

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_10103
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">• Levels of management• Top Level Management• Middle Level Management• Functions of Management
Keywords	Functions of Management, Planning, Organizing, Staffing, Directing, Controlling, Levels of management

2. Development team

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Levels of management

Management is a universal term used for certain functions performed by individuals in an enterprise who are bound together in a hierarchy of relationships. Every individual in the hierarchy is responsible for successful completion of a particular task. To be able to fulfil that responsibility he is assigned a certain amount of authority or the right to take a decision. This authority-responsibility relationship binds individuals as superiors and subordinates and gives rise to different levels in an organisation.

As we have learnt that Management is a group activity. So, every enterprise consists of number of persons, who are placed at different positions to perform different managerial activities. To carry on these activities they are given necessary amount of authority. Levels of Management refer to the line of demarcation between various managerial positions in an organization. Generally speaking there are three levels in the hierarchy of an organisation.

The three main levels of management are: The term “**Levels of Management**’ refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of authority & status enjoyed by any managerial position. The levels of management can be classified in three broad categories:

1. Top Level Management
2. Middle Level Management

Lower Level/ Supervisory Level/Operational Level/First Line Level Management,

In today's fast-paced, competitive world, businesses are continually changing. Most of these organizations are on the hunt for the competitive advantage, or a way to strategically move ahead of the competition in the marketplace.

However, earning the competitive advantage takes work; goals must be set, plans must be made, people must be motivated and mobilized, resources have to be gathered and distributed, and objectives have to be monitored and assessed.

Enter managers

These men and women come in many forms, but they all share the common task of working with people and resources to achieve organizational goals. An **organizational goal** can be something

as simple as finding a way to shorten the amount of time it takes for a product to leave a warehouse or as elaborate as introducing a new product to the marketplace that makes all previous versions of this type of product obsolete. Regardless of the goal, someone needs to manage all of the factors necessary to seeing that goal become a reality.

Think of a manager as the foundation, support beams, and roof of a house. He or she provides the necessary support from the bottom up, and also provides oversight to all of the parts in between.

While this may seem like a great deal of responsibility and accountability for just one person to have, *much like an onion, there are several layers of management*. The roles and responsibilities a particular manager has correlates to their position in the organization. While job titles and roles can vary from organization to organization, they typically fall into one of three levels of management.

(i) Top Level Management: There are three levels of managers, which are typically organized in a hierarchical, pyramid structure. Senior managers, such as the [Board of Directors](#), [Chief Executive Officer](#) (CEO) or [President](#) of an organization, set the strategic goals of the organization and make decisions on how the overall organization will operate. Senior managers provide direction to the middle managers who report to them. They consist of the senior-most executives of the organization by whatever name they are called. Top management is a team consisting of managers from different functional levels, heading finance, marketing etc. Their basic task is to integrate diverse elements and coordinate the activities of different departments according to the overall objectives of the organization. They are responsible for the welfare and survival of the organization. They analyze the business environment and its implications for the survival of the firm. They formulate overall organizational goals & strategies for achievement. They are responsible for all the activities of the business and for its impact on society.

Top management is a team consisting of senior most executives essential for leading and directing the efforts of other people. The people working at this level have the highest authority.

Following are the main function of Top Level management:

- It establishes the goals of the enterprise
- It formulates plans and policies for achieving the objectives

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- It is responsible for the welfare and survival of the organization
 - It is responsible for all the business activities and their overall impact on the society
 - It is responsible for the overall success and failure of the enterprise.
 - They arrange the resources such as men, money, machine, materials, etc. to achieve desired objectives.
 - They appoint the executives for the middle Level
 - They analyse the business and its implication for the survival of the enterprise.
 - Monitoring and controlling overall performance.
 - It builds and maintains relation with the outside world i.e Government, suppliers, media, etc.
 - Coordinating the activities of different departments.

