BUSINESS MANAGEMENT

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PREFACE

We have atmost pleasure in placing this standard text book **on "Business Management"** for S.Y.B.Com students.

This text book is prepared according to new syllabus prescribed by University of Pune for S.Y.B.Com from June 2014. The book contains comprehensive and exhaustive treatment on all topics covered is the new syllabus. The book gives equal importance to the theoretical aspects of principles and functions of management and its practical implementation.

The highlight of this book is that, it has been written in a simple language. Wherever possible diagrams and figures are given. We sincerely thank the senior teacher of the subject and executives of different organisations for guiding and encouraging us in writing this text book.

We are very much thankful to Mr. DattatrayPashte and the entire staff of Diamond Publications for their earnest help in bringing out this text book with vigour and accuracy and making it very attractive.

We hope that the students would find this text book very useful for appearing University Examination.

Pune

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Chapter 1 OVERVIEW OF MANAGEMENT

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A) F. W. Taylor
B) Henry Fayol

INTRODUCTION

The term management has been considerably developed during the last sixty-seventy decades. The importance of management is growing day-by-day in the life of people. Today, it is considered as an important discipline like Medicine, Engineering, Technology and Accounting. In the business, many people work together. They are properly directed and controlled by a specific mechanism. This mechanism is called as management. A business is comprised of several elements. viz men, materials, money, machines, methods. markets and management. In all these resources of business, 'management' stands at the apex of the enterprise pyramid and it determines and controls all other factors of production. It is the activity of getting things done through other

people. For getting the work done from others, it becomes necessary to guide, direct, co-ordinate and control human efforts towards the fulfillment of certain common goals or purposes. Management is that skill which performs all the above activities. Management is the brain which controls all the activities of business.

1.1 MEANING AND DEFINITIONS OF MANAGEMENT

Management is a wide term. It carries different meaning depending on the situation in which it is used. Hence, there is no precise and uniform definition which covers all the characheristics of management. Being a new discipline, it has drawn concepts and principles from economics, sociology, psychology, history, statistics and so on. The result is that each group of contributors has treated management differently. For example, economists see management as a factor of production, sociologists see it as a class or group of persons, practitioners of management treat it as a process. Hence, there is no comprehensive and unique definition of management. The views given by its practitioners are mostly considered because they consider the various activities of management.

The following are some definitions, which give a clear understanding of the term management.

1) "Management is a distinct process consisting of planning, organising, actualising and controling; utilizing in each both science and art and followed in order to or accomplish pre-determined objectives." *George Terry.*

2) "Management means to manage for forecast to plan, to organise, to command, to co-ordinate and to control." *Henry Fayol*

3) "Management embraces all duties and functions that pertain to the initiation of an enterprise, its financing, the establishment of all major policies, the provisions of all necessary equipment, outlining the general form of organization under which the enterprise is to operate and selection of the principle officers" *Kimbal and Kimbal.*

4) "Management is the art of getting things done through and with people in formally organised groups." *Koontz and O' Donnel.*

5) "Management may be defined as technique by means of which the purpose and objectives of a particular human group are determined, clarified and effectuated." *Peterson and Plowman.*

6) "Management is personnel administration, management is the development of people and not the direction of things" He further states " working satisfactorily with the people is not the part of the management job - it is the entire job." *Lawrence Appley.*

7) " Whatever the manager does, he does through the decision-making."
Peter Drucker.

8) "Management is simply the process of decision-making and control over the actions of human beings for the express purpose of attaining pre-determined goals." *Stanley Vance.*

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

From the above definitions, it is clear that there are different views of different authors.

Today, management is considered as the development of people. It is the art of getting things done through people.

The term management is concerned with the group of people who are working together for the attainment of group goals efficiently and effectively.

In short, management may be defined as the agency that provides leadership, guidance and control for the achievement of the objectives set by the administration.

1.2 Management as Art, Science and Profession

Generally, a controversy arises whether the management is art or science. It is said that management is the oldest of arts and youngest of sciences. This explains the changing nature of management. The controversy regarding whether management is an art or science has created a great deal of confusion. Following discussion will make it clear.

Management as an Art

An art may be defined as a skill or knowledge in a particular field of activity or method of doing a thing. According to T. L. Massie, "In any activity that is classed as an art, the emphasis is on applying skill and knowledge and accomplishing an end through deliberate effort." In the words of George R. Terry, "Art is bringing about of a desired result through application of skill." C. I. Barnard defines art as "The function of an art is to accomplish concrete end effect results, produce situations that would not come about without the deliberate efforts to secure them." From the above definitions, the main features of an art may be stated as under.

1) Personal skill : Management is an art as in it one has to use his personal skill and knowledge in solving many complicated problems to achieve the enterprise objectives. It is an art of dealing with people to accomplish the desired result. Every manager has to develop his own skills and knowledge for correct decision-making. Hence, there are different managers in spite of their possessing equal technical qualifications.

2) Practical Knowledge : The process of management does involve the use of know-how and skill like any other art such as music, painting , sculpture etc. For example - A person cannot be called as a musician even if he knows the technicalities of music unless he plays musical instruments. Similarly, a person cannot be called a manager even if he learns by heart the principles of management unless he can apply these principles in practice while taking managerial decisions.

3) Concrete Results : The aim of management is to achieve maximum productivity at lowest costs. It is related with the accomplishment of objectives. In this sense, it is a result-oriented approach. It has to ensure that projects are completed in time, targets of production and sales are achieved, a fair return of capital investment is secured and so on. In short, the process of management is directed towards the accomplishment of concrete results.

