

Chapter I

Introduction to Management (Banking and Insurance)

No great manager or leader ever fell from heaven; its learned not inherited.

— Tom Northup

-
-
- *Introduction*
 - *Meaning/Concept of Management*
 - *Definitions, Nature and Characteristics of Management*
 - *Levels of Management*
 - *Six Ms of Management*
 - *Management as an Art, Science and Profession*
 - *(A) Management of Banking*
 - *(B) Management of Insurance*
 - *Question Bank for Self-Practice.*
-
-

INTRODUCTION:

In every walks of life we are witnessing revolution. There is transformation of business and services needed and wanted by people. At the heart of this revolution is management. No matter how management was conducted in the past, new ways and new methods are essential for the future. This means a better understanding of what management actually is. Management is the most crucial factor in the success or failure of a business organisation. It plans, organises, directs, communicates and controls the activities and resources for the purpose of achieving common objectives. It brings together and uses human, physical, financial and informational resources effectively and efficiently. Today's business represents complex activities. A team of competent and skilled managers are needed to solve these problems. Management is concerned with human beings whose behaviour is highly unpredictable. Management of men is the major challenge before the business. Management does not perform any specific jobs. It motivates other people to perform specific jobs. Management is not only an essential element of an organised society but also an integral part of our economic and social life. It plays a role of paramount importance in providing welfare to the society.

MEANING/CONCEPT OF MANAGEMENT:

The concept of management is as old as human civilization. Ever since people began forming groups to accomplish goals they could not achieve as individuals. Management is found in almost every human activity. It is found in varying degrees in offices, banks, colleges, hospitals, factories, trade unions and so on. Management has universal application because it is used in both commercial and non-commercial enterprises. The concept of management is continuously changing. Nothing remains permanent in the landscape of management. Everything is subject to change. An accelerating rate of change in all aspects of business makes managerial activity more difficult and complicated. Management is not a slot-machine where result is obtained by pressing a button. Management does not provide instant result. In every organisation management is the integrating force. In order

to achieve objectives, management brings together Six Ms of management viz., men, materials, machines, methods, money and markets.

Management is the activity of **getting the work done through the efforts of others**. In order to achieve business objectives, there is need to bring together available basic resources like men, materials, methods, machines, money and market; popularly known as six M's of Management. Capital, manpower and presence of natural resources cannot make a country rich if it does not have competent managers to combine and coordinate the resources. Peter Drucker has rightly pointed out that without management a country's resources of production remain resources and never become product. In the current industrial scenario, no enterprise can command monopoly on capital and technology but good management can certainly become its monopoly and help it to score over its competitors. **Peter Drucker** aptly remarked that "the emergence of management as an essential, a distinct and a leading institution is a pivotal event in social history. Rarely, if ever, has a new basic institution, a new leading group, emerged as fast as has management since the turn of this century. Rarely in human history has a new institution proven indispensable so quickly; and even less often has a new institution arrived with so little opposition, so little disturbance, so little controversy".

Management acts as a creative and strength-giving force in the organisation. Management adds a real value to the operation of any enterprise by enlisting a little extra value out of each person. Management aims at securing the maximum result by the use of minimum resources. In the words of **Urwick and Brech** "*No ideology, no ism, no political theory can win a greater output with less effort from a given complex of human and material resources, only sound management. And it is on such greater output that a higher standard of life, more leisure, more amenities for all must necessarily be founded.*"

DEFINITIONS OF MANAGEMENT:

- (1) According to **George R. Terry**, "*Management is a distinct process consisting of planning, organising, actuating and*

controlling, performed to determine and accomplish stated objectives by the use of human beings and other resources."¹

- (2) According to **Henri Fayol**, "To manage is to forecast and to plan, to organise, to command, to coordinate and to control."²
- (3) According to **Peter Drucker**, "Management is a multi-purpose organ that manages business and manages managers and manages workers and work."³
- (4) According to **Harold Koontz**, "Management is the art of getting things done through and with people in formally organized groups."⁴
- (5) According to **Mary Parker Follett**, "Management is the art of getting things done through people."

NATURE OF MANAGEMENT:

- (1) **An economic resource:** As a coordinator of economic resources, management has universal application. Historically, only land and capital were considered as factors of production but with the passing of time other factors like labour, entrepreneur and management were also recognised as important economic resource. Management coordinates economic resources efficiently to improve work performance.
- (2) **A system of authority:** A manager is expected to get the work done from others. He enjoys the authority to command the activities of his subordinates. Every manager is given relative freedom as regards his approach to the use of authority. Much depends on his personality, habits and business situation.
- (3) **A group approach:** The nature of management has changed from individualistic to group approach. Management is an activity not of one individual but of a group. Management ensures appropriate leadership to the group and direct their

¹ Principles of Management - George R. Terry, p. 4 (1977-Seventh Edition).

² General and Industrial Management - Henri Fayol, p. 5.

³ The Principles of Management - Peter Drucker, p. 17.

⁴ "The Management Theory Jungle" - Journal of Academy of Management Dec. 1961, p. 174.

efforts to a common purpose. In order to succeed in their profession, managers of today must possess formal and specialised education.

- (4) **A mark of discipline:** Discipline refers to a field of study having well-defined concepts and principles. Two basic and broad disciplines are art and science. Management is regarded both as art and science.
- (5) **As a process:** Management is a process because it handles activities systematically. Management as a process includes various activities and sub-activities that are directed towards achievement of business objectives. The activities of an organisation can be divided into two categories viz., *operational and managerial*. Operational activities are those through which actual work is completed e.g., workers handling machines. Managerial activities are performed to get things done e.g., plant manager directing workers in the shop floor area.
- (6) **As a career:** Management is an occupation devoted to managing the activities of business and non-business organisations. Any person who occupies a position in which he is responsible to get the work done through others he is said to be in the management career. Management is an exciting area of work. The challenges and rewards are unlimited. With management education gaining respectability and acceptability in the society, scores of youngsters are willing to opt for a career in management.

