

1.1 Management – Concept, Functions and Characteristics

Concept of Management

Management is an activity which is necessary wherever there is a group of people working in an organisation. Management in organisations are performing diverse tasks but they are all working towards the same goal. Management aims at guiding their efforts towards achieving a common objective — a goal.

Thus, management has to see that tasks are completed and goals are achieved (*i.e., effectiveness*) with the least amount of resources at a minimum cost (*i.e., efficiency*).

Management is defined as a process of getting things done with the aim of achieving goals effectively and efficiently.

DEFINITIONS OF MANAGEMENT

- ❖ "Management is the process of working with and through others to effectively achieve organisational objectives by efficiently using limited resources in the changing environment." —Kreitner
- ❖ "Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims." —Harold Koontz and Heinz Weihrich
- ❖ "Management is defined as the process of planning, organising, actuating and controlling an organisation's operations in order to achieve coordination of the human and material resources essential in the effective and efficient attainment of objectives." —Robert L. Trewelly and M. Gene Newport

There are certain terms in the above definition of management, which require elaboration. These are (a) process, (b) effectively, and (c) efficiently.

1. Process

'Process' in the definition of management means the primary functions or activities that management performs to get things done.

These functions are planning, organising, staffing, directing and controlling.

Management is described as the process of planning, organising, directing and controlling the efforts of organisational members and of using organisational resources to achieve specific goals.

2. Effectiveness

Being effective or doing work effectively basically means finishing the given task.

Effectiveness in management is concerned with doing the right task, completing activities and achieving goals. In other words, it is concerned with the end result.

3. Efficiency

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

Efficiency means doing the task correctly and with minimum cost.

There is a kind of cost-benefit analysis involved and the relationship between inputs and outputs.

- If by using less resources (i.e., the inputs) more benefits are derived (i.e., the outputs) then efficiency has increased.
- Efficiency is also increased when for the same benefit or outputs, fewer resources are used and less costs are incurred. Input resources are money, materials, equipment and persons required to do a particular task.

Obviously, management is concerned with the efficient use of these resources, because they reduce costs and ultimately lead to higher profits.

Effectiveness versus Efficiency

These two terms are different but they are interrelated. For management, it is important to be both effective and efficient. Effectiveness and efficiency are two sides of the same coin. But these two aspects need to be balanced.

- Management at times, has to compromise with efficiency. For example, it is easier to be effective and ignore efficiency i.e., complete the given task but at a high cost. Suppose, a company's target production is 20,000 units in a year. To achieve this target the manager has to operate on double shifts due to power failure most of the time. The manager is able to produce 20,000 units but at a higher production cost. In this case, the manager was effective but not so efficient, since for the same output, more inputs (labour cost, electricity costs) were used.
- At times, a business may concentrate more on producing goods with fewer resources i.e., cutting down cost but not achieving the target production. Consequently, the goods do not reach the market and hence the demand for them declines and competitors enter the market. This is a case of being efficient but not effective since the goods did not reach the market.

Therefore, it is important for management to achieve goals (effectiveness) with minimum resources i.e., as efficiently as possible while maintaining a balance between effectiveness and efficiency.



Top Tip

Usually high efficiency is associated with high effectiveness which is the aim of all managers. But undue emphasis on high efficiency without being effective is also not desirable. Poor management is due to both inefficiency and ineffectiveness.

Functions of Management

Management consists of a series of continuous, but interrelated and inter-dependent functions, that are performed by all managers. These functions are planning, organising, staffing, directing and controlling.

1. Planning

Planning is the function of determining in advance what is to be done and who is to do it. This implies setting goals in advance and developing a way of achieving them efficiently and effectively.

Planning is defined as setting objectives for a given time period, formulating various courses of action to achieve them, and then selecting the best possible alternative from among the various courses of action available.

It must be noted that planning cannot prevent problems, but it can predict them and prepare contingency plans to deal with them if and when they occur.

2. Organising

Organising is the management function of assigning duties, grouping tasks, establishing authority and allocating resources required to carry out a specific plan.

- Once a specific plan has been established for the accomplishment of an organisational goal, the organising function examines the activities and resources required to implement the plan. It determines what activities and resources are required. It decides who will do a particular task, where it will be done, and when it will be done.
- Organising involves the grouping of the required tasks into manageable departments or work units and the establishment of authority and reporting relationships within the organisational hierarchy.

3. Staffing

Staffing simply means – "*finding the right people for the right job*".

Staffing function of management is concerned with obtaining, utilising and maintaining a satisfactory and satisfied workforce.

A very important aspect of management is to make sure that the right people with the right qualifications are available at the right places and times to accomplish the goals of the organisation. This is also known as the **human resource function** and it involves activities such as recruitment, selection, placement and training of personnel.

4. Directing

Directing involves leading, influencing and motivating employees to perform the tasks assigned to them.

This requires establishing an atmosphere that encourages employees to do their best.

Directing has four elements – (i) Motivation (ii) Leadership (iii) Communication (iv) Supervision.

Motivation and leadership are two key components of direction.

