



Unit 1: Nature and Significance of  
Management

Name: \_\_\_\_\_

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## Concept

Management is a very popular term and has been used extensively for all types of activities and mainly for taking charge of different activities in any enterprise. Management aims at guiding their efforts towards achieving a common objective — a goal.

Management, has therefore, been defined as a process of getting things done with the aim of achieving goals effectively and efficiently. There are certain terms which require elaboration. These are (a) process, (b) effectively, and (c) efficiently.

Process in the definition means the primary functions or activities that management performs to get things done.

Being effective or doing work effectively basically means finishing the given task. Effectiveness in management is concerned with doing the right task, completing activities and achieving goals. In other words, it is concerned with the result.

## Effectiveness versus Efficiency

These two terms are different, but they are interrelated. For management, it is important to be both effective and efficient. Effectiveness and efficiency are two sides of the same coin. But these two aspects need to be balanced and management at times, has to compromise with efficiency.

For example, it is easier to be effective and ignore efficiency i.e., complete the given task but at a high cost. Suppose, a company's target production is 5000 units in a year. To achieve this target the manager must operate on double shifts due to power failure most of the time. The manager can produce 5000 units but at a higher production cost. In this case, the manager was effective but not so efficient, since for the same output, more inputs (labour cost, electricity costs) were used.

## Characteristics of Management

- (i) 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. Different organizations have different goals. For example, the goal of a retail store may be to increase sales while the goal of a automobile manufacturer is to improve quality of cars made
- (ii) Management is all pervasive: The activities involved in managing an enterprise are common to all organizations whether economic, social or political. A petrol pump needs to be managed as much as a hospital or a school. What managers do in India, the USA, Germany or Japan is the same.
- (iii) Management is multidimensional: Management is a complex activity that has three main dimensions. These are:
  - (a) Management of work: All organizations exist for the performance of some work. In a factory, a product is manufactured, in a garment store a customer's need is satisfied and in a hospital a patient is treated.
  - (b) Management of people: Human resources or people are an organization's greatest asset. Despite all developments in technology "getting work done through people" is still a major task for the manager. Managing people has two dimensions
    - It implies dealing with employees as individuals with diverse needs and behavior;
    - It also means dealing with individuals as a group of people.
  - (c) Management of operations: No matter what the organization, it has some basic product or service to provide to survive. This requires a production process which entails the flow of input material and the technology for transforming this input into the desired output for consumption.
- (iv) Management is a continuous process: The process of management is a series of continuous, composite, but separate functions (planning, organising, directing, staffing and controlling). These functions are simultaneously performed by all managers all the time
- (v) Management is a group activity: An organisation is a collection of diverse individuals with different needs. Every member of the group has a different purpose for joining the organisation but as members of the organisation they work towards fulfilling the common organisational goal. This requires team work and coordination of individual effort in a common direction
- (vi) Management is a dynamic function: Management is a dynamic function and has to adapt itself to the changing environment. An organization interacts with its external environment which consists of various social, economic and political factors. In order to be successful, an organisation must change itself and its goals according to the needs of the environment.
- (vii) Management is an intangible force: Management is an intangible force that cannot be seen but its presence can be felt in the way the organization functions. The effect of management is noticeable in an organisation where targets are met according to plans, employees are happy and satisfied, and there is orderliness instead of chaos.

## **Importance of Management**

- (i) Management helps in achieving group goals: Management is required not for itself but for achieving the goals of the organisation. The task of a manager is to give a common direction to the individual effort in achieving the overall goal of the organisation.
- (ii) Management increases efficiency: The aim of a manager is to reduce costs and increase productivity through better planning, organising, directing, staffing and controlling the activities of the organization
- (iii) Management creates a dynamic organization: All organizations must function in an environment which is constantly changing. It is generally seen that individuals in an organisation resist change as it often means moving from a familiar, secure environment into a newer and more challenging one. Management helps people adapt to these changes so that the organization can maintain its competitive edge.
- (iv) Management helps in achieving personal objectives: A manager motivates and leads his team in such a manner that individual members can achieve personal goals while contributing to the overall organisational objective. Through motivation and leadership, the management helps individuals to develop team spirit, cooperation and commitment to group success.
- (v) Management helps in the development of society: An organisation 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 organisation and through that it helps in the development of society. It helps to provide good quality products and services, creates employment opportunities, adopts new technology for the greater good of the people and leads the path towards growth and development.

## **Nature of Management**

The term 'management' today has several different connotations that highlight the different aspects of its nature. The study of management has evolved over a period along with the modern organizations; based both on the experience and practice of managers and a set of theoretical relationships.

Over a period, it has grown into a dynamic subject with its own special characteristics. However, one question that needs to be addressed pertaining to the nature of management is whether it is a science or an art or both?