IMPORTANCE/ROLE/SIGNIFICANCE OF MANAGEMENT:

- (1) **Optimum use of resources:** Management facilitates optimum utilisation of available human and physical resources, which leads to progress and prosperity of a business enterprise. Even wastages of all types are eliminated or minimised.
- (2) **Competitive strength:** Management develops competitive strength in an enterprise. This enables an enterprise to develop and expand its assets and profits.
- (3) **Cordial industrial relations:** Management develops cordial industrial relations, ensures better life and welfare to

- employees and raises their morale through suitable incentives.
- (4) **Motivates employees:** It motivates employees to take more interest and initiative in the work assigned and contribute for raising productivity and profitability of the enterprise.
 - (5) **Expansion of business:** Expansion, growth and diversification of a business unit are possible through efficient management. It creates good corporate image to a business enterprise.
 - (6) **Stability and prosperity:** Efficient management brings success, stability and prosperity to a business enterprise through cooperation and team spirit among employees.
 - (7) **Team spirit:** Management develops team spirit and raises overall efficiency of a business enterprise.
 - (8) **Effective use of managers:** Management ensures effective use of managers so that the benefits of their experience, skills, maturity, etc. are available to the enterprise.
 - (9) **Smooth functioning:** Management ensures smooth, orderly and continuous functioning of an enterprise over a long period. It also raises the efficiency, productivity and profitability of an enterprise.
 - (10) **Reduces turnover and absenteeism:** It reduces labour turnover and absenteeism and ensures continuity in the business activities and operations.

The very survival of an enterprise depends on its management. Ineffective management leads to disastrous consequences. According to **George Terry**, "*Ineffective management cuts at the very roots of economy of an enterprise.*"⁵ This suggests the importance of efficient management in the case of business enterprises.

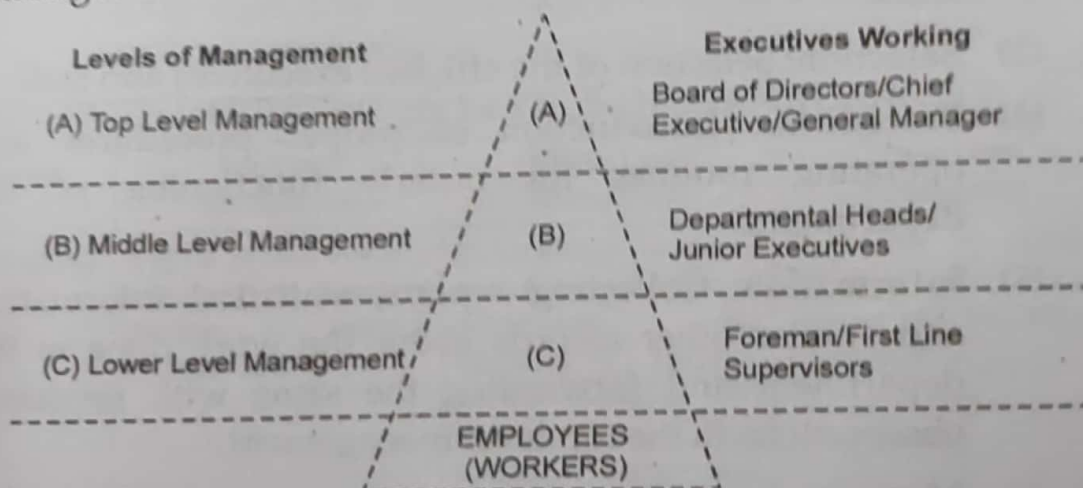
⁵ Principles of Management - George R. Terry, p. 5.

LEVELS OF MANAGEMENT AND FUNCTIONS AT EACH LEVEL:

Meaning of Levels of Management:

Levels of management are the convenient platforms created for the purpose of managing the activities of business. This brings the division of work within the organisation structure. The managers at different levels are given specific functions and their functions are also properly coordinated. Normally, there are three levels of management in the organisation's hierarchy of authority. These levels are: (a) Top level management. (b) Middle level management (c) Lower level management.

The pyramid type diagram given below indicates the levels of management.



The functions at each level are as follows:

(A) Functions of Top Level Management:

- (1) **Objectives:** Determining the business objectives.
- (2) **Mission:** Outlining the purpose of the organisation.
- (3) **Policies:** Formulation of business policies and preparation of plans for achieving the objectives.
- (4) **Organisation:** Designing an appropriate organisational framework.
- (5) **Resources:** Bringing together the resources to put plans into practice.

- (6) **Supervision:** Exercising effective supervision over all the departments and personnels.
- (7) **Controlling:** Establishes a controlling system to monitor, measure and evaluate performance.
- (8) **Reporting:** Responsible to report to BOD about the performance of the organisation.
- (9) **Measures:** Introducing suitable remedial measures, if shortfalls are noticed.

(B) Functions of Middle Level Management:

- (1) **Planning:** Responsible to plan daily administrative work and obtain relevant permission from top management.
- (2) **Resources:** Making available resources to execute the work.
- (3) **Selection:** Selection of the efficient executives and staff.
- (4) **Procedures:** Introduction of proper procedures and operating routines for orderly functioning of the departments.
- (5) **Information:** Collecting reports, statistical information and similar other records about the work done in the department and forwarding the same with necessary observations to the top-level management.
- (6) **Motivation:** Motivating personnel for higher productivity and rewarding them.
- (7) **Performance:** Securing better performance by revising departmental policies.
- (8) **Reporting:** Providing feedback to the top management about departmental performance.

(C) Functions of Lower Level Management (First Line Management):

- (1) **Planning:** Preparing daily plans for smooth conduct of the work.
- (2) **Resources:** Making available resources like raw materials, machines and equipments along with plant maintenance.