- Motivating workers means simply creating an environment that makes them want to work.
- Leadership is influencing others to do what the leader wants them to do. A good manager directs through praise and criticism in such a way that it brings out the best in the employee.

Directing also involves communicating effectively as well as supervising employees at work.

5. Controlling

Controlling is the management function of monitoring organisational performance towards the attainment of organisational goals.

The task of controlling involves establishing standards of performance, measuring current performance, comparing this with established standards and taking corrective action where any deviation is found. Here management must determine what activities and outputs are critical to success, how and where they can be measured and who should have the authority to take corrective action.

Top Tip

The various functions of a manager are usually discussed in the order given above, suggesting that a manager first plans, then organises, puts staff in position, then directs, and finally controls. In reality, managers are rarely able to carry out these functions in isolation. The activities of a manager are interrelated and it is often difficult to pinpoint where one ended and the other began.

Characteristics/Features of Management

1. Management is a goal-oriented process.

An organisation has a set of basic goals which are the basic reason for its existence. These should be simple and clearly stated. Different organisations have different goals. *For example*, the goal of a retail store may be to increase sales, but the goal of a school is to impart education to children.

Management unites the efforts of different individuals in the organisation towards achieving organisational goals.

2. Management is a continuous process.

The process of management is a series of continuous, composite, but separate functions (planning, organising, directing, staffing and controlling). These functions are simultaneously performed by all managers all the time. The time spent by managers in different functions, however, is different. Managers at the top level spend more time in planning and organising than managers at lower levels of the organisation.

3. Management is all pervasive.

Management is pervasive as it is required in all organisations, in all the departments and at all levels.

The activities involved in managing an enterprise are common to all organisations whether economic, social or political. A petrol pump needs to be managed as much as a hospital or a school. What managers do in India, the USA, Germany or Japan is the same. How they do it may be quite different. This difference is due to the differences in culture, tradition and history.

4. Management is an intangible force.

Management is an intangible force that cannot be seen but its presence can be felt or its effect is noticeable when targets are met according to plans, employees are happy and satisfied, and there is orderliness instead of chaos.

5. Management is a group activity.

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

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TEAM



Individuals say 'I'... Team says 'We'
A successful team beats with one heart.

6. Management is a dynamic function.

Management is a dynamic function and has to adapt itself to the changing environment.

An organisation interacts with its external environment which consists of various social, economic and political factors. In order to be successful, an organisation must change itself and its goals according to the needs of the environment. *For example*, McDonalds, the fast food giant made major changes in its menu to be able to survive in the Indian market , e.g. it offers Aloo Tikki burger.

7. Management is multi-dimensional.

Management is a complex activity that has three main dimensions. These are:

- (i) **Management of work:** All organisations exist for the performance of some work. In a factory, a product is manufactured, in a garment store a customer's need is satisfied and in a hospital a patient is treated. Management translates this work in terms of goals to be achieved and assigns the means to achieve it. This is done in terms of problems to be solved, decisions to be made, plans to be established, budgets to be prepared, responsibilities to be assigned and authority to be delegated.
- (ii) **Management of people:** Human resources or people are an organisation's greatest asset. Despite all developments in technology "getting work done through people" is still a major task for the manager. Managing people has two dimensions:
 - dealing with employees as individuals with diverse needs and behaviour; and
 - dealing with employees as a group of people.
 The task of a manager is to make people work towards the achievement of the organisational goals by making their strengths effective and their weaknesses irrelevant.
- (iii) **Management of operations:** Every organisation has some basic product or service to provide in order to survive. This requires a production process of transforming input material and the technology into the desired output for consumption. This is interlinked with both the management of work and the management of people.

Objectives of Management

Management seeks to achieve certain objectives which are the desired result of any activity. They must be derived from the basic purpose of the business. In any organisation there are different objectives and management has to achieve all objectives in an effective and efficient manner.

Objectives can be classified into organisational objectives, social objectives and personal or individual objectives.

1. Organisational Objectives

Management is responsible for setting and achieving objectives for the organisation. It has to achieve a variety of objectives in all areas considering the interest of all stakeholders including shareholders, employees, customers and the government.

The main objective of any organisation should be to utilise human and material resources to the maximum possible advantage, i.e., to fulfill the economic objectives of a business. These are survival, profit and growth.

- (i) **Survival:** The basic objectives of any business is survival. Management must strive to ensure the survival of the organisation. In order to survive, an organisation must earn enough revenues to cover costs.
- (ii) **Profit:** Mere survival is not enough for business. Management has to ensure that the organisation makes a profit. Profit provides a vital incentive for the continued successful operation of the enterprise. Profit is essential for covering costs and risks of the business.
- (iii) **Growth:** A business needs to add to its prospects in the long run, for this it is important for the business to grow. To remain in the industry, management must exploit fully the growth potential of the organisation. Growth of a business can be measured in terms of:
 - increase in sales volume,
 - increase in the number of employees,
 - increase in the number of products, or
 - the increase in capital investment, etc.

