

## 1. Details of Module and its structure

Module Detail	
Subject Name	Business Studies
Course Name	Business Studies 03 (Class XII, Semester - 1)
Module Name/Title	Nature and significance of Management
Module Id	Lebs_10101
Pre-requisites	Basic knowledge of nature and significance of management
Objectives	After going through this lesson, the learners will be able to understand the following: <ul style="list-style-type: none"><li>• Concept of management</li><li>• Characteristics of Management</li><li>• Objectives of management</li><li>• Levels of Management</li><li>• Evolution of Society</li></ul>
Keywords	Organisation, Management, Etymology, Effectiveness

## 2. Development team

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## Concept

**In the new millennium trying to effectively manage 21st century organizations has become a harsh reality. However, the basic premise to the field is managing the people- the human resource of the organization. But Management is pervasive in nature and has a universal acceptability. Successful organisations have management as a deliberate process to achieve their goals. Management is necessary so that individuals make their best contribution towards group objectives**

**Organisation** is a consciously coordinated social unit, composed of two or more people that functions on a relatively continuous basis to achieve common goals. Managers do their work in an organization and get things done through other people. Organisations can be of various types, trading firms, manufacturing units, football teams, government department, educational institutions, non business enterprises etc.

**Management** has been- are- and will continue to be, the major challenge and the critical competitive advantage. Because management is always about people. Management is required in all kinds of organizations. Management is necessary so that individuals make their best contributions towards group objectives. It consists of a series of interrelated functions that are performed by the managers, like Planning, Organising, Staffing, Directing and controlling.

## Etymology

The English verb "manage" comes from the Italian maneggiare (to handle, especially tools or a horse), which derives from the two Latin words manus (hand) and agere (to act).

<https://en.wikipedia.org/wiki/Management>

Discussions about management and organizations appeared from time to time before the mid 19th century. But it was only with the Industrial revolution which swept Europe and US that systematic study occurred.

Evolution of society changes the role of Management too. As the society passed through Agrarian, to Industrial to Post industrial structure, the role of management changed from control of employee behaviour, to maintain employee social systems to Facilitate employee Development.

<i>Evolution of Society</i>	<i>Role of Management</i>
Agrarian	Control of employee behavior
Industrial	Maintain social systems
Post Industrial	Facilitate employee Development

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Modern researches offer important insights into Traditional management and modern management. Traditional management included decision making, planning, controlling, Human resource management of staffing, training, motivating, and managing conflict.

To which modern management includes, Communicating and exchanging information, processing paper works and the managerial activity of Networking including interacting with outsiders and business environment on a global scale. Drastic reengineering of business processes with the advent of computers has brought changes in the management practices.

At a time when India had a total of 250 computers, Shiv Nadar led a young team which passionately believed in the growth of the indigenous IT industry. That **vision** in 1976, born out of a Delhi 'barsaati', has resulted three decades later in creating a US \$ 3.5 billion global enterprise. HCL is today a leader in the IT industry, employing 41,000 professionals and having a global presence in 16 countries spanning locations in the US, Europe, Japan, ASEAN and the Pacific Rim. HCL's business today spans IT hardware manufacturing and distribution, system integration, technology and software services, business process outsourcing, and infrastructure management. HCL Enterprises is *a leader in global technology and IT services*.

Shiv Nadar, Chairman and CEO, attributes the success of the group to its **management team and their entrepreneurial spirit**, which together have enabled it to handle rapid changes in **environments and technologies**, and to transform threats into opportunities. Fundamental to the process has been the **development of new paradigms** for the unprecedented situations into which the group ventures. These include:- 1) guidelines for organisation restructuring, 2) market creation, 3) technology leveraging and 4) business up-scaling.

Like any other business enterprise **profits** are important for the survival and growth of HCL as an enterprise.

At HCL the management believes that **a satisfied employee** creates a satisfied customer, who in turn creates profits that lead to satisfied shareholders.

