

NCERT Solutions Class 12
Business Studies Principles and Functions of
Management

Chapter 1 : Nature and Significance of Management
Class 12

Short Answers Type

Question 1: Define Management.

Solution :

Management can be defined as a process of getting the work or the task done that is required for achieving the goals of an organisation in an efficient and effective manner.

Process implies the functions of the management. That is, planning, organising, staffing, directing and controlling. On the other hand, effective implies completing the given task and work while, efficient means successfully completing the task with minimum possible cost. The various functions of a management suggests that a manager first plans, then organises, puts staff in position, then directs, and finally controls.

Management is important because it helps in achieving group goals, increases efficiency, creates a dynamic

organisation, helps achieve personal objectives and contributes to the development of society.

Management is a combination of an organised body of knowledge (science) and its skillful application (art). Although it does not satisfy all the requirements of a profession, it is to a large extent professional in character.

Management is considered a three-tier activity. The top management focuses on determination of objectives and policies, middle management attempts to achieve these objectives through the effort of other managers and supervisory or operational management directly oversees the efforts of the workforce

Question 2 : Name any two important characteristics of management.

Solution :

The following are the two characteristics of management.

i. **Pervasive-** Management is pervasive to all organizations across size, characteristics and region. That is, all organizations whether large or small, working whether for economic, social or political interest and in any region need management. For example, a corporate firm requires management as

does a non-profit organisation. Similarly, a hotel needs as much management as a hospital. In addition, management is practiced by organizations in all the countries and regions. The only difference lies in how it is practiced by different organizations in different regions based on their culture and traditions.

ii. *Continuous Process*- Management is a continuous process. That is, the various functions of management (planning, organising, directing, staffing and controlling) are performed simultaneously by the managers. However, the focus or the priority of the manager may differ from day to day. While on one day, the manager may devote more time towards planning, while on other day more time may be spent on controlling.

Question 3 : Ritu is the manager of the northern division of a large corporate house. At what level does she work in the organisation? What are the basic functions?

Solution :

Ritu being the manager of the northern division of the organisation is in the middle-level management. She and other managers like her act as a link between the top management and the operational management. Her main task is to oversee the implementation of the plans and policies formulated by the top management by directing and supervising the functions of the lower management.



The following are her basic functions.

1. Interpreting the policies formulated by the top management.
2. To make sure that each department under her division has the required personnel and staff for carrying out the assigned work.
3. To assign the necessary duties and responsibilities to the persons working in various departments.
4. To encourage and motivate the personnel towards achieving the goals.
5. Co-operate with other departments for smooth functioning of the organisation.

Question 4: Why is management considered a multi-faced concept?

Solution :

Management is said to be multi-faceted concept as it is a complex process involving not just one but various dimensions. There are three main dimensions of management.

i. *Managing the Work*- The performance of a definite work forms the basis of an organisation. With management this work is interpreted in terms of the objectives and goals and how they are to be achieved. The task of management is to make people work towards achieving the organization's goals, by making their strengths effective and their weaknesses irrelevant.

ii. *Managing the People*- As the work is to be done by the people, managing the people is another important dimension of management. It involves dealing with the employees both as an individual and as groups or teams. With management their strengths are utilised and weakness are worked upon so as to achieve the desired objectives.

iii. *Managing the Operations*- Every organisation involves a production process where the inputs are transformed into a product or a service. This production process requires continuous management.

Thus, we can say that management is a multi-dimensional process .

Question 5 : Discuss the basic features of management as a profession.

Solution :

The following are the basic features according to which management can be viewed as a profession.

i. *Systemised Knowledge*- Management is based on a systemised and well-defined body of knowledge comprising of principles and theories. This knowledge can be attained through various colleges, institutes and books.

ii. *Professional Association*- As every profession, management is also affiliated to a professional association that regulates the functions of the members. For example, in India the AIMA (All India Management Association) regulates the functioning of its member managers.

However, there is no compulsion for every manager to be member of the association.

iii. *Restriction to Entry*- Although no specific qualifications or degrees are required to be a manager, however, professional knowledge in terms of management degrees and diplomas are preferred. To some

extent, this restricts the entry of people in management as a profession.

iv. Code of Conduct- Every profession follows a particular code of conduct that acts as a guiding principle for the ethical behavior of its members. Through good management, the production takes place in an effective and efficient manner and quality goods and services are provided to the society at a fair price.