(ii) Middle Management: Middle managers, examples of which would include branch managers, regional managers and section managers, provide direction to front-line managers. Middle managers communicate the strategic goals of senior management to the front-line managers. Middle management is the link between top and lower level managers. They are subordinate to top managers and superior to the first line managers. They are usually known as division heads. 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 Level Management.

These managers may still be involved in the daily company operations, but they often depend on the input of first-level managers. Mid-level managers are generally operations managers or general managers, but they can also serve as regional managers.

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, and (v) co-operate with other departments for smooth functioning of the organisation. At the same time they are responsible for all the activities of first line managers.

People of this group also exercise the functions of Top Level management as they make plans and policies for their department, organise and collect resources etc.

Following are the functions of the Middle Level Management:

1. To interpret and explain the plan and policies formulated by the top level to lower level
2. They are responsible for implementing and controlling plans and strategies framed by the Top level
3. They ensure that their department has necessary personnel. For this they select and recruit suitable employees for their department.
4. To motivate employees for higher productivity and rewarding them for better performance
5. Assign necessary duties to the staff and provide needful resources
6. Reporting the performance, problems, suggestions, and other important data to Top level management.
7. Recommending new and revised policies to the Top level.
8. They are also held liable for the activities of Lower Level managers.

(iii) Supervisory or Operational Management: Lower managers, such as [supervisors](#) and front-line team leaders, oversee the work of regular employees (or volunteers, in some voluntary organizations) and provide direction on their work. Supervisors directly oversee the efforts of the workforce. Foremen and supervisors comprise the lower level in the hierarchy of the organisation. Supervisory management plays a very important role in the organisation since they interact with the actual work force and pass on instructions of the middle management to the workforce.

Through their efforts quality of output is maintained, wastage of materials is minimised and safety standards are maintained.

First-level managers, sometimes called lower-level managers, are at the bottom of the managerial hierarchy. They are in contact with nonmanagement employees, often serving as supervisors or retail managers, or in other capacities that involve the day-to-day business operations. Their tasks often include scheduling, budgeting, human resources activities and disciplinary measures.

Lower management consists of clerk, supervisors, inspectors, accounts officer, sub-departmental executives etc. The quality of workmanship and the quantity of output depends on the hard work,

discipline and loyalty of the workers. Following are the main functions of Lower Level Management.

- Planning day to day activity and issuing orders to the workers.
- Arranging machinery , tools, materials etc. For the workers
- Ensure proper and safe working conditions for the workers
- They guide and help the Middle Level management in selection, training, placement and promotion of employees
- They encourage the workers to take initiatives and reward them for good suggestions
- They send report on performance to higher level management
- They supervise, motivate workers and maintain discipline.
- They are in direct contact of the workers and understand their problems and pass on to higher level.
- They ensure quality standards are properly followed by the workers.

Conclusion:

Top level management can be said to be determinative, middle level management as executory management and low level as operational management. Without combination, and coordination among these three levels of management an enterprise cannot prosper or progress. So, every managers at each level shall responsible in performing their duties efficiently to make maximum productivity of the firm / enterprise as a whole.

Considerations:

Having a management hierarchy in place can have significant advantages. For example, a hierarchy provides structure to the organization that can filter down throughout the entire organization as a whole, creating a specific corporate environment that helps those in charge of the organization run it more smoothly. A hierarchy also lets the entire organization know who is in charge. However, as an article by the Institute for Employment Studies suggests, "delaying" these hierarchies can also have some significant advantages that companies have started to recognize. For example, elimination of some management positions can result in cost savings, but it can also eliminate barriers to progress and growth, such as the lack of communication or slowness to action often shown by organizations with bureaucratic structures.

Functions of Management:

Management has been described as a social process involving responsibility for economical and effective planning & regulation of operation of an enterprise in the fulfillment of given purposes. It is a dynamic process consisting of various elements and activities. These activities are different from operative functions like marketing, finance, purchase etc. Rather these activities are common to each and every manager irrespective of his level or status.

