

NATURE AND SIGNIFICANCE OF MANAGEMENT

Background

✓ Wherever an organised group of people work towards a common goal there is a need for some type of management. No organisation can run successfully unless there is someone to manage its activities. Management is required to plan, organise, co-ordinate and control the affairs of the organisation. Management is essential in every organised social and economic activity. In our real life, we see that every activity we undertake involves an element that ensures co-ordination and cohesiveness to the activity, without which our acts would be unproductive and ineffective.

Meaning

The word 'management' has been used in different ways. Sometimes it is used to mean 'a group of managerial personnel', it also refers to the process of planning, organising, staffing, directing, co-ordinating and controlling. It is also referred to as a body of knowledge, a practice, a discipline and an activity. Various concepts of management are discussed as follows :-

1/ Management As a Noun

✓ (When used as a noun, management refers to all those persons who are concerned with getting things done through others.) Thus, all persons in the organisation who have supervisory responsibility over others and the chief executive of the enterprise make up its management. For example, the Board of Directors, the Managing Director, the General Manager down to the first line supervisor fall under its management.)

2/ Management As a Process

✓ (Management when used as a process refers to it as a management process. A manager undertakes various activities in a systematic manner.)

Efficient use of available resources. The management sets goals of the organization and takes steps to achieve them. The functions of planning, organising, staffing, directing, co-ordinating and controlling fall under the process of management. In the words of George K. Lewis, Management is a distinct process consisting of planning, organising, actuating and controlling, performed to determine and accomplish stated objectives by the use of human beings and other resources.

1. The process management has the following implications :-

(1) Social Process - Management involves interaction among people. There is a need for productive relationship for achieving the organizational objectives. Human factor is the most important aspect of management.

(2) Integrated Process - Management brings together human and physical resources. Human efforts are integrated for bringing harmony in the organisation.

(3) Interactive Process - Various managerial functions are contained within each other. When we undertake one function then other functions may also be performed. When planning for goals of the business then standards for control are also laid down.

(4) Continuous Process - Management is a continuous process. All the functions are undertaken continuously.

3. Management As an Activity

(Management is an activity like any other activity such as playing, driving, teaching, etc. A manager gets things done through the efforts of other people.) In the words of Harold Koontz, "management is the art of getting things done through and with people in formally organized groups." The business objectives are achieved by directing the efforts of others.

Managers generally perform the following activities :-

(1) Interpersonal Activities - Management involves getting things done through others. A manager has to interact with his subordinates as well as superiors. He has also to keep liaison with people outside the organisation. Interpersonal activities consist of attending social functions, motivating subordinates, maintaining contacts with clients and such like activities.

(2) Decisional Activities - A manager has to take several types of decisions such as allocation of resources, initiating new projects, etc. as well as controlling, etc. A manager has to fix production targets,

fix quality standards, specifying time frame for executing projects, etc. Managerial decisions serve as the basis for the actions of subordinates.

(3) Informative Activities - In order to run the unit efficiently a manager has to communicate regularly with inside and outside the organisation. He receives and gives information about the tasks, situations and persons.

4. Management As a Group

Management as a group refers to those who are carrying on the activities of management. The group in management consists of chief executive, departmental managers, sectional officers, supervisors and so on. Management is not undertaken by one person but by all the persons working at their levels. When one talks of management of a company then he refers to all those persons who are performing managerial duties there. There are different types of managers :

(i) Family Managers - It refers to those persons who become managers by virtue of being owners or relatives of owners.

(ii) Professional Managers - These persons are appointed managers on account of their qualifications or experience, etc.

(iii) Civil Servants - These persons manage public undertakings. Managers have become an important class in the modern business and social set up. Their decisions influence economic as well as social activities. If a business is expanded, it creates additional employment opportunities and adds more goods in the market. An efficiently run business produces quality goods at cheap rates, it benefits the consumers and the society. So managers can help in improving economic and social life of a country.

5. Management As a Discipline

Sometimes the term 'management' is used to connote neither the activity nor the personnel who perform it, but as a body of knowledge, a practice and a discipline. In this sense management refers to the principles and practices of management as a subject of study. The knowledge of management is generated by the scholars and it is being formally imparted to the students of management. Management has grown as a separate discipline of study.

