

NILAM PARMAR [NP]

**C P PATEL AND F H SHAH COMMERCE COLLEGE,
ANAND**

**BUSINESS ORGANISATION AND MANAGEMENT –
I**

UNIT 1 MANAGEMENT

- Meaning and Definition,
- Features,
- Objectives,
- Process of management,
- Managerial Functions (POSDCORB),
- Significance,
- Managerial Roles & Skills.

INTRODUCTION

A business develops in course of time with complexities. With the increasing of complexities, managing the business concern becomes a difficult one. The need of existence of management has increased tremendously. Management is not only essential to business concerns but also essential to Banks, Schools, Colleges, Hospitals, Hotels, Religious bodies, Charitable trusts etc. Every business unit has objectives of its own. These objectives can be achieved with the co-operative efforts of several personnel. The work of a number of persons are properly co-ordinated to achieve the objectives through the process of management. Whenever, two or more person come together to achieve some common objectives, management comes into play. Management does it plans, organises, directs and controls. It works with men, materials, machines and money to achieve some objectives.

MEANING OF MANAGEMENT

The term 'Management' has been defined in various ways. Simply stated "management is the art of getting things done by through others". This definition indicates that management is essentially an art (practised based) and a manager is a person who accomplishes objectives by guiding the efforts of other people. Management is an indirect activity.

DEFINITION OF MANAGEMENT

Peter F. Drucker defines, "Management is an organ; organs can be described and defined only through their functions."

Louis Allan, "Management is what a manager does."

Henry Fayol, "To manage is to forecast and plan, to organise, to compound, to co-ordinate and to control."

Ross Moore states, "Management means decision-making."

Harold Koontz says, "Management is the art of getting things done through and with an informally organized group."

Donald J. Clough, "Management is the art and science of decision making and leadership."

The American Management Association, "The art of getting things done through other people."

R.M. Currie, "The organisation and control of human activity are directed towards specific ends."

G.E. Milward, "Management is the process and the agency through which the execution of policy is planned and supervised."

James D. Mooney and Alan C. Reiley, "Management is the art of directing and inspiring people."

Joseph L. Massie, "Management is the process by which a co-operative group directs actions towards common goals."

S. George, "Management consists of getting things done through others. Manager is one who accomplishes the objectives by directing the efforts of others."

F.W. Taylor, "Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way."

Knootz and O'Donnel, "Management is the creation and maintenance of an internal environment in an enterprise where individuals, working in groups, can perform efficiently and effectively towards the attainment of group goals. It is the art of getting the work done through and with people in formally organised groups."

Wheeler, "Management is centred in the administrators or managers of the firm who integrate men, material and money into an effective operating limit."

FEATURES OR CHARACTERISTICS OF MANAGEMENT

From a critical analysis of the above definitions, the following features or characteristics of management evolve:

1. Art as well as science: Management is both an art and a science. It is an art in the sense of possessing of managing skill by a person. In another sense, management is the science because of developing certain principles or laws which are applicable in a place where a group of activities are coordinated.

2. Management is an activity: Management is the process of activity relating to the effective utilisation of available resources for production. The term 'resources' includes men, money, materials and machine in the organisation.

3. Management is a continuous process: The process of management mainly consists of planning, organising, directing and controlling the resources. The resources (men and money) of an organisation should be used to the best advantages of the organisation and the objectives to be achieved. The management function of any one alone cannot produce any results in the absence of any other basic functions of Management. So, management is a continuous process.

4. Management achieving pre-determined objectives: The objectives of an organisation are clearly laid down. Every managerial activity results in the achievement of objectives fixed well in advance.

5. Organised activities: Management is a group of organised activities. A group is formed not only in a public limited company but also in an ordinary club. All the organisations have their own objectives. These objectives will be achieved only by a group of persons. These persons' activities should be organised in a systematic way to achieve the objectives. The objectives cannot be achieved without any organised activities.

