



319en10

10

## FUNDAMENTALS OF MANAGEMENT

### MODULE - 4

#### *Business Management : Nature and Scope*



*Notes*

Let us take the example of a housewife. She is the person who manages all the household work. She decides upon a number of things like – how to decorate the house in terms of furniture, curtains, bed sheets, sofa covers, crockery, cooking utensils etc.; what type of food is to be served to family members, what shall be the timing of breakfast, lunch, dinner, etc.; and then arranges the requisite materials to prepare the food, hires a maid/servant to assist household work on a part time or full time basis and looks after many other such work. She not only decides all these but ensures that all this work is carried out properly. For this purpose she does some work herself and may distribute certain work among the family members so that work is carried on smoothly. For example, she may assign the task of dropping the children to the school to her husband, the task of clearing the bed to the eldest child, the task of cleaning utensils to the part time maid and so on. Every housewife does all this work in her own way depending upon her understanding, interest and commitment and so also the resources available.

Similarly, take the case of a school teacher who is given the task of taking school children on a picnic. The teacher also decides upon a number of things like – where to go, when to go, how many students and other teacher shall go, how much money is required where to get such money, by what time students must come back, how to collect them from home and drop them and so on. Then he also assigns duties to other persons assisting him in the exercise. For example, he may assign the task to other for arranging a bus for conveyance, collecting money from students, make a group of students to arrange for food and its distribution, and so on. Again, every school teacher if assigned a similar exercise may handle it in his own way depending upon the capability and interest of the teacher as well as a number of other factors.

Let us take another example. There may be many grocery shops in your locality. Consider any two such shops owned by individuals as sole-proprietors. Both of them do a number of activities like procuring goods from manufacturers / wholesalers and selling

**MODULE - 4***Business Management :  
Nature and Scope**Notes***Fundamentals of Management**

them to consumers, maintaining records of transactions, paying taxes, supervising the staff, and making efforts to improve sales, etc. However, how they handle all these jobs depends upon their capabilities and factors like the location of their store, the assistants they have and so on.

On analysing the above examples we find one thing common among the housewife, the school teacher as well as the grocery owner i.e., they are all involved in managing an important activity namely the household, the school picnic and the business respectively. Thus, we find management everywhere, every housewife manages her household work, every professional manages his tasks and every businessman manages his business. In this lesson we shall learn about the concept of management in the context of managing a business, and its characteristics, nature, importance, functions and the general principles guiding managerial actions in the management process.

**OBJECTIVES**

*After studying this lesson, you will be able to:*

- explain the concept of management;
- state the objectives of management;
- identify the characteristics of management;
- explain the importance of management;
- describe management as an activity, as a process, as a profession and as a discipline;
- identify the various levels of management;
- describe the functions of management and
- explain the principles of management.

**10.1 MEANING AND OBJECTIVES OF MANAGEMENT*****10.1.1 Meaning of Management***

Consider a business enterprise, it may be an industry or it may be a trading concern. In both the cases, to start and run the business some amount of money is needed, some materials, few machines and some men are required, and some processes are involved. All these are considered the inputs for a business that result in output in terms of products or services. However, with same amount of money, raw materials, machines and men, and following the same processes, the output may not be same in all cases. For example, with same amount of money, men, machines and materials, if you and Ramesh start a similar business independently, the result may not be the same for both of you. You may

## Fundamentals of Management

do well whereas Ramesh may not. But this is because the inputs do not become output by themselves. Various activities are required and these need to be properly directed, coordinated and integrated so that the inputs produce good results. This process of using various resources (inputs) to produce some results (outputs) is known as management, and the degree of success varies according to the efficiency with which the resources are managed. Thus, management refers to the process of using men, money, machines, material and processes through proper direction, coordination and integration of several activities so as to produce desired results and attain predetermined goals. In other words, management consists of a series of activities classified into various functions like planning, organising, staffing, directing and controlling.

### 10.1.2 Objectives of Management

Management helps in efficient and effective use of available resources of an organisation. Objectives are the end results, towards which all managerial efforts and organisational activities are directed. Objectives of management include –

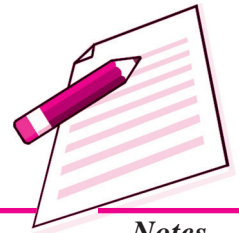
1. **Optimum Utilisation of Resources :** Management should try to secure maximum outlay with minimum efforts and resources by utilising the human and material resources available in an organisation for deriving the best results.
2. **Increase in Productivity of All Factors of Production :** Management should minimise the wastage of time, money and efforts through proper utilisation of various factors of production like capital and labour. This will lead to increase in efficiency of all factors of production. It should also try to set higher standards of productions every year and should strive higher to reach these targets.
3. **Fair Return on Capital :** Management has to provide a fair return to the owners on the capital invested by them. Management must maintain the investment and should also attract further investments for growth and expansion.
4. **Create Goodwill :** Management should aim at building the reputation of the firm through various activities like popularising products by advertising, reasonable price, good quality products etc. Business environment is dynamic and is influenced by a number of factors.
5. **Meet Challenges of the Changing Environment :** Enterprises which are unable to adopt itself to the changing situations, will not be able to survive. Management should frame steps to meet the challenges of the changing environment. Thus, management can help an organisation for its survival and growth.