HCL has a strong sense of **social responsibility**. It has set up educational institutions in the fields of management, engineering and computer education, in which one-third of the students are girls. According to Shiv Nadar, the future belongs to the global enterprise which is able to transform itself according to the challenges of global economy.

The above case is an example of a successful organisation which is amongst the top companies in India. It has risen to the top because of its quality of management.

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However traditional viewpoints are considered inappropriate in modern times as they ignore the needs of the workers, do not give managerial functions and give the impression of manipulative practices.

Thus modern concept of management with its elements of process, effectiveness and efficiency is defined as the process of getting things done with the aim of achieving goals efficiently and effectively.

People in organizations are performing diverse tasks but they are all working towards the same goal. Management aims at guiding their efforts towards achieving a common objective — a goal. Thus, management has to see that tasks are completed and goals are achieved (i.e., effectiveness) with the least amount of resources at a minimum cost (i.e., efficiency).

Suhasini is the **branch manager** of Fabmart, an organisation that promotes the sales of Indian handloom and handicraft products while providing equitable employment to traditional artisans. Fabmart sources its products from over **7500 craft persons and artisans across India**. Planning the products is a difficult task that is done by a team of **marketing and design experts** to ensure that whatever is produced is according to market demand. These plans are then communicated by Suhasini to the rural artisans who actually implement them.

Fabmart is a private limited company with several branches all over the country. It has a complex organisation structure in which actual production is in the hands of several skilled artisans and marketing is done by staff at branches such as the one managed by Suhasini.

This means constantly providing direction and motivation to her employees. She also has to ensure that production is carried out according to plans in order to ensure regular sales. A typical day in Suhasini's life consists of a series of interrelated and continuous functions. She has to plan organising more funds and recruiting more artisans according to the work. She also has to regularly communicate with her suppliers to ensure that deadlines regarding delivery of goods are met. In the course of the day she meets customers for general feedback and suggestions.

Suhasini is **the manager** of Fabmart. So is Nusli Wadia of Bombay Dyeing, Bill Gates of Microsoft, Shiv Nadar of HCL Enterprises, Indra Nooyi of Pepsico and the Principal of your school. They all manage organisations.

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Schools, hospitals, shops and large corporations are all organisations with diverse goals that are aimed at achieving something.

Successful organisations do not achieve their goals by chance but by following a deliberate process called 'management'. Management is necessary so that individuals make their best contribution towards group objectives. Management consists of a series of interrelated functions that are performed by all managers.

There are certain terms which require elaboration.

These are (a) process, (b) effectiveness, and (c) efficiency.

**Process** in the definition means the primary functions or activities that management performs to get things done. These functions are interrelated and are planning, organizing, staffing, directing and controlling.

As a process, management refers to a series of inter-related functions. It is the process by which management creates, operates and directs purposive organization through systematic, coordinated and co-operated human efforts, according to George R. Terry, "Management is a distinct process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish stated objective by the use of human beings and other resources". As a process, management consists of three aspects:

- **Management is a social process** - Since human factor is most important among the other factors, therefore management is concerned with developing relationship among people. It is the duty of management to make interaction between people - productive and useful for obtaining organizational goals.
- **Management is an integrating process** - Management undertakes the job of bringing together human physical and financial resources so as to achieve organizational purpose. Therefore, is an important function to bring harmony between various factors.
- **Management is a continuous process** - It is a never ending process. It is concerned with constantly identifying the problem and solving them by taking adequate steps. It is an on-going process.

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**Effectiveness** in management is concerned with doing the right task, completing activities and achieving goals. In other words, it is concerned with the end result. Effectiveness means achieving the predetermined goals on time.

**Efficiency** means doing the task correctly and with minimum cost. If by using fewer resources like money, materials, equipment and people (inputs), *more benefits are derived (outputs)*, then efficiency has increased. Even if for the *same output*, if less costs and resources are used efficiency is increased.

There is a kind of cost-benefit analysis involved and the relationship between inputs and outputs. 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.

