

ગુજરાત રાજ્યના શિક્ષણવિભાગના પત્ર-ક્રમાંક
મશબ/1215/178/છ, તા. 24-11-2016 - થી મંજૂર

ORGANISATION OF COMMERCE AND MANAGEMENT

Standard 12



PLEDGE

India is my country.

All Indians are my brothers and sisters.

I love my country and I am proud of its rich and varied heritage.

I shall always strive to be worthy of it.

I shall respect my parents, teachers and all my elders and treat everyone with courtesy.

I pledge my devotion to my country and its people.

My happiness lies in their well-being and prosperity.

રાજ્ય સરકારની વિનામૂલ્યે યોજના હેઠળનું પુસ્તક



Gujarat State Board of School Textbooks
‘Vidyayan’, Sector 10-A, Gandhinagar-382010

© Gujarat State Board of School Textbooks, Gandhinagar
Copyright of this book is reserved by Gujarat State Board of School Textbooks.
No reproduction of this book in whole or in part, in any form is permitted without
written permission of the Director, Gujarat State Board of School Textbooks.

Subject Adviser

Dr. Trivenikant Thakur

Authors

Dr. Urmish S. Javeri (Convenor)

Prof. Jiteshchandra J. Jani

Dr. R. G. Patel

Shri Ashwinbhai R. Patel

Dr. Bellur O. Baxi

Dr. Jayendrasinh R. Jadav

Translators

Dr. Urmish S. Javeri

Pro. Jiteshchandra J. Jani

Dr. Bellur O. Baxi

Dr. Jayendrasinh R. Jadav

Shri Daxa Pathak

Shri Sonali Lalit Naik

Reviewers

Shri Shampa Bhattacharya

Shri Vijayeta K. Dawawala

Shri Monika Katyal

Shri Dinesh V. Taneja

Shri Rupal G. Naik

Prof. Swati U. Dave

Shri Saiju Chacko

Shri Deepak B. Shinde

Shri Monika Y. Gohil

Shri Jilsa Shaji

Dr. Shailja C. Tiwari

Dr. Dharmendra P. Patel

Language Reviewer

Dr. Titiksha U. Dhruv

Co-ordinator

Dr. Chirag N. Shah

(Subject Co-ordinator : Commerce)

Preparation and Planning

Dr. Kamlesh N. Parmar

(Dy. Director : Academic)

Lay-out and Planning

Shri Haresh S. Limbachiya

(Dy. Director : Production)

PREFACE

The Gujarat Secondary and Higher Secondary Board has prepared new syllabi in accordance with the syllabi at the national level. These syllabi are approved by the Government of Gujarat.

The Gujarat State Board of School Textbooks takes pleasure in presenting this textbook to the students. It is prepared according to the new syllabus of **Organisation of Commerce and Management, Std. 12.**

This textbook is written and reviewed by expert teachers and professors. This textbook is published after incorporating the necessary changes suggested by the reviewers.

The Board has taken ample care to make this textbook interesting, useful and free of errors. However, suggestions are welcome to improve the quality of this book from persons taking interest in education.

H. N. Chavda

Director

Date : 23-01-2017

Dr. Nitin Pethani

Executive President

Gandhinagar

First Edition : 2017

Published by : H. N. Chavda, Director, on behalf of Gujarat State Board of School Textbooks,
'Vidyayan', Sector 10-A, Gandhinagar

Printed by :

FUNDAMENTAL DUTIES

It shall be the duty of every citizen of India : *

- (a) to abide by the Constitution and respect its ideals and institutions, the National Flag and the National Anthem;
- (b) to cherish and follow the noble ideals which inspired our national struggle for freedom;
- (c) to uphold and protect the sovereignty, unity and integrity of India;
- (d) to defend the country and render national service when called upon to do so;
- (e) to promote harmony and the spirit of common brotherhood amongst all the people of India transcending religious, linguistic and regional or sectional diversities; to renounce practices derogatory to the dignity of women;
- (f) to value and preserve the rich heritage of our composite culture;
- (g) to protect and improve the natural environment including forests, lakes, rivers and wild life, and to have compassion for living creatures;
- (h) to develop the scientific temper, humanism and the spirit of inquiry and reform;
- (i) to safeguard public property and to abjure violence;
- (j) to strive towards excellence in all spheres of individual and collective activity so that the nation constantly rises to higher levels of endeavour and achievement;
- (k) to provide opportunities for education by the parent or guardian, to his child or a ward between the age of six and fourteen years as the case may be.

* Constitution of India : Section 51-A

INDEX

1. NATURE AND SIGNIFICANCE OF MANAGEMENT	1
2. PRINCIPLES OF MANAGEMENT	18
3. PLANNING	29
4. ORGANIZING	36
5. STAFFING	50
6. DIRECTING	61
7. CONTROLLING	77
8. FINANCIAL MANAGEMENT	84
9. FINANCIAL MARKET	99
10. MARKETING MANAGEMENT	113
11. CONSUMER PROTECTION	132
12. BUSINESS ENVIRONMENT	144
● PROJECT WORK	155
● ABBREVIATIONS	156



NATURE AND SIGNIFICANCE OF MANAGEMENT

What will you learn in this chapter ?

