

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_10102
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">• Importance of management• Nature of management• Management as a Science• Management as a Profession
Keywords	Importance of Management, nature of management, Management as an art, science, profession, Management in the twenty first century

2. Development team

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Importance of Management

In today's business environment there isn't enough emphasis on the importance of proper management in businesses. The concept management is complicated and not as simple as people often think. Management studies are essential for anyone who wants to be successful in a business environment. Managers are responsible for ensuring that different processes are operating effectively. To do this, those in management positions must be able to assess the effectiveness of management functions and processes.

Having understood that management is a universal activity that is integral to any organization we now examine some of the reasons that have made management so important: According to Professor Peter Drucker, "Management is the dynamic life giving element in any business. Without it the resources of production remain resources and never become production." Management is the thinking organ which provides vision to the business. It is also the integrating force for the achievement of business objectives. It is gaining importance day to day.

- (i) **Management helps in achieving group goals:** The task of a manager is to give a common direction to the individual effort in achieving the overall goal of the organisation. It reconciles the individual objectives with the goals of the organization. The task of the manager is to direct the efforts of all individuals in the common direction of accomplishing organizational goals.

It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs group efforts towards achievement of pre-determined goals. By defining objective of organization clearly there would be no wastage of time, money and effort. Management converts disorganized resources of men, machines, money etc. into useful enterprise. These resources are coordinated, directed and controlled in such a manner that enterprise work towards attainment of goals.

Management helps to forecast and plan to determine where the business is going, to organise the resources necessary to achieve these objectives, to command people to do things, to coordinate the different activities and control the activities to make sure they are completed as planned.

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- (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. Management helps in better utilisation of resources and eliminate wastage. It always focuses on efficiency and effectiveness in its activities.

Management utilizes all the physical & human resources productively. This leads to efficacy in management. Management provides maximum utilization of scarce resources by selecting its best possible alternate use in industry from out of various uses. It makes use of experts, professional and these services leads to use of their skills, knowledge, and proper utilization and avoids wastage. If employees and machines are producing its maximum there is no under employment of any resources. It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output. Management uses physical, human and financial resources in such a manner which results in best combination. This helps in cost reduction.

There is No overlapping of efforts (smooth and coordinated functions). To establish sound organizational structure is one of the objective of management which is in tune with objective of organization and for fulfillment of this, it establishes effective authority & responsibility relationship i.e. who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates. Management fills up various positions with right persons, having right skills, training and qualification. All jobs should be clear to everyone.

- (iii) **Management creates a dynamic organisation:** All organisations have to function in an environment which is constantly changing. Management helps people adapt to these changes so that the organisation is able to maintain its competitive edge. Employees generally resist changes. In order to survive and grow the organization has to adopt itself according to the needs of the environment. Management helps people to implement these changes.

It enables the organization to survive in changing environment. It keeps in touch with the changing environment. With the change in external environment, the initial coordination of organization must be changed. So it adapts organization to changing demand of market / changing needs of societies. It is responsible for growth and survival of organization.

(iv) **Management helps in achieving personal objectives:** A manager motivates and leads his team in such a manner that individual members are able to achieve personal goals while contributing to the overall organisational objective. Management helps individuals to develop team spirit, cooperation and commitment to group success while retaining their personal objectives as well through motivation and leadership.

(v) **Management helps in the development of society:** An organization has multiple objectives towards different groups. While achieving the development of the organization, management also aims to develop society by giving due importance to social obligations. 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. Effective management improves living standards of the people in the society by generating employment opportunities, providing fair wages to workers, preventing environment from pollution, increasing the wealth of the nation etc.

Efficient management leads to better economical production which helps in turn to increase the welfare of people. Good management makes a difficult task easier by avoiding wastage of scarce resource. It improves standard of living. It increases the profit which is beneficial to business and society will get maximum output at minimum cost by creating employment opportunities which generate income in hands. Organization comes with new products and researches beneficial for society.

Management brings harmony in work as it directs the efforts of employees in one direction and towards common objective. In an organization people come from different society, background, culture and educational qualifications. Due to this there is possibility of chaos in the organisation. Management helps overcome such situation.

Nature of Management

Management is as old as civilisation. Although modern organisations are of recent origin, organised activity has existed since the time of the ancient civilisations.