4) Creativity : Management is one of the most creative art, as it is concerned with getting work done through others by motivating them to work and by co-ordinating their activities.

5) Regular practice : Any art requires regular and continuous practice. One cannot be a good manager unless he regularly practices this art of decision-making and leadership. As an artist, the manager always tries to attain higher and higher goals in order to reach the stage of absolute perfection. This efficiency and effectiveness is attained through regular practice.

Thus, art refers to the way of doing specific things, it indicates how an objective is to be achieved. It is the know-how to accomplish a desired concrete result. After knowing a particular art, practice is needed to reach the level of perfection. Art is nothing but the application of science. A doctor, for instance, not only knows the science of medicine but he also practises it as an art. The theoretical teaching of any science is to be accompanied with practical or laboratory work. Thus, science and art are inter-related with each other.

Management as a Science

Another view regarding the management is that it is a science. Science is based on logical consistency, systematic explanation, critical evaluation and experimental analysis. Hence, the science can be defined as follows :

"Science is a body of systematised knowledge accumulated and accepted with reference to the understanding of general truth concerning a particular subject or phenomenon or object of study."

From the above definition, the important features of science may be explained as follows :

(a) Science is a systematised body of knowledge.
(b) It uses scientific methods for observation.

(c) Scientific principles are evolved on the basis of continued observation and experiment.
(d) Its principles are exact and have universal applicability without any limitation.
(e) Scientific principles establish a cause and effect relationship between the various factors.
(f) The validity of scientific principles can be verified and therefore, they provide a reliable basis for predicting future events.

Application of features of Science to Management

1) Systematised body of knowledge : As a science, management is an organised body of systematised knowledge built up by management thinkers, philosophers and practitioners over a period of years. Management science is a body of systematised knowledge accumulated and accepted with reference to the understanding of general truths concerning management.

2) Use of scientific method : The process of management makes use of scientific methods for observation. For example, Dr. F. W. Taylor, the father of scientific management, applied scientific techniques to the studies of planning, organising, staffing and motivating. Similarly, Hawthorne experiments explain the human behaviour in a scientific way.

3) Continued observation : Existing principles of management have been developed after continuous observation. Its knowledge has been acquired through continuous and vigorous efforts of many theorists and practitioners over a period of years.

4) Universal application : The principles of management are universal and applicable to all human activities from our simplest individual act to the working of our great corporations. The knowledge of management has been accumulated and accepted with reference to general truths. Thus, there are many fundamental principles of management which can be universally applied.

5) Cause and effect relationship : Scientific principles establish cause and effect relationship among facts. The principles of management also establish cause and effect relationship. For e.g. it is said that poor planning and incorrect plant layout cause low productivity.

6) Validity and predictability : The knowledge collected by science is true and valid. On the same basis, the principles of management can also be verified for their validity. These have been put to severe tests and found to be valid. For example, the principles of scientific management given by Dr. Taylor are based on practical knowledge and they are valid.

Limitations of Management as Science

From the above discussion, it is clear that management is a science. But it is not an exact science like physics, chemistry and biology. The laws and theories of natural sciences are hundred per cent true and applicable anywhere. For example : two atoms of hydrogen and one atom of oxygen form one molecule of water. If anything is thrown towards the sky, it will come down, according to the law of gravitation. If water is boiled, it turns into vapour and so on. But the rules and principles of management cannot be considered as fundamental truths. At times, they may not bring about the desired results and hence may not have an universal application. The science of management deals with human beings whose behaviour cannot be predicted. Therefore, management science is called 'Inexact science' or 'Pseudo-science'. Management science is a 'self science' or 'social science' like sociology or political science.

Management is both Science and Art

Management is both a science and also an art. The science of management provides certain general principles which can guide the managers in their professional efforts. The art of management consists in tackling every situation in an effective manner. Thus, the management has elements of both art and science. It is neither pure science nor pure art. According to American Society of Mechanical Engineers, "Management is the art and science of preparing, organising and directing human efforts to control the forces and utilise the material of nature for the benefit of men." Mr. Cossa has said, "Science requires art and art requires science, each being complimentary to each other." There is no hard and fast line like between art and science of the management. Management as a science will have to solve problems and establish principles which might be applied with benefit to the management as an art.

Management as a Profession

The most characteristic feature of modern management is that it is gradually becoming a profession. In early days, professions of accountants, lawyers and doctors were considered as business. But today, due to the specialisation, every bread-earning occupation is called as a profession. Profession is different than occupation and trade. Profession is an activity which involves earnings of distinct intellectual quality. The term profession may be defined as an occupation for which specialised skills and training are required and the use of these skills are not meant for self satisfaction but these are used for the larger interests of society and the success of those skills is measured not in terms of money alone. For better understanding, we study some definitions of profession, which are as follows :

1) Dictionary Meaning : The dictionary meaning of profession is "a calling in which one professes to have acquired specialised knowledge, which is used either in instructing, guiding or advising others."

2) Cogan : A profession is "a vocation whose practice is founded upon an understanding of a theoretical structure of some department of learning of science."

3) Carr-Saunder : A profession may perhaps be defined was an occupation based on specialised intellectual study and training, the purpose of which is to supply skilled services or advice to others for a definite fee or salary."

4) Hodge and Johnson : "Profession requires some significant body of knowledge that is applied with high degree of consistency in the service of some relevant segment of society."

5) Prof. Dalton. E. McFarland : He gives the following characteristics of a profession :

(a) Existence of an organised and systematic knowledge.
(b) Formalised methods of acquiring training and experience.
(c) Existence of an association with professionalisation as its goal.
(d) Existence of an ethical code to regulate the behaviour of the members of the profession.
(e) Charging fees based on service but with due regard for the priority of service over the desire for monetary reward.

