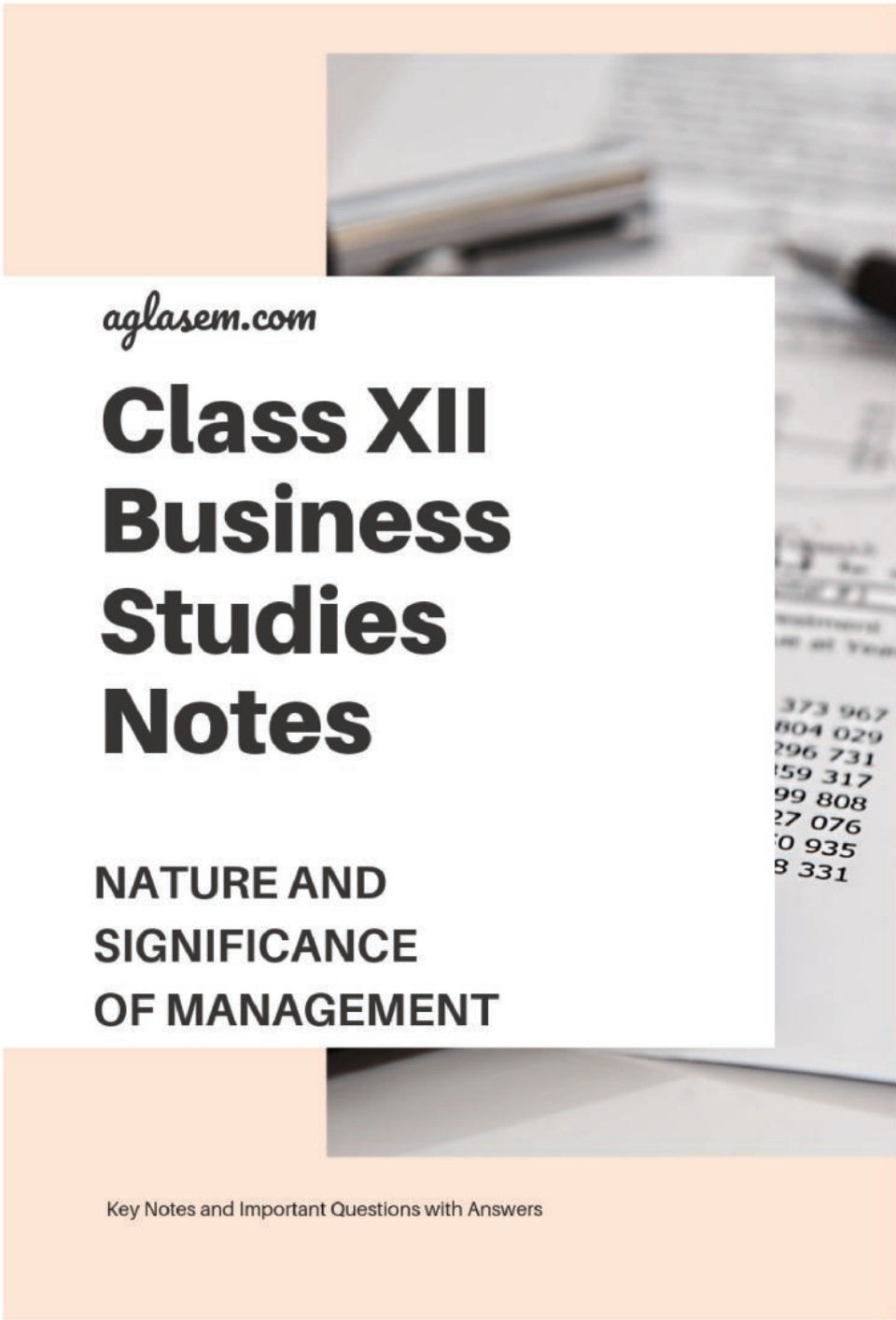




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Class XII Business Studies Notes

**NATURE AND
SIGNIFICANCE
OF MANAGEMENT**

Key Notes and Important Questions with Answers

CHAPTER 1

NATURE AND SIGNIFICANCE OF MANAGEMENT

Management is an art of getting things done with and through others. Management can be defined as, the process of getting things done with the aim of achieving organizational goals effectively and efficiently.

