

# MANAGEMENT

## MEANING OF MANAGEMENT

Management is the art of getting things done by a group of people with the effective utilisation of available resources. An individual cannot be treated as a managing body running any organisation. A minimum of two persons are essential to form a management. These persons perform the functions in order to achieve the objectives of an organisation.

## DEFINITION OF MANAGEMENT

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

According to Terry, "Management is not people; it is an activity like walking, reading, swimming or running. People who perform management can be designated as managers, members of management or executive leaders."

Ralph C. Davis has defined Management as, "Management is the function of executive leadership anywhere."

According to Mc Farland, "Management is defined for conceptual, theoretical and analytical purposes as that process by which managers create, direct, maintain and operate purposive organisation through systematic, co-ordinated co-operative human effort."

Louis Allan, "Management is what a manager does." Henry Fayol, "To manage is to forecast and plan, to organise, to compound, to co-ordinate and to control."

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

## FEATURES OR CHARACTERISTICS OF MANAGEMENT

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

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

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

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

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

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

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

managers and management. Development is a matter of human energies rather than of economic wealth and the generation of human energies is the task of management. Management is the mover and development is a consequence”.

**7. Management as a system of activity:** A system may be defined as a set of component parts working as a whole. Authority may be defined as a right to command others for getting a particular course of organisational work done. Individuals are the foundation stones of the management. An individual has some goals as a member of the organisation. There may be a conflict between his own goals and the management’s expectations from that individual. Such conflict is resolved by the management by ensuring balance between individual goals and organisational expectations. Authority is vested with many persons to take decisions and influence the behaviour of the subordinates. The very purpose of using the authority is to check and control the behaviour of the subordinates. The sources of authority rest with superiors as given in the organisation chart and social norms. The utilisation of authority is based on the personality factors of the user and the behaviour of a person over whom it is used.

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

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

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

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

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

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

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

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

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

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

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

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

**20. Management is needed at all levels:** The functions of management are common to all levels of organisation. The top executives perform the functions of planning, organising, directing, controlling and decision-making. The same functions are also performed by the lower level supervisor.

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

## **FUNCTIONS OF MANAGEMENT**

Scholars in the field of management have their own classification of functions of management. Some scholars add few functions and delete some other functions. The important functions of management are briefly discussed below:

**1. Planning:** Planning is the primary function of management. Nothing can be performed without planning. Writing a book starts with planning. In short, planning refers to deciding in advance that which will be done in the near future. In the business world, the organisation should achieve the objectives. In order to achieve objectives, the organisation plans what is to be done, when it is to be done, how it is to be done, and by whom it is to be done. Messie says, "Planning Pervades Management". George R. Terry has rightly said "Planning is a constructive reviewing of future needs so that present actions can be adjusted in view of the established goal. It is deliberate conscious research used to formulate the design and orderly sequence of actions through which it is expected to reach objectives. Planning should take place before doing; most individual or group efforts are made by determining before any operative action takes place, what shall be done, where, how and who shall do it".

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

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

**4. Directing:** The actual performance of a work starts with the function of Direction. Planning, organising and staffing functions are concerned with the preliminary work for the achievement of organisational objectives. But the direction deals with making the workers learn techniques to perform the jobs assigned to them. Direction includes guidance, supervision and motivation of employees. According to Joseph Massie, "Directing concerns the total manner in which a manager influences the action of his sub-ordinates. It is the final action of a manager in getting others to act after all preparations have been completed".

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

**6. Motivating or actuating:** The goals are achieved with the help of motivation. Motivation includes increasing the speed of performance of a work and developing a willingness on the part of workers. This is done by an resourceful leader. The workers expect favourable climate conditions to work, fair treatment, monetary or non-monetary incentive, effective communication and gentleman approach. According to Earl P. Strong, “Motivating is the process of indoctrinating personnel with unity of purpose and the need to maintain a continuous, harmonious relationship”.