6. Management is a factor of production: The factors of production includes land, labour, capital and entrepreneurs. Here, land refers to a place where production is carried on. Labour refers to the paid employees of the organisation who are working in different levels as skilled, unskilled, semiskilled, manager, supervisor and the like. Capital refers to the working capital as in the form of cash, raw materials and finished goods and fixed capital as in the form of plant facilities and production facilities. These land, labour and capital could not realise the organisation's goals. The organisation goals are achieved only when these are effectively co-ordinated by the entrepreneur. An individual can do such type of job as in the case of small businesses. In the case of big sized business units, coordination job is done by the management. So, management is also treated as one of the factors of production. According to Peter F. Drucker, "Whatever rapid economic and social development took place after World War II, it occurred as a result of systematic and purposeful work of developing managers and management. Development is a matter of human energies rather than of economic wealth and the generation of human energies is the task of management. Management is the mover and development is a consequence".

7. Management as a system of activity: A system may be defined as a set of component parts working as a whole. Authority may be defined as a right to command others for getting a particular course of organisational

work done. Individuals are the foundation stones of the management. An individual has some goals as a member of the organisation. There may be a conflict between his own goals and the management's expectations from that individual. Such conflict is resolved by the management by ensuring balance between individual goals and organisational expectations. Authority is vested with many persons to take decisions and influence the behaviour of the subordinates. The very purpose of using the authority is to check and control the behaviour of the subordinates. The sources of authority rest with superiors as given in the organisation chart and social norms. The utilisation of authority is based on the personality factors of the user and the behaviour of a person over whom it is used.

8. Management is a discipline: The boundaries of management are not exact as those of any other physical sciences. It may be increased by the continuous discovery of many more aspects of business enterprise. So, the management status as a discipline is also increased in the same manner.

9. Management is a purposeful activity: Management is concerned with achievement of objectives of an organisation. These objectives are achieved through the functions of planning, organising, staffing, directing, controlling and decision-making. The organisational objectives are clearly defined and explained to every employee.

10. Management is a distinct entity: Management is distinct from its functional activities. The functions have the nature of "to do" but the management has the nature of "how to get things done". A manager requires some amount of skill and knowledge to get work done.

11. Management aims at maximising profit: The available resources are properly utilised to get desired results. The results should be the maximising profit or increasing profit by the economic function of a manager.

12. Decision-making: There are a number of decisions taken by the management everyday. Decision making arises only when there is availability of alternative courses of action. If there is only one course of action, need for decision-making does not arise. The quality of decision taken by the manager determines the organisations' performance. The success or failure of an organisation depends upon the degree of right decision taken by the manager.

13. Management is a profession: Management is a profession because it possesses the qualities of a profession. A fund of knowledge is imparted and transferred in this profession and the same is followed by management. The established principles of management are applied in practice.

14. Universal application: The principles and practices of management are applicable not to any particular industry alone but applicable to every type of industry. The practice of management is different from one organisation to another according to their nature.

15. Management is getting thing done: A manager does not actually perform the work but he gets things done by others. According to Knootz and O'Donnel, "management is the art of getting things done through and with people in formally organised groups."

16. Management as a class or a team: A class may be defined as a group of people having homogenous characteristics to achieve common objectives. Engineers and doctors are grouped as a class in a society. Each and every doctor has the same objectives in life. Just like engineers and doctors, the management people have got similar aspirations to achieve corporate objectives.

17. Management as a career: Now-a-days, management is developed as a career focussed on certain specialisation. Financial Management, Cash Management, Portfolio Management, Marketing Management, Personnel Management, Industrial Management and Business Management are some of the specialisations of management. Specialists are appointed in the key posts of top management.

18. Direction and control: A manager can direct his sub-ordinates in the performance of a work and control them whenever necessary. If the available resources are not utilised properly by him, he fails to achieve the corporate objectives in the absence of direction and control. Generally, the direction and control deals with the activities of human effort.

19. Dynamic: The management is not static. In the fast developing business world, new techniques are developed and adopted by the management. Management is changed according to the social change. The social change is the result of the changing business world.

20. Management is needed at all levels: The functions of management are common to all levels of organisation. The top executives

perform the functions of planning, organising, directing, controlling and decision-making. The same functions are also performed by the lower level supervisor.

21. Leadership quality: Leadership quality is developed in the persons who are working in the top level management. According to R.C. Davis, "Management is the function of executive leadership everywhere."

OBJECTIVES

Various Objectives of Management are:

1. Optimum utilisation of resources,
2. Growth and development of business
3. Better quality goods,
4. Ensuring regular supply of goods,
5. Discipline and morale,
6. Mobilising best talent,
7. Promotion of research and development,
8. Minimise the element of risk,
9. Improving performance,
10. Planning for future

Today, management is playing a vital role in the progress and prosperity of a business enterprise.

