and placing **the right person for the right job** at the right time. It involves recruitment, selection, placement, induction and development of employees.
- IV. **Directing:** Refers to **leading, influencing, motivating** the staff chosen to perform the assigned task efficiently and effectively.
- V. **Controlling:** Refers to **monitoring organizational activities** towards the **attainment of organizational goals**. It involves setting standards measuring current performance, comparing with the standards, and taking corrective action for any deviations.

10. COORDINATION

Coordination is the force which synchronizes all the functions of management and activities of different departments. Lack of coordination results in overlapping, duplication, delays and chaos. It is concerned with all the three levels of management as if all the levels of management are looked together, they become a group and as in the case of every group, they also require coordination among themselves. Coordination is implicit and inherent in all functions of an organisation.



FEATURES OF COORDINATION:

- I. **Coordination Integrates Group Effort:** It is an orderly arrangement of group effort to ensure that performance is at par with the plans and schedules.
- II. **Coordination Ensures unity of action:** It is a binding force between various departments and ensures that all efforts are focused towards achieving the organizational goal.
- III. **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.
- IV. **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.
- V. **Coordination is a deliberate function:** A manager has to coordinate the efforts of different people in a conscious and deliberate manner. In other words, coordination is never established by itself rather it is a conscious effort on the part of every manager.
- VI. **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:

The reasons that bring out the importance or the necessity for coordination are

- I. **Growth in the Size:** An organisations growth results in the increase in the number of people employed with varied individual aspirations and culture. So it is important to harmonize individual goal with the organizational goals through coordination.
- II. **Functional Differentiation:** All the departments and divisions may have their own, objective, policies and their own style of working. However all departments and individuals are interdependent and cannot work in isolation. Thus, coordination is necessary for linking the activities of various departments.
- III. **Specialization:** Mostly specialists have a feeling of superiority and prioritize their zone of activities. Coordination seeks to sequence and integrate all the specialists' activities into a wholesome effort.