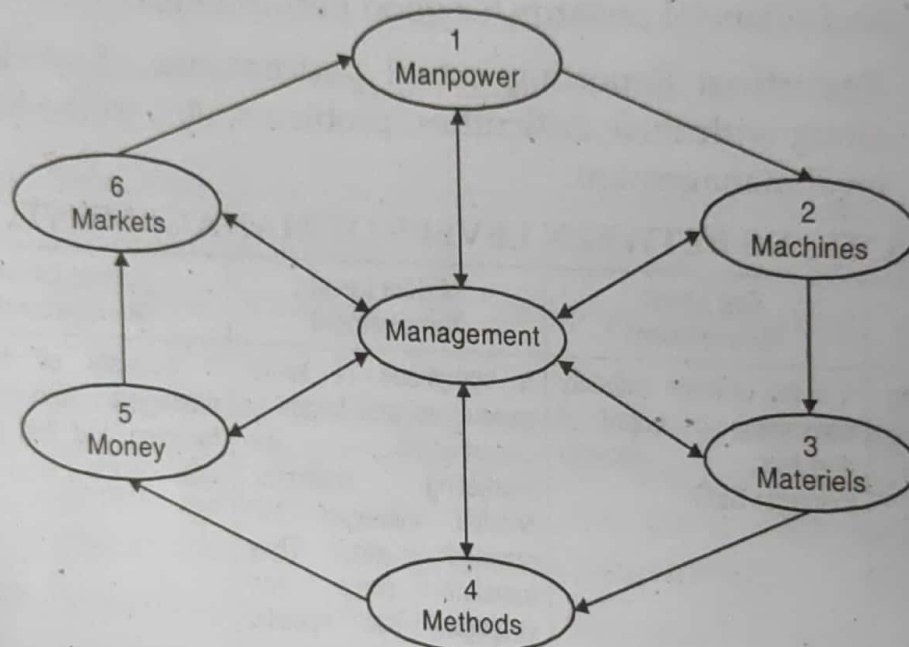
- (3) **Supervision:** Directing and supervision over the entire work force in the factory, in the office and in the sales field.
- (4) **Discipline:** Maintaining discipline among workers assigned to them or to their departments.
- (5) **Links:** Acting as a link between the higher management and the rank and file of workers.
- (6) **Communication:** Communicating the management's decisions, policies, etc. to workers.
- (7) **Motivation:** Keeping employees motivated with verbal and financial rewards for good performance.
- (8) **Reporting:** Reporting actual performance of workmen along with their difficulties, problems, etc., to the higher level management.

DISTINCTIONS BETWEEN LEVELS OF MANAGEMENT:

Points	Top Level Management	Middle Level Management	Lower Level Management
(1) Meaning	It is the ultimate authority comprising of board of directors, general manager/CEO.	It comprises of senior executives and heads of departments like marketing manager, finance manager, HR manager, etc. They translate plans and strategies into specific goals.	It consists of first-line managers like senior foremen and first line of supervisors.
(2) Responsibility	They frame policies and are responsible for overall direction and operations of an organisation.	They translate plans and strategies into specific goals.	They are responsible for the production of goods and services.
(3) Nature of work	They spend most of their time with peers and outsiders. Top executives lead hectic life.	They are responsible to generate results and keep business financially sound.	They are field workers. They spend time with subordinates solving problems.
(4) Focus	They are policy makers who decide the fate of an organization.	They act as a link between top and lower level management.	They maintain direct contact with employees.
(5) Action	They introduce suitable remedial measures to cut down deviation in performance.	They are involved in paper work, meetings and completing deadlines.	They arrange tools, equipment, materials and maintain discipline.

SIX MS OF MANAGEMENT:

Management is a distinct function of mobilizing, allocating and utilising resources to achieve pre-determined objectives in a business. Six Ms of management include: manpower, machines, materials, methods, money and markets. Each of the six Ms have their own dynamics. Managers must clearly understand the purposes for which these Ms are used and coordinate them to optimize combined productivity. Management has to exercise balance in the employment of these different resources e.g., manpower and machines cannot be treated in the same way. Six Ms are explained as follows:



- (1) **Manpower:** Managerial and non-managerial personnels employed in business constitute manpower. Not only survival but also success of an organisation largely depends on its skills, efforts and contributions of its managers. Manpower mobilises, allocates and utilises the financial and non-financial resources of an organisation.
- (2) **Machines:** Machines are commonly used to convert raw materials into semi-finished and finished products. Machines produce goods at reduced cost of production and also improve its quality. Efficient management of business nowadays mainly lies in the use of improved technology.

- (3) **Materials:** Materials consist of raw materials and semi-finished goods which are either converted or assembled into finished products with the help of production process. The quality and the cost of finished products depend largely on the quality and cost of materials. It is desirable to maintain adequate stock of materials to face variations in supply.
- (4) **Methods:** Methods indicate normal and prescribed ways of doing things. Various operations are undertaken as per certain systems and procedures. For every kind of work step-by-step sequence of actions are suggested which brings about smooth and efficient functioning in the business. The selection of right methods increase operational efficiency and contribute to effective management.
- (5) **Money:** Money is the lubricating factor in business. It is not possible to imagine a successful business in the absence of strong financial base. Money is employed to generate more money in the form of profits. Money can be self-contributed, borrowed from public subscriptions and banks and adjusted in the form of fixed and working capital.
- (6) **Markets:** Whether products or services, they need marketing. Successful marketing brings about increased financial resources back to business. Now marketing is the main challenge to every business. Better and improved marketing techniques must be implemented to achieve success in business.

CHARACTERISTICS/FEATURES OF MANAGEMENT:

- (1) **Management is a process:** Management is a process and not merely a body of individuals. Those who perform this process are called managers. The managers exercise leadership by assuming authority and direct others to act within the organisation. Management process involves planning, organising, directing and unifying human efforts for the accomplishment of given tasks. Management process continues as long as the enterprise is operating in the business world.

- (2) **Management is a social process:** Management takes place through people. The importance of human factor in management cannot be ignored. A manager's job is to get the things done with the support and cooperation of subordinates. It is this human element which gives management its special character.
- (3) **Management is action-based:** Management is always for achieving certain objectives in terms of sales, profit, etc. It is a result-oriented concept and not merely an abstract philosophy. It gives importance to actual performance.
- (4) **Management involves achieving results through the efforts of others:** Management is the art of getting the things done through others. Managers are expected to guide and motivate subordinates and get the expected performance from them. Management acts as an **activating factor**.
- (5) **Management is a group activity:** Management is not an isolated individual activity but it is an activity of a group. It aims at using group efforts for achieving objectives. Managers manage the groups and coordinate the activities of groups functioning in an organisation.
- (6) **Management is intangible:** Management is not directly visible but its presence is noticed in the form of concrete results. Management is intangible. It is like invisible spirit, which guides and motivates people working in a business unit. Management is like government, which functions but is not visible in physical form.
- (7) **Management is aided, not replaced by computers:** The computer is an extremely powerful tool of management. It helps a manager to widen his vision. The computer supplies ocean of information for important decision-making. The computer has unbelievable data processing and feedback facilities. This has enabled the manager to conduct quick analysis towards making correct decisions. However, it cannot replace men in business.