The earliest management practices were a set of **rules and regulations** that grew out of the experiences of governmental and commercial activities. The development of trade and commerce gradually led to the development of management **principles and practices**.

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 of time along with the modern organisations; based both on the experience and practice of managers and a set of theoretical relationships. Over a period of time, 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 is an art

Art is a skilful and personal application of existing knowledge to achieve desired results that can be acquired through study, observation and experience. The basic features of art are:

- (i) Existence of theoretical knowledge
- (ii) Personalised application
- (iii) Based on practice and creativity

- (a) Management can be said to be an art since it satisfies these following criteria: Art presupposes the existence of certain theoretical knowledge. In 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 has to specialise in. There is existence of theoretical knowledge. Experts in their respective areas have derived certain basic principles which are applicable to a given situation.

As an art, management calls for a corpus of abilities and judgment and a continuous practice of management theories and principles. Management has been termed as an age-old art and thus getting work done through employees is not new to modern

organizations But management lacks perfection as is found in fine arts like music and painting.

Every art is result oriented as it seeks to achieve concrete results. In the same manner, management is also directed towards accomplishment of pre-determined goals. Managers use various resources like men, money, material, machinery & methods to promote growth of an organization.

- (b) 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. Since art is concerned with personal application of knowledge some ingenuity and creativity is required to practice the basic principles learnt. A manager achieves perfection after long practice.

Although theoretical base may be same for every artist, but each one has his own style and approach towards his job. That is why the level of success and quality of performance differs from one person to another. E.g. there are several qualified painters but M.F. Hussain is recognized for his style. Similarly management as an art is also personalized. Every manager has his own way of managing things based on his knowledge, experience and personality, that is why some managers are known as good managers (like Aditya Birla, Rahul Bajaj) whereas others as bad.

- (c) Every art requires practical knowledge therefore learning of theory is not sufficient. It is very important to know practical application of theoretical principles. E.g. to become a good painter, the person may not only be knowing different colour and brushes but different designs, dimensions, situations etc to use them appropriately. A manager can never be successful just by obtaining degree or diploma in management; he must have also know how to apply various principles in real situations by functioning in capacity of manager.

A manager applies this acquired knowledge in a personalised and skillful manner in the light of the realities of a given situation. This gives rise to different styles of management. All management practices are based on the same set of principles; what distinguishes a successful manager from a less successful one is the ability to put these principles into practice. He is involved in the activities of the organization,

studies critical situations, and formulates his own theories for use in a given situation. All art is practical and management satisfies this criterion.

The characteristics of art are present in management so we can call it an art of getting things done through people. The old saying that “Manager are Born” has been rejected in favor of “Managers are Made”. It has been aptly remarked that management is the oldest of art and youngest of science. To conclude, we can say that science is the root and art is the fruit.

Management as a Science

The basic features of science are:

- **Science is a Systematised body of knowledge:** Its principles are based on a cause and effect relationship. It explains certain general truths or the operation of general laws.
- **Scientific Principles are based on experimentation:** developed through observation and then tested through repeated experimentation under controlled conditions.
- **Scientific principles have Universal validity:** Scientific principles have universal validity and application.

Based on these features we may say that management has some characteristics of science.

1. **A)** Management has its own systematised body of knowledge. Management has its own theory and principles that have developed over a period of time, but it also draws on other disciplines such as Economics, Sociology, Psychology and Mathematics. Like all other organised activity, management has its own vocabulary of terms and concepts.
2. **B)** The principles of management have evolved over a period of time. 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.
3. Management scholars have been able to identify general principles of management. For example, Scientific management principles by F.W. Taylor and Functional Management principles by Henri Fayol.
4. E.g. the principle that earth goes round the sun has been scientifically proved. Management principles are also based on scientific enquiry & observation. They have

been developed through experiments & practical experiences of large no. of managers. E.g. it is observed that fair remuneration to personnel helps in creating a satisfied work force.

C) Since the principles of management are not as exact as the principles of science, their application and use is not universal. They have to be modified according to a given situation. These principles are also used for training and development of managers.

E.g. - law of gravitation which can be applied in all countries irrespective of the time.

Management also contains some fundamental principles which can be applied universally like the Principle of Unity of Command i.e. one man, one boss. This principle is applicable to all type of organization - business or non business.

