

BUSINESS STUDIES

PART I

PRINCIPLES AND FUNCTIONS OF MANAGEMENT

Textbook for Class XII



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NCERT

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FOREWORD

The National Curriculum Framework (NCF), 2005, recommends that children's life at school must be linked to their life outside the school. This principle marks a departure from the legacy of bookish learning which continues to shape our system and causes a gap between the school, home and community. The syllabi and textbooks developed on the basis of NCF signify an attempt to implement this basic idea. They also attempt to discourage rote learning and the maintenance of sharp boundaries between different subject areas. We hope these measures will take us significantly further in the direction of a child-centred system of education outlined in the National Policy on Education (1986).

The success of this effort depends on the steps that school principals and teachers will take to encourage children to reflect on their own learning and to pursue imaginative activities and questions. We must recognise that, given space, time and freedom, children generate new knowledge by engaging with the information passed on to them by adults. Treating the prescribed textbook as the sole basis of examination is one of the key reasons why other resources and sites of learning are ignored. Inculcating creativity and initiative is possible if we perceive and treat children as participants in learning, not as receivers of a fixed body of knowledge.

These aims imply considerable change in school routines and mode of functioning. Flexibility in the daily time-table is as necessary as rigour in implementing the annual calendar so that the required number of teaching days are actually devoted to teaching. The methods used for teaching and evaluation will also determine how effective this textbook proves for making children's life at school a happy experience, rather than a source of stress or boredom. Syllabus designers have tried to address the problem of curricular burden by restructuring and reorienting knowledge at different stages with greater consideration for child psychology and the time available for teaching. The textbook attempts to enhance this endeavour by giving higher priority and space to opportunities for contemplation and wondering, discussion in small groups, and activities requiring hands-on experience.

The National Council of Educational Research and Training (NCERT) appreciates the hard work done by the textbook development committee

responsible for this book. We wish to thank the Chairperson of the advisory group in Social Sciences Professor Hari Vasudevan and the Chief Advisor for this book, Professor D.P.S. Verma (*Retd.*) Delhi School of Economics, University of Delhi and Dr. G.L. Tayal, Reader, Ramjas College, University of Delhi for guiding the work of this committee. Several teachers contributed to the development of this textbook; we are grateful to their principals for making this possible. We are indebted to the institutions and organisations which have generously permitted us to draw upon their resources, material and personnel. We are especially grateful to the members of the National Monitoring Committee, appointed by the Department of Secondary and Higher Education, Ministry of Human Resource Development under the Chairpersonship of Professor Mrinal Miri and Professor G.P. Deshpande, for their valuable time and contribution. As an organisation committed to the systemic reform and continuous improvement in the quality of its products, NCERT welcomes comments and suggestions which will enable us to undertake further revision and refinement.

New Delhi
20 November 2006

Director
National Council of Educational
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NOTE TO THE TEACHER

This textbook is expected to provide a good understanding of the environment in which a business operates. A manager has to analyse the complex, dynamic situations in which a business is placed. Therefore, content enrichment in the form of business news and abstracts of articles from business journals and magazines has been given as inset material (boxes). This will encourage students to be observant about all business activity and discover what is happening in business organisations with the expectation that they will update their knowledge through the use of libraries, newspapers, business oriented TV programmes and the internet. Various types of questions are given and case problems have been introduced to test the application of subject knowledge to realistic business situations.