- (8) **Management is all-pervasive:** Management is comprehensive and covers all departments, activities and employees. Managers are working at different levels but their functions are identical. This indicates that management is a universal process.
- (9) **Management is an art, science as well as a profession:** Management has some features of art, science and profession. As a result, it is called an art, science and profession.
- (10) **Management aims at coordination of activities:** Coordination is the essence of management. It gives one clear direction to the whole organisation and brings unity and harmony in the whole business unit. For such coordination, effective communication at all levels is essential.
- (11) **Management is innovative:** Management techniques are dynamic and innovative. Such techniques are adjusted as per the requirements of the situations. One manager need not repeat the decisions of other manager. A manager has to change his decisions under different situations.
- (12) **Management has different operational levels:** Every organisation needs managers for managing business activities. The manager's job is basically the same at all levels. The managers at the higher levels have more important duties while managers at the lower levels have to function in a routine manner.
- (13) **Management is different from ownership:** Management is concerned with the management of business activities in an efficient manner. Managers are not the owners but they manage the business on behalf of the owners. Separation of ownership and management is a normal feature of modern business organisations.
- (14) **Management has vast scope:** The scope of management is quite comprehensive. It covers all aspects of business. The principles of management guide managers while managing various business activities.

- (15) **Management adopts professional approach:** Management is now treated as a professional activity. Managers adopt professional approach while dealing with their functions. Managers now use new techniques for decision-making. Professional approach is practical and result-oriented.
- (16) **Management aims at achieving predetermined objectives:** Management is a meaningful activity. All organisations are essentially groups of individuals formed for common objectives. An organisation exists for the attainment of some predetermined objectives.

MANAGEMENT AS AN ART:

Is management an art, a science or a profession? The answer depends upon how we define these three key terms. The concept of management has various facets and interpretations. One such interpretation is that it is an art of using creative skills and talents in order to achieve well defined objectives. Management is a creative art of great significance. It is useful for getting the things done through others i.e. through the co-operation and participation of others. **In general, management is treated as an art, a science and also a profession (three in one).**

(a) What is an Art?

Art is the most creative of all human pursuits. It is a technique of using: (a) information, (b) knowledge, (c) expertise, and (d) experience for dealing with practical situations. Art is artificial. It is the creation of human skills. Art is in contrast with the work of nature. Human skill is used in a creative effort to produce works that have beauty as in music, painting, literature and so on. In management, art is used to create beautiful relationship between employers and employees.

Art may be defined as "the technique of applying the principles to actual practice so as to achieve the desired result with efficiency". Art is concerned with the application of skills and knowledge to actual/practical situations. **An art is always practised.** Art is thus concerned with the understanding of how a particular work can be accomplished. Management, in this sense, is more an art.

According to George R. Terry, art is "bringing about of a desired result through the application of skill." In addition, Harold Koontz, Mary Parker Follett and others treat management as an art of getting the things done through the efforts of others.

(b) Justification for treating Management as an Art:

The following points justify that management is an Art:

- (1) **Management is creative:** Management is a creative art. Management is an art of decision-making. Every manager has to select the best decision out of many alternative decisions available. His decisions change along with the changes in the situations. This brings adaptability in the functioning of a business enterprise.
- (2) **Management is based on three factors:** Just like art, management is based on three factors viz., (a) judgement, (b) feeling, and (c) intuition. Management requires judgement in planning, forecasting and decision-making. Management uses feeling in delegation of authority, supervision and in handling employee grievances and intuition in leadership and on-the-spot decisions.
- (3) **Managerial decisions are for the accomplishment of goals / Objectives:** The managerial decisions are always for the accomplishment of certain goals/objectives already decided. The outcome of managerial decisions is visible in terms of production, sales, profit and so on. Manager should be practical and adopt result-oriented approach. He should see that the performance of activities gives concrete results in terms of achievement of objectives. For this, he has to secure co-operation and participation of his subordinates.
- (4) **Management involves the use of skills, knowledge and intelligence:** The role of a manager is similar to the role of an artist. Managers, like artists, do possess skills and intelligence. A manager uses his skills in appropriate decision-making, which is useful for achieving business objectives. Management involves the use of skills in decision-making. A manager needs intelligence so as to get the work done from the subordinates.

- (5) **Management is innovative:** A manager should be dynamic and innovative in his approach. Like an artist, he should not be satisfied with the routine work and decisions. In the competitive business world, new situations develop from time to time. A manager has to analyse them and find out new techniques for handling them. For this, he needs innovative approach. He should use his intellectual qualities and frame new policies for achieving the organisational objectives. Like artists, managers should be dynamic and innovative.
- (6) **Individual approach:** Every manager has his own style of administration. Like an artist, a manager practices the managerial skill in which he is best. A manager is a scientist as well as an artist.

Management is an art because:

- (a) It is creative and innovative;
- (b) It involves the use of skills and intelligence;
- (c) It is directed towards the accomplishment of well-defined objectives;
- (d) It involves initiative and use of skills in decision-making;
- (e) It is personalised. Every manager uses his skills, experience and qualities while solving managerial problems.

MANAGEMENT AS A SCIENCE:

(a) **What is a Science?**

Science is defined as an organised body of knowledge pertaining to a specific area, critically tested and generalised into theories, laws and principles. It is a body of systematised knowledge which establishes a relationship between cause and effect.

Science includes physical sciences such as physics, mathematics and chemistry. The physical sciences are exact sciences. In addition to physical sciences, there are social sciences such as economics, psychology and sociology. Social sciences deal with human beings and are not exact sciences. Here, the results may not be uniform but variable, as human behaviour is always

unpredictable. **Management is a social science as it deals with human beings.** The human nature is not predictable accurately. As a result, the decisions taken by managers may be uniform but the results available may not be uniform.

(b) Management as a Science:

It is universally recognised that management is an art as well as a science. **F. W. Taylor** is perhaps the first to treat management as a science. He advocated that business activities should be conducted as per certain well-defined norms/standards based on systematic observation and experimentation. Management is a social science.