DEFINITIONS OF MANAGEMENT

Some important definitions of management are given as under :-

Koontz and O'Donnells, (Management is the creation and maintenance of an internal environment in an enterprise where individuals, working in groups, can perform effectively and efficiently towards the attainment of group goals.)

James L. Lundy, Management is principally the task of planning, co-ordinating, motivating and controlling the efforts of others towards a specific objective.

Henry S. Sisk, Management is the co-ordination of all resources through the process of planning, organising, directing and controlling in order to attain stated objectives.

Lawrence A. Apply, Management consists in guiding human and physical resources into a dynamic, hard-hitting organisation unit that attains its objectives to the satisfaction of those served and with a high degree of moral and sense of attainment on the part of those rendering the service.

Henry Fayol, "to manage is to forecast and to plan, to organise, to command, to co-ordinate and to control, to foresee and provide means to examine the future and draw up the plan of action."

NATURE OR CHARACTERISTICS OF MANAGEMENT

Management is defined differently by various authors. They have emphasised different aspects of management. An analysis of various definitions reveals the following characteristics of management :

1. Management is a group activity

Management is an essential part of a group activity. As an individual can satisfy all his desires himself, he unites with his fellow-beings and works in an organised group to achieve what he cannot achieve individually. Wherever, there is an organised group of people working towards a common goal, some type of management becomes essential. Management makes the people realise the objectives of the group and directs their efforts towards the achievement of these objectives. Massie has rightly called management as a 'co-operative group'.

2. Management is goal-oriented

Management aims to achieve economic and social objectives. It exists to achieve some definite goals or objectives. Group efforts in management are always directed towards the achievement of some pre-determined goals. It is concerned with establishment and accomplishment of these objectives. To quote Theo Haimann, "Effective management is always management by objectives." Haynes and Massie are of the opinion that without objectives management would be difficult, if not impossible.

3. Management is a factor of production

Management is not an end in itself but a means to achieve the

group objectives. Just as land, labour and capital are factors of production and are essential for the production of goods and services, management is a factor of production that is required to co-ordinate the other factors of production for the accomplishment of pre-determined goals.