**Usually high efficiency is associated with high effectiveness which is the aim of all managers.** But undue emphasis on high efficiency without being effective is also not desirable. “Management is the process of working with and through others to effectively achieve organizational objectives by efficiently using limited resources in the changing environment.”

Kreitner

Example: -Suppose, a company’s target production is 5000 units in a year. To achieve this target the manager has to operate on double shifts due to power failure most of the time. The manager is able to 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 (labor cost, electricity costs) were used. At times, a business may concentrate more on producing goods with fewer resources i.e., cutting down cost but not achieving the target production. Consequently, the goods do not reach the market and hence the demand for them declines and competitors enter the market. This is a case of being efficient but not effective since the goods did not reach the market.

Difference between efficiency and effectiveness:-

<b>Basis</b>	<b>Efficiency</b>	<b>Effectiveness</b>
Meaning	It means doing the task	It means achieving

	correctly and with minimum cost	predetermined goals on time
Purpose	Minimum waste	Achieve target on time
Focus	Means	Ends

### **Characteristics of management.**

After going through the definitions of Management we find some elements which can be called the basic characteristics of management:

“Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims.”

Harold Koontz and Heinz Weihrich

1. Management is a goal oriented process. The goals may be economic or social. An organisation may have a number of basic goals which are the reason for its existence. Management integrates the efforts of different individuals in the organisation towards the common goals or objective of the organisation. For ex, the goal of a retail store is to increase sales, but that of Spastics society of India is to impart education to children with special needs. These should be simple and clearly stated.

All managerial activities are directed towards achievement of the goal.

2. Management is all pervasive. The activities involved in managing an enterprise are common to all organizations whether economic, social, or political. Any differences are due to culture, tradition & history.

Management is universally applied in all types of organisation. The concept of Management is used in the whole world. It is not restricted to profit making firms but also applicable to non-business organisations, schools, house etc. 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.

How they do it may be quite different. This difference is due to the differences in culture, tradition and history.

“Management is defined as the process of planning, organizing, actuating and controlling an *organization's operations* in order to achieve *coordination of the human and material resources* essential in the effective and efficient attainment of objectives.”

Robert L. Trewelly and M. Gene Newport

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3. Management is Multidimensional complex activity having 3 main dimensions.

(a) Management of work: All organizations exist for the performance of some work. The type of work depends upon the nature of business. Management translates this work in terms of goals and means to achieve these goals effectively and efficiently.

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. Management translates this work in terms of goals to be achieved and assigns the means to achieve it. This is done in terms of problems to be solved, decisions to be made, plans to be established, budgets to be prepared, responsibilities to be assigned and authority to be delegated.

(b) Management of people: Human resources or people are an organisation's greatest asset. Despite all developments in technology "getting work done through people" is still a major task for the manager. The task of management is to make people work towards achieving the organisational goals by making their strengths effective and weaknesses irrelevant. Managing people has two dimensions

(i) it implies dealing with employees **as individuals** with diverse needs and behaviour;

(ii) it also means dealing with individuals **as a group** of people.

(c) Management of operations: The organization has some basic product or service to provide in order 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. It is interlinked with both the management of work and the management of people.

Jack Welch was appointed CEO of GE in 1981. At that time the firm had a market capitalization of \$13 billion. In 2000 when he stepped down the firm's turnover had increased multifold to \$500 billion. What was the secret of Welch's success? He has laid down the following pointers for managers to be successful:

***Create a vision and then ignite your organisation to make this vision a reality.*** Get people so passionate about what they are doing that they cannot wait to execute this plan. Have great energy, competitive spirit and the ability to spark excitement and achieve results. Search for leaders who have the same qualities.

***Focus on strategic issues.*** Your job is to understand the vital issues within each of your businesses. Recognise the talent needed to win in those markets.



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**Focus on the main issue.** Your job is to see the big picture. Don't manage every detail. Don't get caught up in the minute details, but instead inspire others to execute some of your vision. Surround yourself with great people and trust them to do their job and contribute their best to the organisation.