- Introduction
 - 1.1 Meaning of Management
 - 1.2 Nature of Management
 - 1.3 Importance of Management
 - 1.4 Management as Science, Art and Profession
 - 1.4.1 Management is a Science
 - 1.4.2 Management is an Art
 - 1.4.3 Management is a Profession
 - 1.5 Levels of Management
 - 1.5.1 Top Level Management
 - 1.5.2 Middle Level Management
 - 1.5.3 Bottom Level Management
 - 1.6 Functions of Management
 - 1.6.1 Planning
 - 1.6.2 Organising
 - 1.6.3 Staffing
 - 1.6.4 Directing
 - 1.6.5 Controlling
 - 1.7 Co-ordination
 - 1.7.1 Meaning
 - 1.7.2 Characteristics
 - 1.7.3 Importance
 - 1.8 Functional Areas of Management
 - 1.8.1 Marketing Management
 - 1.8.2 Human Resource Management
 - 1.8.3 Financial Management
 - 1.8.4 Production Management

Introduction

Management exists since ancient time. In the primitive era of stone age, human beings were getting their food by hunting, fishing etc. Planning, supervision, co-ordination, guidance were used by them for accomplishment of their work. This process means management.

No sooner did human being realised his limitations, than management became essential to achieve his objectives with the help of others. Man tries to get maximum satisfaction using minimum resources. For this, he receives co-operation of others. (1) When more than one person join hands for completion of work in a systematic manner. (2) A need of planning and delegation of authority and responsibility arises. Whenever there is a requirement, someone should be there to provide direction. Even control becomes necessary to see whether people are working as per pre-decided standards. These functions are known as management.

In business, sole proprietorship firms and partnership firms, were being managed by the owners themselves. Many changes took place in the nature of business with expansion of business activities and in due course of time finally, the 'Company' developed. In this format it becomes easy to arrange big amount of capital and the services of experts and other major benefits are also availed. But it gives rise to many problems as the size and activities of the business expand. These problems include the problem of capital,

production, sales and employees. In such circumstances, there is a need of trained, experienced and expert people to take various decisions and their implementations. Work done by this group of people is known as management.

1.1 Meaning of Management

Man is a social animal. He lives in groups. He receives co-operation of others to achieve the objectives. To know the concept of management, it becomes necessary to understand the meaning of management. Many writers have explained the meaning of management from different viewpoints.

According to Koontz and O'Donnell, "Management is the art of getting things done through others."

According to Living stun, "Management is a function of achieving predetermined objectives of a business unit with the use of minimum time and cost as well by making efficient use of available resources."

According to George R. Terry, "Management is such a process which plans and controls men, machine, material, method, money and market. It provides leadership, co-ordination and direction to human efforts which help to achieve the business objectives."

1.2 Nature of Management

To understand the concept of management, we should study the following characteristics :

(1) Universal Process : Management is a universal process. Management is required where people are working in group for the accomplishment of objectives. Management is not only required in industries but also can be applied in various social and religious fields and activities like agriculture, army, education, etc. Management activity is seen in the units of each field and different departments of these units.

(2) Goal Oriented Activity : Management is a tool and not the attainment. Every business unit is established to achieve certain objectives. Management is necessary to achieve these objectives in a competent and economical way.

(3) Group Activity : Management is a collective activity carried out by two or more people. Management is required where two or more people are working together for the accomplishment of pre-determined objectives.

(4) Continuous Process : Management is a continuous process. Once began, it becomes difficult to discontinue it. Management is goal-oriented yet it does not stop after the achievement of objectives. New objectives and targets are decided by the business unit. The cycle of defining objectives, achieving them and re-defining them continuously goes on.

(5) Human Process : Management process is limited to human activities inspite of its universality. Human element is the most significant element in management. Other means of production are useless without man. Management is done by the human being and for the human being. Man is in the centre of management. Thus it is a human process which is done by and for the man.

(6) Decision Process : Decision process is a function of management. Management has to take decisions constantly while managing business. No work can be done without taking decisions. After taking decisions, management has to proceed to implement it. Thus decision process is a function of management.

(7) Science, Art and Profession : Like Science, management has its own rules or principles. Hence many writers consider management as a Science. Man is an important factor of management therefore getting work done from him, requires proficiency, intelligence, cleverness and insight. It is known as 'Art' of getting the work done. Management of a modern business unit is handed over to trained and expert people. In recent time, managers have also adopted professionalism like lawyers, doctors, chartered accountant. Thus it is clear that management is a profession too.

1.3 Importance of Management

Management has great importance in the modern time. Success or failuare of any business activity depends on its management. If management contains limitations, despite the availability of modern and

sufficient resources, its maximum utilisation is not possible. The layout of machinery is there but it has its drawbacks, if efficient human resource is there but its management is not proper, then the business unit would fail. The importance of management is made clear by the following points :

(1) Necessary in Every Field : Management is required not only in business activity but also in all type of activities like religion, defence, society, politics, education, sports, etc. Management functions like Planning, Organisation, Direction and Control are required in all these activities.

(2) Optimum Utilisation of Resources : Management makes it possible to take the optimum utilisation of business resources like land, capital, raw materials, personnel and machinery. It avoids wastage of resources.

(3) Accomplishment of Objectives : Management is necessary for the accomplishment of objectives. Management makes it possible to take optimum utilisation of resources which helps to achieve business objectives.

(4) Useful for the Success of Business : In the success of a business unit, contribution of management is more as compared to other elements in the success of a business unit. Success or failure of a business depends on management. If a small scale industry can convert itself into a large scale industry, then its entire credit goes to management. Efficient management helps to convert a loss making unit into a profit making unit.