4. Management is universal in character

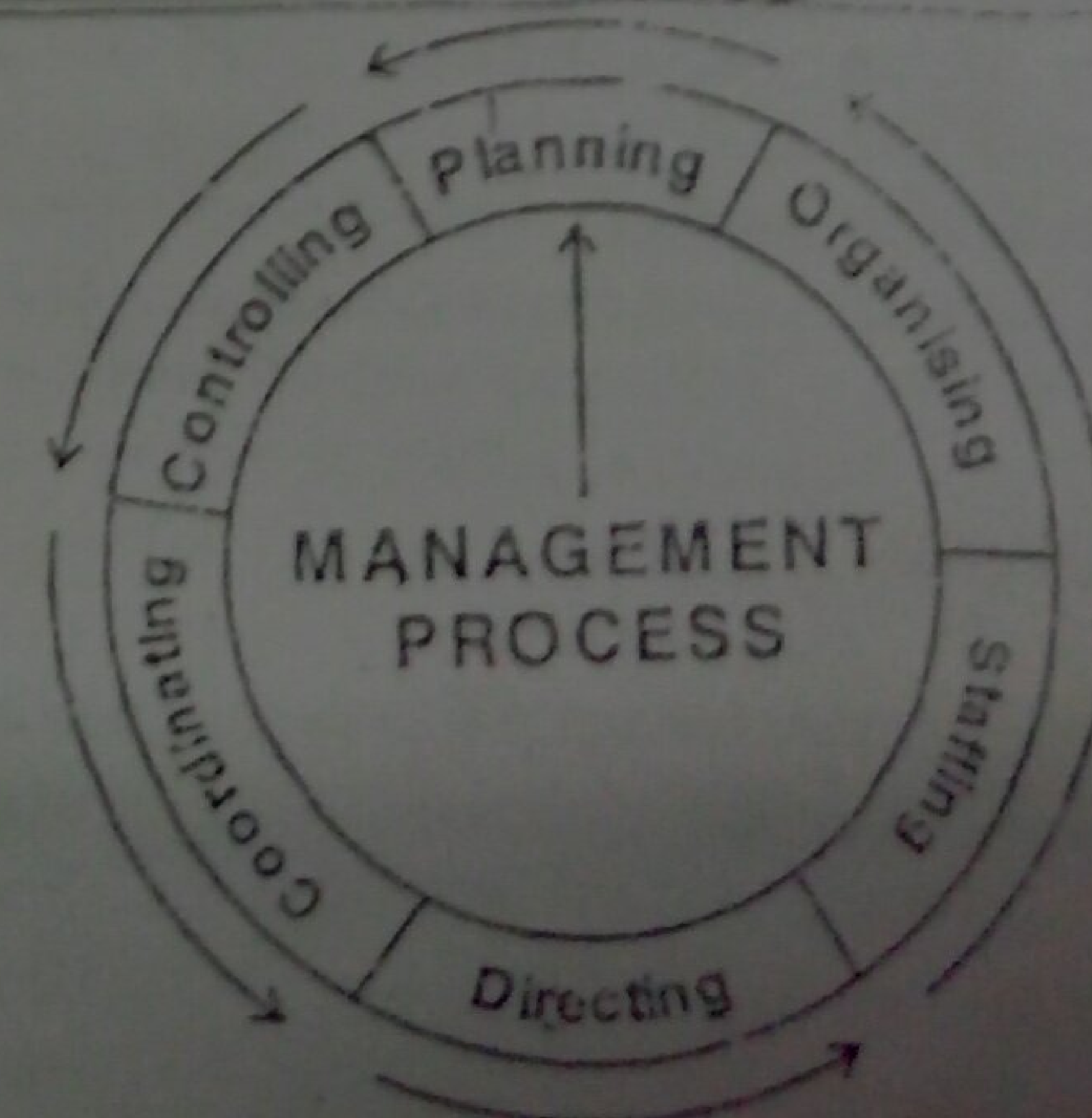
Management is applicable in all types of organisations. Wherever there is human activity, there is management. The basic principles of management are of universal application and can be applied in all organisations whether they are business, social, religious, cultural, sports, educational, political or military. As Socrates has put it, "Over whatever a man may preside, he will be a good president if he knows what he needs and is able to provide it whether he has the direction of a chorus, a family, a city or an army." In the words of Henry Fayol, "Be it a case of commerce, politics, religion, war ... in every concern there is management function to be performed."

5. Management is needed at all levels of the organisation

Another important feature of management is that it is needed at all levels of the organisation, e.g., top level, middle level and supervisory level. The only difference is of the nature of task and the scope of authority. The lowest level supervisor has also to perform the function of decision-making just as the chief executive.

6. Management is a distinct process

"Management is a distinct process performed to determine and accomplish stated objectives by the use of human beings and other resources." It is different from the activities, techniques and procedures. The process of management consists of such functions as planning, organising, staffing, directing, co-ordinating, motivating and controlling.



7. Management is a social process

Management is getting things done through others. This involves dealing with people. The efforts of the human beings have to be directed, co-ordinated and regulated by management in order to achieve the desired results. It is in this sense that management is regarded as a social process. Moreover, management has a social obligation to make optimum use of resources for the benefit of the community as a whole. In the words of Brech, "Management is a social process entailing responsibility for the effective and economical planning and the regulation of the operation of an enterprise, on fulfilment of a given purpose or task."

8. Management is a system of authority

Since management is a process of directing men to perform a task, authority to accomplish the work from others is implied in the very concept of management. Authority is the power to get the work done from others and to compel them to work in a certain manner. Management cannot perform in the absence of authority. In real sense, management is a rule-making and rule-enforcing body. There is a chain of authority and responsibility among people working at different levels of the organisation. There cannot be an efficient management without well-defined lines of command or superior sub ordinate relationships at the various levels of decision-making.

9. Management is a dynamic function

Management is a dynamic function and it has to be performed continuously. It is constantly engaged in the moulding of the enterprise in an ever-changing business environment. It is concerned not only with moulding of the enterprise but also the alteration of environment itself so as to ensure the success of the enterprise. In real sense, it is never-ending function.