From the above definitions, it is clear that all professions are occupations in the sense that they provide means of livelihood. However, all occupations are not professions because some of them lack certain characteristics or attributes of a profession. Prof. McFarland gives most of the characteristics of profession. Let us discuss the extent to which all these characteristics are found in management to determine whether management is a profession or not.

1) Existence of Knowledge : Generally, management has developed as a specialised body of management theory and philosophy. In developed and developing countries, management literature is growing fast. Management is an organised body of knowledge built up by management practitioners, thinkers and philosophers over a period of years. Therefore, modern management is a profession.

2) Formalised methods of acquiring training and experience : Today the management science is fully equipped with formalised methods of acquiring the body of knowledge in theory and practice. A large number of formal institutes in various countries including India impart management education and training. In India, we have at present four national institutes of management at Ahmedbad, Bangalore, Kolkata and Lucknow. Besides these, there are a number of university departments which offer M.B.A. programmes to young graduates to enable them to take up the profession of management. Today, the business houses prefer to employ those managerial personnel who have obtained a professional degree in management from some recognised institute.

3) Management tools : As the result of continuous research in the field of

management development, several tools of management have been developed, such as Management Accounting, Mercantile Law, Industrial Psychology, Statistical Quality Control, Data Processing etc. The application of these tools is a must for the success and growth of an enterprise.

4) Establishment of Professional Association : Professional Management Associations are being established in most of the countries to (i) regulate the activities of profession (ii) to create a code of conduct for guiding the activities of the profession, and (iii) to promote and build the image of management as a profession. In India, there is an All India Management Association. The main function of this Association is to manage and co-ordinate the research work in various areas of management. Today, it is also playing an important role in spreading the new techniques of management in different areas of this important social institution.

5) Use of specialised experts and professionals : In the modern age, there is an increasing tendency in favour of management run by experts or professionals. Gone are the days when the 'sons of father' were given priority. Today, there is a growing tendency to select and appoint highly qualified, trained and experienced persons to manage the business.

6) Code of conduct : For every profession, some ethical standards are provided and every individual of the profession is expected to maintain conformity with these standards. The need of ethical code arises because of the fact that occupations whose practitioners have mastery over an area of knowledge have a degree of power by virtue of their expertise and this power can be misused for self benefit at the cost of the society.

Members of a profession have to abide by a code of conduct which provides rules and regulations, norms of honesty, integrity and professional morality. There exists a standard code of conduct in the traditional professions such as law and medicine. On the same basis, there are several codes of conduct for different types of managers by their respective professional societies, e.g. The American Society of Personnel Administration has a code for personnel executives. A similar code for personnel managers is available in India - drawn up by the Indian Institute of Personnel Management.

7) Service Motive : The service motive concept suggests that professionals should keep social interest in their mind, while charging fees for their professional service. The professional can earn a lot of money due to their expert knowledge but he should not negelect social responsibility. As distinguished from an ordinary occupation or trade, a profession, though a source of livelihood, involves the application of expert knowledge for the service of the society. For example : a teacher earns his livelihood from his profession of teaching but service to society is uppermost in his mind. Management today aims at providing maximum efficiency at the lowest cost, so as to

serve the interests of employees, employer, customers, society and the nation at large.

The above discussion shows that while in some respects management qualifies as a profession but it does not have certain other features which constitute a recognised profession. The American Management Association has also expressed that management may also be called as profession, when it would meet all or atleast most of the features of management. However, management is now backed by a systematised body of knowledge and number of management principles, techniques and tools need proper learning, education and training. Thus, although management does not possess all the essential attributes of a profession, it is gradually emerging as a profession.

1.3 CHARACTERISTICS OF PROFESSIONAL MANAGEMENT

Professional Management refers to the professional approach in managing the organizations. Professional management is vital in today's competitive business world.

Following are the important characteristics of professional management:

1. Formal Education

Professional managers are formally educated and trained to run the business organization. They place great emphasis on training and development of managers. Most of the professional managers have either degree or diploma in management.

2. Merit the basis of promotion

Professionally managed companies follow merit as the basis of promotion at higher levels. Family neither ties, nor biased as the basis of promotions is normally not followed in such organizations.

3. Delegation of authority

The senior managers delegate authority to the subordinate managers. Routine and repetitive activities are given in the charge of subordinates. Only important and crucial matters are decided by the superiors.

4. Social responsibility

Professional managers give the due consideration to the concept of social responsibility. In fact, they try to bring reconciliation or a balance between profit motive and social responsibility. They go for consumer oriented products. They try to improve the quality through research and development, and so on.

5. Employees Participation

The top management not only secures the active participation of subordinate managers in planning and controlling activities, but they also encourage initiative and innovative ideas from the employees. Valuable suggestions are implemented and those who provide ideas are often rewarded.

6. Automation and Modernisation

Professional managers advocate the need for automation and modernisation. They recognise the change brought in by changing situations, and are ready to accept that change. They also encourage their subordinates to willingly accept the automation and modernisation plans of the organization.

7. Decentralisation

Professional management believes in balance between centralisation and decentralisation. Important matters are centralised, and other matters are decentralised. The top management believes that involvement of lower level managers is vital to the success of the organization.

8. Style of leadership

Professional managers follow the situational style in managing their business activities. They are more of democrats rather than autocrats.

1.4 THE NEED OF MANAGEMENT STUDY

Today's world what matters is how well you can carry your Business and how you deal with the business scenario. So it depends from person to person of conducting the business. Some may require the basic knowledge of the Management. Management examines management policies and practices in the context of organizational growth and development.

