Chapter 1: Nature and Significance of Management

Exercises — Exercises

Q1 What is meant by management?

Management is the process of getting things done with the aim of achieving goals effectively and efficiently. It involves planning, organising, staffing, directing and controlling the resources of an organisation to achieve its goals. Effectiveness means doing the right task and achieving goals, while efficiency means doing the task correctly with minimum cost.

Q2 Name any two important characteristics of management.

Two important characteristics of management are: (i) Management is a goal-oriented process — it unites the efforts of different individuals towards achieving the common goals of the organisation. (ii) Management is all pervasive — the activities involved in managing an enterprise are common to all organisations, whether economic, social or political.

Q3 Identify and state the force that binds all the other functions of management.

Coordination is the force that binds all the other functions of management. It is the common thread that runs through all activities such as purchase, production, sales and finance to ensure continuity in the working of the organisation. Coordination is not a separate function but the essence of management, achieving harmony among individual efforts towards the accomplishment of group goals.

Q4 List any two indicators of growth of an organisation.

Two indicators of growth of an organisation are: (i) Increase in sales volume — a rising sales figure indicates that the organisation is expanding its market reach. (ii) Increase in the number of employees — a growing workforce reflects expansion in operations and production capacity.

Q5 Indian Railways has launched a new broad gauge solar power train which is going to be a path breaking leap towards making trains greener and more environment friendly. The solar power DEMU (Diesel Electric Multiple Unit) has 6 trailer coaches and is expected to save about 21,000 liters of diesel and ensure a cost saving of Rs 12,00,000 per year. Name the objectives of management achieved by Indian Railways in the above case.

Indian Railways is achieving two objectives of management in this case: (i) Social objective — by using environment-friendly solar power technology, Indian Railways is fulfilling its social responsibility of protecting the environment and reducing carbon footprint, which creates benefits for society. (ii) Organisational objective (specifically efficiency/profit) — saving 21,000 litres of diesel and Rs 12,00,000 per year demonstrates efficient use of resources, reducing costs and contributing to the financial health of the organisation.

Q6 Ritu is the manager of the northern division of a large corporate house. At what level does she work in the organisation? What are her basic functions?

Ritu works at the middle level of management since she heads a division (the northern division) of a large corporate house. Middle-level managers are subordinate to top managers and superior to first-line managers. Her basic functions include: (i) interpreting the policies framed by top management, (ii) ensuring that her department has the necessary personnel, (iii) assigning duties and responsibilities to subordinates, (iv) motivating them to achieve desired objectives, and (v) cooperating with other departments for smooth functioning of the organisation. She is responsible for implementing and controlling plans and strategies developed by top management.

Q7 State the basic features of management as a profession.

Management does not fully satisfy all features of a profession, but it has some professional characteristics. A profession requires: (i) a well-defined body of knowledge — management has a growing, systematised body of principles taught at institutions like the IIMs; (ii) restricted entry through an examination or degree — management does not strictly meet this as anyone can be designated a manager without a specific degree, unlike law or medicine; (iii) a professional association — there are bodies like AIMA (All India Management Association) that regulate members and enforce a code of conduct, though membership is not compulsory; (iv) an ethical code of conduct — management does not have a legally binding code of ethics; and (v) a service motive — management's basic purpose is helping the organisation achieve its goals, which also serves society. Therefore, management is only partially a profession.

Q8 Why is management considered to be a multi-dimensional concept?

Management is considered a multi-dimensional concept because it is a complex activity involving three main dimensions: (i) Management of work — all organisations exist for performing some work; management translates this work into goals and assigns means to achieve it through planning, decision-making, budgeting and delegation. (ii) Management of people — human resources are an organisation's greatest asset; managing people involves dealing with individuals as unique personalities with diverse needs and also as members of a group, making their strengths effective and weaknesses irrelevant. (iii) Management of operations — every organisation needs a production process to provide its basic product or service; management oversees the flow of input materials and the technology for transforming inputs into outputs. These three dimensions are interlinked and interdependent.

Q9 Company X is facing a lot of problems these days. It manufactures white goods like washing machines, microwave ovens, refrigerators and air conditioners. The company's margins are under pressure and the profits and market share are declining. The production department blames marketing for not meeting sales targets and marketing blames production department for producing goods, which are not of good quality meeting customers' expectations. The finance department blames both production and marketing for declining return on investment and bad marketing. State the quality of management that the company is lacking? What quality of management do you think the company is lacking? Explain briefly. What steps should the company management take to bring the company back on track?