(5) Increase in Job Opportunities : If management is efficient, the firm soon develops itself in the form of company where as inefficient management becomes responsible for closure of many companies which leads to further increase in unemployment.

(6) Increase in Profit : Generally, business units work with the motive of profit. Competent and proficient managers, with their insight and proficiency, make the maximum and the most economical utilisation of available resources and earn maximum profit. Therefore, it is rightly said that profit is the barometer for the efficiency and success of business.

(7) Social Benefit : Every business is carried out as a part of society and for the interest of society. By using resources of the society, management works in the favour of the society. Success of any business increases the wealth and welfare of society. Business units produce goods and services at low cost. This provides goods at reasonable rate which results into welfare of the entire society.

(8) National Motive : Management is essential to take maximum utilization of untapped human resources and factors of production for the economical, social and national development of an economy.

1.4 Management as a Science, an Art and a Profession

1.4.1 Management is a Science : Science means systematic and specialised knowledge. Science is a subject, where rules and principles are derived and cause and effect relationship is established.

Management too has the characteristics of Science, such as, systematised body of knowledge, universality, cause and effect relationship, based on collection of facts, analysis and experiments verifiability of the principles, etc. Like Science, management has its own specific principles. Through these principles, co-ordination of human resource, machine, capital, method etc. is done. Thus, management is a Science. According to Dr. George Terry, "Science teaches one to know."

1.4.2 Management is an Art : Art means employment of skills and expertise of an individual. But to implement the skill, one should have also theoretical knowledge.

During practical application of management rules and principles, personal skill, insight and cleverness play an important role. Only theoretical knowledge is not sufficient. For the implementation of knowledge, technical art is necessary too. So, the manager needs to make necessary changes as per his personal skill and proficiency. According to Dr. George Terry, “Art teaches one to do.”

Management is neither science nor an art but it is a sweet combination of both. Therefore it can be said that, management is neither a pure science like Physics science nor a pure art like Sculpture.

1.4.3 Management is a Profession : Profession is an activity where specialised knowledge in specific field is acquired and it is used for the welfare of the entire society. In return, fees is charged. Doctors, lawyers, chartered accountants, engineers, etc. are professionals. The profession of the above people is an activity which has following characteristics :

(1) Requirement of Specialised Knowledge : As per nature of profession, specialised knowledge is required in it. e.g. L.L.B degree for the profession of lawyer.

MBBS, MD or MS degree is necessary for the profession of doctor.

Same as BBA (**Bachelor of Business Administration**), MBA (**Master of Business Administration**) degrees are necessary for the specialised knowledge of management.

(2) Increase in knowledge and research : Like other professions, in management too, due to experience and training there is increase in knowledge and research.

(3) Professional Association : All professionals form their associations. Management, in the same way, has its own association too. It gives education and training of management. IIM (Indian Institute of Management) imparts Management education in India. It is working at national and international level. This institute works for the development of the profession of management.

(4) Implementation of Code of Conduct : Each of the professional associations frame code of conduct for its members. It is mandatory for all members to follow the code of conduct.

(5) Moral Responsibility : Moral responsibility is an important factor in any profession. All the professionals must be loyal to their profession and need to fulfil their moral responsibility, e.g. A Chartered Accountant must be loyal to his clients and should not disclose any information of his client.

From the above characteristics, it is clear that management is developing as an independent profession that is beneficial to an individual, society and the entire country.

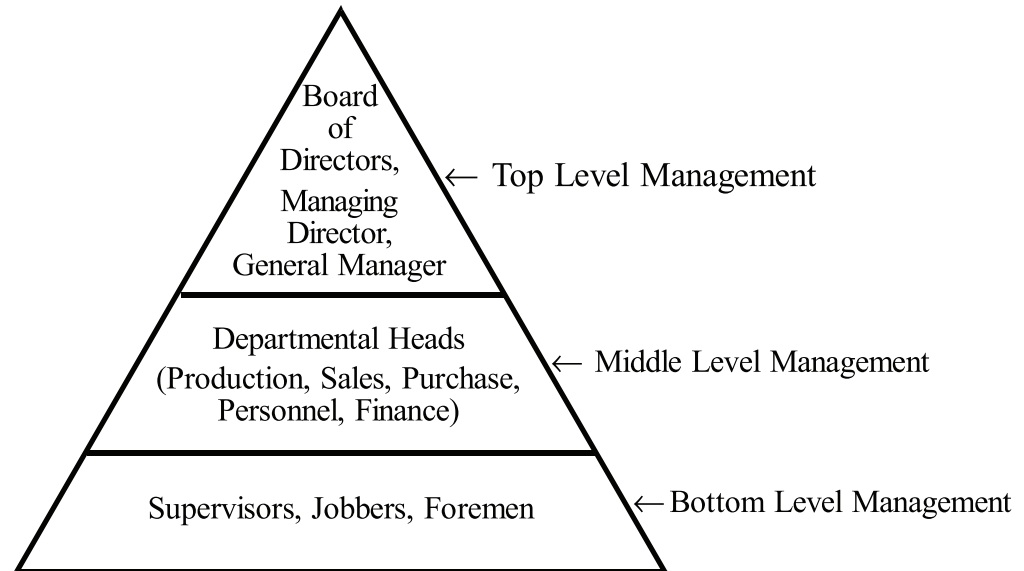
1.5 Levels of Management

As long as the size of a business unit remains small, the owner himself is able to manage it. As soon as the size of a business unit expands, the number of employees in the business also increases. The superior officer can not supervise all his subordinates directly, therefore delegation of authority has to be done. Various levels of management are created due to the delegation of authority. The more of these levels of management exist, the higher will be the expenses. As a result, control as well co-ordination

become difficult. Therefore, as much as possible, the levels of management should be kept limited. There are three levels of management :

(1) Top Level Management (2) Middle Level Management (3) Bottom Level Management

Three levels of management can be made clear by the following figure.