10. Management is an art as well as a science

Management is a science because it has developed certain principles which are of universal application. But the results of management depend upon the personal skill of managers and in this sense management is an art. The art of the manager is essential to make the best use of management science. Thus management is both science and art. It should, however, be noted that the science of management is not as exact as is the physical science. It is still in the evolutionary stage, it may be called as an inexact science or social science.

11. Management is a profession

In the present days, management is recognised as a profession. It

has a systematic and specialised body of knowledge consisting of principles, techniques and laws and can be taught as a separate discipline or subject. This has also divorced ownership from management. Now with the advent of large-scale business, the management is entrusted in the hands of professional managers.

12. Management is intangible

Management is intangible, i.e., it can be felt in the form of results and not seen. For example, when we are not able to produce the desired quantity, we say it is the result of poor management.

OBJECTIVES OF MANAGEMENT

The primary objective of management is to run the enterprise smoothly. The profit earning objective of a business is also to be kept in mind while undertaking various functions. Following are the broad objectives of management :

1. *Proper utilisation of resources.* The main objective of management is to use various resources of the enterprise in a most economic way. The proper use of men, materials, machines and money will help a business to earn sufficient profits to satisfy various interests. The proprietors will want more returns on their investments while employees, customers and public will expect a fair deal from the management. All these interests will be satisfied only when physical resources of the business are properly utilised.

2. *Improving performance.* Management should aim at improving the performance of each and every factor of production. The environment should be so congenial that workers are able to give their maximum to the enterprise. The fixing of objectives of various factors of production will help them in improving their performance.

3. *Mobilising best talent.* The management should try to employ persons in various fields so that better results are possible. The employment of specialists in various fields will help in increasing the efficiency of various factors of production. There should be a proper environment which should encourage good persons to join the enterprise. The better pay scales, proper amenities, future growth potentialities will attract more people in joining a concern.

4. *Planning for future.* Another important objective of management is to prepare a perspective plan. No management should feel satisfied with today's work if it has not thought of tomorrow. Future plans should take into consideration what is to be done next. Future performance will depend upon present planning. So, planning for future is essential to help the concern.

IS MANAGEMENT SCIENCE OR ARTManagement As Science

The word science literally means knowledge. Science is "a systematised body of knowledge pertaining to a particular field of enquiry. Such knowledge contains concepts, hypotheses, theories, experimentation and principles. Any subject which is scientifically developed and consists of universally accepted principles is a science. To be called a science, the subject should have the following characteristics :-

- (i) It is a systematised body of knowledge.
- (ii) The principles are evolved on the basis of continued observation.
- (iii) The principles are exact and have universal application.
- (iv) The principles establish a cause and effect relationship.
- (v) The principles can be verified and provide a basis for future production.

Let us apply these features of science to management for determining whether it qualifies as science or not.

→ [(i) Systematised Body of Knowledge—Management is a systematised body of knowledge built by management thinkers and practitioners. It has developed certain principles over a period of time. F.W. Taylor applied scientific techniques to studies of planning, organising, staffing, motivating, etc.

(ii) Continuous Observation—The principles of management have been developed after prolonged observations in various organisations. So knowledge of management is based on time tested and sound principles.

(iii) Universal Application—The principles of management are universally applied like the principles of physics and chemistry. The principles like unity of command, division of labour, etc. are used by every organisation and at every place.

(iv) Cause and Effect Relationship—Like principles of science, management principles also establish cause and effect relationship between different factors. A poor planning and plant layout will result in low productivity.

(v) Predictions—With the application of principles, one should be able to make future predictions of events with certainty. The predictions of management science are not as exact and definite as in the case of natural sciences.] ←

Management As Inexact Science

There are no two opinions that management has a systematised body of knowledge relating to its field. But it is not as exact a science as other physical sciences like Physics, Chemistry, Astronomy, etc. The main reason for this is that management deals with people and it is very difficult to predict their behaviour accurately under different situations and at different times. Thus we can say that management is inexact science or behavioural science and it belongs to a group of social sciences like sociology and political science.