## 10.2 CHARACTERISTICS OF MANAGEMENT

The various characteristics of management are:

## MODULE - 4

### Business Management : Nature and Scope



Notes

## MODULE - 4

### Business Management : Nature and Scope



Notes

## Fundamentals of Management

- (a) **Management is Universal :** It means that management is required for every type of organisation. It may be a business organisation or social or political. It may be a small firm or a large one. Management is required by a school or a college or university or a hospital or a big firm like Reliance Industries Limited or a small variety store in your locality. Thus, it is a universal phenomenon and is common and essential element in all organisations.
- (b) **Management is Goal Directed :** Every organisation is created to achieve certain goals. For example, for a business firm it may be to make maximum profit and/or to provide quality products and services. Management of an organisation is always aimed at achievement of the organisational goals. Success of management is determined by the extent to which these goals are achieved.
- (c) **Management is a Continuous Process :** Management is an ongoing process. It continues as long as the organisation exists. No activity can take place without management. To perform all activities like production, sale, storage, operation etc. management is required. So, as long as these activities continue the process of management also continues to operate.
- (d) **Management is an Integrating Process :** All the functions, activities, processes and operations are intermixed among themselves. It is the task of management to bring them together and proceed in a coordinated manner to achieve desired result. In fact, without integration of men, machine and material and coordination of individual efforts to contribute successfully as a team, it will be difficult to achieve organisational goals.
- (e) **Management is Intangible :** Management is not a place like a graphic showing Board meeting or a graphic showing a school Principal at her office desk which can be seen. It is an unseen force and you can feel its presence in the form of rules, regulation, output, work climate, etc.
- (f) **Management is Multi-disciplinary :** Management of an organisation requires wide knowledge about various disciplines as it covers handling of man, machine, material and looking after production, distribution, accounting and many other functions. Thus, we find the principles and techniques of management are mostly drawn from almost all fields of study like – Engineering, Economics, Sociology, Psychology, Anthropology, Mathematics, Statistics etc.
- (g) **Management is a Social Process :** The most important aspect of management is handling people organised in work groups. This involves developing and motivating people at work and taking care of their satisfaction as social beings. All managerial actions are primarily concerned with relations between people and so it is treated as a social process.

## Fundamentals of Management

- (h) **Management is Situational :** The success of management depends on, and varies from, situation to situation. There is no best way of managing. The techniques and principles of management are relative, and do not hold good for all situations to come.

### 10.3 IMPORTANCE OF MANAGEMENT

The existence and success of any organisation largely depends on the kind of management it has. No amount of quality resources is going to help unless they are put to productive use by efficient management. It is because of this reason that management is studied as a subject in almost every discipline of study. In today's scenario with globalisation, job specialisation, changing technologies, new responsibilities of business, consumerism, competition and emphasis on research and development, the role of management has grown multifold. Its importance is reflected in the positive result that the organisation can get in respect of the following.

- (a) **Attainment of Goals :** Every organisation has a goal to achieve and each employee in the organisation also has his own goals that he wants to achieve. Even at operational level each department, each unit or even each group has a goal that it wants to achieve. It is only through proper management – by well thought of planning, good direction and proper coordination and control that effectiveness to the efforts of each group to achieve given goals can be ensured.
- (b) **Stability and Growth :** Management strives to utilise the available resources of the organisation effectively and efficiently. It controls the activities and operations, integrates the functions, motivates the employees, maintains the health of the organisation in the ever changing environment. It thus, ensures stability to the working of the organisation and contributes to its growth.
- (c) **Change and Development :** Management keeps itself in touch with the changes in the environment and foresees development in the future. Accordingly, plans are made to keep the organisation ready to meet the challenges. The technologies, operations, process as human factors are developed on a continuous basis keeping an eye on the future.
- (d) **Efficiency and Effectiveness :** By proper planning, staffing, organising, coordinating, directing, and its controlling activities, the management helps in achieving efficiency and effectiveness to human efforts and operations.

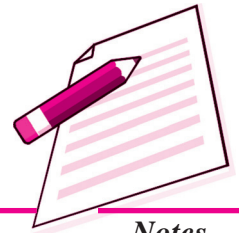


#### INTEXT QUESTIONS 10.1

1. Define the term 'Management' in your own words.

## MODULE - 4

### Business Management : Nature and Scope



Notes

## MODULE - 4

### Business Management : Nature and Scope



Notes

## Fundamentals of Management

2. Complete the following incomplete words by taking clues from the statements given for each. Every blank represents one letter only. First one has been done for you.
- Management is U \_\_\_ V \_\_\_ S \_\_\_ L (UNIVERSAL)
  - Management is \_\_\_ N \_\_\_ G I \_\_\_ E
  - Management is S \_\_\_ I \_\_\_ L process
  - Management is S \_\_\_ U \_\_\_ O \_\_\_ AL
  - Management is a \_\_\_ O \_\_\_ T I \_\_\_ O \_\_\_ S process

### Clues:

- It is required for every type of organisation.
  - It is an unseen force.
  - It deals with people organised in groups.
  - There is no best way of managing, so it varies.
  - It is an ongoing process.
3. List any three objectives of management.

## 10.4 NATURE OF MANAGEMENT

The nature of management can be better appreciated by looking at it

- Management as a Process :** Management consists of a series of inter-related activities of planning, organising and controlling. All activities are undertaken in a proper sequence with a systematic approach so as to ensure that all actions are directed towards achievement of common goals. Thus, it is regarded as a process of organising and employing resources to accomplish the predetermined objectives.
- Management as a Discipline :** Management is a systematised body of knowledge that has developed, grown and evolved over the years through practice and research. The knowledge so cumulated is disseminated to successive generations of managers and used by them in performing their jobs. Thus, it has become a separate field of study with its own principles and practices and thus, evolved as an independent discipline with its own techniques and approaches.
- Management as a Group :** Management normally refers to a group of managers working in an organisation. It includes the top executive as well as the first line supervisors. These managers perform their functions jointly as a group. The success of business does not depend on the efficiency of one, but of all managers taken

## Fundamentals of Management

together. Managers work as a team so that objectives of the business are fully achieved. However, in every organisation there are certain levels of management with varying degree of the nature of authority and responsibilities. You will learn about these later in this lesson.