Management equips two things: a broad understanding of business today and the practical management skills with which to become an effective manager.

It helps to understanding of the internal functions and structures of organizations, as well as the contexts within which business operates. To develop the analytical skills needed both to solve a range of management problems and to competently use a number of management software packages.

It also helps to develop your individual skills of critical thinking, teamwork and leadership; be competent in analyzing data; and have the communication skills vital for translating good ideas into action.

Finally, the study of management is helps to understand better the organization that one can work in as well as help in connect to the world with better communication skills and learn how to be in leadership, how to plan and become an entrepreneur and effective professional manager.

1.5 PROCESS OF MANAGEMENT

Management process includes integrating and utilizing physical and human resources to seek objectives. It consists of many actions or activities or functions which are to be carried out in a logical sequence. It is a continuous process. The steps or

elements involved in it are to be performed in a continuous cycle. The elements or activities that are performed in this process are also known as functions of management. Brief descriptions of these are as under:

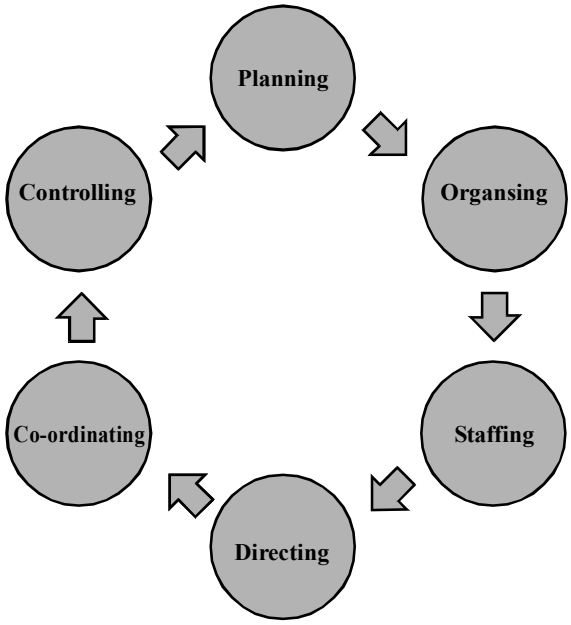


Fig : Management Processs

Classification of functions

1) Henry Fayol : Henry Fayol was the first among those, who analysed the functions of management. He classified the functions of management into five categories. (i) Forecasting and planning, (ii) Organising, (iii) Commanding, (iv) Co-ordinating, (v) Controlling. This classification is widely accepted and recognised by the management world.

2) Newman and Summer : They recognise only four functions of management, namely, organising, planning, leading and controlling.

3) Lyndall Urwick : He classified the management functions into six categories, viz (i) forecasting, (ii) planning, (iii) organising, (iv) command, (v) co-ordination, and (vi) control.

4) Luther Gulick : He states seven functions of management by key word, POSDCORB i.e. 'P' for planning, 'O' for organising, 'S' for staffing, 'D' for directing, 'CO' stands for Co-ordinating, 'R' for Reporting and 'B' for budgeting. Here, reporting covers controlling function.

5) Warren Haynes and Joseph Massie : They classify management functions

into decision-making, organising, staffing, planning, controlling, communicating and directing.

6) Koontz and O'Donnell : They have divided the management functions into planning, organising, staffing, leading and controlling.

On the basis of above classification of managerial functions made by various famous authors, one gets the following comprehensive classification of managerial functions. The functions of management can be divided into two categories.

Functions of Management

(A) Main Functions	**(B) Subsidiary Functions**
1) Planning	1) Communication
2) Organization	2) Decision-making
3) Staffing	3) Innovation
4) Direction	4) Supervision
5) Leadership	
6) Motivation	
7) Co-ordination	
8) Controlling	

1) Planning : Planning is the conscious determination of future course of action to achieve the desired result. It is the most important step in the process of getting results. It is looking ahead and preparing for future. It is a mental work and is intellectual in nature. Good managers always try to draft plan which will make things happen in the desired way. Planning involves the questions, What to do? When to do ? How to do ? Who is to do ? and Where to do? etc.

George Terry defines planning as, "Planning is the selecting and relating of facts and making and using of assumptions regarding the future in the visualisation and formulation of proposed activities believed necessary to achieve desired results."

Planning is a basic managerial function. The primary object of planning is to achieve better results. It involves the selection of organizational objectives and developing policies, procedures, programmes, budgets and strategies. It is a continuous process that takes place at all the levels of management.

A detailed planning is done at the beginning but the actual performance is reviewed and suitable changes are made in plans when actual execution is done. Planning may be of various kinds such as short range plans, medium range plans, long range plans, administrative and operational plans and strategic plans etc.

2) Organization : Organising is the process of dividing work into convenient tasks or duties or grouping such duties in the form of parts, of delegating authority to

each so that the work is carried out as planned. Organization contributes to the efficiency by ensuring that all its necessary activities will be performed and objectives are achieved without any duplication of activities. This reduces the operational cost of the organization.

Louis Allen defines organization as "The process of identifying and grouping work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives."

The main functions of organising is to arrange, guide, co-ordinate, direct and control the activities of the other factors of production, viz. men, material, money and machines so as to accomplish the objectives of an enterprise. The type of an organization depends upon the size and nature of the enterprise.