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

**8. Innovation:** Innovation refers to the preparation of personnel and organisation to face the changes made in the business world. Continuous changes are being made in the business. Consumers are satisfied through innovation. Innovation includes developing new material, new products, new techniques in production, new package, new design of a product and cost reduction.

**9. Representation:** A manager has to act as a representative of a company. He has dealings with customers, suppliers, government officials, banks, financial institutions, trade unions and the like. It is the duty of every manager to have good relations with others.

**10. Decision-making:** Every employee of an organisation has to take a number of decisions every day. Decision-making helps in the smooth functioning of an organisation.

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

## IMPORTANCE OF MANAGEMENT

Management is a must for every enterprise. The existence of management ensures proper functioning and running of an enterprise. Management can plan the activities to achieve the objectives and utilise the available resources at minimum cost. Every business needs a direction. This direction is given by the management. The resources of production are converted into production. The resources will remain as resources in the absence of management. The conversion process is performed through the co-ordination of management.

The significance or importance of management is briefly explained below

**1. Management meet the challenge of change:** In the modern business world, there are frequent changes. The changes place the business in a dangerous position. Only an efficient management can save the business from the dangers brought in by the challenges.

**2. Accomplishment of group goals:** The achievement of objectives of a business depends upon three factors. The proper planning of available resources, adjusting possibility of business unit with existing business environment and the quality of decision taken and control made by the business unit are the factors responsible for achieving objectives.

**3. Effective utilisation of business:** There are eight ‘M’s in the business. These are said to be man, money, materials, machines, methods, motivation, markets and management. Management is the topmost of all other ‘M’s. Management has control over other remaining ‘M’s.

**4. Effective functioning of business:** Ability, experience, mutual understanding, co-ordination, motivation and supervision are some of the factors responsible for the effective functioning of business. Management makes sure that the abilities of workers are properly used and co-operation is obtained with the help of mutual understanding. Besides, management can know the expectation of workers and the expectation is fulfilled through motivation techniques.

**5. Resource development:** Efficient management is the life boat of any developed business. The resources of the business may be identified and developed by the management. The term ‘resources’ includes men, money, material and machines.

**6. Sound organisation structure:** Management lays down the foundation for sound organisation structure. Sound organisation structure clearly defines the authority and responsibility relationship — who is responsible to whom, who will command whom and who is responsible for what. Care is taken in appointing qualified persons to the right job by the management.

**7. Management directs the organisation:** The human mind directs and controls the functioning of human body. Similarly, the management directs and controls the functioning of an organisation.

**8. Integrates various interests:** Each person has his own interests. These interests are different in nature. Management takes steps to integrate various interests to achieve the objectives of an organisation.

**9. Stability:** The fluctuations of business are stabilised by the management. The fluctuations of business are caused by the changing policy of the government, pressures on the part of competitors and changing preferences of customers. The efficient management can run the business as per the policy framed by the government, face the competitors in the market and produce the articles as per the preferences of customers.

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

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

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

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

## **ADMINISTRATION AND MANAGEMENT**

The terms administration and management are used synonymously. Some writers argue that both these terms have same meanings and there is no difference between these two terms. Running of a business requires skill which is called management and functioning of government departments and non-profit institutions requiring skill is called administration.

Some writers argue that executive functions of a business unit are referred as Management and executive functions of other institutions are referred as administration. In this way, administration is distinguished as a top level function while management as a lower level function. Policy and objectives of a business are determined by the top level executives (Administration). At the same time, the lower level people (Management) work to attain the objectives of the business unit and follow the policy framed by the administrators.

### **Introduction to Planning**

Planning is essential in every walk of life. Each and every person has to frame a plan to proceed to achieve his/her schemes. The plan period may be short or long. Planning is the first and foremost function of management. F.W. Taylor had pointed out in his report on Scientific Management that planning is separated from execution.

### **Meaning and Definition of Planning**

Planning is an intellectual process of thinking resorted to decide a course of action which helps in achieving the pre-determined objectives of the organisation in future.