(c) Justification for treating Management as a Science:

The following points justify management is a **Social Science**:

- (1) **Scientific methods for decision-making:** Managers use scientific methods while dealing with managerial problems. Such scientific approach suggests that management is a science. Managers collect information from different sources, analyse the same, draw conclusions and take appropriate decisions by using their knowledge and skills. Managers use information technology to the fullest extent for appropriate decision-making.
- (2) **Management is a body of knowledge:** The principles of management developed out of the experience of practicing managers. Research in management facilitates scrutiny of existing principles and generalisations and replaces or renovates them in the light of present environment. Thus, management is, now, treated as a body of knowledge critically examined for suitable modifications. This suggests that management is a science.
- (3) **Universal application of management principles:** There are certain well-accepted and tested principles of management. They include principles suggested by F. W. Taylor and others. Such principles are used by organisations throughout the world. However, actual application may vary from organisation to organisation as per the need of the situation.

However, the basic principles of management are uniform, well tested and universally applicable.

- (4) **Identical results may not be available:** In physical sciences, the principles, practices and the results are also uniform. However, in management the principles and practices are uniform but the results may not be identical. They vary as per the prevailing environment and the skills, maturity and experience of concerned managers. Moreover, management deals with human beings and human behaviour is always unpredictable. The application of principles of management may not give the same results at all times and under all situations. Management is different from physical science as regards the outcome/results available.

Management, as a social science, is inter-disciplinary and draws freely from other disciplines such as **economics, mathematics and psychology**. It is not an exact science like physics or chemistry. It does not satisfy the basic features of physical science. We can place management in the category of a **behavioural science**. To be more precise, it is a '**pseudo-science**'. The science of management has made substantial progress in recent years. However, it has its limitations too and cannot be treated as a pure science.

The theories and principles of management are not exact but are **situation bound**. It may produce different results under different situations. In this context, Ernest Dale has called management a "**Soft Science**".

Management is a Science because:

- (a) It consists of a body of organised knowledge.
- (b) It investigates from known to unknown premises.
- (c) It collects information through observation and experiments.
- (d) It uses scientific methods.
- (e) It is an inexact science because efforts are fully known but the result is known only approximately.

MANAGEMENT IS BOTH AN ART AND AS A SCIENCE:

Management is both an art and a science. The art of management consists in handling every situation in an effective manner. The practicing manager can be compared with a carpenter who has to cut, refashion and combine the wood to execute his orders. Like an artist, the manager adapts himself. On the other hand, the science of management provides certain general principles which can guide the managers in their professional efforts. In case the present body of knowledge does not help to solve the problem, he will try to find out new solutions and thus add to the science of management. Neither art should be discounted nor science should be over-emphasised. Both art and science go hand-in-hand. They are mutually interdependent and complimentary.

MANAGEMENT AS A PROFESSION:

MEANING OF PROFESSION:

Profession means a vocation which involves service to people through application of professional knowledge. Profession is an occupation which renders expert services to its clients. Professionals have specialised knowledge and skills, which they use for instructing, guiding/advising their clients. Professionals are self-employed experts and charge commission/ fees for their services. They are members of their professional association and have to follow code of conduct prepared by their professional body. The relationship between professional and his clients is based on mutual trust and confidence.

DEFINITION OF PROFESSION:

Profession is defined as "*calling in which one professes to have acquired a specialised knowledge which is used either in instructing, guiding or advising others.*"

CHARACTERISTICS OF A PROFESSION:

- (1) **Specialised knowledge:** Professionals require expert knowledge and skills. A profession is a continuous study, so that new techniques are acquired to improve and enhance the profession.

- (2) **Qualifications:** The qualification must be based on formal body of knowledge obtained through formal learning, training and experience. Their learning techniques must be intellectual in nature.
- (3) **Code of conduct:** Professionals have to follow well-defined code of conduct. A professional manager is conscientious in his role and is honest in his attitude and philosophy.
- (4) **Registration:** A professional has to register himself with the professional body, which issue licence to act as a professional.
- (5) **Fees:** Professionals normally charge fees for their services.
- (6) **Operation:** Professionals operate from their own offices and are accountable to their clients.
- (7) **Specialisation:** Every professional specialises in one specific field and operates in that field only.
- (8) **Social obligation:** A professional must operate with a professional spirit and a sense of mission which is in tune with the aims and objectives of the society. He must be willing to give unselfish service to the community and respond positively to the growing needs of the society.
- (9) **Association:** Professionals form their associations, which guide them, to raise the standard of their profession.
- (10) **Formal education:** There are recognised institutions, which provide facilities for acquiring knowledge and skills required for a specific profession.
- (11) **Personal qualities:** A professional must possess certain personal qualities like maturity, patience, sophistication and analytical ability. He must behave "professionally".

APPLICATION OF FEATURES/CHARACTERISTICS OF PROFESSION TO MANAGEMENT:

Applying the features noted above, it can be concluded that in some respects, management appears to be a profession. The following features of profession are applicable to management:

- (1) **Body of knowledge:** Management has reasonably well-defined body of knowledge which is transferable. There are

basic principles of management which can be identified, mastered and practiced. Knowledge is enriched from the experiences of successful managers and research findings.

- (2) **Specialised skills:** Managers are, now, specialised in specific areas of management such as accounts, marketing and product research. They use their specialised skills and expertise while dealing with managerial problems in their specific field.
- (3) **Education and training:** Managers get specialised practical education and training through different management training institutes. This creates a team of professional managers at the business level.
- (4) **Sophisticated tools:** Managers are using sophisticated tools and techniques (e.g. computer and information technology) while performing their functions.
- (5) **Code of conduct:** Professional managers are alert as regards their duties, responsibilities and professional code of conduct and social obligations.
- (6) **Social status:** Professional managers occupy prestigious social status due to their qualifications and positive contribution in efficient management of business.

Along with these plus points, the following features of profession are not applicable to management:

- (1) **Unrestricted entry:** The entry in the field of management is not effectively regulated through minimum formal education/qualifications/training experience.
- (2) **Absence of licensing:** There is absence of single group to which majority of managers belong. In India licensing is practically absent in the case of practicing managers.
- (3) **Absence of uniform code of conduct:** There is absence of uniform code of conduct for managers in India. Managers use high-pressure tactics and unfair competition to increase the market share of their products.
- (4) **No fixed client:** Management is not able to identify a specific client system to which it owes its loyalty.