Management As An Art

An art is often regarded as the systematic application of skill or knowledge in accomplishing the desired task. If a science is learnt, an art is practised. It may also be said that science is to seek knowledge and art is to apply knowledge. An art has the following essential features :-

- (i) Personal skill
- (ii) Practical knowledge
- (iii) Result oriented approach
- (iv) Regular practice
- (v) Creativity

Let us apply these features to management for determining whether it is art or not :

→ [(i) Personal Skill—In this sense, management is an art as one has to use his personal skill and knowledge in solving complicated managerial problems. It is an art of dealing with people. The personal skill of managing differs from person to person.

(ii) Practical Knowledge—Art is concerned with application of knowledge. Management is concerned with achieving of organisational targets of profits, sales, etc. Managers put their knowledge into practical use and attempt to achieve business goals. A person cannot be called a manager if he does not make use of various principles of management.

(iii) Result-Oriented Approach—Management is concerned with accomplishment of objectives. It ensures that every type of work is completed in time so that targets are reached. Management aims at earning a fair return on investment, reaching maximum productivity at lowest cost, etc.

(iv) Regular Practice—Like an artist, a manager always tries to attain higher goals in order to reach perfection. A manager uses

managerial practices regularly so as to achieve a higher level of performance. Only the regular use of managerial principles will help a manager to bring perfection to his acts.

(v) Creativity—Management is the most creative art. One has to find newer ways of motivating people in the organisation. A manager tries to find better ways of getting things done. So creativity in thinking and practices is an essential element of management.

Management—Art as Well as Science

It has been seen in the above discussion that management is both an art as well as science. It may not be proper to term it as pure science or pure art. Since science and art are complimentary to each other, so management has elements of both. The science will have to solve problems and establish principles which might be applied with the help of art. Management principles have been established after observations and experimentation. These principles help managers in tackling their problems. Managerial principles are applied as per the requirements of various situations. So management is a combination of both science and art.

MANAGEMENT AS A PROFESSION

A profession may be defined as an occupation backed by specialised knowledge and training and to which entry is regulated by a representative body. The aim of professional knowledge is to provide specialised service or advice and a specified fee is charged for it. A profession has the following essential requirements:—

- (i) Specialised knowledge
- (ii) Formal education and training
- (iii) Professional association
- (iv) Code of conduct
- (v) Service motive

(features) Let us examine whether management is a profession as per the criterion given above or not: ~~wanted to explain~~

(i) Specialised Knowledge—Management has an organised body of knowledge built by management thinkers and practitioners over a period of time. It has developed its own principles, concepts, theories etc. which have their application in different fields of business. Now we have a systematic body of knowledge that ^{there} can be used for the development of managers. Many universities and institutes teach management as a separate discipline.

(ii) Formal Education and Training—In the present competitive

world the application of management knowledge has become indispensable. It is essential that managers acquire formal management education and training for the proper application of managerial principles. Many institutions all over the world including India, are imparting management education and training.

(iii) Professional Association For the regulation of any profession, there should be a representative body. This body lays down the standards of education and training for those entering that profession. In India, Indian Institute of Chartered Accounts regulates the entry into this profession. The organisations such as Indian Management Association and All India Management Development Association have been set up in India. But these bodies co-ordinate research work rather than setting educational standards and regulating entry into managerial profession.

(iv) Code of Conduct. Members of a profession have to abide by a code of conduct. A code of conduct provides rules and regulations, norms of honesty, integrity and professional morality. In management there is no code of conduct for managers except that they have responsibilities towards various interest groups like employees, investors, consumers, etc.

(v) Service Motive A profession involves the application of expert knowledge for the service of society. A doctor earns his living out of his profession of medicine but service to the society is upper most in his mind. Management aims at providing maximum efficiency at the lowest cost so as to serve the interests of employers, consumers, society and the nation at large.

The above discussion shows that management in some respects qualify as a profession but it does not have certain features which constitute a recognised profession. It has an organised body of specialised knowledge and have developed facilities for formal education and training. It still does not have a body which should regulate the entry into management profession and also there is a lack of code of conduct for its members. At the moment management cannot be called a profession but there is no doubt that it is emerging as a profession.