3) Staffing : Staffing involves manning of various positions created by the organising process. It is an important function involved in building the human organization. In staffing, manager attempts to find the right person for each job. Staffing fixes manager's responsibility to recruit and to make certain that there is enough manpower available to fill the various positions needed in the organization. It involves the selection and training of future personel and suitable system of compensation. According to Koontz and O' Donnel, staffing is, "filling and keeping filled positions in the organizational structure through defining work-force requirements, appraising, selecting, compensating and training." Thus, staffing consists of the following functions :

(i) Manpower planning i.e. assessing manpower requirements in terms of quality.
(ii) Recruitment, selection and training.
(iii) Placement of manpower
(iv) Development, promotion, transfer and appraisal.
(v) Determination of Employees' remuneration.

In a small organization, staffing function is performed by a general manager, but in large-sized organizations, a separate personnel department is established to perform the staffing function.

Staffing function is performed in order to get the things done through others. It is one of the most difficult functions as it concerns human beings, whose behaviour and action cannot be predicted. Hence, it becomes a distinct and specialised branch of management.

4) Direction : After plans have been made and the organization established and staffed, the next step is to move towards its defined objectives. This function can be called by various names, viz. 'leading', 'directing', 'actuating' and so on. In performing this function, the senior manager explains to the subordinates what they have to do and

helps them do it to the best of their ability. Thus, directing concerns the total manner in which the manager influences the actions of subordinates. It is the final action of a manager in getting others to act after all preparations have been completed.

According to **George R. Terry,** "Direction is moving to action and supplying the stimulative power to the group." After planning, organising and staffing, the manager has to guide and supervise his subordinates. Once subordinates are oriented, the superiors have a continuous responsibility of guiding and leading them for better work performance and motivating them to work with zeal and enthusiasm.

In short, directing is concerned with carrying out the desired plans. It initiates, organises and plans action and ensures effective performance by subordinates towards the accomplishment of group activities. So, direction is also called management in action. Directing is a continuous function and it is performed at all levels of management. Leadership, communication, motivation and supervision are the main functions of direction, which are studied as follows :

a) Leadership : Leadership is an integral part of direction. Leadership is the process by which a manager guides and influences the work of subordinates. A manager has to issue orders and instructions to subordinates. He has to guide and counsel his subordinates in their work in order to improve their performance and achieve enterprise objectives. Thus, leadership is the process by which a manager or an executive imaginatively directs or guides and influences the work of others in choosing and attaining specified goals by mediating between the individual and organization in such a manner that will get both maximum satisfaction. It is the ability to build confidence and zeal amongst people and to create an urge in them to be led. In order to be a successful leader, a manager must possess the qualities of foresight, drive, initiative, self-confidence and personal integrity etc.

b) Motivation : Motivation is also an important part of leadership. It is the constructive force in management by objectives and direction. It is through motivation that the manager inspires his subordinates to do what he wants them to do. Motivation means arousing a desire in the minds of workers to give their best to the enterprise. It is an act of stimulating and inspiring workers. If the workers of an enterprise are properly motivated, they will pull their weight effectively, give their loyality to the enterprise and carry out their work effectively. In short, motivation is a psychological process of creating an urge among the subordinates to do certain things or behave in the desired manner.

The importance of motivation can be realised from the fact that the performance of a worker depends upon his ability and the motivation. The manager can adopt various strategies for increasing the motivation of workers. He has to provide some personal incentives to the subordinates to motivate, persuade and inpire them for contributing their best towards the achievement of enterprise objectives.

The incentives may be financial or non-financial. Financial motivations are given in the form of an increase in salary or wages, bonus, profit-sharing, gifts etc. While non-financial motivation takes the form of job security, opportunity of advancement, recognition, praise, better working conditions etc. A sound motivational system must be productive, competitive, comprehensive and flexible and it must consider the psychological, social, safety, ego and economic needs of the workers.

c) Co-ordination : Co-ordination is one of the most important functions of management, essential to channelise the activities of various individuals in the organization for the achievement of common goals. In order to co-ordinate the activities of his subordinates, a manager has to perform all other functions of management, viz. planning, organising, staffing, directing and controlling. The management is responsible for the effective co-ordination among the various departments and job which are to be performed in the factory. The management has to see that the work of different segments is going according to pre-determined targets and ensure corrective measures are taken, if there is any deviation. Co-ordination creates team spirit and helps in achieving goals through the collective efforts. It is an orderly arrangement of group efforts to provide unity of action in the pursuit of common objectives.

Co-ordination may be defined as a heart of management which permeates the entire fabric of business management from the top executive to the workers down below. Co-ordination may be both vertical and horizontal as well as internal and external.

Vertical co-ordination is the co-ordination between different levels of management whereas horizontal co-ordination is used when the co-ordination has to be achieved between departments of the same level of authority. Co-ordination is internal when it is between different sections of the same concern and external when it is required with the persons outside the organization.

d) Controlling : Control is essential for achieving objectives of an enterprise. Control involves the process of visualising whether the activities have been performed in the same way as contained in the plans. Only the planning of various activities do not ensure automatic implementation of policies. Control is a process which enables the management to get its policies implemented and take corrective action if performance is not according to the predetermined standards. If planning is the beginning of the management process, controlling is said to be the final stage. Control is not possible without planning and planning is meaning- less without control.

According to George R. Terry : "Controlling is determining what is being accomplished, that is evaluating the performance, and if necessary, applying corrective measures so that performance takes place according to plans."

Executives or managers of various levels of management continuously assess the performance of their subordinates. The main purpose of control is to see that activity is achieving the desired results. Control brings to light all the bottlenecks in work

performance and operates as straight pointer to the needs of situation. For effective control, the manager must follow the controlling process, which generally involves the following steps :

(a) Establishing standards of performance
(b) Measuring actual performance.
(c) Comparing the actual performance with standard
(d) Finding deviation or variances, if any
(e) Taking corrective actions or measures.