The main objective of management is to run the enterprise smoothly. The profit making objective of business is also to be taken care while undertaking various functions.

The broad purposes or objectives of the management are as follows—

1. Optimum utilisation of resources:

The most important objectives of the management are 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 i.e. proprietor, customers, employees and others. All these interests will be served well only when physical resources of the business are properly utilised.

2. Growth and development of business:

By proper planning, organisation and direction etc., management leads a business to growth and development on sound footing. It helps in profitable expansion of the business. It provides a sense of security among the employers and employees.

3. Better quality goods:

The aim of the sound management has always been to produce the better quality products at minimum cost. Thus, it tries to remove all types of wastages in the business.

4. Ensuring regular supply of goods:

Another objective of management is to ensure the regular supply of goods to the people. It checks the artificial scarcity of goods in the market. Hence, it keeps the prices of goods within permissible limits.

5. Discipline and morale:

The management maintains the discipline and boosts the morale of the individuals by applying the principles of decentralisation and delegation of authority. It motivates the employees through monetary and non-monetary incentives. It helps in creating and maintaining better work culture.

6. Mobilising best talent:

The employment of experts in various fields will help in enhancing 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.

7. Promotion of research and development:

Management undertakes the research and development to take lead over its competitors and meet the uncertainties of the future. Thus, it provides the benefits of latest research and technology to the society.

8. Minimise the element of risk:

Management involves the function of forecasting. Though the exact future can never be predicted yet on the basis of previous experience and existing circumstances, management can minimise the element of risk. Management always keeps its ears and eyes to the changing circumstances.

9. 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 contribute their maximum to the enterprise. The

fixing of objectives of various factors of production will help them in improving their performance.

10. Planning for future:

Another important purpose of management is to prepare a prospective plan. No management should feel satisfied with today's work. 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 every organisation.

PROCESS OF MANAGEMENT

Management is commonly described using the concepts of planning, organising and controlling. Leading is only considered as one aspect of this view of management with the main focus on the technical processes of planning, organising and controlling. Samson and Daft (2012, pp.11-16) define these concepts as follows:

1. Planning involves defining goals for future organisational performance and deciding on the tasks and use of resources needed to attain them. This involves understanding the enterprise's environment and how it is changing, including social, political, environmental and economic aspects. The management activity associated with planning is to select goals and the ways to attain them.

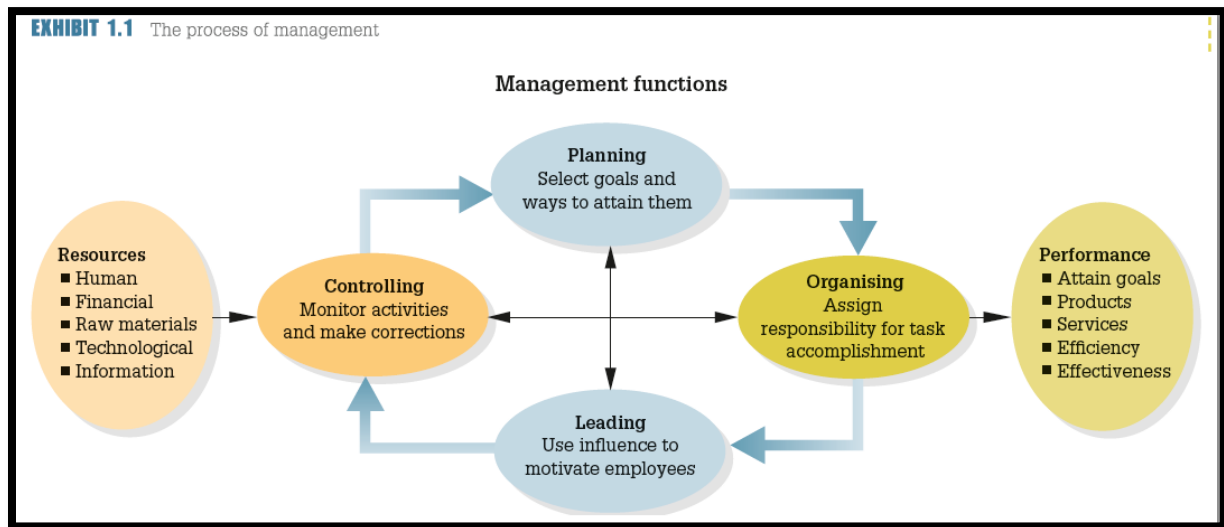
2. Organising typically follows planning and reflects how the organisation will attempt to accomplish its plans. Organising is concerned with assigning tasks and responsibilities for task accomplishment, grouping tasks into departments, and allocating resources to departments. The management activity associated with organising is to assign responsibility for task accomplishment.