Basis of Difference	Effectiveness	Efficiency
1. Meaning	It refers to completing the job on time, no matter whatever the cost.	It refers to completing the job in the cost-effective manner.
2. Objective	To achieve end result on time.	To conduct cost-benefit analysis.
3. Main Consideration	Time	Cost

Q.1 Rama Clothes Ltd.'s target is to produce 20,000 shirts per month at a cost of Rs.500/- per shirt. The production manager achieved this target at a cost of Rs.450/- per shirt. Do you think the manager is effective and efficient?

Ans. Yes, he completed the work on time and at a lower cost.

Characteristics of Management:

- 1. Goal oriented Process:** It is a goal oriented process, which is undertaken to achieve already specified and desired objectives by proper utilization of available resources.
- 2. Pervasive:** Management is universal in nature. It is used in all types of organisations whether economic, social or political irrespective of its size, nature and location and at every level.

3. **Multidimensional:** It is multidimensional as it involves management of **work, people** and **operations**. Every organisation is established for doing some work like school provides education, a factory produces etc. The management has to ensure the participation, of its people in the realisation of the organisation goal. Also management needs to conduct the various operations such as production, sale, purchase etc.
4. **Continuous:** Management is not a process which can be performed once and for all, but it is a continuous process. Functions of management like planning, organising, staffing, directing and controlling continuously need to be done.
5. **Group Activity:** It is a group activity since it involves managing and coordinating activities of different people as a team to attain the desired objectives.
6. **Dynamic function:** It is a dynamic function since it has to adapt according to need, time and situation of the changing environment in order to be successful, an organisation must change itself and its goals. For example, McDonalds made major changes in its 'Menu' to survive in the Indian market.
7. **Intangible Force:** Management is such a force that cannot be seen, only its presence can be felt. When the goals of an organisation are being realised in accordance with its plans, we can say that the management of the organisation is good.

- Q.2** An educational institution as well as a business organization both need to be managed. Which characteristic of management is highlighted here? (Pervasive)
- Q.3** "In an organization, the employees are happy and satisfied, there is no chaos and the effect of management is noticeable." Which characteristic of management is highlighted by this statement? (Intangible Force)
- Q.4** In order to be successful an organisation must change its goals according to the needs of environment. Which characteristic of management is highlighted here? (Dynamic)

Q.5 Management is multi-dimensional. Give any 2 dimensions of it. (Work, People and operations (any two))

Objectives of Management

- A. Organizational objectives:** Core objective/Economic objectives. It refers to the utilisation of human and physical resources available in the organisation, considering the interest of all stakeholders.
1. **Survival** – Management of an organisation must ensure the survival of the organisation by earning enough revenues to cover costs.
 2. **Profit** – It plays an important role in facing business risks and successful running of business activities. Profits must be sufficient to cover the cost and risk.
 3. **Growth** – Management must ensure growth which can be measured by increase in sales of product, number of employees or increase in capital investment etc.
- B. Social objectives:** It refers to the consideration of the interest of the society during managerial activities. For e.g. - to save environment from getting polluted etc.
- C. Personal objectives:** It refers to the objectives to be determined with respect to the employees of the organisation.

Q.6 One of the objectives of management is to consistently create economic value for various constituents of the society. Give two examples of this objective.

Ans. Social objectives of management.

- (i) Using environment friendly method of production.
- (ii) Giving employment opportunities to disadvantaged sections of the society.

