

UNIVERSAL CONVENT SR. SEC. SCHOOL KALADHUNGI

Business studies-12th

CHAPTER – I

NATURE AND SIGNIFICANCE OF MANAGEMENT

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.”

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.

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 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:

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.

COORDINATION

PLANNING

ORGANISING

DIRECTING STAFFING

CONTROLLING

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.

CHAPTER – 2

PRINCIPLES OF MANAGEMENT

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Principle

A principle is a fundamental truth or proposition that serves as the foundation for a system of belief or behavior or for a chain of reasoning

Principles of Management

Principles of management are broad and general guidelines for managerial decision-making and behavior. Management principles are not as rigid as principles of science as this deals with human behavior and thus are to be applied creatively given the demands of the situation.

Nature of Principles of Management

The nature of principles of management are as follows:

- 1. Universal applicability:** Principles of management is applicable in all types of organizations, business as well as non-business, small as well as large enterprises depending on the nature of the organisation.
- 2. General Guidelines:** They are general guidelines to action but do not provide straight solution to all managerial problems, as the business situations are complex and dynamic.
- 3. Formed by practice and experimentation:** They are formed from the knowledge, experiences and experiments of the managers.
- 4. Flexible:** These principles are not rigid and can be adapted and modified by the practicing managers depending upon the situation.
- 5. Mainly Behavioral:** Since the principles aim at influencing complex human behavior they are behavioral in nature.

6. Cause and Effect relationship: They are intended to establish relationship between cause & effect so that they can be used in various situations.

7. Contingent: Their applicability depends upon the prevailing situation at a particular point of time. The application has to be changed as per the situation.

Significance of the Principles of Management

1. Providing managers with useful insights into reality: Principles of management guide managers with useful insights into real world situations, adherence to these principles will improve their knowledge, ability and understanding of various managerial situations and circumstances.

2. Optimum utilization of resources and effective administration: The resources with the company are limited. Management principles equip the managers to see the cause and effect of their decisions and actions and thus reduce wastage. Optimum utilization of resources means maximum benefit with minimum cost.

3. Scientific decisions: Decisions must be based on facts, thoughtful and justifiable in terms of intended purpose. Management principles must be timely, realistic and subject to measurement and evaluation. Principles are free from bias and prejudice.

4. Meeting the changing environmental requirements: Management principles are effective and dynamic and thus help the organization to meet the changing requirements of the environment.

5. Fulfilling social responsibility: Due to the increased awareness of the public forces all companies are required to fulfill social responsibilities. Principles of management not only help in achieving organizational goals but also guide managers in performing social responsibilities.

6. Management training, education and research: Management principles are the core of management and are helpful in increasing knowledge, which forms the basis for management training and research.

Taylor's Scientific Management

Meaning: It implies conducting of business activities according to standardized tools, methods

and trained personal in order to increase output improve its quality and reduce costs and wastes through effective and optimum utilization of resources. Hence, it stresses that there is always one best method to maximize efficiency. This method can be developed through study and analysis.

Principles of Scientific Management

(1) Science, not rule of Thumb: There should be scientific study and analysis of each element of a job in order to replace the old rule of thumb approach or hit and miss method. We should be constantly experimenting to develop new techniques, which make the work much simpler, easier and quicker. Scientific method involved investigation of traditional methods through work-study.

(2) Harmony, Not discord: There should be complete harmony between management and workers in achieving organizational goals. It implies that there should be mental revolution on part of managers and workers in order to respect each other's role and eliminate any class conflict to realize organizational objectives.

(3) Cooperation not individualism: It is an extension of the Principle of Harmony not discord, there should be complete cooperation between the labour and management instead of

(4) Development of each and every person to his or her greatest Efficiency and Prosperity:

It implies taking actions for the development of competencies of all persons of an organization after their scientific selection and assigning work suited to their temperament and abilities. This will increase the productivity by utilizing the skills of the workers fully.

Techniques of Scientific Management

1. Functional Foreman-ship: Functional foreman-ship is a technique in which planning and execution are separate.

- Supervision is divided into several specialized functions and each functions is to be entrusted to a foreman.
- There are eight foreman in the related process or function of production.
- Four each under planning and execution who keep a watch on all workers performance.