3. Leading involves the use of influence to motivate employees to achieve the organisation's goals by creating a shared culture of values and communicating goals in a way that encourages employees to perform at their best. The management activity associated with leading is to motivate employees.

4. Controlling means monitoring employees' activities, keeping the organisation on track toward its goals, and making corrections as needed. Today's organisations tend away from top-down control towards trust and empowerment by training their employees to monitor and correct themselves. The management activity associated with controlling is to monitor activities and make corrections.

These four management functions are shown in the process of management below:

EXHIBIT 1.1 The process of management



MANAGERIAL FUNCTIONS (POSDCORB)

Luther Gullick classifies the functions of management as: POSDCORB, where —

P stands for Planning,

O for Organising,

S for Staffing,

D for Directing,

Co for co-ordinating,

R for Reporting,

B for Budgeting

The important functions of management are briefly discussed below:

1. Planning: Planning is the primary function of management. Nothing can be performed without planning. Writing a book starts with planning. In short, planning refers to deciding in advance that which will be done in the near future. In the business world, the organisation should achieve the objectives. In order to achieve objectives, the organisation plans what is to be done, when it is to be done, how it is to be done, and by whom it is to be done. Messie says, "Planning Pervades Management". George R. Terry has rightly said "Planning is a constructive reviewing of future needs so that present actions can be adjusted in view of the established goal. It

is deliberate conscious research used to formulate the design and orderly sequence of actions through which it is expected to reach objectives. Planning should take place before doing; most individual or group efforts are made by determining before any operative action takes place, what shall be done, where, how and who shall do it”.

2. Organising: Organising is the distribution of work in groupwise or section wise for effective performance. Organisation provides all facilities which are necessary to perform the work. The business developed, the organisation takes responsibility to create some more departments under different managers. Hence, the organisation divides the total work and co-ordinates all the activities by authority relationship. Besides, organising defines the position of each person in the organisation and determines the paths through which communication should flow. The manager would determine who should report to whom and how. According to Henry Fayol, “Organisation is of two kinds, i.e., organisation of the human factor and organisation of the material factor. Organisation of the human factor covers the distribution of work to those who are best suitable along with authority and responsibility. Organisation of the material factor covers utilisation of raw materials, plant and machinery etc.” According to Knootz and O’Donnell, “Organising consists of conscious co-ordination of people towards a desired goal”.

3. Staffing: Staffing function comprises the activities of selection and placement of competent personnel. In other words, staffing refers to placement of right persons in the right jobs. Staffing includes selection of right persons, training to those needy persons, promotion of best persons, retirement of old persons, performance appraisal of all the personnel, and adequate remuneration of personnel. The success of any enterprise depends upon the successful performance of staffing function. According to Harold Knootz and Cyril O’Donnell, “the managerial function of staffing involves manning the organisational structure through proper and effective selection, appraisal and development of personnel to fill the roles designed into the structure”.

4. Directing: The actual performance of a work starts with the function of Direction. Planning, organising and staffing functions are concerned with the preliminary work for the achievement of organisational objectives. But the direction deals with making the workers learn techniques to perform the jobs assigned to them. Direction includes guidance, supervision and motivation of employees. According to Joseph Massie, “Directing concerns the total manner in which a manager

influences the action of his sub-ordinates. It is the final action of a manager in getting others to act after all preparations have been completed”.

5. Co-ordinating: All the activities are divided groupwise or sectionwise under organising function. Now, such grouped activities are co-ordinated towards the accomplishment of objectives of an organisation. The difficulty of co-ordination depends upon the size of organisation. The difficulty of co-ordination is increased with the increasing of the size of the organisation. According to Knootz and O'Donnell, “the last co-ordination occurs when individuals see how their jobs contribute to the dominant goals of the enterprise. This implies knowledge and understanding of enterprise objectives”.

