

Nature and Significance of Management

DEFINITIONS OF MANAGEMENT

“Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims.”

—Harold Koontz and Heinz Weihrich

“Management is defined as the process of planning, organising, actuating and controlling an organisation’s operations in order to achieve coordination of the human and material resources essential in the effective and efficient attainment of objectives.”

—Robert L. Trewelly and M. Gene Newport

“Management is the process of working with and through others to effectively achieve organisational objectives by efficiently using limited resources in the changing environment.”

—Kreitner

CONCEPT

Management is a very popular term and has been used extensively for all types of activities and mainly for taking charge of different activities in any enterprise. Management aims at guiding their efforts towards achieving a common objective—a goal. Thus, management has to see that tasks are completed and goals are achieved (*i.e.*, effectiveness) with the least amount of resources at a minimum cost (*i.e.*, efficiency).

Management, has therefore, been defined as a process of getting things done with the aim of achieving goals effectively and efficiently. We need to analyse this definition. There are certain terms which require elaboration. These are (a) process, (b) effectively, and (c) efficiently.

Being effective or doing work effectively basically means finishing the given task. Effectiveness in management is concerned with doing the right task, completing activities and achieving goals. In other words, it is concerned with the end result.

But it is not enough to just complete the tasks. There is another aspect also, *i.e.*, being efficient or as we say doing work efficiently.

Efficiency means doing the task correctly and with minimum cost. There is a kind of cost-benefit analysis involved and the relationship between inputs and outputs.

If by using less resources (*i.e.*, the inputs) more benefits are derived (*i.e.*, the outputs) then efficiency has increased. Efficiency is also increased when for the same benefit or outputs, fewer resources are used and less costs are incurred. Input resources are money, materials, equipment and persons required to do a particular task. Obviously, management is concerned with the efficient use of these resources, because they reduce costs and ultimately lead to higher profits.

CHARACTERISTICS OF MANAGEMENT

The Characteristics of Management are:

- (i) **Management is a goal-oriented process:** An organisation has a set of basic goals which are the basic reason for its existence. These should be simple and clearly stated. Different organisations have different goals. For example, the goal of a retail store may be to increase sales, but the goal of The Spastics Society of India is to impart education to children with special needs. Management unites the efforts of different individuals in the organisation towards achieving these goals.
- (ii) **Management is all pervasive:** The activities involved in managing an enterprise are common to all organisations whether economic, social or political. A petrol pump needs to be managed as much as a hospital or a school. What managers do in India, the USA, Germany or Japan is the same. How they do it may be quite different. This difference is due to the differences in culture, tradition and history.
- (iii) **Management is multidimensional:** Management is a complex activity that has three main dimensions. These are:
 - (a) **Management of work:** All organisations exist for the performance of some work. In a factory, a product is manufactured, in a garment store a customer’s need is satisfied and in a hospital a patient is treated. Management translates this work in terms of goals to be achieved and assigns the means to achieve it. This is done in terms of problems to be solved, decisions to be made, plans to be established, budgets to be prepared, responsibilities to be assigned and authority to be delegated.

(b) **Management of people:** Human resources or people are an organisation's greatest asset. Despite all developments in technology "getting work done through people" is still a major task for the manager. Managing people has two dimensions:

- (i) it implies dealing with employees as individuals with diverse needs and behaviour;
- (ii) it also means dealing with individuals as a group of people.

The task of management is to make people work towards achieving the organisation's goals, by making their strengths effective and their weaknesses irrelevant.

(c) **Management of operations:** No matter what the organisation, it has some basic product or service to provide in order to survive. This requires a production process which entails the flow of input material and the technology for transforming this input into the desired output for consumption. This is interlinked with both the management of work and the management of people.

(iv) **Management is a continuous process:** The process of management is a series of continuous, composite, but separate functions (planning, organising, directing, staffing and controlling). These functions are simultaneously performed by all managers all the time. We may have observed that Smita at Namchi Designer Candles performs several different tasks in a single day. Some days she may spend more time in planning a future exhibition and on another day, she may spend time in sorting out an employee's problem. The task of a manager consists of an ongoing series of functions.