Effective **management** and leadership involve creative problem solving, motivating employees and making sure the organization accomplishes objectives and goals. Management is described as the process of planning, organising, directing and controlling the efforts of organisational members and of using organisational resources to achieve specific goals.

Different experts have classified functions of management.

According to *George & Jerry*, “There are four fundamental functions of management i.e. planning, organizing, actuating and controlling”.

According to Henry Fayol, “To manage is to forecast and plan, to organize, to command, & to control”.

Whereas Luther Gullick has given a keyword '**POSDCORB**' where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting

But the most widely accepted are functions of management given by KOONTZ and O'DONNEL i.e. **Planning, Organizing, Staffing, Directing and Controlling.**

Planning is the basic function of management. Planning is the function of determining in advance what is to be done & who is to do it. This implies setting goals in advance & developing a way of achieving them efficiently and effectively. Planning cannot prevent problems, but can predict them and prepare contingency plans in advance to deal with them if and when they occur. It is looking ahead and preparing for the future. It bridges the gap between where we are and where we want to reach, i.e. the current position and the future image.. All managers start with deciding in advance the organizational objectives and how to achieve these objectives.

Say, for example, that the organization's goal is to improve company sales. The manager first needs to decide which steps are necessary to accomplish that goal. These steps may include increasing advertising, inventory, and sales staff. These necessary steps are developed into a

plan. When the plan is in place, the manager can follow it to accomplish the goal of improving company sales.

Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc. It is an exercise in problem solving & decision making.

Planning also involves knowledge of the company's resources and the future objectives of the business.

Planning requires an active participation of the entire organization. With respect to time and implementation, planning must be linked to and coordinated on different levels. Planning must take the organization's available resources and flexibility of personnel into consideration as this will guarantee continuity.

There are many different types of plans and planning.

Strategic Planning

Strategic planning involves analyzing competitive opportunities and threats, as well as the strengths and weaknesses of the organization, and then determining how to position the organization to compete effectively in their environment. Strategic planning has a long time frame, often three years or more. Strategic planning generally includes the entire organization and includes formulation of objectives. Strategic planning is often based on the organization's mission, which is its fundamental reason for existence. An organization's top management most often conducts strategic planning.

Tactical Planning

Tactical planning is intermediate-range planning that is designed to develop relatively concrete and specific means to implement the strategic plan. Middle-level managers often engage in tactical planning. Tactical planning often has a one- to three-year time horizon.

Operational Planning

Operational planning generally assumes the existence of objectives and specifies ways to achieve them. Operational planning is short-range planning that is designed to develop specific action

steps that support the strategic and tactical plans. Operational planning usually has a very short time horizon, from one week to one year.

Organising is the management function of assigning duties, grouping tasks, establishing authority and allocating resources required to carry out a specific plan. Organising determines what activities and resources are required. It decides who will do a particular 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. Different kinds of business require different structures according to the nature of work.

Once a specific plan has been established for the accomplishment of organizational goal, the organising function examines the activities and resources required to implement the plan. It is the function of assigning duties, grouping tasks, establishing authority, and allocating resources to carry out a specific plan.

Proper organisational techniques help in the accomplishment of work and promote both efficiency and effectiveness of results.

This means that there must be sufficient capital, staff and raw materials so that the organization can run smoothly and that it can build a good working structure. The organizational structure with a good division of functions and tasks is of crucial importance. When the number of functions increases, the organization will expand both horizontally and vertically.

Organising is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, "To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel's".

Staffing simply stated, is finding the right people for the right job. It is filling up various jobs in the organization with competent personnel. It is a very important aspect of management. This is also known as the human resource function and it involves activities such as recruitment, selection, placement and training- development of personnel/ employees.

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc.

According to Kootz&O'Donell, "Managerial function of staffing involves manning the organization structure through proper and effective selection; appraisal & development of personnel to fill the roles designed un the structure".

Example, A business which develops software systems needs system analysts and programmers, whereas a textile business needs a team of designers and craftspeople.