Company X is lacking coordination. Coordination is the force that binds all functions of management and ensures unity of action among interdependent departments. Here, the production, marketing and finance departments are working in isolation, blaming each other, which leads to overlapping and chaos instead of harmony. This is a classic example of functional differentiation creating conflict — each department is pursuing its own objectives without integrating with others. To bring the company back on track, the management should: (i) establish clear communication channels between departments so that production aligns output quality with market expectations; (ii) set common organisational goals that all departments work towards; (iii) ensure that the finance, production and marketing departments coordinate their plans — production quantities, quality standards, pricing and promotional budgets must be decided jointly; and (iv) top management should actively reconcile interdepartmental differences and synchronise the activities of all departments to achieve unity of action.

Q10 Coordination is the essence of management. Do you agree? Give reasons.

Yes, coordination is the essence of management. This is because: (i) Coordination binds all functions — it is the common thread running through planning, organising, staffing, directing and controlling. Each managerial function is an exercise contributing to coordination. (ii) Coordination begins at planning — top management plans for the entire organisation; then the structure is developed and staffed; directing ensures plans are executed; controlling corrects deviations. Coordination runs through all these stages. (iii) It ensures unity of action — it synchronises the efforts of different departments so that all activities are aimed at achieving the common organisational goal. (iv) It reconciles differences — departments like production, marketing and finance have different objectives; coordination harmonises these to prevent conflict. (v) It is all-pervasive — required at all levels of management. Coordination is not a separate function added on top of others; it is implicit and inherent in all functions of the organisation. Like a thread in a garland, it holds everything together.

Q11 Ashita and Lakshita are employees working in Dazzling enterprises dealing in costume jewellery. The firm secured an urgent order for 1,000 bracelets that were to be delivered within 4 days. They were assigned the responsibility of producing 500 bracelets each at a cost of Rs 100 per bracelet. Ashita was able to produce the required number within the stipulated time at the cost of Rs 55,000 whereas, Lakshita was able to produce only 450 units at a cost of Rs 90 per unit. State whether Ashita and Lakshita are efficient and effective. Give reasons to justify your answer.

Ashita: She produced the required 500 bracelets within the stipulated time, so she is effective (achieved the goal). However, her cost was Rs 55,000 for 500 units = Rs 110 per bracelet, which is more than the target cost of Rs 100 per bracelet. Therefore she is not fully efficient (used more resources than planned). Lakshita: She produced only 450 bracelets against the target of 500, so she is not effective (did not achieve the goal). Her cost was Rs 90 per unit, which is less than the target of Rs 100 per bracelet, so she is efficient (used fewer resources per unit). In summary — Ashita is effective but not efficient; Lakshita is efficient but not effective. Management should aim for both effectiveness and efficiency simultaneously, maintaining a balance between the two.

Q12 Management is considered to be both an art and science. Explain.

Management is both an art and a science, and these two aspects complement each other rather than being mutually exclusive.

Management as a Science: Science is a systematised body of knowledge based on cause-and-effect relationships. Management has a systematised body of knowledge with its own theory and principles developed over time, drawing on Economics, Sociology, Psychology and Mathematics. Its principles have evolved through observation and experimentation in different organisations. However, management is an inexact science because it deals with human beings and human behaviour, so outcomes cannot be accurately predicted or replicated. Principles like F.W. Taylor's scientific management and Henri Fayol's functional management principles are general guidelines, not universal laws.

Management as an Art: Art involves the skillful and personal application of existing knowledge to achieve desired results, acquired through study, observation and experience. Management satisfies the features of art because: (i) a manager applies theoretical knowledge — extensive literature on marketing, finance and human resources exists; (ii) principles of management are applied in a personalised and unique manner depending on the manager's creativity; (iii) managers achieve perfection through long practice and experience, combining creativity, imagination, initiative and innovation.

Thus, the practice of management is an art, but the principles underlying it constitute the science of management. Managers can work better when their practice is grounded in scientific principles.

Q13 Do you think management has the characteristics of a full-fledged profession?

Management does not fully satisfy all the characteristics of a full-fledged profession, though it has some professional features.

Features management satisfies: (i) Well-defined body of knowledge — management has a growing, systematised body of principles and is taught at institutions like the IIMs. (ii) Professional association — associations like AIMA exist and have laid down codes of conduct for members. (iii) Service motive — management helps organisations achieve goals, which ultimately serves society by providing quality products, creating employment and adopting new technology.

Features management does not fully satisfy: (i) Restricted entry — unlike medicine or law, there is no mandatory requirement for a manager to hold a specific degree. Anyone can be designated a manager irrespective of educational qualifications. Entry is not restricted through a formal examination or compulsory licence. (ii) Ethical code of conduct — while professional associations like AIMA have codes, there is no legally binding code of ethics governing all managers, and membership of such associations is not compulsory.

Conclusion: Management is a profession in the making. It has developed a systematic body of knowledge and is increasingly professionalised, but it does not yet meet all the criteria of a full-fledged profession like law or medicine, particularly regarding restricted entry and a binding ethical code.

Q14 "A successful enterprise has to achieve its goals effectively and efficiently." Explain.