D) Cause & Effect Relationship – Principles of science lay down cause and effect relationship between various variables. For example, the law of gravitation states that whatever is thrown up in the air will come down due to gravitational force of earth. Management principles also establish cause and effect relationship. The principle of unity of command, command by one boss is cause and avoidance of confusion is the effect. But, such effect may vary in different situations.

E.g. when metals are heated, they are expanded. The cause is heating & result is expansion. The same is true for management; therefore it also establishes cause and effect relationship. E.g. lack of parity (balance) between authority & responsibility will lead to ineffectiveness. If you know the cause i.e. lack of balance, the effect can be ascertained easily i.e. ineffectiveness.

Similarly if workers are given bonuses, fair wages they will work hard but when not treated in fair and just manner, reduces productivity of organization.

So, this feature is not fully applied in case of management.

On comparing the characteristics of science with management we can conclude that it cannot be considered as pure and accurate science. It falls in the area of social process therefore is a social science. But it can be called an inexact science or as it is flexible science Ernest Dale called it a soft science.

The practice of management is an art. However, managers can work better if their practice is based on the principles of management. These principles constitute the science of management.

Management as an art and a science.

A manager to be successful in his profession must **acquire the knowledge of science & the art of applying it**. Therefore management is a judicious blend of science as well as an art because it proves the principles and the way these principles are applied is a matter of art. **Science teaches to 'know' and art teaches to 'do'**. E.g. A person cannot become a good singer unless he has knowledge about various ragas & he also applies his personal skill in the art of singing. Same way it is not sufficient for manager to first know the principles but he must also apply them in solving various managerial problems that is why, science and art are not mutually exclusive but they are complementary to each other (like tea and biscuit, bread and butter etc.).

The old saying that "Manager are Born" has been rejected in favor of "Managers are Made". It has been aptly remarked that management is the oldest of art and youngest of science. To conclude, we can say that science is the root and art is the fruit.

Management as a Profession

Profession refers to an occupation backed by specialised knowledge and training and to which entry is restricted. All forms of organised activity needs to be managed. Profession has the following characteristics:

- (i) Well-defined body of knowledge
- (ii) Restricted entry
- (iii) Professional association
- (iv) Ethical code of conduct
- (v) Service motive

There has been an increase in corporate form of business on one hand and increasing emphasis on managed business concerns. Let us examine the salient features of profession and see whether management satisfies them:

Management does not meet the exact criteria of a profession.

All Professions are based on well defined body of knowledge that can be acquired through instructions. Management as a discipline 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 a number of books and

journals. The subject of management is taught at different institutions. Some of these have been set up with the specific purpose of providing Management education example IIMs and entry is through an examination. So this feature is present in management.

The entry to a Profession is restricted through an examination or acquiring an educational degree. Example to become a doctor one must acquire an MBBS degree. Nowhere in the world is it mandatory for a manager to possess any specific degree. But professional knowledge and training is considered to be a desirable qualification. There is no restriction on anyone being designated or appointed as manager in any business enterprise. Presently this feature is not applicable to management as a statutory backing.

All Professions are affiliated to a professional association which regulates entry, grants certificate of practice and formulates and enforces a code of conduct. Although 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.

The main aim of Profession is to serve the clients with dedication. The basic purpose of management is to help the organisation achieve its stated goal which is profit maximization and service. However this is fast changing. 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.

On the basis of our examination we can say that presently all the features of Profession are not present in Management but maybe included in the future with statutory backing as it is moving fast in the direction of becoming a full- fledged Profession.

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

From above discussion, it is quite clear that management fulfills several essentials of a profession, even then it is not a full fledged profession because:

- a. It does not restrict the entry in managerial jobs for account of one standard or other.
- b. No minimum qualifications have been prescribed for managers.
- c. No management association has the authority to grant a certificate of practice to various managers.

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- d. All managers are supposed to abide by the code formulated by AIMA,
 - e. Competent education and training facilities do not exist.
 - f. Managers are responsible to many groups such as shareholders, employees and society. A regulatory code may curtail their freedom.
 - g. Managers are known by their performance and not mere degrees.
 - h. The ultimate goal of business is to maximize profit and not social welfare. That is why Haymes has rightly remarked, “The slogan for management is becoming - 'He who serves best, also profits most'.”