IMPORTANCE OF MANAGEMENT

Management is the art of securing maximum prosperity with a minimum of effort. Whenever a group of persons are working together then management becomes essential. It has been rightly said that

'anything minus management amounts to nothing'. Following points bring out the importance of management :-

1. Proper Utilisation of Resources
Management enables the best use of ~~various~~ ^{physical} factors of production such as land, labour, capital, machinery. It finds out the ways of making best use of physical resources and motivates employees to give their best to the organisation for achieving common business goals.
2. Helps in Achieving Business Objectives
It is the management which makes people realise the objectives of the group and channelises their energies for achieving them. Management brings human and material resources together and mobilises people to help in reaching business goals.
3. Growth and Development of Business
Every business aims at growth and development. Management improves the efficiency and performance of people in the organisation and it leads to higher profitability. The resources mobilised through profits help in planning expansion and diversification of activities. So proper planning and control by the management helps a business to grow and develop.
4. Better Quality Goods
A good management helps in producing better quality goods at minimum of cost. It exercises various controls on production processes and curbs wastages at different points. Management also creates quality consciousness among people connected with production.
5. Developing Human Talent
A good management gives proper emphasis on human resource development. The improvement in skill and technical competence of employees gives them confidence and boosts their morale. In the competitive world only those organisations survive which provide the manpower with latest techniques and methods of work.
6. Minimising the Element of Risk
Risk is an integral part of every business but an efficient management always tries to control or minimise it. The impact of various policies ~~and at~~ ^{on} business has to be assessed regularly and take corrective measures whenever necessary. Such exercises will help in ~~minimising~~ ^{controlling} the risk element in a business.
7. Provides Innovations
A search for new techniques and methods of work will help an organisation to be abreast with latest thinking. Management provides

new ideas, visions, imaginations to the organisation so that it is able to compete in the market.

8. Increasing Profits
Profits can be increased in any organisation either by increasing sales revenue or reducing costs. It may be difficult to increase revenue but management can help in reducing costs through various measures. *increasing sales to increase profit*
9. Social Benefits
Management is beneficial not only to a business enterprise but also to the society as a whole. It helps in raising standard of living of the people by providing them with quality goods and services at the lowest possible cost. It makes better use of scarce national resources and promotes peace and prosperity in the society.

DISTINCTION BETWEEN MANAGEMENT AND ADMINISTRATION

Ans
marks
There has been a controversy on the meaning of these two words i.e. management and administration. Some writers say these words mean the same thing and call them synonyms but others say these words have different meanings. Many American writers consider them as two distinct functions. A few experts treat administration as a part of management. These view points have been explained as under :-

1. Administration is Top Level Management
According to this view administration is top level function while management is lower level function. Many writers in America believe that administration is a thinking function, involving laying down of broad policies and basic objectives while management is a doing function involving direction of human effort towards the achievement of such objectives.
Oliver Sheldon was perhaps the first person to make a distinction between administration and management. In his opinion "Administration is the function in industry concerned with the determination of corporate policy, the coordination of finance, production and distribution, the settlement of the compass (structure of the organisation), and ultimate control of the executive. Management, on the otherhand, is the function in industry concerned with the execution of policy within the limits set up by administration, and the employment of the organisation for the particular objectives set before it. Administration defines the goal, management strikes toward it." In the words of Leffingwell and Robinson, the function of administration is to determine the policies upon which the enterprise is to be conducted while the function of management is to carry out the policies laid down by the administrative group.