- (5) **Unethical practices:** In the absence of code of conduct, managers sometimes, indulge in unethical practices aimed at maximising personal gains. Even the concept of accountability is absent in the case of managers.
- (6) **Absence of uniform rules:** Absence of national/state level institution that frames rules and regulations to be followed by all practicing managers.
- (7) **Salaried managers:** Majority of managers get regular salaries and perks and not fees for their services.
- (8) **Monetary gains:** The motto of every professional manager should be service before self. In practice, management as a profession lacks service motive.

NEED FOR PROFESSIONALISM IN MANAGEMENT:

Although Indian business is dominated by the traditions and conventions along with control by family members but the writings on the wall is clear that need for professionalisation has arisen as India is linked to the global village. Business is witnessing sweeping changes all over the world and India, to remain competitive, must embrace technology backed business operations along with employment of professional managers who will run the business with professional touch. The concept of owner-manager is fast becoming obsolete and companies are sending their professionals to executive development programmes. The marketing is witnessing growing competition. Ownership and management is separated. Business is owned by the family but management is entrusted into the hands of professional managers. Business must be result-oriented and managers must earn profits for the employers. In India, the private sector has stolen a march over the public sector because of implementation of higher professionalisation. The popularity of management education supports the need for professionalism in Indian business. Need for professionalism arises because of:

- (1) **Better application of knowledge:** This is the age of **applied knowledge**. Managers with improved qualifications who can practice their knowledge in the workings of the business are most sought after. Manager's job involves organised set

of behaviour. Their ability to apply knowledge to different situations always get them premium in placement and compensation.

- (2) **Managing information technology:** Managers are face to face with variety of information technology choices that promise to change the way work gets done. The challenge before the professional managers is to use the best technology such as computers, internet, intranet, telecommunications and a host of software applications. Managers must work in close cooperation with IT specialists to select the most effective technology and also the best way to implement that technology.
- (3) **Recognising intellectual capital:** Intellectual capital is a concept which requires that the main assets of any organisation lie in the heads of their employees rather than in machinery, bricks and mortar. Recognition of intellectual capital give the organisation a competitive edge. The organisation can utilise collective brainpower. Through various schemes of participative management it is possible to share knowledge of workforce.
- (4) **Stress on knowledge management:** Knowledge management is the process of utilising organisational knowledge to achieve competitive advantage. Knowledge management requires the creation of an organisational culture that truly values learning. Professional managers make efforts to manage and continually encourage portfolio of intellectual assets such as patents, intellectual property rights, special processes and methods and maintaining trade secrets.
- (5) **Managing men:** Managing men has become very complex these days. Business environment has become highly competitive and turbulent. Managers are primarily responsible to get the work done with understanding and minimum friction. Managers must recognise the importance of men who contribute in the accomplishment of organisation's objectives. Successful organisations require a

strong, mutually satisfying human relations between managers and the employees they manage.

- (6) **Search for talent:** Organisations go all out for talent hunt. People with aptitude, skills and competence can decide for a rewarding career in management. They can be certain of getting into the business though formal education specialising in any one field. Talented people look for opportunity to display their creativity and in the process also get rewarded with monetary gains and recognition.
- (7) **Promote managerial ethics:** Ethics refers to principle of behaviour that distinguishes between what is good, bad, right and wrong. Managers use ethics in making decisions that affect employees, the organisation, consumers and the society. Ethical misconduct by the managers can be extremely costly for the company and the society. Professionalisation eliminates unhealthy practices such as window dressing for profits, accepting bribes, speculative buying and selling for self-gain etc. Professional managers display strong conscience in discharging their duties.

There is one rule for the industrialist and that is: make the best quality goods possible at the lowest cost possible, paying the highest wages possible. Employers only handle the money – it is the customer who pays the wages. A business that makes nothing but money is a poor business. A business absolutely devoted to service will have only one worry, about profits. If there is one secret of success, it lies in the ability to get the other person's point of view and see things from that person's angle as well as from your own. Quality means doing it right when no one is looking. To do more for the world than the world does for you – that is success. Coming together is a beginning, keeping together is progress; working together is success. Vision without execution is just hallucination.

By Henry Ford, American Industrialist and the founder of the Ford Motor Company.

IS MANAGEMENT A PROFESSION?

It is difficult to classify modern management as a profession. Management does not fulfil all the features of a profession as explained earlier. If we view the concept of professionalism, it is evident that the trend over the past several decades has been towards greater compliance with these elements of

professionalism. While we may agree with Donham that "business is not a profession", "business cannot be a profession", and that "business should not attempt to 'pass' as a profession, there has been a movement towards professionalisation of management.⁶

Management can be treated as professional activity to some extent but cannot be treated as a full-fledged profession. It is interesting to note that well-known management thinker **Peter Drucker** is not favourable to professionalised management.

According to **Peter Drucker**, "*Management is a practice rather than a science or a profession though containing the elements of both. No greater damage could be done to our country or to our society than to attempt to professionalise management by licensing managers or by limiting access to management of people with a special academic degree. Any serious attempt to make management scientific or professional is bound to lead to the attempt to eliminate the economic freedom.*"

In recent years, there has been a growing body of systematic knowledge concerning management of complex business organisations. The role of the manager has been legitimised. This role has the sanction of the community. There is a growing number of professional management associations particularly in the various specialised aspects of business. There is a nucleus of the development of social control. There is clear drive towards the professionalisation of management. This is based on attention to expertise, knowledge and qualifications and the relationship between these and the value added to organisations by expert managers. However, current trend treats management as a high-class profession. Business enterprises prefer to have professional managers for dealing with complicated managerial problems. In the words of **C. G. George** "*Management is not outright a profession but it is taking a giant step in that direction*".

