

**Class 12 Business Studies**  
**CHAPTER 1**  
**Nature and Significance of Management**

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**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.

**Efficiency and Effectiveness**

Efficiency (completing the work at low cost) means doing the task correctly at minimum cost through optimum utilization of resources while effectiveness (Completing the work on time) is concerned with end result means completing the task correctly within stipulated time. Although efficiency and effectiveness are different yet they are inter related. It is important for management to maintain a balance between the two.

**1. Rohini prepared a well-documented and factual report on Co's performance but she could not present it in Board meeting as she could not complete it on time.**

[Hint: Efficient but not effective]

**2. Best roadways promised to deliver goods in time and charged extra money from Mr. Singh. But the goods were not delivered on time.**

[Hint: Efficient but not effective]

**Characteristics of Management**

**1. Goal oriented Process** It is a goal oriented process, which is 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 organizations whether economic, social or political irrespective of its size, nature and location and at each and every level.

**3. Multidimensional:** It is multidimensional as it involves management of work, people and operations.

**4. Continuous:** It consists of a series of function and its functions are being performed by all managers simultaneously. The process of management continues till an organization exists for attaining its objectives.



**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 of the organization.

**6. Dynamic function :** It is a dynamic function since it has to adapt according to need, time and situation of the changing business environment. For example, McDonalds made major changes in its 'Menu' to survive in the Indian market.

**7. Intangible Force:** It is intangible force as it can't be seen but its effects can be felt in the form of results like whether the objectives are met and whether people are motivated or not and there is orderliness and coordination in the work environment.

### Objectives of Management

#### (1) Organizational objectives:

Organizational Objectives can be divided into **Survival** (Earning enough revenues to cover cost); **Profit** (To cover cost and risk); and **Growth** (To improve its future prospects).

**(A) Survival** - Management by taking positive decisions with regard to different business activities ensures survival of business for long term.

**(B) Profit** - It plays an important role in facing business risks and successful running of business activities.

**(C) Growth** - Management must ensure growth which can be measured by increase in sales, number of employees, number of products, additional investment, etc.

#### (2) Social Objectives:

Social objectives is to provide some benefits to society like applying environmental friendly practices in the production process and giving employment to disadvantaged sections of society, etc. Example: TISCO, ITC, and Asian Paints.

#### (3) Personal Objectives:

Personal Objectives is to focus on diverse personal objectives of people working in the organization which need to be reconciled with organizational objectives.

## **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 organizational objectives.

**(5) Development of Society:** Management helps in the development of society by producing good quality products, creating employment opportunities and adopting new technologies.

## **Management as an Art**

Art refers to skillful 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) Personalized application:** The use of basic knowledge differs from person to person and thus, art is a very personalized concept.

**(3) Based on practice and creativity:** Art involves in consistent and 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 called an art.

## **Management as a Science**

Science is a systematized body of knowledge that is based on general truths which can be tested anywhere, 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.

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 behavior of its members.

**(5) Service Motive:** The main aim of a profession is to serve its clients.

Management does not fulfill all the features of a profession and thus it is not a full-fledged profession like doctor, lawyer, etc., but very soon it will be recognized as full-fledged profession.

### **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 organizational goals & strategies.

### **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.

### **Functions of Management**

- 1.Planning: Thinking in advance what to do, when to do, and who is going to do it. It bridges the gap between where we are and where we want to reach.
- 2.Organising: organization means deciding the framework of working how many units and sub-units are needed,how many posts are needed, how to distribute the authority and responsibilities.
3. Staffing: It refers to recruitment, selection, training, development and appointment of the employees.
- 4.Directing: It refers to guiding, instructing, inspiring and motivating the employees.

5. Controlling are the main functions of management. Controlling is monitoring the organizational performance towards the attainment of the organizational goals.

### **Coordination (The Essence of Management):**

Coordination is the force which synchronizes all the functions of management and activities of different departments. Lack of coordination results in overlapping, duplication, delays and chaos. It is concerned with all the three levels of management as if all the levels of management are looked at together, they become a group and as in the case of every group, they also require coordination among themselves. So, it is not a separate function of management, rather it is the essence of management.



**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.