BUSINESS MANAGEMENT

Sachith Karunarathna

- Management may be defined, most simply, as 'getting things done through other people'. (Stewart)

- Management is the 'process of leading and directing all parts of an organisation, often a business, through the deployment and manipulation of resources (human, financial, material, intellectual or intangible)'. (Anon)

- Management is the 'art of knowing what you want to do and seeing that [staff] do it in the best and cheapest way'. (Taylor)

- Management is the 'organisational process that includes strategic planning, setting objectives, managing resources, deploying the human and financial assets needed to achieve objectives and measuring results. Management also includes storing facts and information for later use or for others within the organisation'. (Anon)

- Management is the 'effective utilisation and co-ordination of resources such as capital, plant, materials and labour to achieve defined objectives with maximum efficiency'. (Anon)

- An organisation is a social arrangement for the controlled performance of collective goals.

The need for management.

(a) <u>Objectives</u> have to be set for the organisation.

(b) Somebody has to <u>monitor progress</u> and results to ensure that objectives are met.

(c) Somebody has to communicate and sustain <u>corporate values, ethics and operating principles</u>.

(d) Somebody has to look after the interests of the organisation's owners and other stakeholders

In a **private sector business**, managers act, ultimately, on behalf of shareholders. In practical terms, shareholders rarely interfere, as long as the business delivers profits, year on year.

In a **public sector organisation**, management acts on behalf of the government. Politicians in a democracy are, in turn, accountable to the electorate. More of the objectives of a public sector organisation might be set by the 'owners' – ie the government – rather than by the management. The government might also tell senior management to carry out certain policies or plans, thereby restricting management's discretion .

MANAGEMENT PROCESS

(a) Planning involves deciding what needs to happen in future and generating a programme for action.

(b) Organising means making optimum use of the resources required and promoting constructive relationships so that plans can be implemented successfully.

(c) Leading involves determining what needs to be done in a situation and getting people to do it.

(d) Controlling involves checking progress against plans.

Management classification

- Senior management

Senior management includes the board of directors and other managers reporting directly to the board. They are responsible for overseeing the entire organisation, developing its strategy and making decisions on the directions of the business. Senior managers have powers to compel and reward and, most importantly, take decisions relating to personnel.

- Middle managers

These are managers responsible for units within an organisation – departments or branches. They are accountable to senior management for their unit's function. Their work involves directing and organising their unit to implement plans in accordance with corporate policies and objectives. Middle managers have a number of powers. They have some power to reward their own subordinates. They may have power from their expertise and negative power to delay or subvert decisions taken by senior managers.

- Junior managers

Junior managers focus on controlling and directing. They are responsible for assigning employees' tasks, supervising the work of employees day-to-day and achieving the desired quality and quantity of production.

- Line and staff managers

- Line authority is the authority a manager has over a subordinate, down the vertical chain (or line) of command.

- Staff authority is the authority one manager or department may have in giving specialist advice to another manager or department. An example might be the HR department advising the Accounts Manager on selection interviewing methods.

- **Functional authority/ Functional Managers**
  Managers will have functional authority across the organisation, and so have the authority to compel other departments to take action if the matter is within their area. An example would be the financial accountant requiring financial reports from other departments. (Operational Management, Marketing Management, HR Management, Financial Management)

- **Value stream managers**
  The value stream is made up of the following.

- Research and development (R&D)
- Design
- Production
- Marketing
- Distribution
- Customer service
- Customers

It **starts externally** with suppliers, links them to the internal functions of R&D, design, production, marketing, distribution and customer service, and **ends externally** with customers. To improve quality, reduce costs and increase innovation, the value stream manager must ensure that the **functions within the value stream are coordinated** within the overall organisational framework

THE MANAGER'S ROLE IN ORGANISING WORK

- **Work planning**

(a) Task sequencing or prioritisation, ie considering tasks in order of importance for achieving objectives and meeting deadlines.

(b) Scheduling or timetabling tasks, and allocating them to different individuals within appropriate timescales.