(A) MANAGEMENT OF BANKING:

The existence of an industrial society is unimaginable without a strong, efficient and technology supported banking system. The primary function of a bank is to receive deposits and lend or

⁶ Is Management a Profession? - Paul Donham, p. 66.

invest the same. The role of Indian banks has significantly changed since 14 major commercial banks were nationalised in 1969. In addition, 6 more commercial banks were nationalised in 1980. Indian banking system has gone from urban oriented to rural oriented. The concepts, practices, procedures and methods in banking operations have changed for the better. Banks in India have **multi-people interest providing multi-people happiness**. The complexion of Indian banks has changed as they now offer many new products such as credit cards, debit cards, smart cards, personal loans, anywhere banking, internet banking, portfolio management, social banking, demat account, gift cheques, mutual funds, mobile banking and so on.

Banking belongs to service sector. Its survival and growth depends on customer patronage. Good quality of service will attract customers and bad quality of service will drive them away. Banks must provide efficient service to retain the present customers and to attract new customers. Banking services are based on 7 Ps viz., product, price, place, promotion, people, procedure and physical evidence. Banking services need segmentation because they deal with different types of customers staying and working in different localities. Every bank needs deposits. Investors would be prepared to put in their hard earned money but they want security at fixed rate of returns. This is where nationalised banks score. Banks get best promotion through mouth to mouth publicity. A satisfied customer brings lot many customers. The challenge before every bank is **customer retention**. Banks must address the needs of customers effectively to survive in this age of cut-throat competition. Reliable, quick and efficient customer service alone will motivate the existing customers to continue and induce new customers to try out the services. Bank employees must realise that customer is the most important visitor in their premises. He is not dependent on the bank but the bank is dependent on him. Employees are not doing the favour; the customer is doing a favour by giving an opportunity to serve him. It is for this purpose that employees are employed in the bank. A sound management of banking must implement the following CRM programme:

- (1) Attend to the customer face to face.

- (2) While serving the customer give personal attention.
- (3) Give expert opinion whenever asked for.
- (4) Make wide use of technology.
- (5) Avoid confrontation with customers.
- (6) Show women customers highest respect and regards.
- (7) Specialised services should be handled by the experts.
- (8) Use empathy to solve customers' problems.
- (9) Explore possibilities of helping customers.
- (10) Welcome a customer, send back a friend.

Post 1991 Indian banks are now called upon to perform diversified functions both at micro and macro levels. Apart from the structured objectives of resource mobilisation and lending resources profitably; banks now require professional management to accomplish the following targets:

- (1) To provide banking facilities throughout the country.
- (2) To ensure that every village is linked to banking.
- (3) To finance industrial and service sectors.
- (4) To finance self-employment projects.
- (5) To improve standard of living of the people by providing loan facilities.
- (6) To encourage banking habits among down-trodden and weaker sections.
- (7) To discharge social obligations.
- (8) To scan external environment in order to update its policies.
- (9) To give a sense of utmost security to its depositors.
- (10) To support women entrepreneurs.

The latest Banking Ombudsman report shows that complaints from customers were resolved quickly and that the grievance redressal system is working efficiently. But the large number of complaints that were rejected is a cause of concern.

Source: Business Line, February 20, 2015.

(B) MANAGEMENT OF INSURANCE:

Life is full of uncertainties. Both property and human life are exposed to risks. It is not possible to eliminate risks but they can be insured. Insurance protects economic value of assets because every asset has a value. Every asset provides the useful service for a given period of time may it be goods, property or human life. None of them will last forever. The asset may get lost or destroyed earlier e.g., a motor car meets with an accident and is fully damaged. Now the owner is deprived of the benefits of having personal car. This is a crisis situation. Insurance helps to reduce the effects of such adverse situation by indemnifying the loss.

Assets are exposed to perils such as fire, floods, earthquakes, lightning, dangers on high sea, breakdowns and in case of human assets, accidents or death. Under these perils, assets are likely to be destroyed or made non-functional. This is what is called **exposed to the risks**. Insurance cannot wipe out the risks. It can only cover the risks. It is important to remember that insurance covers only economic consequences; the loss of which can be calculated in terms of money. Management of insurance is done by mobilising financial resources from the largest number of people and providing compensation to those who suffer from loss; who are likely to be of small numbers.

The success of insurance business depends on getting as large number of insured as possible. Only this will ensure economies of large scale operation. Insured takes into account the track record of insurance companies. Where the company has good record of settlement of claims, prospective insured are motivated to take insurance policy from that company e.g., LIC of India maintains the best records relating to settlement of claims. It stands tall with more than four-fifth of the market share. Insurance companies must give highest respect and regard to the customers because their cooperation ensures smooth functioning of the business. Agents need to be trained in customer relationship management. Prospective customers require guidelines to enable them to make correct decision and select the most befitting policy. In order to protect the interests of policyholders Insurance Regulatory and Development Authority Act (IRDA) was passed in 1999. Insurance Council appoints Ombudsman to settle complaints

raising between insurer and insured objectively, impartially and efficiently. The liberalisation of Indian insurance sector has taken place. Foreign Direct Investment (FDI) is allowed in insurance. This has led to alliances between Indian and foreign companies such as ICICI and Prudential, (UK); HDFC and Standard Life (UK); Tata – American International Group (USA) etc. Life, Fire and Mediclaim are popular forms of insurance where the young people can think of making a career as agents. Fresh graduates, preferably with commerce or statistics background with analytical skills are preferred.

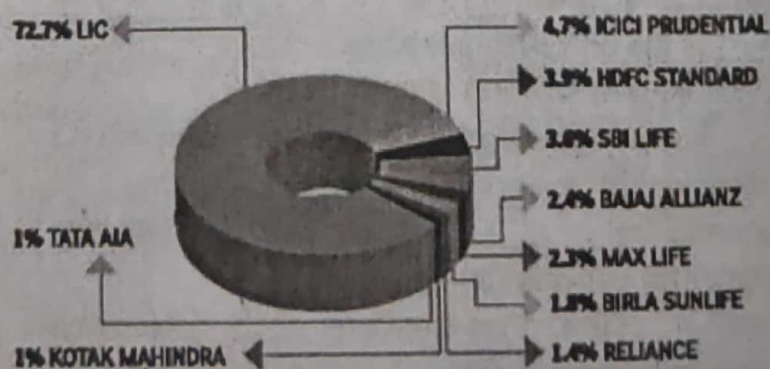
LIC – THE KINGPIN

Policymakers have been pushing to open up India's financial sector to more private firms. But it is government-owned firms in which the Indian public still reposes its faith. Take life insurance, which was opened up to private players 14 years ago.