Planning provides a clear sense of direction to the activities of the organisation and to the job behaviour of managers and others. It strengthens their confidence in understanding where the organisation is heading and best way to make the organisation move along the chosen path is to achieve the goals of the organisation.

According to Koontz and O'Donnel, "Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. It bridges the gap from where we are to where we want to go."

According to George R. Terry, “Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results.”

Henry Fayol defined planning as “Planning is deciding the best alternatives among others to perform different managerial operations in order to achieve the pre-determined goals.”

### **Characteristics of Planning**

The following are the characteristics of planning:

- planning is looking into the future
- planning involves pre-determined line of action
- planning discovers the best alternative out of available many alternatives
- planning requires considerable time for implementation
- planning is a continuous process
- planning’s object is to achieve pre-determined objectives in a better way
- planning integrates various activities of organisation
- planning is done for a specific period
- planning not only selects the objectives but also develops policies, programmes and procedures to achieve the objectives
- planning is required at all levels of management
- planning is an inter-dependent process which co-ordinates the various business activities
- planning directs the members of the organisation • growth and prosperity of any organisation depends upon planning

### **Objectives of Planning**

Planning in any organisation serves to realise the following objectives:

- reduces uncertainty
- induces co-operation and co-ordination
- reduces competition
- achieves the predetermined goals
- anticipates unpredictable contingencies

### **Nature of Planning**

There are number of ways available to complete a certain job. Planning chooses any one of the best alternatives out of the available ones. Economy and certainty are considered while selecting the best alternative. Thus, the nature of planning is briefly discussed below:

- planning is the primary function of management
- planning contributes to objectives
- planning is an intellectual activity
- planning results in higher efficiency
- planning is a continuous process
- planning is flexible

- planning provides unity and consistency
- planning is common to all
- planning is the basis for all managerial functions
- planning coordinates various business activities
- planning considers limiting factors

### **Importance of Planning**

Planning helps the businessman get early success. Success without planning is almost impossible in business. So, the planning function is very important due to the following reasons:

- planning manages objectives
- planning converts uncertainty into certainty
- planning enables economy in operation
- planning helps in coordination
- planning tackles increasing complexities of business
- planning provides effective control
- effective utilisation of resources is achieved through planning
- planning avoids business failures

### **Steps in Planning Process**

The planning process is different from one plan to another and one organisation to another. Given below is a planning process which may be treated as commonly acceptable:

- analysis of external environment
- analysis of internal environment
- determination of objectives
- determining planning premises and constraints
- examination of alternative courses of action
- weighing alternative course of action
- selection of the best alternative course of action
- establishing the sequence of activities
- formulation of action programmes
- determining secondary plans
- securing participation of employees
- follow-up and evaluation

### **Methods of Planning**

According to the usage and nature of planning, the methods or types or components or elements of planning are divided into the following categories:

- **Objective Plans:** Objectives are the basic foundation for planning operation. It also plays an important role in managerial work of organizing, directing and controlling.
- **Standing Plans:** These plans include policies and procedures that are liable for repetitive action. These plans provide a ready guideline for solving recurring problems and not used for the special problems.
- **Master Plans:** It covers the complete course of action along with the consideration of time and strategy. Small plans are added together in a way to speed up the course of action.

### **Advantages of Planning**

The advantages of planning are as given below:

- better utilisation of resources
- helps in achieving objectives
- minimises future uncertainties
- improves competitive strength
- effective control
- economy in operation
- provides motivation
- enables cooperation
- promotes growth and improvement
- develops rationality among management executives
- delegation of authority facilitated
- encourages innovation
- prevents hasty judgement
- reduces red-tapism
- improves ability to cope with change
- creates forward looking attitude in management
- develops efficient methods and procedures of action
- anticipation of crisis

### **Disadvantages of Planning**

Though planning is a primary function of management and it facilitates other functions of management, it suffers from certain limitations as given below:

- Inflexibility
- Limitation of forecasts
- Unsuitability
- Time consuming



- Costly
- Mental ability
- False sense of security
- Delay during emergency period

### **Introduction to Objectives and MBO**

Every institution or organisation is established for the purpose of achieving some objectives. An individual who starts a business has the objective of earning profits. The objective may differ from one organisation to another organisation.