Q.7. Sana Ltd. is a company producing Fans. The company's profits are enough for the survival and growth. The management of the company believes that a satisfied employee creates a satisfied customer, who in turn creates profits that lead to satisfied shareholders. So, it pays competitive salaries and perks to all its employees. All the employees are happy working in the organisation because of personal growth and development.

The company has a strong sense of social responsibility. It has set up an Engineering College in which one-third of the students are girls to whom the company gives 50% scholarship.

Is the management of Sana Ltd. fulfilling its objectives? Justify your answer by giving reasons.

Ans. Yes, the management of Sana Ltd. is fulfilling all the objectives- **organisational objectives, social objectives** and **personal objectives** (For reasons students can quote the lines).

Importance of Management

1. **Achieving Group Goals:** Management creates team work and coordination in the group. Managers give common direction to individual efforts in achieving the overall goals of the organization.
2. **Increases Efficiency:** Management increases efficiency by using resources in the best possible manner to reduce cost and increase productivity.
3. **Creates Dynamic organization:** Management helps the employees overcome their resistance to change and adapt as per changing situation to ensure its survival and growth.
4. **Achieving personal objectives:** Management helps the individuals achieve their personal goals while working towards organisational objectives.
5. **Development of Society:** Management helps in the development of society by producing good quality products, creating employment opportunities and adopting new technology.

Management as an Art

Art refers to skilful and personal application of existing knowledge to achieve desired results. It can be acquired through study, observation and experience. The features of art as follows:

1. **Existence of theoretical knowledge:** In every art, systematic and organized study material should be available compulsorily to acquire theoretical knowledge.

2. **Personalised application:** The use of basic knowledge differs from person to person and thus, art is a very personalised concept.
3. **Based on practice and creativity:** Art involves the creative practice of existing theoretical knowledge.

In management also a huge volume of literature and books are available on different aspects of management. Every manager has his own unique style of managing things and people. He uses his creativity in applying management techniques and his skills improve with regular application. Since all the features of art are present in management so it can be called an Art.

Management as a Science

Science is a systematised body of knowledge that is based on general truths which can be tested anywhere and anytime. The features of Science are as follows:

1. **Systematized body of knowledge:** Science has a systematized body of knowledge based on principles and experiments.
2. **Principles based on experiments and observation:** Scientific principles are developed through experiments and observation.
3. **Universal validity:** Scientific principles have universal validity and application.

Management has systematic body of knowledge and its principles are developed over a period of time based on repeated experiments & observations which are universally applicable but they have to be modified according to given situation.

Conclusion: -As the principles of management are not as exact as the principles of pure science, so it may be called-an inexact science. The prominence of human factor in the management makes it a Social Science.

Management as Profession

Profession means an occupation for which specialized knowledge and skills are required and entry is restricted. The main features of profession are as follows:

1. **Well-defined body of Knowledge:** All the professions are based on well-defined body of knowledge.

2. **Restricted Entry:**The entry in every profession is restricted through examination or through some minimum educational qualification.
3. **Professional Associations:**All professions are affiliated to a professional association which regulates entry and frames code of conduct relating to the profession.
4. **Ethical Code of Conduct:**All professions are bound by a code of conduct which guides the behaviour of its members.
5. **Service Motive:**The main aim of a profession is to serve its clients.

Conclusion:-Management does not fulfil all the features of a profession and thus it is not a full-fledged profession because anybody can proclaim to be a manager; prescribed compulsory educational degree or license is not required. Besides there are not any formal ethical codes which are required to be observed.

Q.8 Give one feature of Profession (a) satisfied by management (b) not satisfied by the management.

Ans. (a) Well defined body of knowledge.
(b) Restricted entry

Levels of Management: Top, Middle and Operational Levels

“Levels of management” means different categories of managers, the lowest to the highest on the basis of their relative responsibilities, authority and status.



Top Level

Consists of Chairperson, Chief Executive Officer, Chief Operating Officer or equivalent and their team.