## **Management as an Art**

The basic features of an art are as follows:

- (i) Existence of theoretical knowledge: Art presupposes the existence of certain theoretical knowledge. Experts in their respective areas have derived certain basic principles which are applicable to a form of art. For example, literature on dancing, public speaking, acting or music is widely recognized.
- (ii) Personalized application: The use of this basic knowledge varies from individual to individual. Art, therefore, is a very personalized concept. For example, two dancers, two speakers, two actors, or two writers will always differ in demonstrating their art.
- (iii) Based on practice and creativity: All art is practical. Art involves the creative practice of existing theoretical knowledge. We know that all music is based on seven basic notes. However, what makes the composition of a musician unique or different is his use of these notes in a creative manner that is entirely his own interpretation.

Management can be said to be an art since it satisfies the following criteria:

- (i) A successful manager practices the art of management in the day-to-day job of managing an enterprise based on study, observation and experience. There is a lot of literature available in various areas of management like marketing, finance and human resources which the manager must specialize in. There is existence of theoretical knowledge.
- (ii) There are various theories of management, as propounded by many management thinkers, which prescribe certain universal principles. A manager applies these scientific methods and body of knowledge to a given situation, an issue or a problem, in his own unique manner. A good manager works through a combination of practice, creativity, imagination, initiative and innovation.
- (iii) A manager applies this acquired knowledge in a personalized and skillful manner in the light of the realities of a given situation. He is involved in the activities of the organization, studies critical situations and formulates his own theories for use in a given situation. This gives rise to different styles of management.

## **Management as Science**

The basic features of science are as follows:

- (i) Systematised body of knowledge: Science is a systematic body of knowledge. Its principles are based on a cause and effect relationship. For example, the phenomenon of an apple falling from a tree towards the ground is explained by the law of gravity.
- (ii) Principles based on experimentation: Scientific principles are first developed through observation and then tested through repeated experimentation under controlled conditions.
- (iii) Universal validity: Scientific principles have universal validity and application.

Based on the above features, we can say that management has some characteristics of science.

- (i) Management has a systematised body of knowledge. It has its own theory and principles that have developed over a period, but it also draws on other disciplines such as Economics, Sociology, Psychology and Mathematics.
- (ii) The principles of management have evolved over a period based on repeated experimentation and observation in different types of organisations. However, since management deals with human beings and human behaviour, the outcomes of these experiments are not capable of being accurately predicted or replicated. Therefore, management can be called an inexact science.
- (iii) Since the principles of management are not as exact as the principles of science, their application and use are not universal. They must be modified according to a given situation. However, they provide managers with certain standardised techniques that can be used in different situations. These principles are also used for training and development of managers

## Management as Profession

A profession has the following characteristics:

- (i) Well-defined body of knowledge: All professions are based on a well-defined body of knowledge that can be acquired through instruction.
- (ii) Restricted entry: The entry to a profession is restricted through an examination or through acquiring an educational degree. For example, to become a chartered accountant in India a candidate must clear a specified examination conducted by the Institute of Chartered Accountants of India.
- (iii) Professional association: All professions are affiliated to a professional association which regulates entry, grants certificate of practice and formulates and enforces a code of conduct. To be able to practice in India lawyers must become members of the Bar Council which regulates and controls their activities.
- (iv) Ethical code of conduct: All professions are bound by a code of conduct which guides the behaviour of its members. All doctors, for example, take the oath of ethical practice at the time they enter the profession.
- (v) Service motive: The basic motive of a profession is to serve their client's interests by rendering dedicated and committed service. The task of a lawyer is to ensure that his client gets justice.

Management does not meet the exact criteria of a profession. However, it does have some of the features of a profession:

- (i) All over the world there is marked growth in management as a discipline. It is based on a systematic body of knowledge comprising well defined principles based on a variety of business situations. This knowledge can be acquired at different colleges and professional institutes and through several books and journals
- (ii) There is no restriction on anyone being designated or appointed as manager in any business enterprise. Anyone can be called a manager irrespective of the educational qualifications possessed.
- (iii) There are several associations of practising managers in India, like the AIMA (All India Management Association) that has laid down a code of conduct to regulate the activities of their members. There is, however, no compulsion for managers to be members of such an association nor does it have any statutory backing
- (iv) The basic purpose of management is to help the organisation achieve its stated goal. This may be profit maximisation for a business enterprise and service for a hospital. However, profit maximisation as the objective of management does not hold true and is fast changing. Therefore, if an organisation has a good management team that is efficient and effective it automatically serves society by providing good quality products at reasonable prices.

# Levels of Management

## **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 chairperson, the chief executive officer, chief operating officer, president and vice-president. Top management is a team consisting of managers from different functional levels, heading finance, marketing etc. For example, chief finance officer, vice president (marketing). Their basic task is to integrate diverse elements and coordinate the activities of different departments according to the overall objectives of the organization.

