

NCERT Solutions Class 12
Business Studies Principles and Functions of
Management
Chapter 1 : Nature and Significance of Management
Class 12

Very Short Answer Type

Question 1: What is meant by 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. Thus, management can be defined as the process of planning, organising, staffing, directing and controlling such that the goals of the organisation are achieved successfully with minimum cost and resources.

Question 2: Name any two important characteristics of management.

Solution :

Management is the process of planning, organizing, staffing, directing and controlling in such a manner that the goals of the organization are met with minimum cost and time. The two important characteristics of management are:

- Management is pervasive to all the organizations across all sizes, regions, and characteristics. All the types of organizations- large or small, focused on economic, political or social interest, and in area field, management is a must. Management exists in all the firms and is differed only on the basis of the type of practice of management.
- The process of management is continuous. All the function of management planning, organizing, staffing, directing and controlling are performed simultaneously. The focus of the manager may differ. At times, planning may be a priority, while on another day controlling is important.

Question 3: Identify and state the force that binds all the other functions of management.

Solution :

Coordination is a binding force that unites the individuals' efforts for the accomplishment of the common organisational goals. It is a process through which the activities of various departments and units are synchronized for the achievement of the organisation's goals.

Question 4: List any two indicators of growth of an organisation.

Solution :

the two indicators of growth of an organization are:

- Profit - If an organization earns a profit on a regular basis, it can be said that it is growing.
- Expansion - Expansion leads to more employees and turnover which is a good indicator of growth.

Question 5: . 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.

Solution :

The Management objective achieved by the Indian Railways is Social objective.

Social objectives involve creation of benefit for the society. This involves creating economic value consistently for society as a whole.

Short Answers Type

Question 1 : 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.

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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 2: State 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.

Question 3: Why is management considered to be a multi-dimensional concept?

Solution :

Management is said to be multi-dimensional 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.

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 is 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-faceted or multi-dimensional process covering various dimensions simultaneously.

Question 4 : 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?

Solution :

The quality of management that is lacking in the company is coordination.

All the departments of the company are not coordinating with each other and as a result they blame each for the poor performance of the company.

To bring coordination the management should take following steps:

1. Once the goals are set then they should communicate to all departments in advance to make them understand their goals and its importance.
2. The manager of the company should ensure that all departments coordinate with each other.
3. The managers should try to make a balance whenever there is a difference of interest so that they all work in the same direction.
4. Meetings of all department heads should be organised to solve the emerging problem in the company.

Question 5 : Coordination is the essence of management. Do you agree? Give reasons.

Solution :

- Yes, coordination is the essence of management.
- If there is no coordination among the different functions of the management, the organisation cannot be achieved.
- It would lead to a chaotic situation causing distress among the employees.
- The department may even hamper the progress of other departments.
- Coordination is extremely important to coordinate the different departments and to be synchronized to achieve the goals of the organisation.

Question 6 : 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.

Solution :

Ashita is effective, but not efficient. This is because Ashita completed the task on time but at a higher cost.

Effectiveness implies completing a given work in the required time with a focus on the end results.

Whereas, Lakshita is neither efficient nor effective. This is because Lakshita did not complete the target at all. Even though she produced the units at a lower cost, but not achieving the target will make her inefficient and ineffective.

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 : "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 manger continues to work with the available workers so as not to increase the cost, then this would

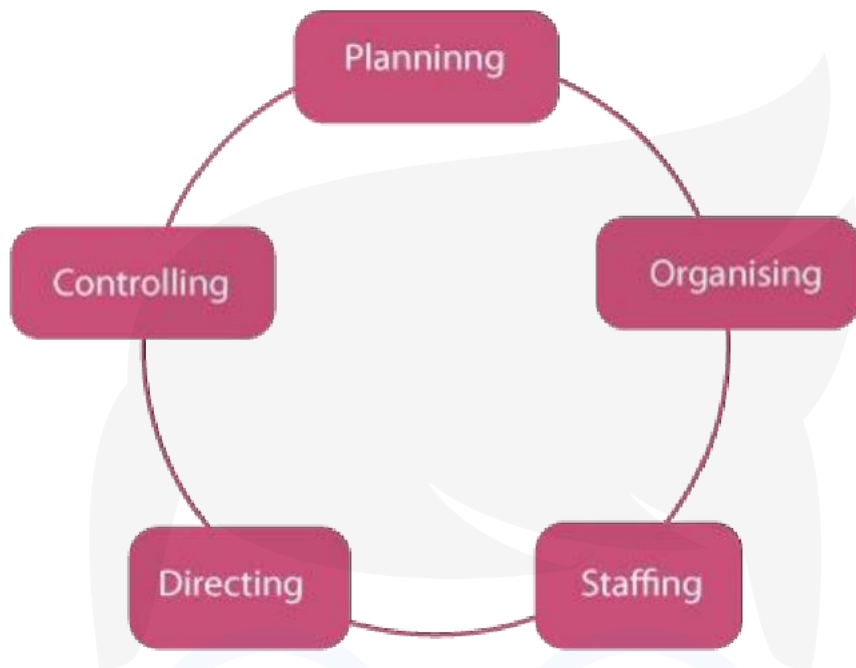
result in the delay of the project. That is, in this case the manager compromises on effectiveness while achieving efficiency.

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 4: 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.

Question 5: 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?

Solution :

There are three levels of management top level, middle level and lower level. And all the three levels of management will have to work together for modification of the product with the motive of increasing Sales.

1. Decisions should be taken by top level of management are:

Direction of modification after scanning the environment.
Deciding sales targets and various sales plans and sales incentives.

To determine how to enhance the value of the product in qualitative terms?

Marketing and promotional techniques are required for increasing sales.

2. Steps should be taken by middle level management are:

To interpret the rules and policies framed by top management to the lower level management.

To hire the personnel with required skills and qualifications.

Assigning responsibility as per capability and establishing the Supervisor - Subordinate relationship.

To motivate the people to achieve the desired target/goals.

To cooperate with all departments and their members.

To take the feedback and arrange the follow-up meetings.

3. Decisions should be taken by lower level management are:

To help and direct the workers about how to do the work.

To interpret the desired targets to the work force and labourers.

To reduce the wastage and motivate the workers so that they can give their best.

To communicate the grievance and feedback to the middle management.

Maintaining Safety Standards.

Question 6: 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.

Solution :

As per the case, the problem is in coordination and in communicating the work schedule. Because the duplication of work implies that there is a lack of coordination between the levels of management as well as there is a problem in communication because confusion only arises when things are not communicated properly.

Following remedies are to be taken:

- (i) Plans and control systems should be coordinated and plans should be revised in the light of actual results achieved.
- (ii) A proper communication pattern with clear-cut instructions is to be followed.
- (iii) Proper coordination is to be made between the workers, by guiding them and motivating them to achieve the goals.
- (iv) Time-to-time feedback is to be taken by the managers from the bottom level.
- (v) There should be transparency in the working pattern.
- (vi) Appropriate motivation techniques should be used.