(v) **Management is a group activity:** An organisation is a collection of diverse individuals with different needs. Every member of the group has a different purpose for joining the organisation but as members of the organisation they work towards fulfilling the common organisational goal. This requires team work and coordination of individual effort in a common direction. At the same time management should enable all its members to grow and develop as needs and opportunities change.

(vi) **Management is a dynamic function:** Management is a dynamic function and has to adapt itself to the changing environment. An organisation interacts with its external environment which consists of various social, economic and political factors. In order to be successful, an organisation must change itself and its goals according to the needs of the

environment. We probably know that McDonalds, the fast food giant made major changes in its menu to be able to survive in the Indian market.

(vii) **Management is an intangible force:** Management is an intangible force that cannot be seen but its presence can be felt in the way the organisation functions. The effect of management is noticeable in an organisation where targets are met according to plans, employees are happy and satisfied, and there is orderliness instead of chaos.

■ IMPORTANCE OF MANAGEMENT

The following points highlight the importance of management in an organisation:

(i) **Management helps in achieving group goals:**

Management is required not for itself but for achieving the goals of the organisation. The task of a manager is to give a common direction to the individual effort in achieving the overall goal of the organisation.

(ii) **Management increases efficiency:** The aim of a manager is to reduce costs and increase productivity through better planning, organising, directing, staffing and controlling the activities of the organisation.

(iii) **Management creates a dynamic organisation:** All organisations have to function in an environment which is constantly changing. It is generally seen that individuals in an organisation resist change as it often means moving from a familiar, secure environment into a newer and more challenging one. Management helps people adapt to these changes so that the organisation is able to maintain its competitive edge.

(iv) **Management helps in achieving personal objectives:** A manager motivates and leads his team in such a manner that individual members are able to achieve personal goals while contributing to the overall organisational objective. Through motivation and leadership the management helps individuals to develop team spirit, cooperation and commitment to group success.

(v) **Management helps in the development of society:** An organisation has multiple objectives to serve the purpose of the different groups that constitute it. In the process of fulfilling all these, management helps in the development of the organisation and through that it helps in the development of society. It helps to provide good quality products and services, creates employment opportunities, adopts new technology for the greater good of the people and leads the path towards growth and development.

NATURE OF MANAGEMENT

Management is as old as civilisation. Although modern organisations are of recent origin, organised activity has existed since the time of the ancient civilisations. In fact, organisations may be considered the distinguishing feature that separated civilised society from uncivilised ones. The earliest management practices were a set of rules and regulations that grew out of the experiences of governmental and commercial activities. The development of trade and commerce gradually led to the development of management principles and practices.

The term 'management' today has several different connotations that highlight the different aspects of its nature. The study of management has evolved over a period of time along with the modern organisations; based both on the experience and practice of managers and a set of theoretical relationships. Over a period of time, it has grown into a dynamic subject with its own special characteristics. However, one question that needs to be addressed pertaining to the nature of management is whether it is a science or an art or both? In order to answer this let us examine the features of both science and art to see how far management fulfills them.

MANAGEMENT AS AN ART

What is art? Art is the skillful and personal application of existing knowledge to achieve desired results. It can be acquired through study, observation and experience. Since art is concerned with personal application of knowledge some kind of ingenuity and creativity is required to practice the basic principles learnt.

The basic features of an art are as follows:

- (i) **Existence of theoretical knowledge:** Art presupposes the existence of certain theoretical knowledge. Experts in their respective areas have derived certain basic principles which are applicable to a particular form of art. For example, literature on dancing, public speaking, acting or music is widely recognised.
- (ii) **Personalised application:** The use of this basic knowledge varies from individual to individual. Art, therefore, is a very personalised concept. For example, two dancers, two speakers, two actors, or two writers will always differ in demonstrating their art.
- (iii) **Based on practice and creativity:** All art is practical. Art involves the creative practice of existing theoretical knowledge. We know that all music is based on seven basic notes. However, what makes the composition of a musician unique or different is his use of these notes in a creative manner that is entirely his own interpretation.