Chief task is to integrate and to coordinate the various activities of the business, framing policies, formulating organisational goals & strategies bearing the responsibility for the impact of activities of the business on society.

Middle Level

Consists of Divisional or Departmental heads, Plant Superintendents and Operation Managers etc.

Main tasks are to interpret the policies of the top management, to ensure the availability of resources to implement policies, to coordinate all activities, ensure availability of necessary personnel & assign duties and responsibilities to them.

Lower Level/Supervisory Level

Consists of Foremen and Supervisor etc.

Main task is to ensure actual implementation of the policies as per directions, bring workers' grievances before the management & maintain discipline among the workers, maintain the quality of output and minimise wastage

- Q.9** At which level of management, are the managers responsible for the welfare and survival of the organization? (Top level)
- Q.10** Managers at the top level spend more time doing this function of Management. Name it. (Planning)
- Q.11** Rakesh is working as Regional Manager in ABC Ltd. Name the level at which he is working. (Middle Level)
- Q.12** Name the level at which the managers are responsible for implementing and controlling the plans and maintaining the quality of output (Supervisory level).

Functions of Management / Elements of Management

- (1) Planning implies setting goals and objectives in advance and developing a way of achieving them.

- (2) **Organising** is to assign duties, grouping tasks, establishing authority and allocating resources required to carry out a specific plan.
- (3) **Staffing** is finding the right people for the right job by following a series of steps and includes training and development.
- (4) **Directing** is leading, influencing and motivating employees to perform the tasks assigned to them. It includes four activities: - Supervision, Communication, Leadership and Motivation.
- (5) **Controlling** is monitoring the organizational performance towards the attainment of the organizational goals.

Q.13 Identify the functions of the management: —

- a) Motivating employees and giving instructions to them to perform the tasks assigned to them.
- b) Recruitment and selection of the personnel.
- c) Finding out deficiencies in implementation of plans.
- d) Preparing a blueprint for future
- e) Process of defining and grouping activity of an enterprise to establish authority relationship.

Ans. (a) Directing; (b) Staffing; (c) Controlling (d) Planning (e) Organising.

Co-ordination

Coordination is to synchronise the various activities of an organisation. In the context of business unit, the meaning of coordination is to balance its various activities (purchase, sales, production, finance, personnel etc.) so that objective of business can be easily achieved.

Lack of coordination results in overlapping, duplication, delay and chaos.

Characteristics of Coordination

- 1. **Coordination integrates group efforts:** It integrates diverse business activities into purposeful group activity ensuring that all people work in one direction to achieve organizational goals.

2. **Coordination ensures unity of action:** It directs the activities of different departments and employees towards achievement of common goals and brings unity in individual efforts.
3. **Coordination is a continuous process:** It is not a specific activity matter, it is required at all levels, in all departments till the organization continues its operations.
4. **Coordination is all pervasive function:** It is universal in nature. It synchronizes the activities of all levels and departments as they are interdependent to maintain organizational balance.
5. **Coordination is the responsibility of all managers:** It is equally important at all the Three-Top, Middle and Lower levels of management. Thus it is the responsibility of all managers that they make efforts to establish coordination.
6. **Coordination is a deliberate function:** Coordination is never established by itself rather it is a conscious effort on the part of every manager. Cooperation is voluntary effort of employees to help one another. Effective coordination cannot be achieved without cooperation of group members.

Coordination is the Essence of Management.

Coordination is not a separate function of management. It is the force that binds all the functions & thus, called the essence of management.

It is needed in all management functions:

Planning – Coordination between the master plan and departmental plan.

Organising – required between authority, responsibility and accountability

Staffing – Achieve balance between job requirement and qualities of personnel

Directing – Required between supervision, motivation and leadership.

Controlling – Ensure actual result conform to expected results.

Needed at all levels of management

Top level – needs coordination to integrate activities of the organisation for accomplishing the organisational goals.