6. Reporting: Without reporting, there is no evidence. A clear report keeps communication open throughout the entire organisation. Managers are the linking pin between the management team and their own employees, who form the constituency. Reporting provides insight into the progress and agreements can also be recorded in this way. Other essential information—such as problems with employees, new processes, performances interviews and sales figures—is also made transparent through reporting. Involved parties can also quickly find archived reports.

7. Budgeting: Finance is the lifeblood of any organisation. The manager is responsible for the management, expenditure and control of the department's budget and also has to keep an eye on tax details. In addition to employee wages, it is the task of the manager to also properly monitor other expenditures such as materials and investments. If wasteful spending, overruns, errors or even fraud are discovered, the manager is responsible for taking action.

7. Controlling: Controlling function ensures that the achieved objectives conform to pre-planned objectives. Necessary corrective action may be taken if there is any deviation. The control is very easy whenever the organisation has a fixed standard. A good system of control has the characteristics of economy, flexibility, understanding and adequacy to organisational needs. Prof. Theo Haimann defines, “Control is the process of checking to determine whether or not, proper progress is being made towards the objectives and goals and acting, if necessary, to correct any deviation.” According to Henry Fayol, “control consists in verifying

whether everything occurs in conformity with the plan adopted, the instructions issued and principles issued”.

11. Communication: Communication is the transmission of human thoughts, views or opinions from one person to another person. Workers are informed about what should be done, where it is to be done, how it is to be done and when it is to be done. Communication helps the regulation of job and coordinate the activities.

SIGNIFICANCE OF MANAGEMENT

Management is a must for every enterprise. The existence of management ensures proper functioning and running of an enterprise. Management can plan the activities to achieve the objectives and utilise the available resources at minimum cost.

Every business needs a direction. This direction is given by the management. The resources of production are converted into production. The resources will remain as resources in the absence of management. The conversion process is performed through the co-ordination of management.

The significance or importance of management is briefly explained below:

- 1. Management meet the challenge of change:** In the modern business world, there are frequent changes. The changes place the business in a dangerous position. Only an efficient management can save the business from the dangers brought in by the challenges.
- 2. Accomplishment of group goals:** The achievement of objectives of a business depends upon three factors. The proper planning of available resources, adjusting possibility of business unit with existing business environment and the quality of decision taken and control made by the business unit are the factors responsible for achieving objectives.
- 3. Effective utilisation of business:** There are eight 'M's in the business. These are said to be man, money, materials, machines, methods,

motivation, markets and management. Management is the topmost of all other 'M's. Management has control over other remaining 'M's.

- 4. Effective functioning of business:** Ability, experience, mutual understanding, co-ordination, motivation and supervision are some of the factors responsible for the effective functioning of business. Management makes sure that the abilities of workers are properly used and co-operation is obtained with the help of mutual understanding. Besides, management can know the expectation of workers and the expectation is fulfilled through motivation techniques.
- 5. Resource development:** Efficient management is the life boat of any developed business. The resources of the business may be identified and developed by the management. The term 'resources' includes men, money, material and machines.
- 6. Sound organisation structure:** Management lays down the foundation for sound organisation structure. Sound organisation structure clearly defines the authority and responsibility relationship — who is responsible to whom, who will command whom and who is responsible for what. Care is taken in appointing qualified persons to the right job by the management.
- 7. Management directs the organisation:** The human mind directs and controls the functioning of human body. Similarly, the management directs and controls the functioning of an organisation.
- 8. Integrates various interests:** Each person has his own interests. These interests are different in nature. Management takes steps to integrate various interests to achieve the objectives of an organisation.
- 9. Stability:** The fluctuations of business are stabilised by the management. The fluctuations of business are caused by the changing policy of the government, pressures on the part of competitors and changing preferences of customers. The efficient management can run the business as per the policy framed by the government, face the competitors in the market and produce the articles as per the preferences of customers.

10. Innovation: New ideas are developed by the management and implemented in the organisation. Better performance is achieved through new ideas.