Long Answer Type

Question 1 : Management is considered to be both an art and a science. Explain.

Solution :

Management fulfills the criteria of both an art as well as a science. The following points explain the features of management as an art and as a science.

Management as an Art

Art is the skillful and personal application of existing knowledge to achieve desired results. It can be acquired through study, observation and experience. Since art is concerned with personal application of knowledge some kind of ingenuity and creativity is required to practice the basic principles learnt.

Management satisfies the following criteria for it to be called an art.

i. ***Existence of Theoretical Knowledge:*** Art presupposes the existence of certain theoretical knowledge. Experts in their respective areas have derived certain basic principles which are applicable to a particular form of art. Various theories and principles have been developed in management. Such as Henry Fayol's Principles of Management, Taylor's Scientific Management Theory.

ii. ***Personalised Application:*** Art is the personalised concept. That is, each individual uses the basic knowledge in his own creative way. For example, every dance form has some basic steps. These steps are used by each dancer using his own creative manner. In a similar manner, managers use the available theories and principles as per the situation in their own unique manner. That is, the managers use their own creativity and imagination for the application of the knowledge of management.

iii. ***Based on Practice and Creativity:*** Art involves practice and innovation. The artists use the existing literature as per his own creativity and innovation. For example, two writers can describe a given situation based on their unique interpretations. Similarly, in management, a manager applies the theories and principles of management to different situations as per his own creativity and imagination and sometimes even formulates new ways to address a situation.

Management as a Science

Science is a systematized body of knowledge that explains certain general truths or the operation of general laws. As a science, management fulfills the following criteria.

i. ***Systematic Body of Knowledge***: Science has a specified body of knowledge which is based on cause and effect relationship. Similarly, management has its own body of theories and principles that are developed over years. For example, all of us discuss sports like cricket and soccer using a common vocabulary. The players also use these terms to communicate with each other. Similarly managers need to communicate with one another with the help of a common vocabulary for a better understanding of their work situation.

ii. ***Principles Based on Experimentation***: In science the principles and theories are based on continuous observation and experimentation. In a same manner, the principles of management have also developed over several years based on repeated observations and experiments. However, as against science, in management no exact cause and effect relationship can be established. This is because management primarily deals with humans and human behavior. As human behavior is subject change, so, the outcome of these theories would also vary from one situation to another. Despite this, management fulfils this criterion of science to some extent as the

scholars have been able to identify certain theories and principle that act as guidelines in management.

iii. **Universal Validity:** In science, the principles have universal validity. In management also the theories and principles are valid to some extent if not universal. Although the application of the theories and their outcomes vary from situation to situation, however they act as standards for actions in different situations. That is, these principles can be used for the basic training of the managers.

Question 2 : Do you think management has the characteristics of a full fledged profession?

Solution :

Although management does not satisfy all the criteria of a profession, however, it does possess some of the characteristics that qualify it to be a profession. The following are the characteristics of management as a profession.

i. **Well defined body of Knowledge-** Management has a systemised and well-defined body of knowledge. It is based on several theories and principles that are developed over years with continuous experimentation and observation. The knowledge of management can be attained through various colleges, institutes and books. Management as a course is offered by many colleges and

professional institutes. For example, in India, the Indian Institute of Management (IIM) is the premier institute of management.

ii. *Restriction to Entry*- Management satisfies this criterion only to some extent. As against other professions such as a doctor or a lawyer, no specific qualification or degree are required to be a manager. That is, any person holding any degree or qualification can be a manager. However, the entry is restricted as persons with professional management degree or diploma are preferred.

iii. *Professional Association*- A professional has to be a member or should be associated with a statutory body which is responsible for stating the laws and authorities of that profession. Management is affiliated to a professional association that regulates the functions of the members. In India, the AIMA (All India Management Association) is an association for the managers. But, it is not requisite for managers to be a part of them.

iv. *Motive*: The basic purpose of management is to help the organisation achieve its stated goal. This may be profit maximisation for a business enterprise and service for a hospital. However, profit maximisation as the objective of management does not hold true and is fast changing. Therefore, if an organisation has a good management team that is efficient and effective it automatically serves society by providing good quality products at reasonable

prices. Thus, it can be said that to some extent management satisfies the criterion for it to be called a profession.