2. Social objectives

It involves the creation of benefit for society. As a part of society, every organisation whether it is business or non-business, has a social obligation to fulfill. This refers to consistently creating economic value for various constituents of society. This includes:

- using environmental friendly methods of production,
- giving employment opportunities to the disadvantaged sections of society, and
- providing basic amenities like schools and crèches to employees.

3. Personal objectives

Organisations are made up of people who have different personalities, backgrounds, experiences and objectives. They all become part of the organisation to satisfy their diverse needs. These vary from:

- **financial needs** such as competitive salaries and perks,
- **social needs** such as peer recognition, and
- **higher level needs** such as personal growth and development.

Management has to reconcile personal goals with organisational objectives for harmony in the organisation.

Top Tip

Personal objectives of management aim at satisfying the diverse needs of people in the organisation who have different personalities, objectives, etc. Personal objectives of management should not be confused with fulfilling personal objectives of employees.

Providing basic amenities like schools and crèches to employees is social objective of management, not personal objective since management of an organisation has to fulfill its social responsibilities towards various stakeholders, including employees.

Importance of Management

1. Management helps in achieving group goals.

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

2. Management increases efficiency.

The aim of a manager is to reduce costs and increase productivity through better planning, organising, directing, staffing and controlling the activities of the organisation.

3. Management creates a dynamic organisation.

All organisations have to function in an environment which is constantly changing. It is generally seen that individuals in an organisation resist change as it often means moving from a familiar, secure environment into a newer and more challenging one.

Management helps people adapt to these changes so that the organisation is able to maintain its competitive edge.

4. Management helps in achieving personal objectives.

A manager motivates and leads his team in such a manner that individual members are able to achieve personal goals while contributing to the overall organisational objective.

Top Tip

Through motivation and leadership the management helps individuals to develop team spirit, cooperation and commitment to group success.

5. Management helps in the development of society.

Management helps in the development of society by:

- providing good quality products and services,
- creating employment opportunities,
- adopting new technology for the greater good of the people, and
- leading the path towards growth and development.

Levels of Management

Management is a universal term used for certain functions performed by individuals in an enterprise who are bound together in a hierarchy of relationships. Every individual in the hierarchy is responsible for successful completion of a particular task. To be able to fulfill that responsibility he is assigned a certain amount of authority or the right to take a decision.

The authority-responsibility relationship binds individuals as superiors and subordinates and gives rise to different levels of management in an organisation.

Generally speaking there are three levels in the hierarchy of an organisation:

- (i) Top level management
- (ii) Middle level management
- (iii) Supervisory or operational management (i.e. lower level management).



1. Top Level Management

They consist of the senior-most executives of the organisation. *For example:*

- Chief Operating Officer
- Chief Marketing Officer (CMO)
- Managing Director
- President
- Chief Executive Officer (CEO)
- Chief Finance Officer (CFO)
- Chairman
- Vice-President

Functions

- (i) Their basic task is to integrate diverse elements and coordinate the activities of different departments according to the overall objectives of the organisation.
- (ii) These top level managers are responsible for the welfare and survival of the organisation.
- (iii) They analyse the business environment and its implications for the survival of the firm.
- (iv) They formulate overall organisational goals and strategies for their achievement.
- (v) They are responsible for all the activities of the business and for its impact on society.

Thus, the job of the top manager is complex and stressful, demanding long hours and commitment to the organisation.

✓ Top Tip

Top management is a team consisting of managers from different functional levels, heading finance, marketing etc. For example chief finance officer, vice president (marketing). However, individually managers from different functional levels, such as production manager or marketing manager will be acting as middle level managers.

2. Middle Level Management

Middle Management is the link between top and lower level managers.

They are subordinate to top managers and superior to the first line managers.

They are usually known as division heads. *For example:*

- Production manager
- Finance manager
- Marketing manager
- Human Resource (HR) manager

✓ Top Tip

Middle level management also includes the following:

- Operations manager
- Regional manager
- Plant Superintendent
- Divisional manager

Middle management is responsible for implementing and controlling plans and strategies developed by top management. At the same time they are responsible for all the activities of first line managers.

Functions

Their main task is to carry out the plans formulated by the top managers. For this they need to:

- (i) interpret the policies framed by top management,
- (ii) ensure that their department has the necessary personnel,
- (iii) assign necessary duties and responsibilities to them,
- (iv) motivate them to achieve desired objectives, and
- (v) co-operate with other departments for smooth functioning of the organisation.

3. Supervisory or Operational Management

Foremen and *supervisors* comprise the lower level in the hierarchy of the organisation. Their authority and responsibility is limited according to the plans drawn by the top management.

Functions

Supervisory management plays a very important role in the organisation because of the following main functions they perform:

- (i) They interact with the actual workforce and pass on instructions of the middle management to the workers.
- (ii) Supervisors directly oversee the efforts of the workforce.
- (iii) Through their efforts quality of output is maintained and wastage of materials is minimised.
- (iv) They ensure that safety standards are maintained.

The quality of workmanship and the quantity of output depends on the hard work, discipline and loyalty of the workers.