(c) Establishing checks and controls to ensure that:

   (i) Priority deadlines are being met and work is not 'falling behind'

   (ii) Routine tasks are achieving their objectives

(d) Contingency plans: arrangements for what should be done if changes or problems occur, eg computer system failure or industrial action.

(e) Co-ordinating the efforts of individuals: integrating plans and schedules so that data and work flows smoothly from one stage of an operation to another

- **Assessing where resources are most usefully allocated**

(a) Human resources: staff time and skills

(b) Material resources, including raw materials, equipment, machine time, office space and so on

(c) Financial resources, within budget guidelines

(d) Information

CHALLENGES FOR MANAGERS

- **Leading change**:

- **Staff retention**:

- **Succession planning**:

CRISIS AND UNEXPECTED EVENTS

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Types of Crisis Management

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-
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Proactive

Responsive

Recovery

Management

Crisis

HENRY FAYOL - FIVE FUNCTIONS OF MANAGEMENT

Fayol (1841-1925) was a French industrialist who put forward and popularized the concept of the '**universality of management principles**': in other words, the idea that all organisations could be structured and managed according to certain rational principles.

1. Planning

2. Organising

3. Commanding

4. Co-ordinating

5. Controlling

LIMITATIONS

(a) '**Motivating**' is not mentioned. It is assumed that subordinates will carry out tasks when 'commanded' or instructed to do so, regardless of whether or how far they may 'want' to.

(b) '**Communicating**' is not mentioned, although it is implied by the process of commanding (giving instructions), co-ordinating (sharing information) and controlling (giving feedback)

FAYOL 14 PRINCIPALS

(a) **Division of labour** - Division of work and specialisation produces more and better work with the same effort.

(b) **Authority and responsibility** - Authority is the right to give orders and the power to exact obedience. Managers have official authority because of their position, as well as personal authority based on individual personality, intelligence, and experience. Authority creates responsibility. Responsibility is answerable, or accountable for something.

(c) **Discipline** - Obedience and respect within an organisation are absolutely essential. Good discipline requires managers to apply sanctions whenever violations become apparent.

(d) **Unity of command** - An employee should receive orders from only one superior.

(e) **Unity of direction** - Organisational activities must have one central authority and one plan of action.

(f) **Subordination of individual interest to general interest** - The interests of one employee or group of employees are subordinate to the interests and goals of the organisation. This is necessary to maintain unity and to avoid friction among the employees.

(g) **Remuneration of personnel. Salaries** - the price of services rendered by employees - should be fair and provide satisfaction both to the employee and employer.

(h) **Centralisation** - The objective of centralisation is the best utilisation of personnel. The degree of centralisation varies according to the dynamics of each organisation.

(i) **Scalar chain** - A chain of authority exists from the highest organizational authority to the lowest ranks.

(j) **Order** - Organisational order for materials and personnel is essential. The right materials and the right employees are necessary for each organisational function and activity.

(k) **Equity** - In organisations, equity is a combination of <u>kindliness and justice</u>. Both equity and equality of treatment should be considered when dealing with employees.

(l) **Stability of tenure of personnel** - To attain the maximum productivity of personnel, a stable work force is needed.

(m) **Initiative** - Thinking out a plan and ensuring its success is an extremely strong motivator. Zeal, energy and initiative are desired at all levels of the organisational ladder.

(n) **Esprit de corps** - Teamwork is fundamentally important to an organisation. Work teams and extensive face-to-face verbal communication encourage teamwork.

F W Taylor: Scientific Management

Frederick W Taylor (1856-1915) pioneered the scientific management movement in the USA. He was among the first to argue that management should be based on 'well-recognised, clearly idefined and fixed principles, instead of depending on more or less hazy ideas'. Taylor was a very skilled engineer and he took an engineering efficiency approach to management. Principles of scientific management include the following.