Subsidiary Functions

Under subsidiary functions, following functions of management may be studied :

1) Communication : Communication is also one of the functions of management. Communication is said to be the number one problem of management. Everyday, managers spend 75 to 90 per-cent of their working time in communicating with each other. Communication is a process of passing information and understanding from one person to another. It refers to the exchange of facts, ideas, feelings, emotions, opinions, knowledge and information between two or more persons. Nothing can take place unless there is communication in the organization.

Communication is a two-way process. It involves both information and understanding. There must be a sender and receiver in the communication process. It may be written, oral or gestural. It is said to be formal when it follows the formal channels provided in the organizational structure. When it does not follow the particular channel, it is called informal communication. Similarly, it may be downward or upward.

2) Decision-making : It is the most important function of a management. The life of a manager is a perpetual choice-making activity. Executives at all levels work on decision constantly. Peter Drucker remarked that, "Whatever a manager does, he does through decision-making." Decision-making is a process of selection and the aim is to select the best alternative. A decision is an act of choice wherein an executive forms a conclusion about what must and must not be done in a given situation. It is a conclusion that the manager has to reach as to what he or others should do at some later time. It is a solution selected after examining several alternatives.

Nothing can be performed in business without decision. Every aspect of management functions such as planning, organising, motivation and control is determined by decisions. The days of 'hit and miss' methods in management are now over and have been replaced by new concepts and scientific techniques. Decision-making is therefore, vital to all management activities. It helps to set definite objectives, prepare a plan of action, determine organizational structure, motivate personnel and introduce innovations.

3) Innovations : Innovation function of management is related to research and development, which is essential in this age of competition. All big business houses have established research and development departments to keep pace with modern techniques and up-to-date demand. Today, as the scope of a business and organization is constantly increasing, innovation has become an indispensable requirement of the managerial process. Innovation means creating new ideas which may either result in the development of new products or finding new uses of old ones. Innovation function is the part of planning but it cannot be neglected due to rising competition in the market.

4) Supervision : Supervision is the part and parcel of direction. After issuing instructions, the manager or supervisor has to see that the given instructions are carried out. Supervision refers to the job of overseeing subordinates at work to ensure maximum utilisation of resources, to get the required and directed work done and to correct the subordinates whenever they go wrong.

In the words of George R. Terry, "Supervision is the task of achieving the desired results by means of intelligent utilisation of human talents and utilising resources in a manner that provides a challenge to human talent. It is concerned with initiating action, putting into effect the plan and decisions by stimulation of the human resources of the enterprise." To conclude, supervision is direction, guidance and control of working force with a view :

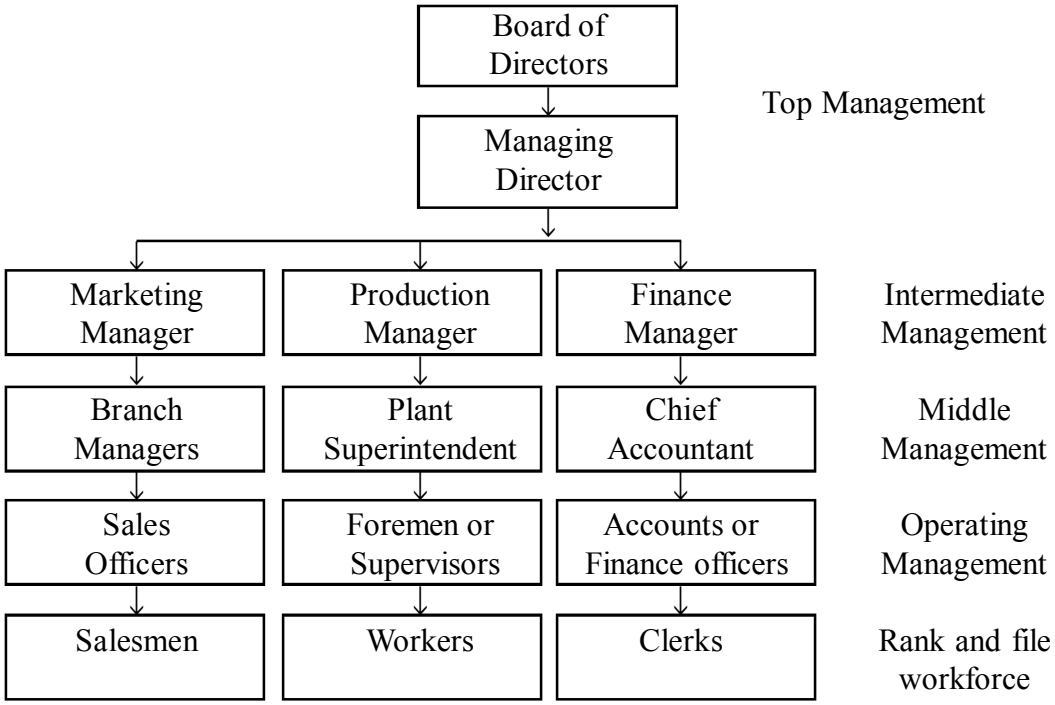
(i) To see they are working according to plan, policy, programme, instruction and keep up the time schedule, and
(ii) To help them in their working if they are in need of any kind in accomplishing their assigned task.