1.5.1 Top Level Management : The top level management is the supreme authority for the management of an enterprise. Board of Directors, Managing Directors, General Manager, Chief Executive Officers are included in this level.

Important policy decisions of business unit are taken by top level management. It is known as Top Level or Higher Level of Management.

Functions :

- (1) To lay down primary and subsidiary objectives of business.
- (2) Directors act as the trustees of the business enterprise.
- (3) To select Chief Executive Officer and higher officers and to assign them authority and responsibility.
- (4) To sanction the budget prepared by different departments.
- (5) To abide by law and to take care of interest of different stakeholders of the business.
- (6) To take strategic decisions by making long term plans.
- (7) To analyse and resolve complex problems of management as per legal provisions.
- (8) To plan for the enterprise, its implementation and to supervise it.
- (9) To do the functions like distribution of profit, dividend, reserve fund, re-investment of profit, etc.
- (10) To analyse reports of different activities and to give instructions accordingly.

1.5.2 Middle Level of Management : The middle level of management is an important link between top level and bottom level of management. Departmental officers, divisional officers and experts are included in it, e.g. production, sale, purchase, finance, personnel, accounts officers, etc. This level is also known as Officer's Level.

Functions :

- (1) To implement the orders and instructions given by Chief Executive Officers.
- (2) To prepare budget by each departmental head and present it before the top level management.
- (3) To formulate policies, rules and structure for the accomplishment of enterprise objectives. To decide necessary method for it, to analyse it and to decide appropriate measures or criterion for it.
- (4) To take necessary steps to increase efficiency and effectiveness of departmental activities.
- (5) To make attempts to enthuse the employees of department.
- (6) To keep in constant touch with the officers of the other departments and establish co-ordination.
- (7) To focus on functioning of sub-divisions.
- (8) To supervise the working of the departments, get information, provide directions and pass on information to the top level management.
- (9) To help the top level management in taking policy decisions.

1.5.3 Bottom Level of Management : Supervisors, jobbers and foremen are included at this level of management. This level is also known as Bottom Level or Supervisors' Level. Decisions and policies decided by top level management are actually implemented by this level therefore this level is also known as Functional/Operational level of Management. Supervisors working at this level are representatives of management. At this level, management functions are performed less while administrative work is more.

Functions :

- (1) To supervise function of employees.
- (2) To see that there remains discipline among employees and their morale is boosted.
- (3) To plan routine work of the department.
- (4) To perform functions related to employees like transfer, promotion, training, etc.
- (5) To get instructions, orders and programme from the departmental officers to carry out the departmental functions.
- (6) To perform the functions like the layout, repairing and maintenance of machinery.
- (7) To make arrangement for necessary equipments, raw-materials, etc. for the workers.
- (8) To solve the genuine problems of workers.
- (9) To implement decisions and policies decided by top level of management.
- (10) To forward reports of various activities taking place at the bottom level, suggestions and complaints of employees to the middle level of management.

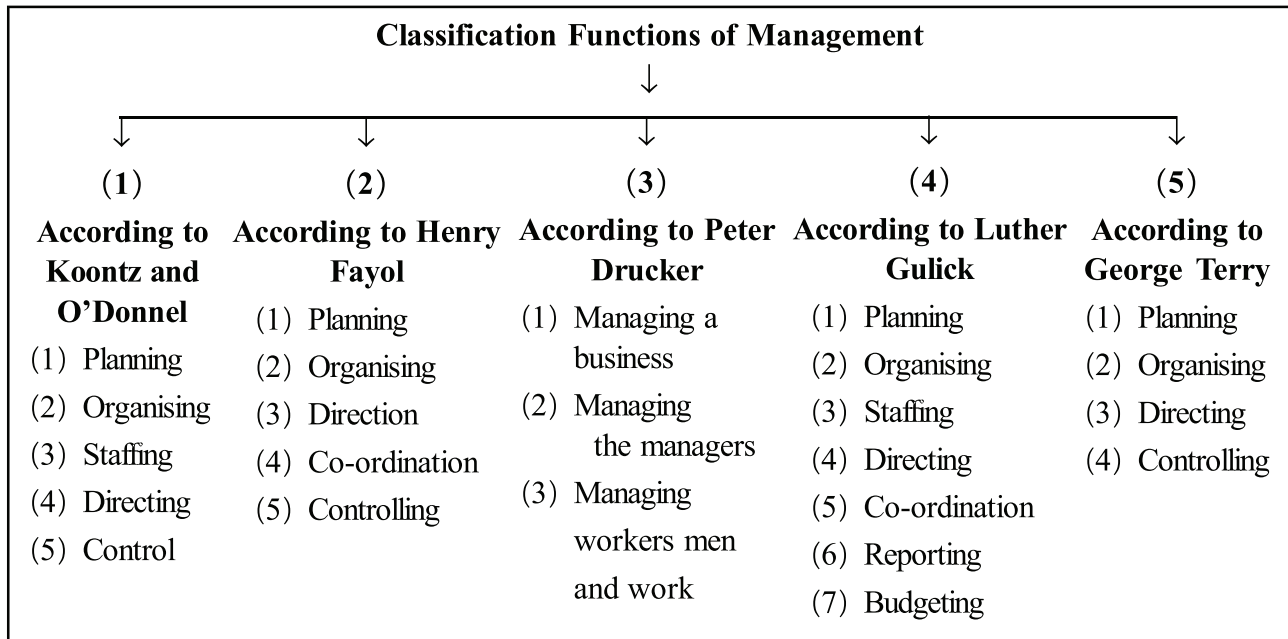
Bottom level of management, though is the lower level of management, still is very important. Successful performance by this level leads to achievement of business objectives, which provides support to the entire business.