**Involve everyone and welcome great ideas from everywhere.** Anyone can be a leader, just so long as they contribute, and the most meaningful way for anyone to contribute is to come up with a good idea. Business is all about getting the best ideas from everyone. New ideas are the lifeblood of the organisation, the fuel that makes it run. "The hero is the person with a new idea." There is simply nothing more important to an organisation than expressing ideas and creating a vision.

**Lead by example.** To spark others to perform, you must lead by example. Jack Welch's mastery of the four E's of leadership – Energy, Energise, Edge, and Execution – was always in evidence. "He had great energy, sparked others, had incredible competitive spirit, and had a record of execution that was second to none. This is a key of the Welch phenomenon.

4. Management is a continuous process. The process of management is a series of continuous, composite, but separate functions (planning, organizing, directing, staffing and controlling). These functions are simultaneously performed by all managers all the time. The time spent by managers in different functions however is different. Managers at the top level spend more time in planning and organizing than managers at lower levels of the organization. It involves continuous handling of problems and issues. It is ongoing without breaks or gaps.

5. Management is a group activity: An organization is a collection of diverse individuals with different needs. Every member of the group has a different purpose for joining the organization but as members of the organization they work towards fulfilling the common organisational goal. Management is a team work rather than individual activity. This requires coordination. These functions cannot be performed in isolation. For example, a *marketing manager* cannot allow additional credit period to a customer without consulting *finance manager*.

6. Management is a dynamic function: Management is a dynamic function and has to adapt itself to the changing environment.

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An organisation interacts with its external environment which consists of various social, economic, technological, legal and political factors. Organisations must change itself and its goals according to the needs of the environment. Example McDonald's the fast food giant made major changes in its menu to survive in the Indian market.

7. 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. If targets are achieved as per plans, employees are happy, and there is orderliness instead of chaos, the presence of management is seen as the invisible force.

On the contrary the company's increasing inventory, strike by workers, decline in the progress chart are indicators of mis-management

Management is intangible or unseen but the people who perform management are visible and tangible.

### **Objectives of Management.**

Objectives are the desired result of any activity. They must be derived from the basic purpose of the business. Objectives are the ends or goals towards which the activities of a business is directed and the standards against which the performance is measured.

Objectives can be classified into organizational objectives, social objectives and personal or individual objectives.

**Organizational objective:** These Objectives are the main objectives which are required to achieve the economic objectives of the organisation. The main objective of any organization should be to utilize human and material resources to the maximum possible advantage, i.e., to fulfil the economic objectives of a business. It has to achieve a variety of objectives in all areas considering the interest of all stakeholders including, shareholders, employees, customers and the govt. The managers try to achieve objectives in all management areas which leads to reduction in costs and brings maximum prosperity for organisation.

The 3 main organisational objectives are: Survival, Profit and Growth.

**Management must strive to ensure the survival of the organization. In order to survive, an organization must earn enough revenues to cover costs.**

Management has to ensure that the organization makes a profit. Profit provides a vital incentive for the continued successful operation of the enterprise.

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Management must exploit fully the growth potential of the organization. Growth of a business can be measured in terms of sales volume increase in the number of employees, the number of products or the increase in capital investment, etc. There can be other indicators of growth.

**Social objectives:** Business Organisations are part of the society. Social Objectives deal with the commitment of the organisation towards the society. They earn by using society's resources so they must do something for the society too. This refers to consistently creating economic value for various constituents of society. This includes using environmental friendly methods of production, giving employment opportunities to the disadvantaged sections of society and providing basic amenities to employees.

**Personal objectives:** Personal objectives are related to the employees of the organisation. They have different personalities, backgrounds, experiences and objectives. They become a part of the organization to satisfy their diverse needs. These vary from financial needs such as competitive salaries and perks, social needs such as peer recognition and higher level needs such as personal growth and development.

As employees are one of the valuable resources of the organisation, satisfaction of their objectives is most important because a satisfied workforce contributes maximum for the organisation.

Management has to reconcile personal goals with organisational objectives for harmony in the organisation.