Question 3: Coordination is the essence of management. Do you agree? Give reasons.

Solution :

Yes, Coordination is indeed the essence of management. By Coordination, we mean a path through which the group functions are linked up. It binds the people of the organisation and their activities to ensure a smooth functioning of the work. It is that force which unites the working and efforts of the people of the organisation towards the common objective of the organisation.

Coordination links the interrelated functions of management. It is found at every level of management. It begins right from the stage of planning where goals and objectives are set for the organisation. Coordination is then required between the stage of planning and staffing so that right kind of people are hired for the execution of the plan. Next the functions of directing and controlling must also be coordinated with each other so as to realise the achievement of desired goals. The following points highlight the importance of coordination in management.

(a) *Harmonized Goals:* In any organisation, growth is one of important goals. With growth of the organisation, its

size increases and the number of personnel also increases. However, greater number of persons means more differences in thoughts and work habits that may lead to disharmony among people. Also, every individual will have his/her personal goals which may create hindrance in achieving the organizational goals. So, coordination is important so as to synchronize the personal and the overall goals in one direction.

(b) *Allotted Work*: Each task requires specialisation to give the requisite results. For this, every organisation hires expert for different tasks. Every specialist approaches the tasks in his own unique manner and is generally reluctant to take up any advice or suggestion from others. This may lead to diversion or conflict among various specialists in the organisation. Thus, coordination is required from an outside body such as the manager so as to integrate their opinions and thoughts.

(c) *Interdependence of Divisions*: An organisation has various departments and sub-departments such as production, sales, finance, etc. Every department works independently and with its own policies and objectives. For example, the sales department may want greater monetary incentives for its employees but the finance department may not approve of such incentives as it may lead to increase in the cost of the organisation. In this case, there arises a conflict between the two

departments. Thus, here also coordination is needed to synchronize the activities of each department towards the achievement of common goals of the organisation. Hence, we see that coordination is intrinsic and imperative for management. It is the 'essence' of management.

Question 4 : "A successful enterprise has to achieve its goals effectively and efficiently." Explain.

Solution :

Management is defined as a process of getting the work or the task done that is required for achieving the goals of an organisation in an efficient and effective manner. Here, the two key words- efficient and effective play an important role. Effectiveness means completing the given work in the required time. In other words, it means doing the right things with focus on the end result. It is a very important aspect of management as it helps in reaching the set goals. Efficiency on the other hand, means completing the task with minimum possible costs and resources. Efficiency is said to increase if greater benefits are achieved using lesser resources or even if same benefits can be derived by cutting down on resources. Suppose, a company's target production is 5000 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 5000 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.

For an organisation, both effectiveness and efficiency play an equally important role in achieving the goals. While on one hand, being effective implies actually achieving the goals, on the other hand, being efficient would reduce the cost and thereby, increase profits. However, often an organization has to compromise on one while achieving the other. That is, if the company focuses on effectiveness, it may have to compromise on efficiency and vice-versa. For example, suppose to complete a given task of production, the manager decides to hire more number of workers. This would mean that he will have to give more salary which in turn increases the total cost of production.

In this case, the manager may complete the allotted task in time but the task would lack efficiency. On the other hand, if the manager continues to work with the available workers so as not to increase the cost, then this would

result in the delay of the project. That is, in this case the manager compromises on effectiveness while achieving efficiency.

Hence, it is necessary to maintain a balance between effectiveness and efficiency. Undue emphasis on one without the other is of no good for the organisation.

Question 5: Management is a series of continuous interrelated functions. Comment.

Solution :

In the words of 'Robert L. Trewelly and M. Gene Newport', 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. Planning, organising, directing, staffing and controlling are the five basic functions of management that the manager has to perform simultaneously. In addition to this, these functions are interrelated and each one is a function of the other. That is, no function can be complete without the other ones. For example, until planning is not done, organising cannot take place. Similarly, until right kind of staffing is not there, then direction would not be successful.



A detailed explanation of the functions of management is as follows.

(a) *Planning*- Planning implies deciding what work is to be done, who is to do it and how it is to be done. That is, it implies the setting up of goals to be achieved and devising the means for achieving them effectively and efficiently. It is the stepping stone for management of any organisation. It is well said idiom that 'well planned is half done'. In addition, planning helps in predicting the situations and choosing the best out of various alternatives to deal with the situation.