Difference between Top Level Management, Middle Level Managements and Bottom Level Management :

No.	Headings	Top Level Management	Middle Level Management	Bottom Level Management
(1)	Management and Administration	Proportion of management is more and administration is less.	Proportion of management is less and administration is more.	Proportion of management is too less and administration is the maximum.
(2)	Includes	Board of directors, Managing directors and General manager are included for formation of policy.	Departmental officers, experts of various fields are included in it.	Supervisors, jobbers, foremen are included in it.
(3)	Authority and Responsibility	Authority and Responsibility both are more.	Comparatively less authority whereas responsibility is limited to departments only.	Least authority while responsibility is limited to sub-divisions only.
(4)	Number of Members	Less number of members at top level.	Compared to top level more number of members are more at middle level.	Compared to top and middle level, there are more number of members.
(5)	Competence	All round development is required.	Specialised knowledge is required.	Requirement of knowledge for one's own department and sub-department.
(6)	Formation of objectives and policies	This level formulates basic objectives and policy of company.	This level implements policy formulated by the top level management.	This level implements policies and decisions framed by top level and middle level management.
(7)	Accountability	This level is accountable towards shareholders, creditors, Government departments, legal provisions, etc.	Middle level is accountable towards top level.	Bottom level is accountable towards middle level.
(8)	Decisions	Decisions taken by this level are more risky and comparatively more far-reaching to a large extent.	Decision taken by this level are less risky and far-reaching.	Decisions taken by this level are least risky and far-reaching.

1.6. Functions of Management

Management should be done efficiently for the accomplishment of objectives. For this, management process is to be followed. A series of functions which are continuously performed for the accomplishment of pre-determined objectives of business is known as process. Various business activities are arranged in chronological and orderly manner for the achievement of objectives hence management is considered as a process. There is a controversy among different authorities regarding various activities of management process. Management is considered as a subject of study or a field of knowledge therefore it is but natural that various thinkers and scholars hold different opinions regarding it.



1.6.1 Planning : “Even God cannot change the past, but men can change the future.” Planning means selection of facts for the expected result and to establish inter-relationship between them, as well as observation of necessary activities and fore casting for the same anticipation.

Management begins with planning. When in advance, it is wisely considered what work, who will do, when, how, to what extent and when work is to be finished for the achievement of predetermined objectives, it is known as planning. Planning means, future forethought in the present. Planning is necessary to reduce risk and uncertainties involved in future. Due to planning, all the activities of a business are undertaken in a systematic manner. It, therefore, becomes easy to achieve objectives. When, many alternatives are found at the time of defining objectives, planning becomes useful to select the best alternative. Hence, planning is a function of selection/preference.

Planning is a base for other managerial functions such as organising, staffing, co-ordinating and controlling.

1.6.2 Organising : Organisation is a structure for the assignment of authority and responsibility among individuals working for the achievement of common objectives.

Objectives, policy, programme, etc. are decided through planning. While executing plan, organisation structure is formed. The activities of a business are divided among different sections and various groups of people for the accomplishment of objectives. Organisation is distribution of authority and responsibility among these sections and groups get clarified with the formation of organisation structure, issues like who will supervise, who will have authority and responsibility of work, inter-relationship among individuals, etc.

Planning is the brain of a business unit while organisation is its physical structure. The function of

a brain in the human body is to take the intellectual decision while its implementation is done by various organs of the body. In the same manner, the function of planning in a business unit is to take intellectual decisions. In order to implement these of decisions, distribution of work, authority and responsibility is delegated among the employees of various departments.

1.6.3 Staffing : “Employees are arms and legs (limbs) of unit.” According to Dr. George Terry, “Staffing is concerned with availing and maintaining satisfactory man-power.”

Where there is a business organisation, there will be existence of staff. Any organisation without staff is like a mere skeleton. Activities of any business unit depends on its staff. Staffing is related with recruitment of employees for the right position, at the right time, in the right number, with the right qualification. It also includes selection, training, transfer, promotion, dismissal, retirement and welfare activities of employees. Enthusiasm and zeal of employees are boosted if they are satisfied. Ultimately it will lead to increase in productivity and efficiency of the organisation. Staffing function studies problems related to employees. The success of any business depends on its employees.

At present staffing also includes man-power planning, human resource development, evaluation of work, job analysis, etc. It is the strong belief of every progressive management that, a satisfied staff is an invaluable asset of the business.