**(d) Management as a Science as well as an Art :** Management is regarded as a science as well as an art. Science refers to a systematic body of knowledge with reference to understanding of some phenomenon or subject or object of study. It establishes a cause and effect relationship between variables. It is based on systematic explanation, experimental analysis, critical evaluation and logical consistency. In science we learn the 'why' of a phenomenon. For example, two molecules/atoms of hydrogen and one molecule/atom of oxygen makes water (H<sub>2</sub>O). Similarly we can say earth moves around the sun. Any subject of study is called a science should have the following characteristics:

- (i) There must be a systematised body of knowledge that includes concepts, people and theories.
- (ii) We should be able to establish a cause and effect relationship.
- (iii) Its principles should be verifiable.
- (iv) It should ensure predictable results.
- (v) It should have universal application.

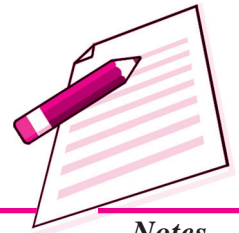
Management as a subject of study fulfils almost all the above characteristics. Theories and techniques like scientific management, PERT and CPM, break even analysis, budgeting etc. are all scientific in nature. However, since it deals with human beings, we cannot predict a definite cause - effect relationship. Hence management is not treated as a pure or full-fledged science.

As for the art, you know that it refers to bringing about the desired result through application of skill. It is a personalised process and states that there is no best way of doing a thing. Thus, it is creative and it improves by practice. In art we learn about the 'how' of a phenomenon. For example, take the case of painting. There is nothing called the best way of painting. More one paints, the more he improves and learns how to paint. Now look at management. Here also we apply a lot of skill (like technical, conceptual, human etc.) and it is also creative in nature. Nobody can say that this is the best way of managing. It varies from one manager to another. The more one manages, the more experienced and expert he becomes.

Thus, management is a combination of both science and art.

## MODULE - 4

### *Business Management : Nature and Scope*



*Notes*

## MODULE - 4

### Business Management : Nature and Scope



#### Notes

## Fundamentals of Management

- (e) **Management as Profession :** In the first lesson you had learnt that profession is an occupation. To be precise, any occupation that satisfies the following requirements is called a profession.
- (i) It must be an organised and systematised body of knowledge. Take for example professions like engineering or chartered accountancy. These require a specialised knowledge.
  - (ii) There is always a formal method of acquisition of such knowledge. In other words, individuals, to pursue a specific profession, must acquire the specialised knowledge through some formal institutions. For example, you need to get a degree in law or engineering to pursue the profession of a lawyer or engineer.
  - (iii) There exists an association to devise certain code of conduct for the professionals. This code of conduct lays down norms to be observed by the professionals while doing their job. Violation of the prescribed code can lead to derecognising the professional to practise.
  - (iv) A profession is no doubt an occupation to earn one's livelihood but the financial reward is not the main measure of their success. The professional use their specialised knowledge to serve the long-run interests of the society and are also conscious of their social responsibility.

Though management may not meet all the requirements of a profession in strict sense of the term, but it meets most of the above requirements and is, now a days, regarded a full-fledged profession. A number of institutions have come up to teach management in a formal way and train future managers. Various associations like American Management Association in USA, All India Management Association in India have been functioning as representative bodies of managers and have duly devised codes of conduct for managers. Many more organisations have come up in the specialised fields of management.



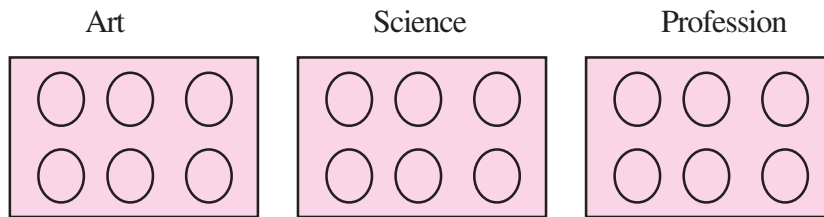
### INTEXT QUESTIONS 10.2

1. The following statements make the management an art, science or profession. Identify each statement and put their numbers in the box given below.
  - (a) There is a systematised body of knowledge that includes concepts, theories and people.
  - (b) It is creative in nature
  - (c) It should have universal application.



## Fundamentals of Management

- (d) There is no best way of managing.
- (e) There is always a formal method of acquisition of knowledge.



2. Match the expression given in Column-I with these given in Column-II.

### Column - I

- (a) Management as a discipline
- (b) Management as a process
- (c) Management as a group
- (d) Management as a profession

### Column - II

- (i) Team of managers
- (ii) Code of conduct for professionals
- (iii) Developed and grown through practice and research
- (iv) Series of inter-related activities

## 10.5 LEVELS OF MANAGEMENT

As stated earlier, there are certain levels of management with varying degree of authority and responsibilities. Some managers decide about the objectives of the business as a whole; some managers perform functions to achieve these objectives in different departments, like production, sales, etc, and some of the managers are concerned with the supervision of day-to-day activities of workers. Managers performing different types of duties may, thus, be divided into three categories:

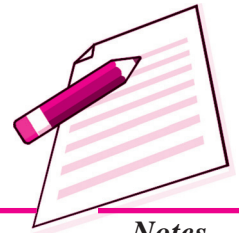
- Top-Level Management
- Middle-Level Management
- Lower-Level Management

The diagram shows that the top level management includes Board of Directors and the Chief Executive. The chief executive may have the designation of Chairman, Managing Director, President, Executive Director or General Manager. This level determines the objectives of the business as a whole and lays down policies to achieve these objectives (making of policy means providing guidelines for actions and decision). The top management also exercises an overall control over the organisation.

The following diagram will give you an idea about the functions, positions and relations of different levels of management.