## **Middle Management**

They are subordinate to top managers and superior to the first line managers. They are usually known as division heads, for example production manager. Middle management is responsible for implementing and controlling plans and strategies developed by top management. At the same time, they are responsible for all the activities of first line managers. Their main task is to carry out the plans formulated by the top managers. For this they need to:

- (i) Interpret the policies framed by top management,
- (ii) Ensure that their department has the necessary personnel,
- (iii) Assign necessary duties and responsibilities to them
- (iv) Motivate them to achieve desired objectives
- (v) Co-operate with other departments for smooth functioning of the organisation.

## **Supervisory or Operational Management:**

Supervisors comprise the lower level in the hierarchy of 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. Supervisory management plays a very important role in the organization since they interact with the actual work force and pass on instructions of the middle management to the workers. Through their efforts quality of output is maintained, wastage of materials is minimized and safety standards are maintained.

## Functions of Management

- (i) Planning: is the function of determining in advance what is to be done and who is to do it. This implies setting goals in advance and developing a way of achieving them efficiently and effectively. Planning cannot prevent problems, but it can predict them and prepare contingency plans to deal with them when they occur.
- (ii) Organising: is the management function of assigning duties, grouping tasks, establishing authority and allocating resources required to carry out a specific plan. Once a specific plan has been established for the accomplishment of an organisational goal, the organising function examines the activities and resources required to implement the plan. It determines what activities and resources are required. It decides who will do a task, where it will be done, and when it will be done. Organising involves the grouping of the required tasks into manageable departments or work units and the establishment of authority and reporting relationships within the organisational hierarchy.
- (iii) Staffing: simply stated, is finding the right people for the right job. A very important aspect of management is to make sure that the right people with the right qualifications are available at the right places and times to accomplish the goals of the organisation. This is also known as the human resource function and it involves activities such as recruitment, selection, placement and training of personnel.
- (iv) Directing: involves leading, influencing and motivating employees to perform the tasks assigned to them. This requires establishing an atmosphere that encourages employees to do their best. Motivation and leadership are two key components of direction. Directing also involves communicating effectively as well as supervising employees at work. Motivating workers means simply creating an environment that makes them want to work. Leadership is influencing others to do what the leader wants them to do. A good manager directs through praise and criticism in such a way that it brings out the best in the employee.
- (v) Controlling: is the management function of monitoring organisational performance towards the attainment of organisational goals. The task of controlling involves establishing standards of performance, measuring current performance, comparing this with established standards and taking corrective action where any deviation is found. Here management must determine what activities and outputs are critical to success, how and where they can be measured and who should have the authority to take corrective action

# Coordination

## Coordination

Coordination is the force that binds all the other functions of management. It is the common thread that runs through all activities such as purchase, production, sales, and finance to ensure continuity in the working of the organisation.

## Characteristics of Coordination

- (i) Coordination integrates group efforts: Coordination unifies unrelated or diverse interests into purposeful work activity. It gives a common focus to group effort to ensure that performance is as it was planned and scheduled.
- (ii) Coordination ensures unity of action: The purpose of coordination is to secure unity of action in the realisation of a common purpose. It acts as the binding force between departments and ensures that all action is aimed at achieving the goals of the organisation.
- (iii) Coordination is a continuous process: Coordination is not a one-time function but a continuous process. It begins at the planning stage and continues till controlling.
- (iv) Coordination is an all-pervasive function: Coordination is required at all levels of management due to the interdependent nature of activities of various departments. It integrates the efforts of different departments and different levels. The purchase, production and sales departmental efforts have to be coordinated for achieving organisational objectives harmoniously.
- (v) Coordination is the responsibility of all managers: Coordination is the function of every manager in the organisation. Top level managers need to coordinate with their subordinates to ensure that the overall policies for the organisation are duly carried out. Middle level management coordinates with both the top level and first line managers. Operational level management coordinates the activities of its workers to ensure that work proceeds according to plans.
- (vi) Coordination is a deliberate function: A manager must coordinate the efforts of different people in a conscious and deliberate manner. Even where members of a department willingly cooperate and work, coordination gives a direction to that willing spirit. Cooperation in the absence of coordination may lead to wasted effort and coordination without cooperation may lead to dissatisfaction among employees.

## **Importance of Coordination**

- (i) Growth in size: As organisations grow, the number of people employed by the organisation also increases. At times, it may become difficult to integrate their efforts and activities. All individuals differ in their habits of work, background, approaches to situations and relationships with others
- (ii) Functional differentiation: Functions of an organisation are divided into departments, divisions and sections. In an organisation there may be separate departments of finance, production, marketing or human resources. All these departments may have their own objectives, policies and their own style of working.
- (iii) Specialisation: Modern organisations are characterised by a high degree of specialisation. Specialisation arises out of the complexities of modern technology and the diversity of tasks to be performed. Organisations, therefore, need to employ several specialists. Specialists usually think that they only are qualified to evaluate, judge and decide according to their professional criteria.