1.6.4 Directing : Direction means to guide and to supervise the employees for the accomplishment of objectives.

In order to achieve predetermined objectives, it is very important to direct and supervise employees of an organisation effectively. In a business unit, planning is done after defining objectives, an ideal organisation structure is formed, raw material, machineries are purchased, staff is appointed. In spite of it, all these efforts become useless if the superiors fail to provide proper direction to employees or workers. Other management functions are worthless without direction. Direction includes various activities like to direct the subordinates, to supervise them, to give orders and instructions, to fix the work, to motivate the workers, to provide leadership, etc. Direction is a continuous process, it is required at every level of management.

1.6.5. Controlling : Control is the function of maintaining balance among efforts, result, resources and objectives.

Controlling is the last function of management. The function of controlling is to see, whether all the business activities are done with the confirmity of planning or not. As per traditional concept, controlling means, to have restriction on employees’ activities, to have strict approach, provision of punishment or fine in case of employee making mistake; transferring them or withholding their promotion and so on. But it is a negative approach of controlling.

Controlling is a positive concept in the modern time. Controlling is a corrective activity because the function of controlling is not to restrict the activities but to direct them in the right direction; if these activities are not done as per planning. The function of controlling is to see that, mistakes made in past are not be repeated in future.

1.7 Co-ordination

Co-ordination is required at every stage of management. Co-ordination is necessary from planning to controlling. Co-ordination gives a sort of an assurance for the accomplishment of objectives. No work remains incomplete or no work is duplicated and thus the work becomes easy.

1.7.1 Meaning : To bring co-ordination and harmony among the different functions carried out by different departments in the business unit is called co-ordination.

1.7.2 Characteristics :

- (1) Co-ordination is required for all the activities, right from planning to controlling. Therefore, management process is not possible without co-ordination.
- (2) Co-ordination is required at every level of management.
- (3) Success of co-ordination depends upon effective communication.
- (4) Co-ordination is not possible without co-operation. Co-operation of employees engaged in different activities is necessary to maintain co-ordination among various activities of the organisation.
- (5) Optimum utilisation of business resources is possible due to co-ordination.
- (6) Co-ordination is a part of every activity of management. Therefore co-ordination is considered soul of management.

1.7.3 Importance :

- (1) Co-ordination makes management functions like planning, organising, directing, controlling, etc. effective.
- (2) Co-ordination makes possible, all the business activities in a easy manner.
- (3) Co-ordination leaves work incomplete and no possibility of the duplication of work.
- (4) Co-ordination maintains harmony among various departments of management.
- (5) Co-ordination enables to maintain a balance between order and time of business activities performed by various departments.
- (6) Co-ordination leads towards the accomplishment of pre-decided objectives.

1.8 Functional Area of Management

Many important functions are to be done to manage the business. As per these functions, following are the functional areas of management :

- (1) Marketing Management (2) Human Resource Management (3) Financial Management
(4) Production Management

The information regarding the quantity of goods are to be produced, depends upon the demand of goods. The function of marketing management is to get the information about the market demand. The function of financial management is to arrange the finance and other related matters to produce the goods as per the demand. Whereas, making arrangement of human resource in order to perform all these functions, is the function of Human Resource Management.

1.8.1 Marketing Management : In a broad sense, marketing management is the activity of providing goods or services from producers to customers. Marketing management includes exchange of goods with money as well as market research, distributive method, sales promotion, storage, insurance, etc.

Marketing management is such a process which decides the necessity of customers. It is converted into goods or services and then these goods or services are finally made available to the customer, consumer or user. Thus it can satisfy the needs of a particular customer or group of such people. It gives importance to optimum utilisation of resources and profitability of the organisation. Marketing management aims at creating demand for goods or services. The main elements are goods or services, physical distribution policy, price policy, increase in sale, packaging, etc.

Functions :

(i) Product or Product-mix : The decision regarding development of new product or existing product includes appearance, colour, size, shape, weight, print, packing, guarantee of work, after sales services, variety of product, etc.

(ii) Price : In modern times, a customer expects availability of better quality of goods at reasonable rate. Therefore utmost care should be taken while deciding the price of the product. The price decision includes sales policy, credit policy, policy regarding discount, wholesale or retail sale and also commission to mediators, etc. are also considered.

(iii) Distribution : Distribution-mix include decisions regarding various ways of selling like direct selling, through the wholesaler, retailers agents, as well as problems related to transportation, etc. Distribution-mix is related to the size and scope of a business unit.

(iv) Promotion : Promotion aims at remarkable increase in sale. It includes the matters like advertisement, publicity, selling through salesmen ways and means to attract customers and traders etc. Though promotion mix is expensive, it leads to increase in sale, which results into higher profitability.

1.8.2 Human Resource Management : Every business unit takes care of its assets like land, building, machinery, furniture and vehicles. Employees working in the business unit are its live asset. Therefore it is necessary to take care of them. Success of a business depends on the employees. Business objectives can easily and successfully achieved if their needs are satisfied, conducive environment is provided and proper care is taken. Due to such care, enthusiasm, loyalty and feeling of oneness among employees develops. It increases their work efficiency.

Meaning : Human resource management is the process, which takes into consideration matters like proficiency, knowledge, intelligence, likes and dislikes, personal development, necessity, etc. of employees integrates them with business objectives and channelises the business towards the path of success and profitability.