## MODULE - 4

*Business Management :  
Nature and Scope*



*Notes*

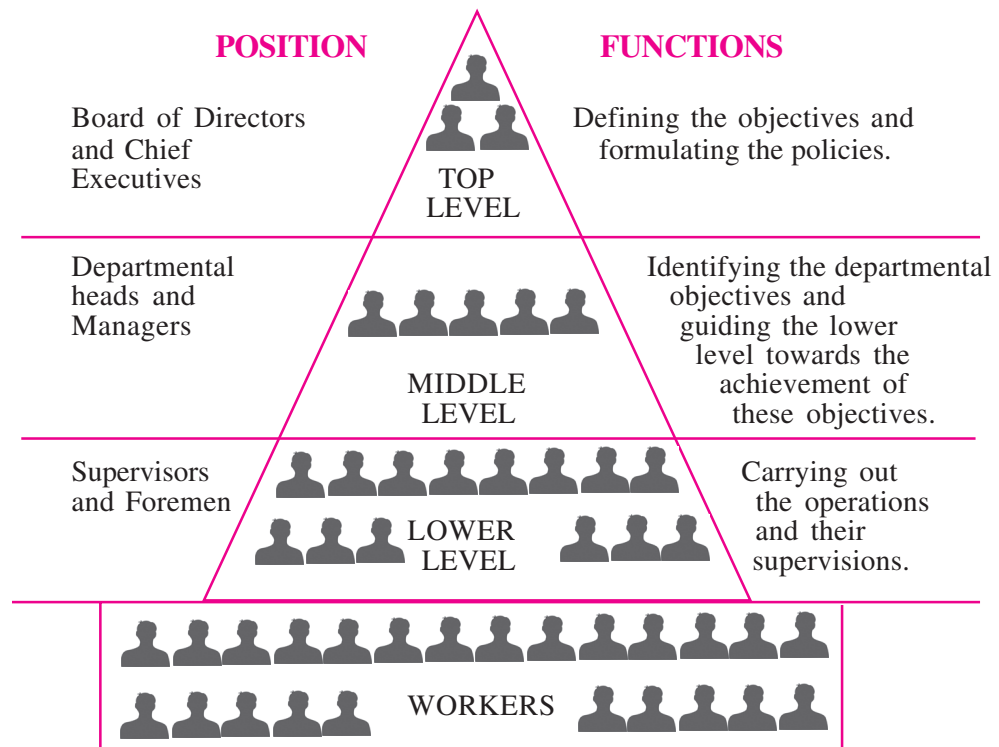
## MODULE - 4

### Business Management : Nature and Scope



Notes

## Fundamentals of Management



The middle-level management includes heads of various departments, e.g., production, sales, etc., and other departmental managers. Sometimes senior departmental heads are included in the top management team. The objectives of the business as a whole are translated into departmental objectives for the middle level management. The heads of the departments then work out their own strategies so as to achieve these objectives. Middle-level managers are particularly concerned with the activities of their respective departments.

The lower-level management consists of foremen and supervisors who look after the operative workers, and ensure that the work is carried out properly and on time. Thus, they have the primary responsibility for the actual production of goods and services in the organisation.

These three levels of management taken together form the 'hierarchy of management'. It indicates the ranks and positions of managers in the hierarchy. It shows that the middle-level management is subordinate to the top-level and that the lower-level is subordinate to the middle-level management.

Carefully see the figure shown above once again. You will see that the number of people at each level increases as one moves from top to bottom. Workers including crafts persons, manual labourers, engineers, scientists, etc. form the bulk of the organisation membership. Within the managerial ranks, the number of managers at each level decreases as one moves from lower-level to top-level management. At the top of the organisation, there is usually one person.

## 10.6 FUNCTIONS OF MANAGEMENT

In every organisation, the managers perform certain basic functions. These are broadly divided into six categories viz., planning, organising, staffing, directing, coordinating and controlling. These are discussed basically hereunder. You will learn about all these functions in detail in the lessons to follow.

- (a) **Planning :** Planning is deciding in advance what is to be done, when it is to be done, how it is to be done. It is basically concerned with the selection of goals to be achieved and determining the effective course of action from among the various alternatives. This involves forecasting, establishing targets, developing the policies and programming and scheduling the action, procedure, etc., Thus, planning requires decisions to be made on what should be done, how it should be done, who will do it, where it will be done, and why it is to be done. The essential part of planning consists of setting goals and programmes of activities.
- (b) **Organising :** After the plans have been drawn, management has to organise the activities, and physical resources of the firm to carry out the selected programmes successfully. It also involves determining the authority and responsibility relationships among functions, departments and personnel at various levels to ensure smooth and effective function together in accomplishing the objective. Thus, the organising function of management is primarily concerned with identifying the tasks involved and grouping them into units and departments, and defining the duties and responsibilities of people in different positions within each department for well coordinated and cooperative effort in the organisation.
- (c) **Staffing :** Staffing is concerned with employing people for the various activities to be performed. The objective of staffing is to ensure that suitable people have been appointed for different positions. It includes the functions of recruitment, training and development, placement and remuneration, and performance appraisal of the employees.
- (d) **Directing :** The directing function of management includes guiding the subordinates, supervising their performance, communicating effectively and motivating them. A manager should be a good leader. He should be able to command and issue instruction without arousing any resentment among the subordinates. He should keep a watch on the performance of his subordinates and help them out whenever they come across any difficulty. The communication system, i.e., exchange of information should take place regularly for building common understanding and clarity. The managers should also understand the needs of subordinates and inspire them to do their best and encourage initiative and creativity.



*Notes*

## MODULE - 4

### Business Management : Nature and Scope



Notes

## Fundamentals of Management

- (e) **Controlling** : This function of management consists of the steps taken to ensure that the performance of work is in accordance with the plans. It involves establishing performance standards and measuring the actual performance with the standards set. If differences are noticed, corrective steps are taken which may include revision of standards, regulate operations, remove deficiencies and improve performance.

### Co-ordination : Characteristics and Importance

Management has to ensure that all the activities contribute to the achievement of the objectives of the business as a whole. This requires integration of activities and synchronisation of efforts. The heads of different departments should not treat each other as competitors but should work as organs of one body. As the proper functioning of every organ of a human body is important for a healthy body, the work of every department is important for the organisation as a whole. Managers should, therefore, see that everybody in the organisation understands its objectives and works in co-operation with others to achieve these objectives. This function of management is called co-ordination. It consists of harmonising group effort so as to achieve common objectives.