2. Standardization and Simplification of work: Standardization refers to developing standards for every business activities to maximize output. Whereas simplification refers to eliminating unnecessary varieties, sizes and grades of products or services. It results in savings of cost of

labour, machines and tools. It leads to fuller utilization of equipment and increase in turnover.

3. Method Study: The objective of method study is to find out one best way of doing the job to maximize efficiency in the use of resources and to reduce cost of production and to maximizing quality and satisfaction of customers.

4. Motion Study: Refers to the study of productive movements. It is the science of identifying and eliminating wasteful movements resulting from unnecessary, incidental and unproductive motions of the workers so that it takes less time to complete the job efficiently.

5. Time study: It determines the standard time taken to perform a well-defined job. The objective of time study is to determine the number of workers to be employed, frame suitable incentive schemes & determine labour costs.

6. Fatigue study: Fatigue study seeks to determine time and frequency of rest intervals in completing a task. The rest interval will enable workers to regain their lost stamina thereby avoiding accidents, rejections and industrial sickness.

7. Differential piece wage system: This differentiates efficient and inefficient workers and links wages and productivity. The standard output per day is established and two-piece rates are used: higher for those who achieve upto and more than standard output i.e. efficient workers and lower for inefficient and slow workers. Thus, efficient workers will be rewarded & inefficient will be motivated to improve their performance.

Fayol's Principles of Management

According to Henri Fayol's specialization promotes efficiency of the workforce and increases productivity. In addition, the specialization of the workforce increases their accuracy and speed.

This 14 principles of management is applicable to both technical and managerial activities

Principles of Management developed by Fayol

1. Division of work: Work is divided in small tasks/job and a trained specialist who is competent enough to perform that job does each work. Thus it leads to greater efficiency, specialization, increased productivity.

2. Authority and Responsibility: Authority means power to take decisions and responsibility means obligation to complete the job assigned on time. There should be a

balance between authority and responsibility. Mere responsibility without authority makes an executive less interested in discharging duties. Similarly, giving authority without assigning responsibility makes him arrogant and there is fear of misuse of power.

3. Discipline: Is the obedience to organizational rules and employment agreement, which are necessary for the working of the organisation. Discipline requires good supervisors at all levels, clear and fair agreements and judicious application of penalties.

4. Unity of Command: According to Fayol there should be one and only one boss for every individual employee. It implies that every worker should receive orders from one superior only, otherwise it will create confusion, conflict and duplication of work.

5. Unity of Direction: All the units of an organisation should move towards the same objectives through coordinated and focused efforts. Each group of activities having the same objective must have one head and one plan. This ensures unity of action and coordination.

6. Subordination of Individual Interest to general interest: The interest of an organization should take priority over the interest of any individual employee. In simple words the organisation interest to be prioritized over individual interest.

7. Remuneration of Employees: The overall pay and compensation should be, fair to both employees and the organization. The employees should be given fair wages so that they can have a reasonable standard of living. Wages should be within the paying capacity of the organisation.

8. Centralization and Decentralization: Centralization means concentration of decisions making authority with some, whereas its dispersal among more than one person is Decentralization. Both should be balanced, as no organization can be completely centralized or completely decentralized.

9. Scalar Chain: The formal lines of authority and communication between superiors and subordinates from the highest to the lowest ranks is known as scalar chain. This chain should not be violated but in case of emergency employees at same level can contact through Gang Plank by informing their immediate superiors.

10. Order: According to Fayol “ People and material should be in suitable places at appropriate time for maximum efficiency”. A place for everything and everyone and

everything and everyone should be in its designated place

11. Equity: Good sense and experience are needed to ensure fairness to all employees who should be treated as fairly as possible. The working environment of any organization should be free from all forms of and principles of justice and fair play should be followed. No worker should be unduly favoured or punished.

12. Stability of Personnel: Employee turnover should be minimized to maintain organizational efficiency. A personnel should be selected and appointed after rigorous procedure and the selected person should be kept at the post for a minimum tenure to show results.

13. Initiative: Workers should be encouraged to develop and carry out their plan for improvements. Initiative means taking the first step with self-motivation. It is thinking out and executing the plan.

14. Espirit De Corps: Management should promote team spirit, unity and harmony among employees.