Management can be said to be an art since it satisfies the following criteria:

- (i) A successful manager practices the art of management in the day-to-day job of managing an enterprise based on study, observation and experience. There is a lot of literature available in various areas of management like marketing, finance and human resources which the manager has to specialise in. There is existence of theoretical knowledge.
- (ii) There are various theories of management, as propounded by many management thinkers, which prescribe certain universal principles. A manager applies these scientific methods and body of knowledge to a given situation, an issue or a problem, in his own unique manner. A good manager works through a combination of practice, creativity, imagination, initiative and innovation. A manager achieves perfection after long practice. Students of management also apply these principles differently depending on how creative they are.
- (iii) A manager applies this acquired knowledge in a personalised and skillful manner in the light of the realities of a given situation. He is involved in the activities of the organisation, studies critical situations and formulates his own theories for use in a given situation. This gives rise to different styles of management.

The best managers are committed and dedicated individuals; highly trained and educated, with personal qualities such as ambition, self-motivation, creativity and imagination, a desire for development of the self and the organisation they belong to. All management practices are based on the same set of principles; what distinguishes a successful manager from a less successful one is the ability to put these principles into practice.

MANAGEMENT AS A SCIENCE

Science is a systematised body of knowledge that explains certain general truths or the operation of general laws. The basic features of science are as follows:

- (i) **Systematised body of knowledge:** Science is a systematic body of knowledge. Its principles are based on a cause and effect relationship. For example, the phenomenon of an apple falling from a tree towards the ground is explained by the law of gravity.
- (ii) **Principles based on experimentation:** Scientific principles are first developed through observation and then tested through repeated experimentation under controlled conditions.
- (iii) **Universal validity:** Scientific principles have universal validity and application.

Based on the above features, we can say that management has some characteristics of science.

- (i) Management has a systematised body of knowledge. It has its own theory and principles that have developed over a period of time, but it also draws on other disciplines such as Economics, Sociology, Psychology and Mathematics. Like all other organised activity, management has its own vocabulary of terms and concepts. For example, all of us discuss sports like cricket and soccer using a common vocabulary. The players also use these terms to communicate with each other. Similarly managers need to communicate with one another with the help of a common vocabulary for a better understanding of their work situation.
- (ii) The principles of management have evolved over a period of time based on repeated experimentation and observation in different types of organisations. However, since management deals with human beings and human behaviour, the outcomes of these experiments are not capable of being accurately predicted or replicated. Therefore, management can be called an inexact science. Despite these limitations, management scholars have been able to identify general principles of management. For example, scientific management principles by F.W. Taylor and Functional Management principles by Henri Fayol which you will study in the next chapter.
- (iii) Since the principles of management are not as exact as the principles of science, their application and use is not universal. They have to be modified according to a given situation. However, they provide managers with certain standardised techniques that can be used in different situations. These principles are also used for training and development of managers.

We must have understood from the foregoing discussion that management has features of both art and science. The practice of management is an art. However, managers can work better if their practice is based on the principles of management. These principles constitute the science of management. Management as an art and a science are therefore not mutually exclusive, but complement each other.

MANAGEMENT AS A PROFESSION

A profession has the following characteristics:

- (i) **Well-defined body of knowledge:** All professions are based on a well-defined body of knowledge that can be acquired through instruction.
- (ii) **Restricted entry:** The entry to a profession is restricted through an examination or through acquiring an

educational degree. For example, to become a chartered accountant in India a candidate has to clear a specified examination conducted by the Institute of Chartered Accountants of India.

- (iii) **Professional association:** All professions are affiliated to a professional association which regulates entry, grants certificate of practice and formulates and enforces a code of conduct. To be able to practice in India lawyers have to become members of the Bar Council which regulates and controls their activities.
- (iv) **Ethical code of conduct:** All professions are bound by a code of conduct which guides the behaviour of its members. All doctors, for example, take the oath of ethical practice at the time they enter the profession.
- (v) **Service motive:** The basic motive of a profession is to serve their client's interests by rendering dedicated and committed service. The task of a lawyer is to ensure that his client gets justice.