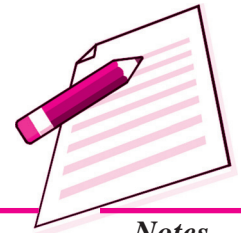
### Characteristics of Co-ordination

1. **Co-ordination is the essence of Management** : Management objectives can be achieved only if there is unity of action among employees. This is possible if the organisation functions with proper harmony. If the activities of an enterprise are not integrated, there is lack of co-ordination. Lack of co-ordination may lead to duplication of work, over lapping of work, conflicts etc.
2. **Co-ordination is Needed at All Levels of Management** : The activities of various departments, units and various individuals in an organisation are inter dependent in nature. So co-ordination is needed at all the levels of management. For example the activities of purchase, production and marketing are inter related.
3. **Co-ordination is a Continuous Activity** : Co-ordination is required in every managerial and operative functions of the business. Activities like purchase, production, finance and marketing are inter related and have to be co-ordinated. So it is a continuous process.
4. **Co-ordination is a Conscious Action** : In order to unite, integrate and harmonize the different activities in an enterprise, co-ordination is an intentional effort of the management.
5. **Co-ordination Attempts to Achieve Objectives** : Individual goals are integrated with organisational goals through levels for common purpose. It adjusts and reconciles individual efforts at all the levels of management. Co-ordination brings efficiency in operations by achieving the objectives of an enterprise.

**Importance of Co-ordination**

The meaning and characteristics of coordination indicate that it is of great importance. Without proper co-ordination human efforts may get jeopardized and objectives may not be effectively achieved. The importance of coordination can be explained with the help of the following points:

1. Co-ordinations helps in maintaining harmony among workers in an organisation.
2. Co-ordination prevents over lapping of work and conflict among workers so as to achieve unity of action.
3. In large organisations, various departments and units are located at different places, close interaction among people will be very difficult. So a conscious effort of management is needed to co-ordinate the activities of such organisations. Co-ordinate the activities of such organisations. Co-ordination attempts of achieve cordial human relations.
4. Co-ordination helps to achieve ultimate objective of the organisation by establishing direct contact between management and employees.
5. Co-ordination helps in reducing time and cost of operations.
6. It increases efficiency and moral of the employees.



*Notes*

**Co-ordination**

Co-ordination is the orderly arrangement of group efforts to provide unity of action for the attainment of a common purpose. Co-ordination synchronises the activities of an organisation. It is the essence of management and is not a separate function of management. It is performed while performing all other functions of management.



**INTEXT QUESTIONS 10.3**

1. The following table contains the function, position and different levels of management. Pick one from each column and make a meaningful combination.

<i>Levels of Management</i>	<i>Position</i>	<i>Functions</i>
(A) Top	(a) Departmental heads and managers	(i) Identifying the departmental objectives and guiding lower level towards achievement of objectives.
(B) Middle	(b) Board of Directors and Chief Executives	(ii) Carrying out the operations and their supervisions.
(C) Lower	(c) Supervisors and Foremen	(iii) Defining the objectives and formulating the policies.

## MODULE - 4

### Business Management : Nature and Scope



Notes

## Fundamentals of Management

2. Given one word substitution of the following.
  - (a) Deciding in advance about the future course of action.
  - (b) Guiding and supervising the subordinates towards the work.
  - (c) It confirms that plans are properly carried out.
  - (d) It brings harmony in group.
  - (e) It ensures that right type of persons are in the right position.
3. Multiple Choice Questions
  - i. Co-ordination is
 

a) an objective of an organisation	b) goal of an organisation
c) the essence of management	d) none of the above
  - ii. \_\_\_\_\_ force binds all other functions in management.
  - iii. The process by which a manager synchronises the activity of different departments is \_\_\_\_\_
 

a) planning	b) organising
c) staffing	d) co-ordination

## 10.7 PRINCIPLES OF MANAGEMENT

Principles are the basic truths generally stated in the form of cause effect relationship. Management principles are the broad guidelines for the managers for decision making.

### Concept

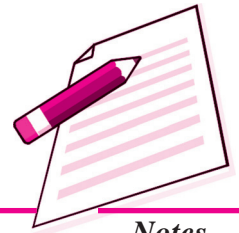
Principles of management are derived on the basis of observation and experimentation studies. Principles of management establishes cause and effect relationship and serve as a guide to thought and action. For example, according to the principle of division of work, specialization is the result of division of work. The cause (dividing the work) and effect (specialisation) can be clearly located.

Management principles are statements of fundamental truth, which provide guidelines for managerial decisions.

### Nature of Principles of Management

1. **Universal :** The management principles are applicable to all types of organisations like government enterprises, educational institutions, business enterprises etc.
2. **Flexible :** Management principles are modified and applied according to the changing situations. For example, when an organisation started its functioning, it may have adopted principle of centralisation. When the organisation became a large enterprise, it will apply principle of decentralization.

3. **Aimed to Influence Human Behaviour :** Human behaviour is complex and unpredictable. Management principles influence human behaviour so that human resources give their best to an organisation. For example, principle of order is followed, so that wasteful movement of workers can be avoided.
4. **Cause and effect relationship :** Management principles indicate clearly the cause of various actions and consequences of various decisions. For example, according to the principle of discipline, smooth running of business is the result of discipline.



Notes

### Significance of Principles of Management

Management principles have considerable importance in all group efforts. Following are the points of importance of management principles.