Effectiveness and efficiency are two sides of the same coin and a successful enterprise must achieve both simultaneously.

Effectiveness means doing the right task, completing activities and achieving goals — it is concerned with the end result. For example, if a company's target production is 5,000 units and it achieves exactly that, the company is effective.

Efficiency means doing the task correctly with minimum cost. It involves a cost-benefit analysis — if by using fewer inputs (money, materials, equipment, personnel) the same or greater output is achieved, efficiency has increased.

The need to balance both: A business can be effective but not efficient — for example, a manager achieves 5,000 units of target production but has to operate double shifts due to power failures, resulting in higher labour and electricity costs. Conversely, a firm may focus on cutting costs but fail to achieve target production, so goods don't reach the market, demand declines and competitors enter — this is efficient but not effective.

For a successful enterprise, management must achieve goals (effectiveness) with minimum resources (efficiency). Usually high efficiency is associated with high effectiveness, which is the aim of all managers. Poor management results from both inefficiency and ineffectiveness. Therefore, a successful enterprise balances effectiveness and efficiency to achieve sustainable growth and profit.

Q15 Management is a series of continuous interrelated functions. Comment.

Management is described as a process of planning, organising, staffing, directing and controlling — a series of continuous, composite but separate functions.

Planning is determining in advance what is to be done and who is to do it, setting goals and developing ways to achieve them. Organising involves assigning duties, grouping tasks, establishing authority and allocating resources required to implement the plan. Staffing is finding the right people for the right job — recruitment, selection, placement and training of personnel. Directing involves leading, influencing and motivating employees to perform their assigned tasks through motivation, leadership, communication and supervision. Controlling involves monitoring organisational performance, measuring it against established standards and taking corrective action where deviations are found.

These functions are interrelated: a manager first plans, then organises, staffs, directs and controls. However, in reality these functions overlap — managers rarely carry out these functions in isolation. A manager may be directing employees while simultaneously planning for a future event or controlling ongoing work. These functions are performed simultaneously by all managers all the time. Coordination runs through all of them as the binding force. Therefore, management is indeed a series of continuous and interrelated functions, not a one-time or sequential activity.

Q16 A company wants to modify its existing product in the market due to decreasing sales. You can imagine any product about which you are familiar. What decisions/steps should each level of management take to give effect to this decision?

Consider a company manufacturing mobile phones that wants to modify its product due to decreasing sales.

Top Management (Chairman, CEO, Vice-Presidents): Top management analyses the business environment — competitive landscape, customer feedback and market trends — to identify why sales are declining. They set the overall objective (e.g., launch an upgraded model within 6 months with improved camera and battery). They formulate the overall strategy: budget allocation, timeline, target market. They are responsible for the welfare and survival of the organisation and ensure that this decision aligns with long-term goals.

Middle Management (Division Heads, Departmental Managers): The R&D manager oversees the product modification — improving camera resolution, battery life and design. The marketing manager develops a revised marketing strategy and rebranding plan. The production manager plans adjustments to the manufacturing line for the new components. The finance manager ensures adequate funds are made available and monitors costs. Each middle manager interprets top management's policy and motivates and assigns tasks to their teams.

Supervisory/Operational Management (Supervisors, Foremen): Supervisors directly oversee workers executing the changes — assembly line workers producing the modified phone, quality control teams testing new specifications. They ensure quality of output is maintained, wastage of materials is minimised and safety standards are met. They pass on the instructions of middle management to the workforce and report execution progress upward.

Through this coordinated effort across all three levels, the company can successfully modify and relaunch its product.

Q17 A firm plans in advance and has a sound organisation structure with efficient supervisory staff and control system but on several occasion it finds that plans are not being adhered to. It leads to confusion and duplication of work. Advise remedy.

The firm is clearly lacking coordination. Despite having good planning, sound organisational structure, efficient supervisory staff and a control system, plans are not being adhered to and there is confusion and duplication of work — which are symptoms of poor coordination.

Coordination is the essence of management and the force that binds all other functions. Even when each individual function (planning, organising, directing, controlling) operates well in isolation, without coordination they do not work together harmoniously.

Remedy: (i) Integrate all functions through coordination — the firm must ensure that its plans, organisational structure and control system are linked through conscious coordination at every stage. Planning must factor in the activities of all departments so that there is no duplication. (ii) Establish clear communication channels — departments must communicate regularly to align their activities. Regular inter-departmental meetings should be held to synchronise efforts. (iii) Define authority and responsibility clearly — each person must know their role so that tasks are not duplicated. The organisational hierarchy must have clear authority-responsibility relationships. (iv) Ensure that top and middle management actively coordinate — top management must coordinate with subordinates to ensure policies are carried out; middle management must coordinate between top and operational levels. (v) Use the control system to detect deviations early and coordinate corrective action across departments. Coordination must be treated not as an add-on but as inherent in all management functions.