(b) *Organizing*- Once the plan is designed, the next step is organising. Organising implies

identifying what tasks and resources are required for the execution of the plan. Under organising the duties and tasks are grouped and allotted to different departments, authority is defined and a hierarchical structure is established in the organisation. Proper organisation leads to both effectiveness and efficiency in the organisation.

(c) Staffing- Any organisation requires specialised personnel for the accomplishment of the tasks. Staffing implies hiring the right kind of people with the required qualification for the work. Staffing is also known human resource function and includes hiring, training and development of the people.

(d) Directing- Directing is a very important function of a manager. It deals with guiding and steering the people working in the office. It includes motivating them in the right direction so that they can put in their best to achieve the goals. Directing has two important aspects- motivation and leadership. Motivation includes setting up of right environment for the work. Leadership on the other hand, implies getting the work done as per the directions of the leader. This is achieved by praising and criticising the work as and when required.

(e) Controlling- Once the above functions are done, it is necessary to control and check that the

work is moving in the right direction. It involves measuring the actual work against the set standards and the policies. It also ensures that the work is up-to the mark and there is no diversion or errors from the set targets. Controlling also takes care that if there arises any error or discrepancy then, appropriate measures are taken to rectify it. This helps in finally achieving the goals in time, effectively and efficiently. Thus, we can say that the functions of management are interdependent on each other and the manager performs these functions simultaneously.

Multiple Choice Questions

Question 1 : Which is not a function of management of the following?

- (a) planning
- (b) staffing
- (c) cooperating
- (d) controlling

Solution :

Cooperating is not a function of management. Management is described as the process of planning, organizing, directing and controlling the efforts of organizational members and of using organizational resources to achieve specific goals. There are mainly five

functions of management- planning, organizing, staffing, directing and controlling. For the performance of these interrelated functions, the activities of the various departments, units and individuals must be synchronized. That is, the different departments must cooperate with each other and work in a coordinated manner. 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 sometimes considered a separate function of management. It is however, the essence of management, for achieving harmony among individual efforts towards the accomplishment of group goals. Each managerial function is an exercise contributing individually to coordination. Coordination is implicit and inherent in all functions of an organisation.

Question 2 : Management is:

- a. an art
- b. a science
- c. both art and science
- d. neither

Solution :

Management is both an art and a science.

Art is the skillful and personal application of existing knowledge to achieve desired results. It can be acquired through study, observation and experience. Since art is concerned with personal application of knowledge some kind of ingenuity and creativity is required to practice the basic principles learnt.

Management satisfies the following criteria for it to be called an art:

1. Existence of theoretical knowledge
2. Personalised application
3. Based on practice and creativity

Science is a systematized body of knowledge that explains certain general truths or the operation of general laws. As a science, management fulfills the following criteria:

1. Systematized body of knowledge
2. Principles based on experimentation
3. Universal validity

The practice of management is an art. However, managers can work better if their practice is based on the principles of management. These principles constitute the science of management. Management as an art and a science are therefore not mutually exclusive but complement each other.

Question 3 : The following is not an objective of management:

- a. earning profits
- b. growth of the organisation
- c. providing employment
- d. policy making

Solution :

Policy making is not an objective of management. It is in fact a process that involves the setting up of goals and objectives for the organisation and the determining the ways to achieve the desired goals. That is, it can be said that policy making is the path through which the objectives of a management i.e. organisational objectives (such as earning profits and growth of the organisation), social objectives (such as providing employment) and personal objectives can be achieved.

Question 4 : Policy formulation is the function of

- a. top level managers
- b. middle level managers
- c. operational management
- d. all of the above

Solution :

Policy formulation is the function of the top level managers. They are the ones, responsible for developing the policies and goals for the organization. On the other hand, middle level managers

interpret these policies in terms of plans and objectives and works towards implementing them with the help of the operational management. The operational management as per the instructions of the middle management directly oversees the actual work process.

Question 5 : Coordination is

- a. function of management
- b. the essence of management
- c. an objective of management
- d. none of the above

Solution :

Coordination is the essence of management. It is neither a function nor an objective of an organisation. Rather, it is intrinsic in all the operations and functions of the management. It is a process through which the activities of various departments and units are synchronized towards the achievement of the common goals of the organisation. It is only through coordination among the different functions of management that the desired goals can be achieved.