1. **Act as a Guide for Research in Management :** The principles so far developed can be tested in new situations and management practices can be made more effective. For example, in earlier days workers were motivated by their remuneration. But now a days family health, education of the children etc. should be considered by the organisation in order to motivate and retain the workers.
2. **Improve Understanding :** The knowledge of principles of management help the managers to manage an enterprise properly. The principles of management help the managers for taking correct decisions. Managers can handle situations smoothly.
3. **Identify the Areas for Training of Managers :** The principles of management help in identifying the areas where the managers should be trained.
4. **Act as Reference for Managers :** Principles act as reference for the managers and help to evaluate whether the decision taken by him are appropriate and accurate.
5. **Increases efficiency :** Principles are guidelines for managers for taking accurate decisions. Principles help the manager for solving problems of an enterprise.

#### 10.7.1 Principles of Scientific Management

Fredric Winslow Taylor identified that the existing management practices were based on trial and error method. F.W. Taylor is known as father of Scientific Management.

Scientific management means the application of scientific methods of study and analysis the problems of management. Taylor developed the following principles for guiding the managers of an organisation. These principles are known as the principles of Scientific Management. The principles of Scientific Management are :

## MODULE - 4

### Business Management : Nature and Scope



Notes

## Fundamentals of Management

1. **Development of Science for Each Element of Man's Work :** According to this principle, decisions should be based on facts rather than rule of thumb. The work assigned to a worker should be observed. Each element (time taken, fatigue of worker etc.) of work should be analysed. The purpose of such observation is to decide the best way of performing the job. Taylor stressed that each job should be based on scientific study.
2. **Scientific Selection, Training and Development of Workmen :** F.W. Taylor suggested that if an organisation wants to improve the efficiency, it is necessary that workmen are appointed with due care scientifically on the basis of job analysis and job description. So that their skills and experience match with the jobs.
3. **Close Co-operation between Workers and Management :** F.W. Taylor is of the view that there should be close co-operation between workers and management to carry out the work in accordance with the plans and standards.
4. **Mental Revolution :** According to F.W. Taylor, without complete mental revolution of workers and managers, scientific management will not be successful. The workers and managers should have a complete change of outlook with respect to their relations and work efforts. This is called mental revolution.
5. **Maximum Prosperity :** As per this principle, the aim of every management should be to secure maximum prosperity for the employers and employees. This is possible only when each worker is given the opportunity for maximum output rather than restricted output.
6. **Division of Responsibility :** Taylor emphasized that there should be clear cut division of responsibility between management and workers. Planning of work should be the responsibility of managers. Execution work should be done by workers.

### 10.7.2 Techniques of Scientific Management

Taylor is best known for the techniques of scientific management, particularly in the production department and that too at the shop level. Following are the techniques of Scientific Management as given by Taylor.

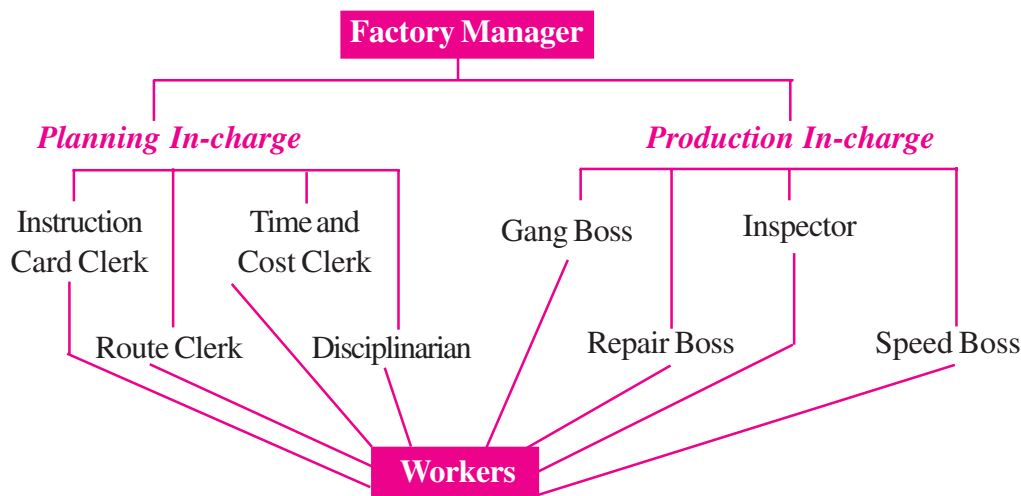
1. **Work Studies :** Work study is the systematic, objective and critical examination of all the factors governing the operational efficiency of any specified activity in order to effect improvement. It includes time study, motion study, fatigue study and method study.
  - a. **Time Study :** It is a technique of observing and recording the time required to do a piece of work and developing the best way of doing it.





*Notes*

- b. Motion Study :** Under motion study, the movement of men, machines and materials are observed and analysed. Motion study eliminates wasteful motions and help to find the best method of doing a particular job.
  - c. Fatigue Study :** Fatigue study means the systematic, objective and critical examination of the causes and consequences of fatigue. This study is aimed to determine the amount and frequency of rest required in completing the work with full capacity.
  - d. Method Study :** Method study is concerned with analysing and evaluating the methods (capital intensive or labour intensive) of performing a job. Management should select a best method after considering the following factors : labour cost, availability of capital, material cost etc.
- 2. Standardisation :** It refers to the methods of selecting standard materials, machines and tools for use by workers and standardisation of working conditions with respect to lighting, ventilation etc. It will improve the efficient performance of jobs.
  - 3. Functional Foremanship :** Under functional foremanship, a worker is supervised by several specialist foreman. Eight foremen control various aspects of production.



**Foreman under planning Department are :**

- 1. Route Clerk :** He will determine the process of production and the route through which the raw materials will pass.
- 2. Instruction Card Clerk :** He lays down the instructions for workers, who have to follow them to perform their jobs.
- 3. Time & Cost Clerk :** He sets the time table for doing various jobs and specify the labour cost and material cost for each operation.

## MODULE - 4

### Business Management : Nature and Scope



Notes

## Fundamentals of Management

4. **Shop Disciplinarian** : He has the responsibility to maintain discipline in the factory.