1.6 LEVELS OF MANAGEMENT

In every company, there is a managerial hierarchy or chain of command which consists of several levels of authority. The number of management levels may differ from company to company. In a big company, the management levels may be classified as follows:

1. Top management,
2. Middle management, and
3. Supervisory or Operating management.

In a very large enterprise, the middle management level may be sub-divided into upper middle management and lower middle management as shown below :



Levels of Management

Top Management : Top management consists of the Board of Directors, and the chief executives. Chief executive may be an individual, e.g. managing director, general manager, etc. or a group consisting of chairman and functional/executive directors. Board of Directors are accountable to the shareholders in the Annual General Meeting of the company. It is basically an organ of overall review and control. Chief executive is concerned with the overall management of the company's operations. He maintains coordination among different departments/subsidiaries/units of the company. He also keeps the organization in harmony with its external environment.

Thus, the main functions of top management are :

(i) to analyse and interpret changes in the external environment of the company;
(ii) to establish long-term corporate plans (goals, policies and strategies) of the company;
(iii) to formulate and approve the master budget and departmental budgets;
(iv) to design broad organizational structure;
(v) to appoint departmental heads and key executives;
(vi) to coordinate and integrate the activities of different departments and divisions of the company;
(vii) to provide overall direction and leadership to the company;

(viii) to exercise overall review and control of the financial and operating results of the company;
(ix) to represent the company to the outside world (public relations); and
(x) to decide the distribution of profits, etc.

Intermediate Management : Intermediate or upper middle management comprises of departmental or divisional heads, e.g., works manager, marketing manager, personnel manager, finance manager, etc. It is also known as departmental or functional management. Every divisional or departmental head is the overall in-charge of one particular division or department. He is accountable for the performance of his division or department to the chief executive. He performs the usual managerial functions of planning, organising, staffing, directing and controlling in relation to his department. He coordinates and controls the activities of all personnel working in different branches or sections of his particular department.

Middle Management : Middle management or lower middle management level consists of sectional heads, e.g. plant manager, area sales manager, branch manager, office manager, etc. These executives serve as a link between intermediate or top management and the operating management. The main functions of'middle-level managers are :

(i) to interpret and explain the plans and policies formulated by top management;
(ii) to monitor and control the operating performance;
(iii) to co-operate among themselves so as to integrate the various activities of a department;
(iv) to train, motivate and develop supervisory personnel; and
(v) to lay down rules and regulations to be followed by the supervisory personnel.

Supervisory or Operating Management : This is the lowest or first level of management in an organization. It consists of supervisors, foremen, sales officers, accounts officers, purchase officers, etc. The distinguishing feature of supervisory management is that it deals with non-managers, i.e. workers, whereas all other levels deal with executives. Supervisors and operating managers maintain close contacts with the rank and file workers and supervise day-to-day operations. They serve as the channel of communication between management and the workforce. They are concerned with the mechanics of jobs.

The functions of supervisory management are as follows :

1) to plan day-to-day production within the goals laid down by higher anthorities;
2) to assign jobs to workess and to make arrangement for their training and development;
3) to issue orders and instructions;

4) to surprise and control workers operations and to maintain personal contacts with them;
5) to arrange materials and tools and to maintain machinery;
6) to advice and assist workers by explaining work producers, solving their problems etc.;
7) to maintain discipline and good human relations among workers; and
8) to report feedback imformation and workers problems to the higher autherities.

1.7 SKILLS OF A MANAGER

The job of a manager has become very challenging. Several skills are, therefore, required in order to be a successful manager. The skills of an effective manager may be classified into four categories as given below :

1. Technical skills : Technical skills refer to the ability and knowledge in using the equipment, techniques and procedures involved in performing specific tasks. These skills require specialised knowledge and proficiency in the mechanics of a particular job. Ability in programming and operating a computer is, for instance, a technical skill. There are two things a manager should understand about technical skills. In the first place, he must know which skills should be employed in his particular enterprise and be familiar enough with their potentiality to ask discerning questions of his technical advisers. Secondly, a manager must understand both the role of each skill employed and the inter-relationships between the skills.

2. Human skills : Human skills consist of the ability to work effectively with other people both as individuals and as members of a group. These are required to win co-operation of others and to build effective work teams. Such skills require a sense of feeling for others and a capacity to look at things from other's point of view. Human skills are reflected in the way a manager perceives his superiors, subordinates and peers. An awareness of the importance of human skills should be part of a manager's orientation and such skills should be developed throughout the career. While technical skills involve mastery of 'things', human skills are concerned with understanding of 'people'.

3. Conceptual skills : Conceptual skills comprise the ability to see the whole organization and the interrelationships between its parts. These skills refer to the ability to visualise the entire picture or to consider a situation in its totality. Such skills help the manager to conceptualise the environment, to analyse the forces working in a situation and to take a broad and farsighted view of the organization. Conceptual skills also include the competence to understand a problem in all its aspects and to use original thinking in solving the problem. Such competence is necessary for rational decision-making.

Thus, technical skills deal with jobs, human skills with persons and conceptual skills with ideas. These types of skills are inter-related. But the proportion or relative significance of these skills vary with the level of management as shown in Fig.

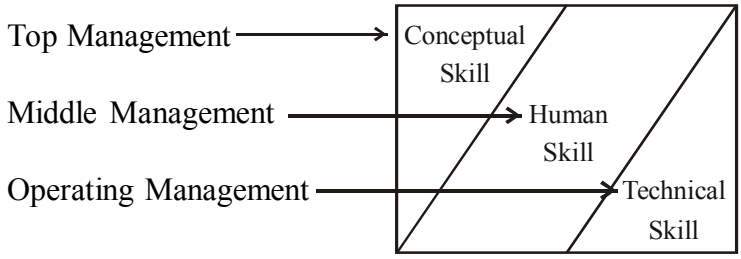


Fig. Managerial skills at various levels.