Characteristics :

- (1) Human resource management includes selection, training, promotion and direction to the employees.
- (2) Human resource management enables to accomplish business objectives by way of integrating them with individual objectives business objectives.
- (3) Basic function of human resource management is to manage the employees as they are valuable assets of the business.
- (4) It provides proper training and thus develops personnel for the job.
- (5) Human resource management evaluates performance of employees and places them at right position.
- (6) Efficient management can reduce labour turnover rate and can maintain skillful employees for a longer period in company.
- (7) As part of Human resource management, conducive atmosphere is provided to employees, which ultimately boosts their enthusiasm and efficiency. The values of the company are maintained and business objectives are achieved.

Importance :

- (1) Efficiency of employees tend to increase.
- (2) Profitability of the business increases.

- (3) Business prestige is maintained.
- (4) Higher standards for the quality of goods or services are maintained.
- (5) Feeling of oneness among employees is developed.
- (6) Maximum utilisation of factors of production is possible.
- (7) Reduction in labour turn over rate is seen.
- (8) Job satisfaction among the employees is enhanced
- (9) Due to human resource management, employees get job satisfaction which finally turns into an environment of industrial peace.

1.8.3 Financial Management : Finance is like the lifeblood of business. No activity is possible without finance. Finance is required for the establishment, development, expansion and modernisation of a business.

Meaning : Financial management deals with the finance function of business. Financial function means the function of acquisition, utilisation and allocation of capital. This function must be done in an ideal and efficient manner.

Following functions are included in financial management :

- (1) To estimate the financial needs.
- (2) To make financial plans from the point of view of time duration.
- (3) To prepare budget.
- (4) To allocate funds.
- (5) To decide capital structure and to select sources of acquisition of capital.
- (6) To carry out the procedure for acquiring the finance.
- (7) To see that the acquired funds are properly utilised and to keep control over financial activities.
- (8) To form financial policy.
- (9) To plan for taxes.
- (10) To make arrangement of assets.

1.8.4 Production Management : Process of conversion of naturally available raw material into consumable finished goods with the help of human efforts is known as production. Production management produces goods and services, which are capable to satisfy customers' need.

Meaning : Production management is the process which includes production planning, deciding programmes, maintaining co-ordination, direction and keeping control.

Following functions are included in production management :

- (1) To decide production plan.
- (2) To undertake production research.
- (3) To select product development as well as product-mix.
- (4) To select technology and machinery.
- (5) To take decisions regarding selection of location as well as lay out.
- (6) To estimate, required material and other needs for production.
- (7) To have production control.
- (8) To have quality control.
- (9) To undertake activities to control expenditure or cost and to maintain and increase productivity.
- (10) To introduce variation and simplification in production.

Management :

Meaning : “Management is the art of getting things done through others.”

– **Koontz and O’Donnel**

“Management is such a process which plans and controls men, machinery, material, method, money and market. It provides leadership, co-ordination and direction to human efforts which help to achieve the business objectives.” – **George R. Terry**

Nature of Management : (1) Universal process (2) Goal oriented activity (3) Group activity (4) Continuous process (5) Human process (6) Decision process (7) Science, Art and Profession.

Importance : (1) Necessary in every field (2) Optimum utilisation of resources (3) Accomplishment of objectives (4) Useful for the success of business (5) Increase in job opportunities (6) Increase in profit (7) Social benefit (8) National motive

Management as a science, an art and a profession : Management is a science : “Science means systematic and specialised knowledge. Science is a subject from which rules and principles can be concluded and cause and effect relationship can be established.”

Management too has the characteristics of Science, such as systematised body of knowledge, universality, cause and effect relationship, based on collection of facts, analysis and experiments, verifiability of the principles, etc. Thus management is a Science.

Management is an art : Art means personal skill and expertisation. But to implement the skill, one should also have theoretical knowledge.

During practical application of management rules and principles, personal skill and insight play an important role. Therefore management is an art.

Management is a profession : Business is an activity where specialised knowledge in specific field is acquired and used it for the welfare of the entire society, fees is charged from the society for it.

Characteristics : (1) Requirement of specialised knowledge (2) Increase in knowledge and research (3) Professional association (4) Implementation of code of conduct (5) Moral responsibility

Levels of Management :

(A) Top level management : The top level of management is the supreme authority for the management of an enterprise.

Functions : (1) Defining objectives (2) Act as a trustee of business (3) To select Chief Executive officer and higher officers and to assign them authority and responsibility (4) Sanctions various departmental budgets (5) Abide by labour law. Take care of interest of different stakeholders (6) To take strategic decisions (7) To solve complex problems of the business (8) Implementation and supervision of different activities (9) Distribution of profit, dividend, reserve fund, re-investment of profit, etc. functions are to be performed (10) To analyse reports of different activities and give instruction accordingly.

(B) Middle level management : Middle level management is a mediator between top level and bottom level of management. This level includes departmental officers, divisional officers and experts.

Functions : (1) To implement the orders and instructions given by top level of management (2) To prepare departmental budgets (3) To formulate policies, rules and structure for the accomplishment of business objectives (4) To take necessary steps to increase efficiency and effectiveness of departmental activities (5) To boost enthusiasm of the employees (6) To remain in touch with other departmental officers (7) To take care of activities of sub-divisions. (8) To supervise the working of the departments to get the informations, analyse it and to direct. (9) To help the top level management in taking policy decisions

(C) Bottom level management : Implementation of decisions and policy decided by top level management is done by this level. Supervisors, jobbers and foremen are included at this level.