### Foremen under Production Department are :

1. **Gang Boss** : He arranges workers, machines, tools and materials etc. for the jobs.
2. **Speed Boss** : He has the responsibility of maintaining the planned speed of production. In case of delay, he investigates the causes and tries to remove them.
3. **Repair Boss** : He has the responsibility of maintaining (cleaning, greasing, oiling etc.) the machines, tools and equipments.
4. **Inspector** : He has to ensure that output agrees to the standards of quality set by the planning department.

### 10.7.3 Differential Piece Rate Plan

F.W. Taylor suggested higher payment for those workers who produced standard output or more and lower payment to those who fail to produce standard output. Workers are paid on the basis of number of pieces produced. Due to different rates for different sets of workers, it is known as differential piece rate plan.

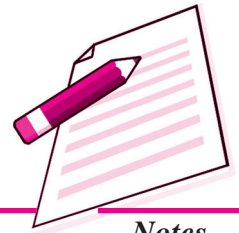
Suppose standard output is fixed at 100 units and two workers A and B produced 120 units and 80 units respectively. If the two piece rates are Rs. 1 and Rs. 0.75, A will receive Rs. 120 and B will get only Rs. 60 only. As B receives a lesser pay, he will be under pressure to improve the efficiency and to attain the standard output.

## 10.8 GENERAL PRINCIPLES OF MANAGEMENT

Scientific management was primarily concerned with increasing the efficiency of individual workers at the shop floor. It did not give adequate attention to role of managers and their functions. However, around the same time Henry Fayol, Director of a coal mining company in France made a systematic analysis of the process of management. He strongly felt that managers should be guided by certain principles, and evolved 14 general principles of management which are still considered important in management. These are:

1. **Division of Work** : This principle suggests that work should be assigned to a person for which he is best suited. Work should be divided into compact jobs to be assigned to individuals. This facilitates specialisation and improves efficiency.
2. **Authority and Responsibility** : Responsibility means the work assigned to any person, and authority means rights that are given to him to manage people and things to ensure performance. In other words, authority should go hand in hand with the responsibility for effective results.

3. **Discipline** : This principle emphasises that subordinates should respect their superiors and obey their orders. On the other hand, superiors' behaviour should be such that they make subordinates obedient. If such discipline is observed, there will be no problem of industrial disputes.
4. **Unity of Command** : A subordinate should work under the supervision of one superior only from whom he gets instructions and to whom he is accountable. It avoids confusion in authority and instructions.
5. **Unity of Direction** : Each group of activities having the same objective must have one head and one plan of action. Otherwise, there may be wastage, over expenditure and useless rivalry among the managers.
6. **Subordination of Individual Interest to General Interest** : While taking any decision, the collective good and collective interest of the organisation as a whole should be preferred to individual interests. The individual's interest should be subordinated to the overall interest of the organisation. This ensures welfare of the organisation as well as its individual members.
7. **Remuneration** : Management should try to give fair wages to the employees so as to ensure reasonable satisfaction of workers and productivity for the organisation.
8. **Centralisation** : When a single person controls the affairs of an organisation, it is said to be complete centralisation. In small concerns, a single manager can supervise the work of the subordinates easily, while in a big organisation, control is divided among a number of persons to facilitate operational decision making at various levels. Fayol's opinion was that there should be a proper balance between centralisation and delegation of authority in an organisation.
9. **Scalar Chain** : This is the chain of authority relationship from the highest to the lowest ranks. This implies that subordinates report to their immediate supervisors who, in turn, report directly to their own boss. The order of this chain should be maintained when some instructions are to be passed on or enquiries are to be made.
10. **Order** : Placement of men and materials should be properly made. Proper space should be made available where materials can be kept safely. Each man should be provided the work for which he is best suited.
11. **Equity** : This principle requires the managers to be kind and just to workers. This promotes a friendly atmosphere between superiors and subordinates and motivates them to perform their duties efficiently.



*Notes*

## MODULE - 4

### Business Management : Nature and Scope



Notes

## Fundamentals of Management

12. **Stability of Tenure :** Employees should be provided stability and continuity of their tenure of employment. There should not be frequent termination of employees. This could be achieved through attractive remuneration and honourable treatment of personnel.
13. **Initiative :** This implies encouraging initiative among its personnel to chalking out and execution of a plan to achieve the desired results.
14. **Esprit de Corps :** These French words mean team spirit. Managers should infuse the spirit of team work and cooperation among the employees. It helps in developing an atmosphere of mutual trust and a sense of unity.

Fayol made it clear that these principles can be applied to most organisations, but these are not absolute principles. Organisations are at liberty to adopt those which suit them or to delete a few according to their needs.



### INTEXT QUESTIONS 10.4

1. What is meant by 'unity of direction'?
2. From the following identify the general principles of management that each sentences implies :
  - (a) A person should receive order from one person only.
  - (b) Team spirit should be encouraged.
  - (c) Managers should be kind and just to workers.
  - (d) Instructions should be passed through a well defined path only.
3. Multiple Choice Questions
  - i. Who is known as the father of Scientific Management.
 

a) Peter F. Drucker	b) Henry Fayol
c) Fredrick Winslow Taylor	d) None of the above
  - ii. Name the technique of Scientific Management that lays down that there should be two types of rates of wage payment.
 

a) differential piece rate system	b) standarlisation
c) functional foremanship	d) mental revolution
  - iii. From the following identify the technique of Scientific Management which lays down that workers should have multiple accountability.
 

a) standarlisation	b) functional foremanship
c) differential piece rate system	d) mental revolution