Though nearly two dozen new private sector players have entered the fray since then, the Life Insurance Corporation of India still dominates the sector with a 73 per cent share in all new premiums collected. Of the total 34-odd crore policies in force in 2012-13, 29 crore are from LIC. In the last five years, LIC has gained 2 percentage points in market share from private players. After the 2008 stock market debacle, unit linked plans that private players offered suffered a setback, with investors moving back to traditional plans — an LIC stronghold.

LIC towers above the rest

Share of Top 10 Life Insurers In total premium



The brass tacks

	Individual agents	Offices	Number of policies in force (cr)	Assets under management (Rs cr)
LIC	11,72,983	3,526	29.5	10,37,656
All Private Insurers	9,49,774	6,759	4.2	82,343

LIC has the largest number of offices and feet on the street in the market. LIC has on its rolls, more individual agents than all private insurers put together. In 2012-13, LIC employed 11.72 lakh field agents, while private insurers together employed no more than 9.49 lakh. LIC receives nearly 96 per cent of its new business from its individual agents. For private insurers, nearly half their new business comes from corporate agents and only 40 per cent through individual agents.

The other big factor favouring LIC, of course, is the implicit sovereign guarantee backing up its policies. As life insurance products are long term in nature, with investors paying premia for terms as long as 30 years, they obviously value staying power.

Source: Business Line, May 2, 2014.

Objective Questions with Answers

- (1) Select the correct alternative and rewrite the statements:
- Management is _____. (March 18)
(i) tangible (ii) intangible (iii) rigid (iv) visible
 - Management is _____.
(i) doing the work (ii) getting the work done. (iii) getting updated (iv) getting paid
 - Management is _____.
(i) dynamic (ii) permanent (iii) forecasting (iv) modifying
 - _____ determines business objectives.
(i) Top management (ii) Middle management (iii) Lower management (iii) Staff management
 - _____ is the only lively resource.
(i) Machine (ii) Money (iii) Man (iv) Material
 - _____ is the most creative of all human pursuits.
(i) Profession (ii) Science (iii) Art (iv) Engineering
 - Management of _____ deals with customer retention.
(i) industry (ii) banking (iii) media (iv) hotel
 - Management of insurance mobilises _____ resources.
(i) material (ii) financial (iii) non-monetary (iv) production
 - Management uses _____ of management.
(i) 4Ms (ii) 5Ms (iii) 6Ms (iii) 7Ms
 - Management is _____ not absolute.
(i) degree (ii) relative (iii) passing (iii) flexible
 - Management is _____ process.
(i) social (ii) production (iii) one time (iv) cultural

- (l) Management is an _____ science and profession. **(Nov. 16)**
 (i) art (ii) law (iii) politics (iv) philosophy
- (m) Management principles are _____. **(Nov. 17)**
 (i) applicable to commercial organisation only (ii) Universally applicable
 (iii) not relevant (iv) not practical

[Ans.: (a - ii), (b - ii), (c - i), (d - i), (e - iii), (f - iii), (g - ii), (h - ii), (i - iii), (j - ii), (k - i), (l - i), (m - ii)]

(2) **State whether the following statements are TRUE or FALSE:**

- (a) Management is a physical science.
 (b) Management is doing the work. **(Nov. 16)**
 (c) Management is an economic resource.
 (d) Management relates to individual efforts not group efforts.
 (e) Management as an art represents a field of creativity.
 (f) Lower management maintain discipline.
 (g) Management uses scientific methods.
 (h) Managers must behave professionally. **(March 17)**
 (i) Banks use CRM programme.
 (j) Insurance business is based on economies of large scale operation.
 (k) Management is a continuous process. **(Nov. 17)**
 (l) Management is a social process. **(March 18)**

[Ans.: (a - False), (b - False), (c - True), (d - False), (e - True), (f - True), (g - True), (h - True), (i - True), (j - True), (k - True)]

(3) **Match the following:**

Group 'A'	Group 'B'
(a) Management	(i) Business procedures
(b) Nature of Management	(ii) Innovative
(c) Ineffective Management	(iii) Wide use of technology
(d) Top Management	(iv) Code of Conduct
(e) Middle Management	(v) A mark of discipline
(f) Non-managerial Personnels	(vi) Perils in business
(g) Art	(vii) Mission of business
(h) Profession	(viii) Group activity
(i) Management of Banking	(ix) Logical
(j) Management of Insurance	(x) Manpower
	(xi) Loss of business

[Ans.: (a - viii), (b - v), (c - xi), (d - vii), (e - i), (f - x), (g - ii), (h - iv), (i - iii), (j - vi)]

Question Bank for Self-Practice

- (1) Discuss the concept of management. Explain its features. *(Nov. 17)*
- (2) Define management. Explain its importance. *(March 17)*
- (3) What is meant by the term 'management'? Explain nature of management.
- (4) Define management. Explain the importance of management. *(Nov. 16)*
- (5) What are the levels of management? Explain the functions of each level.
- (6) Do all managers at all levels of management perform all the functions?
- (7) Distinguish between levels of management.
- (8) State the main features of management.
- (9) Explain six Ms of management.
- (10) Define management. Explain the main characteristics of management.
- (11) Is management both an art and a science? Give your views.
- (12) Why is management called an art?
- (13) Justify that management is a science.
- (14) What do you understand by the term 'profession'? Bring out its main characteristics.
- (15) Define profession. Is management a profession? *(Nov. 17)*
- (16) State the need for and importance of management of banking.
- (17) Discuss the need for professionalism in management.
- (18) Identify the factors emphasizing need for professionalism.
- (19) Why is customer considered the most important visitor to the bank premises?
- (20) How can banks contribute in national development?
- (21) How to manage insurance companies well?
- (22) "The interest of insured is well protected under IRDA." Explain.
- (23) **Write short notes:**
 - (a) Nature of Management.
 - (b) Six Ms of Management.
 - (c) Characteristics of Management.
 - (d) Management as an Art and Science. *(March 17)*
 - (e) Management as a Profession.
 - (f) Management of Banking.
 - (g) Management of Insurance.