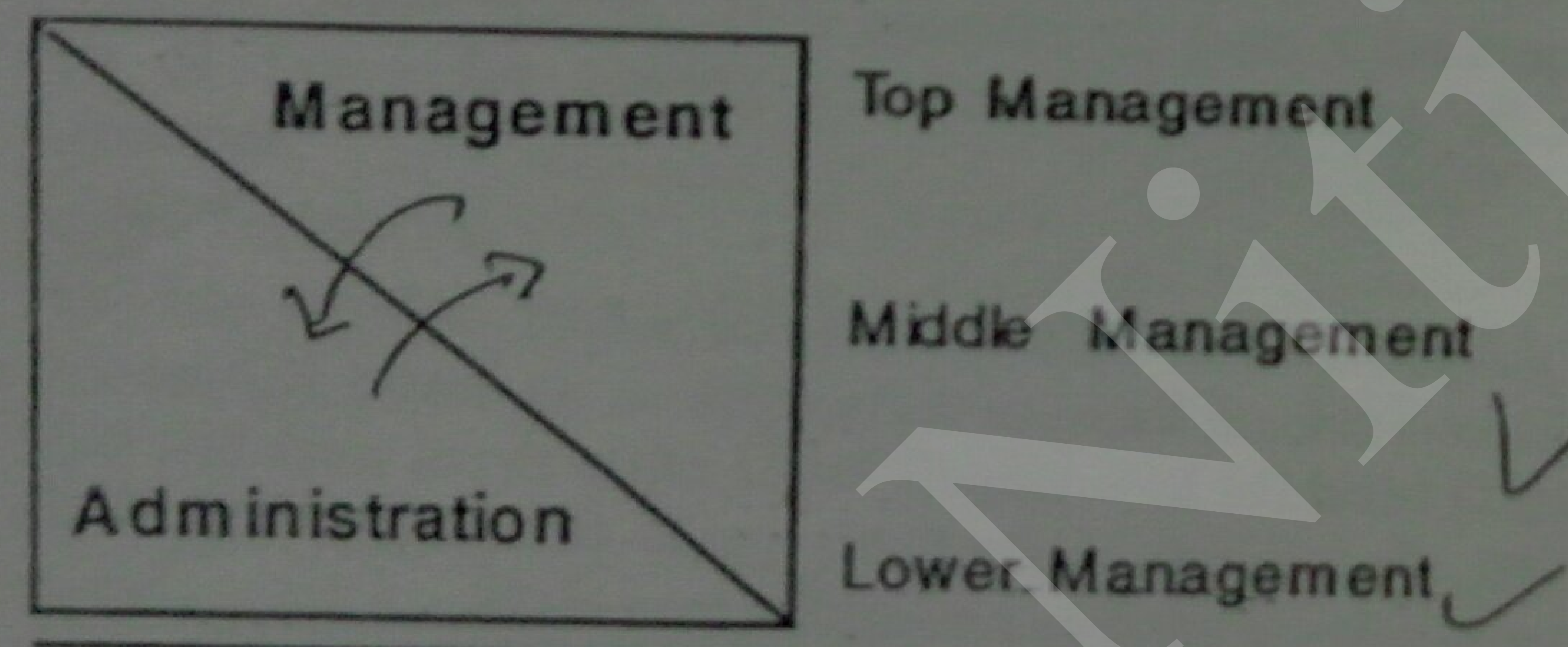
administration has wider scope whereas management is a part of management.
 Nature and Significance of Management

Administration is part of management

European writers feel that management is a comprehensive term and administration is a part of it. According to E.F.L. Brech, "Management is the generic term for the total process of executive control involving responsibility for effective planning and guidance of the operations of an enterprise. Administration is that part of management which is concerned with the installation and carrying out of the procedures by which the programme is laid down and communicated and the progress of activities is regulated and checked against plans."

Administration and Management are the Same

Some writers are of the view that there is no difference between the two terms and have used administration and management as synonyms. The same set of persons perform both these functions. In their opinion, the controversy can be avoided by classifying management into Administrative Management and Operative Management. Administrative management deals with laying down of basic objectives while operative management involves implementation of policies and achieving of objectives. Managers at higher-level spend most of their time on administrative functions like planning and policy making. On the otherhand, lower-level managers devote most of there time on managerial functions of direction and control. It has been explained in diagram 1.1.