4. Diagnostic skills : Diagnostic skills include the ability to determine, by analysis and examination, the nature and circumstances of a particular condition. It is not only the ability to specify why something happened but also the ability to develop certain possible outcomes. It is the ability to cut through unimportant aspects and quickly get to the heart of the problem, i.e. logical thinking, analytical reasoning and creativity. Diagnostic skills are probably the most difficult ones to develop because they require the proper blend of analytical ability with common sense and intelligence to be effective.

Technical skills are most important at the supervisory or operating level whereas a close understanding of job techniques is necessary to guide workers. As one moves up the management hierarchy, technical skills become less important. Higher-level managers deal with subordinate managers and specialised technical knowledge is comparatively less important for them. Conceptual skills are very important for top management in formulating long-range plans, making broad policy decisions, and relating the business enterprise to its industry and the economy. Thus, the relative importance of conceptual skills increases as we move to higher levels of management. Human skills are equally important at all levels of management. This should be self-evident as management is the process of getting things done through people.

1.8 MANAGEMENT CHALLENGES

The twentieth century has witnessed tremendous advances in the field of management. Despite these advances, management is still a challenging job and it is likely to become a greater challenge in future on account of the changing environment. It is difficult but necessary to anticipate changes in the future environment of management. By anticipating future problems, managers can prepare themselves to face the challenges that lie ahead. Managerial environment of the future is going to be

very turbulent. Managers cannot assume that future will be an extension of the present. Rather they must learn to manage changes which would involve handling both opportunities and threats.

Challenges Before Future Managers

Some of the challenges managers are likely to face in the next century are summarised here

1. Sophisticated Technology : Technology is playing a significant role in shaping the destiny of mankind. Technological advancements have enabled man to conquer earth, ocean and space. In future, new technological discoveries will have a far-reaching influence on organizations and their managements. First, technology will reduce the life cycle of products. Managers will have to continually develop new and better products to meet market needs. Changing technology will result in a systematic abandonment of products and services. Secondly, production process would be controlled automatically and numerically. Managers will find it easy to ensure the production of desired level of output conforming to quality and cost standards within a pre-determined time frame. But production planning will become more significant as the idle cost of sophisticated plants become prohibitive. Thirdly, automation would reduce the role of a direct worker in the production process as menial jobs are eliminated. As a result, knowledge workers (scientific, technical and professional people) will acquire dominant place in the workforce of the future. Fourthly, computerised information systems will revolutionise the collection, processing and storage of information for managerial decision making. This may lead to a greater centralisation of authority, besides a sense of alienation, loss of initiative and privacy.

Advances in communication technology will enable managers to establish instant contact with plants, offices and consumers in different parts of the world through audio-visual means. Lastly, in order to exploit new technology, managers would be required to invest greater resources in research and development.

Thus, future technology will have a far-reaching impact on management practices and policies. It will help to improve the quality of life through recycling of waste, pollution control and ecological improvements. But it will also have dysfunctional effects in terms of dehumanisation of jobs and nuclear warfare. Future managers will have to provide a humanistic touch to technological changes so that these changes may contribute to human welfare.

2. Knowledge Workers : Another challenge for managers in future will be posed by the increasing educational level of the workforce. The future workforce will comprise an increasing proportion of technical and professional people. These knowledge workers will expect greater operational autonomy, job satisfaction and status. They will have to be given a rewarding and fulfilling work experience to improve their motivation and

performance. Their priorities and values need self-worth and personal freedom. Employees of the future will be comparatively more affluent and may expect more leisure time. As a result, the average working hours per week may be reduced. The proportion of women in the workforce is increasing rapidly and the jobs held by them are being upgraded. Average age of employee is also likely to increase on account of decreasing birth rate and increase in retirment age. The policy of equal employment opportunity for all will bring in minorities and women into managerial positions. This may bring in additional problems for future managers.

The total population of the world will continue to increase. But Drucker predicts that in developed countries there will be a shortage of young people for doing traditional manufacturing jobs due to increasing educational level and negligible population growth. Therefore, developed nations will have to increasingly depend on service industries for economic progress. On the other hand, rapid rise in population in developing countries will expand markets but create problems of food, housing, transport and unemployment. Governments and managers in these countries will face the challenge of finding jobs for the teeming millions.

Rise in educational level, modern means of transportation and greater awareness of the environment will lead to higher job mobility of people.

3. International Business : Sophisticated technology, modern means of transportation and communication, rise of the global market and relatively low cost in developing countries will lead to rapid growth of international business operations. Multinational corporations are going to become the dominant economic institution. Operating as it does in a heterogeneous environment, a multinational involves special managerial problems. Strategic planning becomes a problem due to uncertainties of international activities, environmental pressures and physical distance. Therefore, a comprehensive management information system becomes all the more necessary.

In international business, there is a trend towards decentralisation of decision-making authority. The parent company has to allow greater operational autonomy to local managers on account of instable operating environment of subsidiaries and affiliates and physical distance.

Such autonomy enables the local managers to cope with local problems and to exploit local opportunities. However, strategic planning and control have to be centralised to ensure that local managers work within the broad framework of overall corporate strategy and policies. The parent company has also to integrate the operations of subsidiaries and affiliates into a well-knit global structure. The top management may fill up key positions in the subsidiaries and affiliates with people from the home country. But it is always better to appoint local nationals on operating executive positions. Local nationals know the language, customs, values and beliefs of local people and can, therefore, establish a better rapport with customers and workers.