- **Select methods based on science, not "rule of thumb."**

- **Assign workers jobs based on their aptitudes**

- **Monitor worker performance**

- **Properly divide the workload between managers and workers**

ELTON MAYO: HUMAN RELATIONS

- In the 1920s, Elton Mayo, an Australian-born psychologist and organizational theorist, began his research on the behavior of people in groups and how it affects individuals in the workplace, known as the **Hawthorne studies**.

- that **worker attitudes** and **group relationships** were of greater importance in determining the levels of production. each employee's work had a significant effect on the team output

- For the first time it was realized that productivity depend largely upon the satisfaction of the employees in work situation.

- It was concluded that people are motivated at work by a variety of psychological needs, including social or 'belonging' needs. This became the basis of the **human relations school** of management theory.

- Later writers (such as Maslow and Herzberg) focused on a wider variety of 'higher-order' needs of workers, including the need for challenge, responsibility and personal development in the job. This became known as the **neo-human relations school**, which proposed important theories of Motivation and job satisfaction
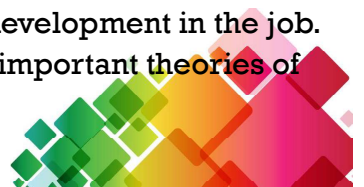
PETER DRUCKER: THE MANAGEMENT PROCESS

Peter Drucker worked in the 1940s and 1950s as a business adviser to a number of US corporations. He was also a prolific writer on management. Drucker argued that the manager of a business has one basic function – **economic performance**.

(a) Managing a business. The purposes of the business are to create a customer and innovation.

(b) Managing managers. The requirements here are:

    ☐ Management by objectives (or performance management)

    ☐ Proper structure of managers' jobs

    ☐ Creating the right spirit (culture) in the organisation

    ☐ Making a provision for the managers of tomorrow (managerial succession)

    ☐ Arriving at sound principles of organisation structure

(c) Managing workers and work - A manager's performance in all areas of management, including management of the business, can be enhanced by a study of the principles of management, the acquisition of 'organised knowledge' (eg management techniques) and systematic self-assessment.

Management processes

Later, Drucker grouped the work of the manager into five categories.

(a) Setting objectives for the organisation.

(b) Organising the work.

(c) Motivating employees and **communicating** information to them to enable them to do their work.

(d) The job of **measurement**.

    (i) Establish objectives of performance for all personnel

    (ii) Analyse actual performance, appraise it against the objectives which have been set, and analyse the comparison

    (iii) Communicate the findings and explain their significance both to subordinate employees and also to superiors

(e) **Developing people**.

ROLE OF MANAGERS

Management expert professor Henry Mintzberg has argued that a manager's work can be boiled down to ten common roles. According to Mintzberg, these roles or expectations for a manager's behavior, fall into three categories. They are,

- **Interpersonal Roles –**

- **Informational Roles –**

- **Decisional Roles -**

Interpersonal Roles - The interpersonal roles are roles in which managers develop and maintain relationships. Interpersonal roles include the manager as figurehead, the manager as leader, and the manager as liaison.

- Figurehead – Performs ceremonial and symbolic duties such as greeting visitors, signing legal documents. As symbolic head they do perform.

  E.g; greeting visitors, attending a subordinate's wedding

- Leader – Getting things done from subordinates. Direct and motivate subordinates, training, counseling and communicating with subordinates.

  E.g: giving commands and advice, motivating subordinates

- Liaison – Coordinating between activities, people, groups and organizations.

  E.g: Acknowledging mail, performing activities that involve outsiders.

Informational Roles - In the course of performing informational roles, a manager acquires, processes and communicates information. The three informational roles are:

- Monitor – Gathering information from internal and external environments.

  E.g: Questioning the subordinates to find out what is happening.

- Disseminator – Distributing information to the members of the work unit.

  E.g:Holding a board meeting to inform subordinates, preparing a memo to be circulated.

- Spokes Person – Transmitting information to the people outside their own work unit.

  E.g: Keeping superiors informed, speaking to the media, addressing a government delegation

Decisional Roles

Decisional roles are those roles in which managers examine alternatives and then make choices and commitments. These decisions range from minor choices to major strategic decisions.

