

BUSINESS STUDIES

CHAPTER - 16

MANAGEMENT OF BUSINESS



We learn about the following in this chapter,

- Meaning of the management.
- Principles of management.
- Importance of decision making and its process.
- Functional areas of management.

Meaning of Management : Generally, the term management refers to the principles of managing the activities of an enterprise. It is also used to refer to a field of learning or a branch of knowledge. In the words of J.L. Haynes, “Management is an art of getting things done through other people”.

It is the process of getting Pre-determined things done through others by directing their efforts in an integrated and co-ordinated objectives of business. Management is the sum total of the principle functions namely (a) Planning (b) Organising (c) Staffing (d) Directing (e) Co-ordinating and (f) Controlling.

Principles of Management : For smooth and efficient management of a business concern, certain principles are necessary to be followed. The following principles are suggested by Henry Fayol.

Division of Work : Work has to be divided among the employees. The division of work leads to specialization and efficiency. It minimizes the wastage and maximises the production and profit. This principle can be adopted at all levels of the organisation.

Authority and responsibility : This principle refers to the authority and responsibility, which are the combination of official authority and personal responsibility. Both are compounded with intelligence, experience, past experience, moral worth etc.,

Discipline : This principle refers to the managerial authority and constructive discipline among the officials and subordinates at all levels. It guarantees the fulfillment of objectives set by the management. The discipline required by the superiors should be clear and fair. It also includes the judicious application of penalties.

Unity of command : This is the principle that an employee should receive orders from one superior only.

Unity of Direction : This principle means that each group of activities, having the same objective must have one head and one plan.

Sub-ordination of Individual interest to General interest : This principle tells that the management should minimize the individual differences and should not allow differences to block the fulfillment of general goals of the organisation.

Remuneration of Personnel : The remuneration and methods of payment should be fair and afford to maximum satisfaction to the employees.

Centralisation : This principle refers to the extent to which authority is concentrated, so that it gives the overall yields.

Scalar chain : This principle means that every enterprise should have graded authority or superior-subordinate relationship. The range of authority and responsibility of superiors in relation to the subordinates at various levels should be clearly defined.

Equity : It means that, there must be fair dealing, accommodation or co-operative attitude among the common employees and managers.

Stability of security to personnel : The management must assure security of job to the personnel. Instability of job has both cause and effect of the bad management. The quick labour turnover will result in bad management.

Initiative : The initiative is one of the keen satisfactions. The management should have the capacity to thinkout original plans and execute them with full discretion.

Espirate De-Corps : It is based on the principle “Unity is strength”. It emphasizes the need for team work and importance of communication in obtaining it.

DECISION MAKING – PROCESS

Meaning : Decision making is the mental process, of selecting a course of action among several activities.

Need for Decision making – Process:- Each business organisation has its own goals and objectives. In order to achieve these objectives and goals the business organisation has to take decision. There

are number of choices available even in a small matter. Suppose a businessman has to transport goods, he has to take a decision about the mode of transportation – whether to send the goods through a truck, tempo, train or by air. He has to choose one among the several alternatives and that alternative should be best suited and economical. It is based on the decision which the businessman has taken. Thus the decision making plays a very significant role in the business.

To-day India has a very diverse set of successful business institutions. In the coming years India will probably deliver more premium to a combination of institutional planning with analysed decision taking styles and organizational cultures. It may operate from one end of the spectrum to the other end. Decision making can be broadly divided into two types. They are :

- (1) Individual decisions
- (2) Group decisions

In small business organisations like sole trading concerns, it is the individual who takes the decision. They are called individual decisions. These decisions are based on the capability of the individual.

Decision making by a group of people as in the case of Partnership firms and Board of Directors as in the case of Joint Stock Companies or Co-operative Societies are called Group decisions. Here, a number of people take part in taking a decision.

Decision making - importance : Decision making solves many problems in the business organisation. While an appropriate decision can bring profit to the organisation, a wrong decision can result in loss. The following points are to be kept in mind while making decisions.

1) Time factor, 2) experience, 3) wise decision (wisdom), 4) firmness, 5) boldness and 6) clarity.

Solving a problem is directly linked with decision. The following factors are to be kept in mind while taking decisions.

- Analysing the problem.
- Planning of course of action.
- Maintaining courage and patience.
- Farsightedness.
- Ability to take quick and wise decision.

Functional areas of Management : Management is concerned with getting things done through the efforts of others. To get the work done through others, the management has to undertake a number of activities in a systematic manner. These systematic activities are called managerial functions.

The Managerial functions may be classified into different areas. Some of them are : (1) Planning (2) Organising (3) Staffing (4) Directing (5) Co-ordinating (6) Controlling.

1. Planning : It is one of the important functional areas of management. It involves the future course of operation for a given period. The process of planning includes determination of organizational objective and formulation of plans, policies, strategies, programmes, procedures and schedules.

2. Organising : It is the process of bringing together the man power and material resources. Some of the material resources are machines and materials. Putting the material resources and man power together into working order to achieve the objectives is the main purpose of the organizing area of managerial function.

3. Staffing : It is the function concerned with the recruitment, selection, placement, training, growth and development of all members of the organization.

4. Directing : It is the area of functional management where instructing, guiding, supervising and leading the people of an organization towards accomplishment of the organizational goals.

5. Co-ordination : It is the harmonious blending of the activities of the different departments for the achievement of the desired goals.

6. Controlling : The main objectives of controlling area are :

- a) to create an atmosphere of order and discipline in the organization to ensure proper co-ordination of activities.
- b) to ensure confirmation of actual performance with the pre-determined plans.

EXERCISES

I. Answer the following questions in a sentence.

1. What is management?
2. What do you mean by decision making?
3. What is individual decision and what is collective decision?
4. What is the principle of authority and responsibility in principles of management.

II. Answer each of the following questions in about four to five sentences.

1. What are the principles of management suggested by Henry Fayol?
2. What are the functional areas of management?
3. Write about the authority and responsibility, scalar chain and centralization in principles of management.
4. What is the need for decision making in management of business?
5. What are the important elements of decision making?
6. What factors are to be kept in mind, while taking a decision?
7. What do you mean by planning and organisation in functional areas of management?
8. How is controlling an important area of managerial function?
9. What are the main objectives of controlling areas?
10. “Directing and co-ordinations are very important functions in business management”. How?

III. Activities.

1. Meet a sole trader of your area and request him to give you particulars regarding how he takes decisions, regarding day to-day affairs of his business.
2. Visit a co-operative society near your place and find out the particulars of the meetings to Agenda, Quorum and minutes.