11. Co-ordination and team-spirit: All the activities of business are grouped department-wise. Management co-ordinates the activities of different departments and establishes team-spirit to achieve the objectives.

12. Tackling problems: Management acts as a friend or a guide of workers while tackling problems. When workers get over confidence of solving the problems for effective performance of a job, they fail in tackling the problems efficiently.

13. A tool for personality development: Management gives direction to workers for effective performance of a job. Besides, new methods or techniques are taught to workers. The training facilities are arranged by the management. In this way, management is a tool to develop the personality of workers to raise their efficiency and productivity ability.

MANAGERIAL ROLES & SKILLS

MANAGERIAL ROLES

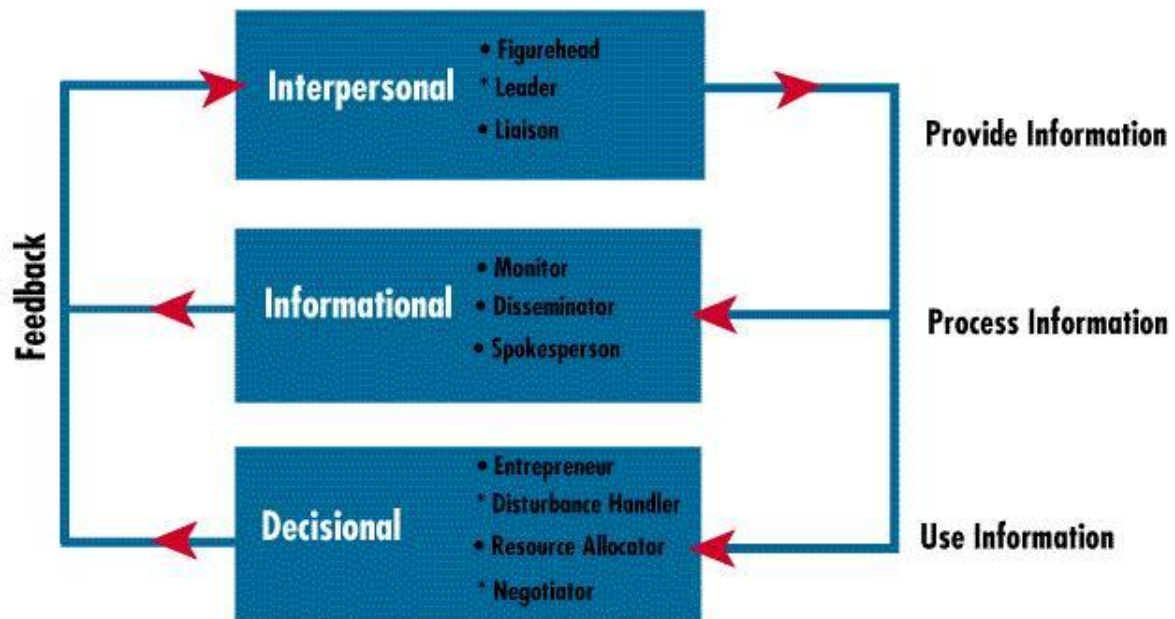
To meet the many demands of performing their functions, managers assume multiple roles. A role is an organized set of behaviors. [Henry Mintzberg](#) has identified ten roles common to the work of all managers.

The ten roles are divided into three groups:

- Interpersonal
- Informational
- Decisional

The performance of managerial roles and the requirements of these roles can be played at different times by the same manager and to different degrees depending on the level and [function of management](#). The ten roles are described individually, but they form an integrated whole.

The Managerial Roles



* Indicates significant role for the supervisor

1. Interpersonal Roles:

The **interpersonal roles** link all managerial work together. The three interpersonal roles are primarily concerned with interpersonal relationships.

- **Figurehead Role:** The manager represents the organization in all matters of formality. The top level manager represents the company legally and socially to those outside of the organization. The supervisor represents the work group to higher management and higher management to the work group.
- **Liaison Role:** The manager interacts with peers and people outside the organization. The top level manager uses the liaison role to gain favors and information, while the supervisor uses it to maintain the routine flow of work.
- **The leader Role:** It defines the relationships between the manager and employees

2. Informational Roles:

The **informational roles** ensure that information is provided. The three informational roles are primarily concerned with the information aspects of managerial work.