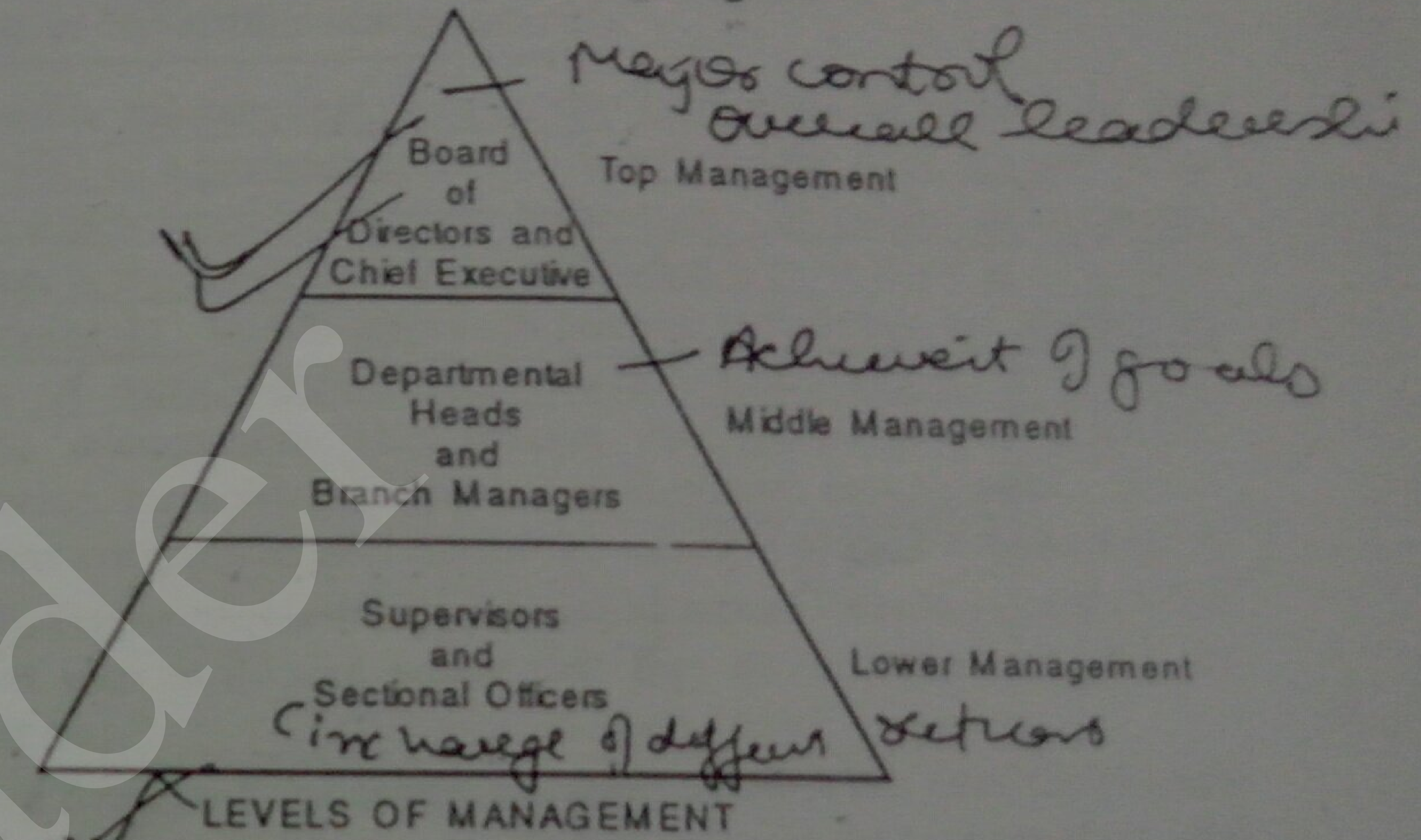
Administration and Management

Fig. 1.1

LEVELS OF MANAGEMENT

The levels of management suggest arranged managerial positions in an organisation. There is a chain of superiors and subordinates consisting of chief Executive, departmental heads, section officers and supervisors. The level of a person in the chain determines his authority

and status. The chain is generally divided into three levels of management as shown in the following diagram :



1: Top Management

Top management, which consists of Owners, Board of Directors, Managing Director, Chief Executive and the General Manager, establishes policies, plans and objectives. It requires more of conceptual, innovative, decision-making and human skills as compared to the technical skills. The main functions of top management include :

- (a) Determining the objectives or goals of the enterprise.
- (b) Framing policies and making plans to achieve the objectives laid.
- (c) Setting up an organisational framework. (structure)
- (d) Assembling the resources of money, men, materials, machines and methods.
- (e) Exercising effective control.
- (f) Providing overall leadership.

2: Middle Management

This level of management is, basically, concerned with the task of implementing the policies and plans laid down by the top management. It consists of departmental or functional heads and branch managers. These persons plan and control the activities of the departments under them. They are answerable to the top management for the performance of their departments. In big enterprises there can be two levels of middle level management - senior and junior.

3: Lower Management

Lower-level management is known as supervisory management