

## CHAPTER 1

### Nature and Significance of Management class 12 Notes Business Studies

#### **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.

#### **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. **Organizing:** 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.

## UNIT – 2 (PRINCIPLES OF MANAGEMENT)

**1. MEANING:** - The principles are broad statement of fundamental truth which provide guide lines for management decision and action. These guidelines are derived through experimentation and observation

### **2. NATURE OF PRINCIPLES OF MANAGEMENT**

**1.1. Universal application** - can be applied to all kind of organizations, irrespective of their size and nature.

**2. General guidelines** - the formulated guidelines to action which need to be adjusted and used as per the demands of the situation.

**3. Formed by practice and experimentation** - derived through experimentation and Observation.

**4. Flexible** - principles are not rigid like science but are modified according to the business environment needs.

**5. Behavioral** - the principles aim to influence the unpredictable, complex and dynamic human behavior.

**6. Cause and effect relation** - they aid in predicting the outcome of management actions.

**7. Contingent** - the management principles are dependent upon the prevailing Conditions/situations at that particular time hence amended accordingly.

### **3. SIGNIFICANCE/ IMPORTANCE OF MANAGEMENT PRINCIPLES**

**i. Provides managers with useful insights into reality** - through improved knowledge, ability, understanding and improved guidance to the managers.

**ii. Optimum utilization of resources** - and effective administration through coordinated use of physical, financial and human resources.

**iii. Scientific decision** - they lend to be more realistic, thoughtful, justifiable and free from personal bias.

**iv. Meet the changing environmental requirements** - by providing effective and dynamic leadership in implementing changes.

**v. Fulfils social responsibility** - guides the manager in fulfilling the social responsibility.

**Vi. Management training, education and research** - the principles help in increasing knowledge which is used as the basis for management training and research.

### **4. FAYOL'S PRINCIPLES OF MANAGEMENT**

**1. Division of labor** - work could be divided into small specialized task and performed by a trained specialist

**2. Authority and responsibility** - there must be a right **balance/ Parity between authority (right to give orders) and responsibility** (obligation to perform the assigned task).

**3. Discipline –obedience /Commitment** to organization rules and employment agreement.

**4. Unity of command - receive orders from more than one boss.**

**5. Unity of Direction** - all the units of the organization should aim and move towards achieving the organizational goal.**(One unit has one plan)**

**6. Subordination of individual interest to general interest –** the organization interest to be prioritized over individual interest. (Scarifies **the interest on individual**)

**7. Remuneration** - pay should be **fair** and satisfying to both employee and the organization.

**8. Centralization and decentralization** - there should be a proper balance between centralization (**concentration of decision making powers with top management**) and decentralization (**dispersal of decision making power among more than one person**).

**9. Scalar chain** - orders or communication should pass from top to bottom and follow the official line of command. (**Line of Authority**)

**10. Orders** - A place for everything/ everyone and every one in its place. **Proper arrangement of man and material.**

**11. Equality** - **kindness, empathy and justice** in the behavior of manager towards Workers.

**12. Stability of Tenure–frequent termination** displacement of employee from their position should be avoided. They should be given sufficient time to show their results

**13. Initiative** - Employees to be encouraged to develop and carry out their improvement plans. **Welcome the employee’s suggestions.**

**14. Espirit de corps** - need for **team work, spirit and harmony.**

## **5. SCIENTIFIC MANAGEMENT:**

**Meaning:** Conduct of business activities according to standardized tools, methods and trained personal so as to have increased output through effective and optimum utilization of resources. Hence it stresses that there is always one best way of doing things.

### **Principles of Scientific Management**

#### **1. Science not rule of thumb -**

There should be scientific study and analysis of each element of job rather than adopting old rule of the thumb approach on a hit and miss method. Encourage “**thinking before doing**”.

## 2. Harmony not discord -

There should be complete harmony and proper **understanding between management and workers in achieving the organization goals.**

## 3. Cooperation not individualism – **(welcome the suggestion of employees)**

Taylor emphasized on the importance of cooperative group effort between the management and workers in achieving the organization's goals and not individualism.

## 4. Development of workers to their greatest efficiency and prosperity:

The management should scientifically select the workers; assign job as per their physical, **mental and intellectual capability and potential; and train them as per the job requirement.**

### Techniques of scientific management

#### a) Functional foremanship

- Supervision is to be divided into **several specialized functions** and each function to be entrusted to a special foreman.
- Each worker will have to take orders from eight foremen in the related process of function of production.
- Stress on separating planning function from executive function.

#### b) Standardization and simplification of work

- Process of setting standards for every business activity to maximize output.
- Simplification is **eliminating unnecessary varieties, sizes and grades of Product manufactured in the organization.**

#### c) Method study

- Finding one best way of doing a job.
- Critical analysis is made for plant **layout, product design, material handling and work** Processes using techniques like process charts operations research etc.

#### d) Motion study (**Eliminate unnecessary movement**)

- Making a thorough analysis of various motions being performed by a worker while doing a particular task.
- Identifying and determining the ideal productive movement.
- Eliminate the unproductive movements and equipments.

#### e) Time study

- It is the technique used to determine the standard time taken by the workman with reasonable skill and ability to perform a particular task.
- Here the job is divided into series of elements and the time required completing each element idealistically is recorded using a stop watch.

#### f) Fatigue Study

- Determines the amount and **frequency of rest intervals** required in completing a task.