- Entrepreneur – Searching business environment for opportunities and initiating changes. Initiate improvement projects, identify new ideas, and delegate idea responsibility to others.

   E.g: Launching a developmental project

- Disturbance Handler – Giving solutions to difficult problems business encounters.

   E.g - Take corrective action during disputes or crises, resolve conflicts among subordinates, adopt to environmental crises.

- Resource Allocator – Allocating limited resources among different objectives.

   E.g: Setting priorities, Decide who gets resources, scheduling, budgeting

- Negotiator – Negotiating with internal and external parties to gain advantages to the business.

   E.g: Negotiating with a supplier, a labour union, another manager

- **Katz: management skills**

   Katz (1955) proposed three different skills that leaders should have. Katz argued that skills differ from traits.

   - Skills are what leaders are able to achieve, whereas traits are part of a leader's personality.

Skills	Description
Technical	
Human	
Conceptual	

Main Concepts in Management

1.   Productivity
2.   Efficiency
3.   Effectiveness

1.   Productivity

Productivity is the relationship between the output generated by a production or service system and the input provided to create this output.

Eg: If input is 10 and output is 100, the productivity is

How to improve the Productivity,

• Increasing output whereas input is constant (fixed)
• Decreasing input whereas output is constant (fixed)
• Increasing output and decreasing input at same time
• Increasing output at higher rate than to the input increase
• Decreasing input at higher rate than to the output decrease

2.Efficiency

According to Peter Drucker 'Doing Things Right' is the Efficiency. It refers "Getting Maximum output over Scare resources with minimum wastage. Getting the optimal use of limited resources by minimizing wastage" That means the degree to which limited resources are optimally utilized.

How to Improve the 'Efficiency'

• Using trained employees or let employees to undergo proper training
• Minimizing wastage by using quality materials
• Reducing production cost by deploying modern technology
• Introducing advance techniques like division of labour.

3.   Effectiveness

According to Peter Drucker 'Doing Right Thing' is the Effectiveness. Effective production is producing intended output level by using minimum resources with minimum wastage. ''Achieving the organizational objectives as planned''. That means the degree to which the predetermined objectives are achieved as planned.

- When considering the performance levels achieved by an organisation it is common to consider **economy**, **efficiency** and **effectiveness**.
    - Efficiency has been defined as 'doing things right'
    - Effectiveness as 'doing the right things'.
- **Economy** is most simply seen as reduction or containment of **cost.**
- **Efficiency** measures the relationship between costs and attainment. An improvement in what is achieved at no extra cost, or a reduction in cost for no reduction in performance, or a combination of the two, are all improvements in efficiency. Efficiency is linked to **productivity,** although productivity is often more narrowly seen as the relationship of tangible output to resources input or the rate of production over time.
- Efficiency measures are ratios which relate inputs to outputs.
    - Sales per square metre of retail space
    - Wastage per unit of output
    - Cost per kilometre
    - Productivity per person/hour

- **Effectiveness** is about objectives and goals. Generally, objectives relate to the firm's ability to serve the needs of its chosen client group and to realise its mission and goals. Such as,
  - Market share of specified market
  - Expenditure on innovation or new product development
  - Extent of product or brand awareness
  - Product quality or performance

Effectiveness in the matching of organisation capacity to customer needs involves two questions.
- Do product/service features satisfy a need? In other words, is there an appropriate package of benefits?
- Are these successfully communicated to the customer group?

Internal processes approach

The internal process approach really refers to efficiency and the internal workings of the organisation, rather than effectiveness as we have defined it. However, it assumes that *because* the organisation is healthy and efficient in its internal processes, then it must be effective. Internal efficiency and 'health' is an outward sign of organisational effectiveness in meeting client needs.

- Problems
  - Ignores Customers
  - Ignores Strategy
  - Ignores Environment
  - Assumes the Status Quo

The goal approach

The goal approach measures effectiveness by comparing the actual performance of the business with its stated objectives and goals. The goal approach is quite easy to use. It is possible, for example, to use output measures as measures of effectiveness.