Directing involves leading, influencing and motivating employees to perform the tasks assigned to them. Motivation and leadership are two key components of direction. Directing also involves communicating effectively as well as supervising employees at work. Directing function is basically concerned with influencing the behaviour of human resource. A good manager directs through praise and criticism in such a way that brings out the best in the employee. This requires establishing an atmosphere that encourages the employee to do their best.

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- i. Supervision
- ii. [Motivation](#)
- iii. [Leadership](#)
- iv. [Communication](#)

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. 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. The objective of controlling is to ensure that everything in the organisation is done as per predetermined goals.

According to *Theo Haimann*, “Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation”.

According to Koontz & O’Donell “Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished”. Therefore controlling has following steps:

- a) Establishment of standard performance.
- b) Measurement of actual performance.
- c) Comparison of actual performance with the standards and finding out deviation if any.
- d) Corrective action.

An efficient system of control helps to predict deviations before they actually occur.

In reality, managers are rarely able to carry out these functions in isolation. The activities of a manager are interrelated and it is often difficult to pinpoint where one ended and the other began. For theoretical purposes, it may be convenient to separate the function of management but practically these functions are overlapping in nature i.e. they are highly inseparable. Each function blends into the other & each affects the performance of others.

Managers have obstacles, if you will, that arise while they are focusing on these areas.

Technology

Technology is the application of scientific knowledge for practical purposes, and it represents potentially the fastest-moving force on the four functions of management - and it encompasses all forms of technology (communication, manufacturing, marketing, etc.). Technology is moving at an incredibly fast pace, and that forces managers to adjust how they plan, organize, lead and control. Primarily, technology allows a manager to have access to more data and to communicate that data faster and to more people. Thus, they have to be able to work with technology, understand how to use it as a manager and [disseminate](#) that information to their employees.

Innovation

For any manager to be able to truly utilize the four main functions, they have to be able to accept innovation and indeed be innovative themselves. **Innovation**, which is the introduction of new ideas, impacts managers constantly. Just think of the huge changes the Internet posed to managers. Simple things, such as email or text messaging, changed how they managed their employees and communicated with them.

Simple innovations such as these changed the landscape they worked in, and they had to be able to integrate this innovation into their management functions.

Globalization and Diversity

The world, in a word, is shrinking. Influences of different cultures are being felt in all countries via globalization. **Globalization** is the integration of cultures throughout the world and can be as simple as McDonalds opening a store in Saudi Arabia (bringing the taste of the U.S. to the Middle East, if you will.) These examples bring a different culture to the location and thus a different perspective on the world. So, as a manager works through the basic functions of management, they have to understand that culturally the world around them is changing, and they need to embrace this diversity.

You see, when cultures mix, we are experiencing **diversity**. Now, a manager could be managing people from India, Mexico and Germany all in the same office.

Thus, planning their work, organizing it, leading it and controlling it will make the manager change his or her approach. They cannot, for example, lead a person from Mexico the same way they would someone from India. These cultures have different ways of working, and a manager must adjust his or her methods to manage those diverse cultures.

The functions of management uniquely describe managers' jobs. These functions provide a useful way of classifying information about management, and most basic management texts since the 1950's have been organized around a functional framework.

Henry Fayol was the first person to identify elements or functions of management in his classic 1916 book *Administration Industrielle et Generale*. Fayol was the managing director of a large French coal-mining firm and based his book largely on his experiences as a practitioner of management.

Mintzberg argued that the functional or process school of management was "[folklore](#)" and that functions of management such as planning, organizing, leading, and controlling did not accurately depict the chaotic nature of managerial work.

Based upon an observational study of five executives, Mintzberg concluded that the work managers actually performed could best be represented by three sets of roles, or activities: interpersonal roles, informational roles, and decision-making roles.

Scholars continue to debate this question. Thus, the general conclusion seems to be that while Mintzberg offered a genuine insight into the daily activities of practicing managers, the functions of management still provides a very useful way of classifying the activities managers engage in as they attempt to achieve organizational goals.