MBO (Management by Objectives) is a management system in which each member of the organisation effectively participates and involves oneself. This system gives full scope to the individual strength and responsibility. MBO harmonises the goal of an individual with the organisation's goal. It creates self-control and motivates the manager into action before somebody tells him/her to do something.

### **Meaning and Definition of Objectives and MBO**

Objectives are the expectation of end results for which an organisation is established and which it tries to achieve. According to Koontz and O'Donnel, "*Objective is a term commonly used to indicate the endpoint of a management programme.*"

According to George R. Terry, "*A managerial objective is the intended goal which prescribes definite scope and suggests direction to the efforts of a manager.*"

Prof. Reddin defines MBO as, "*The establishment of effective standards for managerial positions and the periodic conversion of those into measurable time bound objectives linked vertically and horizontally and with future planning.*"

### **Features of Objectives**

The following are the features of objectives:

- each individual has own objectives
- the objectives of any organisation are specially mentioned
- the objectives may be short-term or long-term
- the objectives of an organisation should be clearly defined

- at top level, the organisation has broad objectives i.e. to earn certain rate of return on investments
- the whole organisation is divided into several sections
- each section has specific objectives
- the objectives of the organisation must conform to the general needs of the public
- all the organisations have several objectives at a time because the objectives are necessary in various areas of business
- the objectives of the organisation may be changed in due course
- the objectives are expressed in numerical terms
- this helps in measuring the actual performance done to realise the objectives
- the framed objectives should be achievable and reasonable ones

### **Advantages of Objectives**

The following are the advantages of objectives:

- unified planning
- individual motivation
- coordination
- control
- basis for decentralization

### **Features of MBO**

The following are the features of MBO:

- Integrates the goals of an organisation and individuals, leading to an effective management system.
- Emphasises on the effective performance.
- Combines the long term and the short term goals.
- Constant attention to refine, modify and improve the goals with changing times.
- Recognises participation of employees in goal setting process.
- A high degree of motivation and satisfaction is available to employees through MBO.
- Tries to relate the organisation goals with society goals.

### **Process of MBO**

The process of MBO constitutes of the following steps:

- defining organisational objectives
- goals of each section
- fixing key result areas
- setting subordinate objectives or targets
- matching resources with objectives
- periodical review meetings
- appraisal of activities
- reappraisal of objectives

### **Benefits of MBO**

The benefits of MBO are as given below:

- Provides a foundation of participative management.
- Gives the criteria of evaluation.
- Delegation of authority is easily done.
- Systematic evaluation of the performance.
- Managers are involved in setting objectives at various levels of management.
- Motivates employees by job enrichment.
- The responsibility of a worker is fixed through MBO.
- Provides a foundation for participative management and goal setting.

### **Limitations of MBO**

The limitations of MBO are as given below:

- it is a time consuming process
- MBO fails to explain the philosophy
- emphasises on short term objectives rather than the long term
- the status of subordinates is necessary for proper objectives setting which is not possible in MBO process
- MBO's are rigid in nature
- the objectives are set without considering the available resources

### **Guidelines for Setting Effective Objectives**

The limitations of MBO can be reduced to some extent if the organisation follows certain guidelines. These guidelines should be followed while setting objectives. These guidelines are as follows:

- Objectives are framed only by the participants who are responsible for implementing them.
- All the objectives should support the overall objectives of the organisation.
- Objectives should be attainable ones.
- Objectives should result in the motivation of workers.
- A periodical review of objectives is necessary for proper implementation.
- Objectives should have the characteristics of innovation.
- The number of objectives for each management member should be a reasonable one.
- Objectives should be ranked on the basis of their importance.
- Objectives should be in balance within a given organisation or enterprise.
- Objectives should be simple and clearly defined.
- Objectives should be specific and time bound.