#### g) Differential Piece wage system

- Evolve a system wherein the **efficient and inefficient workers are paid at different rates, as financial incentives act as motivators.**

- First a standard task is established with the aid of time and motion study, and then two rates are established. Higher when standard outputs is produced and lower when the standard is not met.

**i) Mental Revolution ( change the attitude of employees and management)**

**TAYLOR V/S FAYOL**

**Basis Henry Fayol F.W Taylor**

<b>BASIS</b>	<b>HENRY FAYOL</b>	<b>F.W Taylor</b>
1.Basis of formation	Personal experience	Observations
2. Focus	Improvement in the overall administration	Concentrates on improving the productivity
3.Applicability	Universally applicable	Applicable only to specialized situations
4.Perspective	Top level management	Lower level – shop floor level
5.Personality	Scientist and known as father of scientific management	Practitioner and known as the father of management
6.Human element	More importance attached to increasing the production than to the human element	More importance given to human element; e.g. principle of equity, stability of tenure
7. Emphasis	Greater emphasis on tools and standardization of work i.e. General Theory of Administration	Emphasis on principles and theory of general administration i.e. Scientific Management



## CHAPTER – 3 BUSINESS ENVIRONMENT

### **1. MEANING:**

It is the sum total of all individuals or institutions comprising of consumers, competitors, suppliers government, courts, media and also the forces like economic, social, political, legal and technological that are outside the ambit and control of business enterprise but that which can affect its performance.

### **2. FEATURES OF BUSINESS ENVIRONMENT:**

**i. Constitutes totally of external forces** - it comprises of the sum total of all forces that are external to the business firm which it must deal with.

**ii. Specific and general forces** - the forces present outside can be divided into two parts Specific- these forces affect the firms of an industry separately e.g. Customers, suppliers, competitive firms etc. General - these forces affect all the firms of an industry equally e.g. Social, political.

**ii. Inter- related** - the different factors are co-related e.g. Change in the import- export policy is a political change that gives rise to economic change as well

**iv. Uncertainty** - business environment are susceptible to rapid changes, no one can predict with certainty the changes in the factors. e.g. change in technology and fashion.

**v. Dynamic** - business environment keeps on changing.

**vi. Complex** - it is difficult to know the extent of impact of the changes that the factors can bring in.

**vii. Relative** - business environment is a relative concept as it differs from country to country, region to region.

### **3. IMPORTANCE OF BUSINESS ENVIRONMENT:**

**i. Identify the opportunities and getting the first mover advantage** – by being aware of the changes in business environment, enterprises can identify opportunity and strategize ways to capitalize on them.

**ii. Identify threats and early warning signals** - environment scanning helps in detecting possible threats in future.

**iii. Basis for planning and policy for formulation** - identification of threats and opportunity serves as basis for deciding the future course of action.

**iv. Tapping useful resources** - the resources are required to carry on a successful business enterprise. These have to be procured from the business environment.

**v. Helps in coping with rapid changes** - turbulent markets, less brand loyalty, divisions and sub-divisions (fragmentation) of markets, more demanding customers, rapid changes in technology and intense global competition combined with complex business environment calls for a flexible planning to cope with the changes.

**vi. Improvement in organization performance** - continuous and constant monitoring and adapting suitable business practices result in improved business performance.

#### **4. DIMENSIONS OF BUSINESS ENVIRONMENT:**

The various dimensions of business environment in terms of general environment are:

##### **Economic Environment:**

Refers to all those forces that have economic impact on the business activity. Components of economic environment are **GDP, Inflation rate, Interest rate, Rupee value, Stock exchange index, Tax rate**

**Political Environment:** includes political conditions such as political leadership, **Political stability, practices of the ruling party** and the nature of the government in power and their level of interference. Components of political environment are Constitution of the country, Political ideology of the ruling party, nature and extent of government interference, international relations.

**Legal Environment:** refers to the framework of laws and various legislations within which the business activities take place. **Components of Legal Environment are Government legislations, court judgments, Decisions of various commissions.**

**Social Environment:** represents the customs and traditions, values, culture, social trends, beliefs, norms and ethics of a society in which business enterprises operate. Components of Social Environment **are customs traditions, social expectations, lifestyles, values, literacy level**

**Technological Environment:** refers to the influence of the **changes in the technology** on the business environment.

**Components of Technological Environment:** new methods and techniques of business operations, Scientific improvements and innovations, As a part of economic reforms the Government of India announced **New Industrial Policy in July 1991** which emphasized on three major elements which were:

- **Liberalization** - from the clutches of licensing policy. Therefore, removal of entry and growth restrictions on the private sector enterprises.

- **Globalization** - encouragement of foreign private participation in industrial development. This step mainly intended at integrating the national economy with the world economy through the removal of barriers on international trade and capital movements.

- **Privatization** - drastic reduction in the role of public sector. Further it aimed at transfer of ownership, management and controls of the public sector enterprise to the private sector.

The new industrial policy aimed at creating a more competent environment in the economy so as to strengthen the process of industrialization. Its features are as follows

- Delicensing of all projects except six industries
- Decreased role of public sector to merely 4 industries
- Disinvestment: selling of a part or whole of the shares of the public sector undertaking
- Liberalization of Foreign capital
- Setting up of Foreign Investment board (FIPB)
- Liberal policy for technical collaborations

## **7. IMPACT OF GOVERNMENT POLICY CHANGES ON BUSINESS AND INDUSTRY:**

- Increase in competition
- Demanding customers
- Technical change and increased investment in R and D
- Necessity of change
- Development of human resource
- Market orientation
- Loss of budgetary support to the public sector.