Management does not meet the exact criteria of a profession. However, it does have some of the features of a profession:

- (i) All over the world there is marked growth in management as a discipline. It is based on a systematic body of knowledge comprising well-defined principles based on a variety of business situations. This knowledge can be acquired at different colleges and professional institutes and through a number of books and journals. The subject of management is taught at different institutions. Some of these have been set up with the specific purpose of providing management education such as the Indian Institutes of Management (IIMs) in India. Entry to different institutes is usually through an examination.
- (ii) There is no restriction on anyone being designated or appointed as manager in any business enterprise. Anyone can be called a manager irrespective of the educational qualifications possessed.

Unlike professions such as medicine or law which require a practicing doctor or lawyer to possess valid degrees, nowhere in the world is it mandatory for a manager to possess any such specific degree. But professional knowledge and training is considered to be a desirable qualification, since there is greater demand for those who possess degrees or diplomas from reputed institutions. Therefore, as such the second criterion has not been strictly met.

- (iii) There are several associations of practising managers in India, like the AIMA (All India Management Association) that has laid down a code of conduct

to regulate the activities of their members. There is, however, no compulsion for managers to be members of such an association nor does it have any statutory backing.

- (iv) The basic purpose of management is to help the organisation achieve its stated goal. This may be profit maximisation for a business enterprise and service for a hospital. However, profit maximisation as the objective of management does not hold true and is fast changing. Therefore, if an organisation has a good management team that is efficient and effective it automatically serves society by providing good quality products at reasonable prices.

LEVELS OF MANAGEMENT

Management is a universal term used for certain functions performed by individuals in an enterprise who are bound together in a hierarchy of relationships. Every individual in the hierarchy is responsible for successful completion of a particular task. To be able to fulfill that responsibility he is assigned a certain amount of authority or the right to take a decision. This authority-responsibility relationship binds individuals as superiors and subordinates and gives rise to different levels in an organisation. Generally speaking there are three levels in the hierarchy of an organisation.

Top Management

They consist of the senior-most executives of the organisation by whatever name they are called. They are usually referred to as the chairman, the chief executive officer, chief operating officer, president and vice-president. Top management is a team consisting of managers from different functional levels, heading finance, marketing etc. For example chief finance officer, vice president (marketing). Their basic task is to integrate diverse elements and coordinate the activities of different departments according to the overall objectives of the organisation. These top level managers are responsible for the welfare and survival of the organisation. They analyse the business environment and its implications for the survival of the firm. They

formulate overall organisational goals and strategies for their achievement. They are responsible for all the activities of the business and for its impact on society. The job of the top manager is complex and stressful, demanding long hours and commitment to the organisation.

Middle Management

Middle Management is the link between top and lower level managers. They are subordinate to top managers and superior to the first line managers. They are usually known as division heads, for example production manager. Middle management is responsible for implementing and controlling plans and strategies developed by top management. At the same time they are responsible for all the activities of first line managers. Their main task is to carry out the plans formulated by the top managers. For this they need to:

- (i) interpret the policies framed by top management,
- (ii) ensure that their department has the necessary personnel,
- (iii) assign necessary duties and responsibilities to them,
- (iv) motivate them to achieve desired objectives, and
- (v) cooperate with other departments for smooth functioning of the organisation. At the same time they are responsible for all the activities of first line managers.

Supervisory or Operational Management

Foremen and supervisors comprise the lower level in the hierarchy of the organisation. Supervisors directly oversee the efforts of the workforce. Their authority and responsibility is limited according to the plans drawn by the top management. Supervisory management plays a very important role in the organisation since they interact with the actual work force and pass on instructions of the middle management to the workers. Through their efforts quality of output is maintained, wastage of materials is minimised and safety standards are maintained. The quality of workmanship and the quantity of output depends on the hard work, discipline and loyalty of the workers.