- •   •
- •   •
- •
- •

Problems

- Comparison
- Trade Off
- Subverting the goal-setting process
- Measurability does not equal significance
- What gets measured gets managed

1. Who proposed the four principles of scientific management?

   a. Herbert Simon

   b. Daniel Katz

   c. Robert Kahn

   d. Frederick Taylor

2. Which of these is one of Fayol's fourteen principles of management?

   a. Unity of command

   b. Scientific determination

   c. Cooperation of managers

   d. None of the above

3. Which of the following is not one of Fayol's five functions of management?

      A Commanding

      B Controlling

      C Communicating

      D Co-ordinating

4. Who argued that management should be based on 'well-recognised, clearly defined and fixed principles, instead of depending on more or less hazy ideas'?

      A Fayol

      B Taylor

      C Drucker

      D Mintzberg

5. Which of the following is one of the interpersonal roles of managers identified by Henry Mintzberg?

      A Handling disturbances

      B Reconciling individual needs with the requirements of the organisation

      C Training staff

      D Liaising outside the scalar chain

6. Matthew manages a mobile phone retail store. He has set a specific sales goal for his team to achieve by the end of the month. Matthew created a detailed action plan to help reach the sales goal. Which managerial function has Matthew performed?

• Creating

• Planning

• Distributing

• Organizing

7. How are top level managers different from managers at other levels?

• They are most responsible for implementing plans to achieve organizational goals

• They have the most personal interaction with the general workforce

• They hold the most responsibility for setting the overall direction of the entire company

• They only set goals for individual areas of the company

8. When Mark the manager communicates his department's resource needs to company headquarters, which interpersonal role is he fulfilling?

- Leader

- Disseminator

- Figurehead

- Liaison

9. Fred the football coach must meet with the media and answer questions about team performance after every game. Which one of Mintzberg's managerial roles is Fred fulfilling?

- Speaker

- Disseminator

- Monitor

- Spokesperson

10. Which one of the following is not a role of a manager according to Henry Mintzberg?
(1) Decisional role. (2) Informational role. (3) Conceptual role. (4) Interpersonal role

11. …………………… (Organising / Planning) is a function of management that involves setting objectives and determining set of actions for achieving those objectives

12. Which one of the following is correct regarding the management process?
(1) Planning, Production, Leading and Communication.
(2) Planning, Objectives, Unity of Command and Organizational Structure.
(3) Planning, Organizing, Leading and Controlling.
(4) Planning, Unity of Command, Leading and Organizational Structure.

13. Kumara Sangakkara is the captain of the Sri Lanka Cricket team and he set overall objectives, develope the game plan and identify competitor team weakness and drive the team to get the advantage from those weaknesses. Which skill he performed as the captain,

a. Technological skill

b. Human skill

c. Conceptual skill

d. all

14. Management is a combination of 5 functions which are , **Planning**, **Organising**, **Commanding, Co-ordinating & Controlling. Which Management guru said this.**

A.   Peter F. Drucker.

B.   Henry Fayol.

C.   Elton Mayo

D.   Sachith Karunarathna

15. Pioneer of Human Relations is _____.
Peter

A.   Peter F. Drucker.

B.   Henry Fayol.

C.   Elton Mayo

D.   Sachith Karunarathna

16. Espirit de corps means_____.
A. union is strength. (Teams)
B. service is our motto.
C. buyer beware.
D. product is our strength.

17. F.W. Taylor is associated with_____.
A. Scientific Management.
B. Future management.
C. Modern management.
D. Principles of management.

18. Management is_____.
A. an art.
B. a science.
C. an art and a science.
D. an art not science.

19. Every subordinate should receive orders from and be accountable to only one superior is _____.

A. Unity of direction.
B. Unity of command.
C. Centralization.
D. Scalar chain.

20. The chain of command from the highest authority to the lowest level in the organization is _____.

A. Unity of direction.
B. Unity of command.
C. Centralization.
D. Scalar chain.