## WHAT YOU HAVE LEARNT

- Management is a significant aspect of our day-to-day life. In a business organisation, management helps in better utilisation of inputs like money, raw materials, machines and men and this help in achieving better outputs.
- Management try to achieve several objectives – optimum utilisation of resources, increase in productivity, fair return on capital invested, creation of goodwill and meeting challenges of the changing environment.
- Co-ordination synchronises all the activities of an organisation to achieve the objectives of enterprise. Co-ordination is a continuous activity and it is the essence of management.
- Co-ordination helps in maintaining harmony among workers.
- Importance of Co-ordination include unity of action, prevents overlapping of work, achieve good human relations, increases efficiency and moral of the employees.
- Management is an intangible, continues goal directed, universal activity. It deals with people, hence called a social process. Management is always situational.
- Management helps in achieving goals with efficiency. It ensures both stability and growth keeping in touch with change in the environment.
- Management is an art, science as well as profession.
- Management can be divided into three levels
  - ▶▶ Top level management                      ▶▶ Middle level management
  - ▶▶ Lower level management
- In every organisation managers perform six important functions
  - ▶▶ Planning                                      ▶▶ Directing                                      ▶▶ Organising
  - ▶▶ Controlling                                      ▶▶ Staffing                                      ▶▶ Coordinating
- Henry Fayol has listed fourteen principles of management, There are
  - ▶▶ Division of work                              ▶▶ Authority and Responsibility
  - ▶▶ Discipline                                      ▶▶ Unity of command
  - ▶▶ Unity of Direction                              ▶▶ Subordination of individual interest to general interest
  - ▶▶ Remuneration                                      ▶▶ Centralisation
  - ▶▶ Scalar Chain                                      ▶▶ Order
  - ▶▶ Equity    ▶▶ Stability of Tenure
  - ▶▶ Initiative    ▶▶ Esprit de Corps
- Principles of management act as a guide for research in management, reference for managers improving understanding and increases efficiency.



*Notes*

## MODULE - 4

### Business Management : Nature and Scope



Notes

## Fundamentals of Management

- Taylor's Scientific principles are
  - ▶▶ Development of science for each element of man's work.
  - ▶▶ Scientific selection, training and development of workmen.
  - ▶▶ Close co-operation between workers and management.
  - ▶▶ Mental revolution.
  - ▶▶ Division of responsibility.
- Techniques of scientific management include work studies, standardisation, functional foremanship and differential piece rate plan.



### KEY TERMS

Controlling	Initiative	Scalar chain
Co-ordinating	Organising	Unity of command
Directing	Planning	Unity of direction
Equity	Staffing	
Esprit de corps	Scientific management	



### TERMINAL EXERCISE

#### Very Short Answer Type Questions

1. Define the term 'Management'.
2. What do you mean by Co-ordination?
3. List different levels of management.
4. State the meaning of Esprit de Corps.
5. What is meant by subordination of individual interest to general interest?
6. Define the term 'Equity' as a principle of management.
7. State any one principle of Scientific Management.
8. What is meant by motion study?

#### Short Answer Type Questions

9. State any three objectives of management.
10. Mention the different characteristics of management.
11. Explain the meaning of 'management as a discipline'.
12. Can management be treated as a profession? Give reasons in support of your answer.
13. What is meant by scientific management?

## Fundamentals of Management

14. State any three characteristics of principles of management.
15. Explain the importance of principles of management.
16. What is meant by principles of management?
17. What do you mean by Mental revolution?

### Long Answer Type Questions

18. Explain Co-ordination as the essence of management.
19. Describe the characteristics of management.
20. Explain the importance of coordination.
21. Explain the objectives of management.
22. Describe the importance of management.
23. State the various functions of management.
24. State the fourteen principles of management given by Henry Fayol.
25. Explain any three characteristics of management.
26. Explain management as a discipline and as a group.



## ANSWERS TO INTEXT QUESTIONS

- 10.1**
2. (b) INTANGIBLE (d) SITUATIONAL  
(c) SOCIAL (e) CONTINUOUS
  3. (a) Optimum utilisation of resources  
(b) Increase in productivity  
(c) Fair return on  
(d) Credit Goodwill  
(e) Meet Challenges of changing environment (any three)
- 10.2**
1. Art: (b), (d) Science: (a), (c) Profession: (e)
  2. (a) - (iii) (b) - (iv) (c) - (i) (d) - (ii)
- 10.3**
1. (A) - (b) - (iii) (B) - (a) - (i) (C) - (c) - (ii)
  2. (a) Planning (b) Directing (c) Controlling  
(d) Coordination (e) Staffing
  3. (i) c (ii) Co-ordination (iii) d
- 10.4**
2. (a) Unity of command (b) Esprit - de-corps (c) Discipline  
(d) Equity (e) Scalar Chain
  3. (i) c (ii) a (iii) b

## MODULE - 4

### Business Management : Nature and Scope



Notes

## MODULE - 4

### Business Management : Nature and Scope



Notes

## Fundamentals of Management



### DO AND LEARN

1. Visit a nearby organisation. Make a list of all the people working there and categorise on the basis of which level of management they belong to.
2. Suppose your mother is the head of your family. List all the activities she does in her daily life. Put these task into different functions of management.



### ROLE PLAY

Anubhav has just finished his Sr. Secondary Course from NIOS. His father, a businessman is happy that now his son will help him in his business. But, to his displeasure Anubhav does not want to join the business now. He first wants to do BBA (Bachelor of Business Administration) and then join his father in business.

Father : Anubhav, what is the need for BBA degree? Eventually you are going to join my business. Then why waste three precious years in studying for a management degree. I didn't do any management course still I am doing fine.

Anubhav : Papa, You started this business thirty years ago. Business environment was comparatively stable. By trial and error and after many ups and downs you have reached here. But in today's world of globalisation, changing technology and communication etc., one must learn to apply management principles. Very soon we may survive but not able to compete.

Father : Means?

Anubhav : In today's changing world with declining resources, management helps us in achieving our targets more effectively and efficiently.

Father : I have been managing.

Anubhav : But we may not be able to compete effectively. Anubhav explained in details the significance of management to his father.

(Choose a role for yourself and the other for your friend and continue the conversation.)