Middle level– Coordination of the efforts of different sections and sub-sections

Lower level – Coordination in the activities of workers to ensure work progresses as per plans

NEED FOR COORDINATION

The reasons that bring out the importance or the necessity for coordination are:

- **Growth in the size** of the organisation results in the increase in varied quality of manpower too with varied individual aspirations. Coordination seeks to match the individual goals with the organisational goals.
- **Functional Differentiation** arising out of departmentalisation and division brings forth a motive for achievement of individual objectives, in isolation from other objectives leading to departmental clashes. Coordination seeks to iron out these variations.
- **Specialisation** can give rise to feeling of superiority and prioritising of their zone or activities. Coordination seeks to sequence and integrate all the specialised of activities into a wholesome effort.

Q.14 Name the process that synchronises the activities of different departments.(Coordination)

Q.15 "Co-ordination is responsibility of all the managers". Explain. (Managers perform it all levels to ensure that work proceed according to plans).

Key Terms to crack case studies

- It believes that a satisfied employee creates a satisfied customer — management.
- A process of designing and maintaining an environment in which people work together — management.
- It unites the efforts of individuals towards goals — management.
- A force that cannot be seen but noticeable where targets are met and employees are happy — management.
- Coordination : removes chaos between various departments.
 - implies team work and integrates efforts of all individuals, departments and specialists.
 - is a part of all functions of management like a thread in a garland.
 - Synchronises the efforts of individuals, acts as the binding force between departments, unifies diverse interests into group effort.
 - force that binds all functions of management.

QUESTIONS FOR PRACTICE

- Q.1** "Planning, Organising, Staffing, Directing and Controlling" is the sequence of functions in a process. Name it. (Management) (1)
- Q.2** Production Manager of Kavya Ltd. tries to produce goods with minimum cost. Name the concept which is being focussed by management. (Efficiency) (1)
- Q.3** In order to be successful, an organization must change it according to the needs of the environment which characteristic of management is highlighted in the statement? (Dynamic) (1)
- Q.4** Which force binds all other functions of management? (Coordination) (1)
- Q.5** Radhika Ltd. uses environment friendly methods of production. Identify the objective it is trying to achieve. (social objectives) (1)
- Q.6** Your uncle is serving as a foreman in a factory. At what level of management is he working? (Lower Level) (1)
- Q.7** Why is it said that "management is a goal oriented process"? (Because it helps in achieving organisational goals by unity of efforts. (1)
- Q.8** Identify the nature of management when it is practiced as personalised application of existing knowledge to achieve desired results. (Management is an art) (1)
- Q.9** "Success of an organisation largely depends upon its management" Explain any five reasons to fortify the above statement. (Any five points of importance) (5)
- Q.10** The General manager- GM of 'RadhaswamiKidswear Limited', Mr. SahilRadhaswami, has divided all the employees of his company into three levels (Top Level, Middle level and Lower Level) different individuals. At the Top Level the General Manager and Board of Directors themselves work. The Middle Level work is looked after by the four Departmental managers like the Production Manager, Purchase manager, Sales Manager and Finance Manager.

The Lower Level is constituted of one supervisor of each of the four departments. These Supervisors look after the daily activities of their subordinates. They also maintained the flow of inputs in the production process to transform it to desired output.

Often, it is observed that the managers of all Levels remain busy sometimes with the planning of their respective departments and sometimes with the comparison of the desired and actual results. Similarly, sometimes they are busy with the Recruitment, Selection and Training of the employees and sometimes with their motivation.

Mr. Sahil knows it very well that the job of management cannot be done by a single person alone, but when all join hands to work together the meaning of management is realised. This is why he makes all his efforts to effect coordination in the activities of all his employees. All the employees are working with the team spirit.

In the above paragraph features of management have been described. Identify them by quoting the relevant lines and explain them.

((i) Continuous process (ii) Group activities (iii) pervasive (iv) Intangible force
(v) Multi-dimensional. (5)