Functions : (1) To supervise activities of the workers (2) To put the efforts to raise discipline and zeal (3) To plan for routine work (4) To perform work related activities. (5) To get orders, instructions and programme from departmental officers (6) To perform the functions like machinery lay-out, repairing, maintainance, etc. (7) To provide equipments and raw material to the workers (8) To solve the problem of workers. (9) To implement decisions and policies decided by top level management (10) To forward reports, instructions and complains of workers to the top level management.

Difference between top level, middle level and bottom level of management :

Points of difference : (1) Management and administration (2) People includes (3) Authority and responsibility (4) Number of members (5) Competency (6) Formation of objectives and policies (7) Accountability (8) Decisions

Functions of Management :

(1) Planning : Planning means selection of facts for the expected result and to establish inter-relationship between them, as well as observation of necessary activities and to do forecasting for their skill.

(2) Organising : Organisation is a structure for the assignment of authorities and responsibilities among individuals working for the achievement of common objectives.

(3) Staffing : The purpose of staffing is to get, maintain and develop satisfactory man-power.

(4) Directing : Direction means to guide and supervise the employees for the accomplishment of objectives.

(5) Controlling : Control is the function of maintaining balance among efforts, result, resources and objectives.

Co-ordination :

Meaning : To bring co-ordination and harmony among the different functions done by different departments in the business unit is called co-ordination.

Characteristics : (1) Management process is not possible without co-ordination (2) Required at every level of management (3) Communication system must be efficient for success (4) Co-ordination is not possible without co-operation (5) Due to co-ordination, maximum utilisation of resources become possible

Importance : (1) Co-ordination makes other managerial function effective (2) All business activities are done in an easy manner (3) No work remains incomplete or duplicated (4) Maintains harmony among various departments (5) Maintains balance between order and time of business activities (6) Pre-determined business objectives can be accomplished.

Functional Areas of Management :

(A) Marketing Management :

Meaning : In a broad sense, marketing management is the activity of providing goods or services from producers to customers.

Functions : (i) Product (ii) Price (iii) Distribution (iv) Promotion

Human Resource Management :

Human resource management is the process, which takes into consideration, proficiency, knowledge, intelligence, likes-dislikes, personal development, necessity, etc. of employees, integrate it with business objectives and channelised the business towards success and profitability.

Characteristics : (1) It includes recruitment, training, promotion, direction, etc. of employees (2) It integrates individual objectives with the accomplishment of business objectives (3) Employees are considered as valuable assets of the business (4) Proper training is given to employees for their development (5) Evaluates performance of employees and places them at right position (6) To maintain the employees in business by reducing their labour turn over rate (7) To provide conducive environment to boost their zest and efficiency to accomplish business objectives.

Importance : (1) Increase in efficiency (2) Increase in profitability (3) Maintains reputation (4) Maintains quality of goods or services (5) Develops feeling of oneness (6) Maximum utilisation of resources (7) Reduction in labour turn over rates (8) Job-satisfaction (9) Environment of industrial peace

Financial Management :

Meaning : Financial management deals with the finance function of management. Financial function means, function of acquisition and utilisation of capital along with function of allocation of capital.

Functions : (1) Estimation of need of finance (2) To plan for finance (3) To prepare budget (4) Distribution of income (5) To decide capital structure and to select sources of acquisition (6) To do the procedure for acquiring the finance (7) Efforts are made to utilise and control the finance properly (8) To decide financial policy (9) To plan for taxes (10) To make arrangement of assets

Production Management :

Meaning : Production management is the process which includes production planning, deciding programmes, maintaining co-ordination, providing direction and keeping controlling.

Functions : (1) To decide production plan (2) Production research (3) To select the product development and product mix (4) To select technology as well as machinery (5) To decide location and layout for business (6) To estimate the need of material and other necessary things. (7) Production control (8) Quality control (9) Control over expenses or cost (10) Introduce variation and simplification in production.

Exercise

1. Select the correct alternative and write answer to the following questions :

- (1) Art of getting work done from others is known as
(A) Planning (B) Organising (C) Directing (D) Co-ordinating
- (2) What type of an activity is management ?
(A) Universal (B) Inefficient (C) Defining objectives (D) Transparent
- (3) What is the method that puts knowledge easily into practice called ?
(A) Profession (B) Science (C) Art (D) Direction
- (4) What does management association frame for its own profession ?
(A) Inconsistency (B) Improper (C) Code of conduct (D) Decisions
- (5) How many levels of management are there ?
(A) One (B) Two (C) Three (D) Four
- (6) Who are included in top level management ?
(A) Experts (B) Workers
(C) Departmental heads (D) Board of directors
- (7) What is the other name for bottom level management ?
(A) Functional level (B) Worker's level (C) Policy making level (D) Officer's level
- (8) Which of the following is not included in any of the level of management ?
(A) Supervisor (B) Jobber (C) Workers (D) Accountant
- (9) If planning is the brain of business then what is organisation ?
(A) Heart (B) Limbs (C) Structure (D) Blood
- (10) Which of the following is the function of marketing management ?
(A) Distribution of income (B) Production
(C) Product-mix (D) Use of finance
- (11) Which of the following is not included in Human Resource Management ?
(A) Repairing and maintenance (B) Training and development
(C) Promotion and Transfer (D) Recruitment and selection

2. Answer the following questions in one sentence each :

- (1) What is management ?
- (2) Which fields are developed through management ?
- (3) Which matters are included in management ?
- (4) Which level of management has the supreme authority to manage the business ?