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THE CONSTITUTION OF INDIA

PREAMBLE

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a ¹**[SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC]** and to secure to all its citizens :

JUSTICE, social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and of opportunity; and to promote among them all

FRATERNITY assuring the dignity of the individual and the ²[unity and integrity of the Nation];

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949 do **HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.**

1. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Sovereign Democratic Republic" (w.e.f. 3.1.1977)
2. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Unity of the Nation" (w.e.f. 3.1.1977)



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NATURE AND SIGNIFICANCE OF MANAGEMENT

1 CHAPTER

Management at Tata Steel

Founded in 1868, by Jamsetji Nusserwanji, Tata the Tata Group is a global business conglomerate operating in over 100 countries across 5 continents. His strong sense of values and spirit of innovation and entrepreneurship are a legacy that continues to guide Tata companies till date. He had four goals in life: setting up an iron and steel company, a world-class learning institution, a unique hotel and a hydro-electric plant. Only the hotel became a reality during his lifetime, with the inauguration of the Taj Mahal Hotel at Colaba waterfront in Mumbai on 3 December 1903 at the cost of 11 million (worth 11 billion in 2015 prices). At that time it was the only hotel in India to have electricity.

He believed that satisfied workers create satisfied workers and in lieu to this principle he paid all his workers gratuity, provident fund well before it was made mandatory. His management skills were clearly evident when minute details were chalked in planning and building the entire city of Jamshedpur. The values and principles that have governed the business for a century are enshrined in the Tata Code of Conduct (TCOC).

From an early foray into steel and automobiles, to staying abreast of the latest technologies, the Tata Group today has 29 publicly-listed Tata enterprises, which include Tata Steel, Tata Motors, Tata Consultancy Services, Tata Power, Tata Chemicals, Tata Global Beverages, Tata Teleservices, Titan, Tata Communications and Indian Hotels. The group has a combined market capitalisation of around \$103.51 bn (2016-17).

Tata has a strong sense of social responsibility. They balance economic prosperity, environmental responsibility and social benefits for the community. In India, they are a partner in progress with Odisha, and believe in taking its stakeholders forward in its journey of growth. Tata Steel Thailand is one of the first 30 companies that joined UNICEF in Child Friendly Business in “The Children Sustainability Forum” to make a commitment in protecting children’s rights. Tata Steel Europe’s Community Partnership Programme- ‘Future Generations’, with sub-themes of education, environment, health and Well-being works across

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- Describe the characteristics of management and its importance in an organisation;
- Explain the nature of management as an art, science and profession;
- Explain the functions of management; and
- Appreciate the nature and importance of coordination.

the UK, assisting job and wealth creation by supporting small and medium businesses with finance and business premises.

They also play a constructive role in addressing climate change – both by reducing carbon footprint, and by creating high performance steels that lead to fuel-efficient vehicles and energy-efficient buildings. Their Environmental Management Systems meet the ISO 14001 standards at all of their main manufacturing sites.

Shaped by a lineage of sound and straightforward business principles, the Tata Group is built on a foundation of trust and transparency. Building such huge enterprises, sustaining and running them profitably are possible only through effective and efficient management and co-ordination at all levels.

Source: www.tatasteel.com; Accessed June, 2018

INTRODUCTION

The above case is an example of a successful organisation which is amongst the top companies in India. It has risen to the top because of its quality of management. Management is required in all kinds of organisations—those manufacturing handlooms, trading in consumer goods or providing hairstyling services and even in non-business organisations. Let us take another example.

Smita Rai is a 38-year old entrepreneur who grew up in a rural district called Namchi, South Sikkim. She was very good in art and craft particularly, Wax moulds. She loved to make candles, often she make into toys and small pieces of art with wax and used it as a gift for her friends and relatives. She was loved and appreciated for these. Smita was never happy with the conditions of the women in her district as

most were poor and jobless, so she planned to do something to solve their problems because she knew that imparting skills for livelihood is needed but she had no idea of how to implement her idea.

In August 2012, she met Abishek Lama, the Branch Manager of NEDFI, Namchi Branch, a financial corporation which support local people with skills development programs and also channelize them into revenue generating activities. Smita got interested. “I love making candles, then, why not convert my hobby into a venture and involve these rural women also”, she thought. This led to the establishment of Namchi Designer Candles with the help of NEDFI, some financial institutions and support from different stakeholders in various dimensions.

Since then, the women have never looked back, despite challenges. The