- **Monitor Role:** The manager receives and collects information about the operation of an enterprise.
- **Disseminator Role:** The manager transmits special information into the organization. The top level manager receives and transmits more information from people outside the organization than the supervisor.
- **Spokesperson Role:** The manager disseminates the organization's information into its environment. Thus, the top level manager is seen as an industry expert, while the supervisor is seen as a unit or departmental expert.

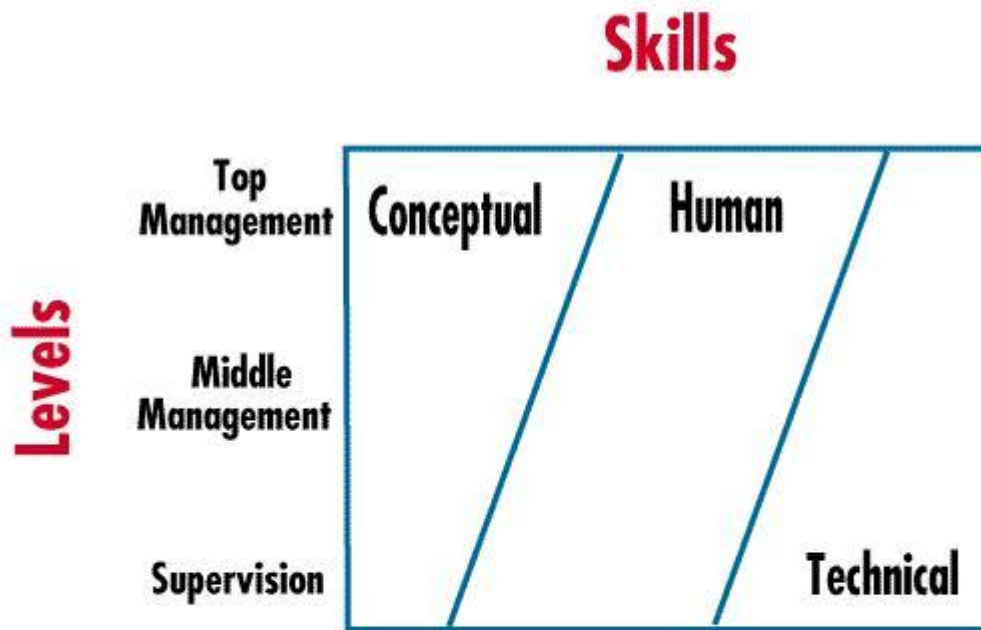
3. Decisional Roles:

The **decisional roles** make significant use of the information and there are four decisional roles.

- **Entrepreneur Role:** The manager initiates change, new projects; identify new ideas, delegate idea responsibility to others.
- **Disturbance Handler Role:** The manager deals with threats to the organization. The manager takes corrective action during disputes or crises; resolve conflicts among subordinates; adapt to environmental crisis.
- **Resource Allocator Role:** The manager decides who gets resources; schedule, budget set priorities and chooses where the organization will apply its efforts.
- **Negotiator Role:** The manager negotiates on behalf of the organization. The top level manager makes the decisions about the organization as a whole, while the supervisor makes decisions about his or her particular work unit.

MANAGERIAL SKILLS

Managers at every level in the management hierarchy must exercise three basic types of skills: technical, human, and conceptual. All managers must acquire these skills in varying proportions, although the importance of each category of skill changes at different management levels.



Skill Distribution at Various Management Levels

1. Technical skills:

- Technical skills refer to the ability and knowledge in using the equipment, techniques and procedure involved in performing specific tasks.
- These skills require specialized knowledge and proficiency in the mechanics of a particular.
- Technical skills lose relative importance at higher levels of the management hierarchy, but most top executives started out as technical experts.

2. Human skills:

- Human skills refer to the ability of a manager to work effectively with other people both as individual and as members of a group.
- Human skills are concerned with understanding of people.
- These are required to win cooperation of others and to build effective work teams.

3. Conceptual skills:

- Conceptual skills involve the ability to see the whole organization and the interrelationships between its parts.
- These skills refer to the ability to visualize the entire picture or to consider a situation in its totality.
- These skills help the managers to analyze the environment and to identify the opportunities.
- Conceptual skills are especially important for top-level managers, who must develop long-range plans for the future direction of their organization.

THANK YOU!