

# 69 Management

## What is management?

Managers are an important group involved in business activity. It may be difficult to define exactly what is meant by 'management'. However, many agree that managers are responsible for 'getting things done' – usually through other people. The term manager may refer to a number of different people within a business. Some job titles include the word manager, such as personnel manager. Other job holders may also be managers, even though their titles do not say it. It could be argued that managers:

- act on behalf of the owners – in a company, senior management are accountable to the shareholders;
- set objectives for the organisation, for example, they may decide that a long term objective is to have a greater market share than all of the company's competitors;
- make sure that a business achieves its objectives, by managing others;
- ensure that corporate values (the values of the organisation) are maintained in dealings with other businesses, customers, employees and the general public.

## The functions of management

Henri Fayol, the French management theorist, listed a number of functions or elements of management in his book *General and Industrial Administration* (1916).

**Planning** This involves setting objectives and also the strategies, policies, programmes and procedures for achieving them. Planning might be done by line managers who will be responsible for performance. However, advice on planning may also come from staff management who might have expertise in that area, even if they have no line authority. For example, a production manager may carry out workforce planning in the production department, but use the skills of the personnel manager in planning recruitment for vacancies that may arise.

**Organising** Managers set tasks which need to be performed if the business is to achieve its objectives. Jobs need to be organised within sections or departments and authority needs to be delegated so that jobs are carried out. For example, the goal of a manufacturing company may be to produce quality goods that will be delivered to customers on time. The tasks, such as manufacturing, packaging, administration, etc. that are part of producing and distributing the goods, need to be organised to achieve this goal.

**Commanding** This involves giving instructions to subordinates to carry out tasks. The manager has the authority to make decisions and the responsibility to see that tasks are carried out.

**Co-ordinating** This is the bringing together of the activities of people within the business. Individuals and groups will have their own goals, which may be different to those of the business and each other. Management must make sure that there is a common approach, so that the company's goals are achieved.

**Controlling** Managers measure and correct the activities of individuals and groups, to make sure that their performance fits in with plans.

## Managerial roles

Henry Mintzberg in the 1980s suggested that, as well as carrying out certain functions, the manager also fulfils certain roles in a firm. He identified three types of role which a manager must play.

**Interpersonal roles** These arise from the manager's formal authority. Managers have a figurehead role. For example, a large part of a chief executive's time is spent representing the company at dinners, conferences etc. They also have a leader role. This involves hiring, firing and training staff, motivating employees etc. Thirdly, they have a liaison role. Some managers spend up to half their time meeting with other managers. They do this because they need to know what is happening in other departments. Senior managers spend a great deal of time with people outside the business. Mintzberg says that these contacts build up an informal information system, and are a means of extending influence both within and outside the business.

**Information roles** Managers act as channels of information from one department to another. They are in a position to do this because of their contacts.

**Decision making roles** The manager's formal authority and access to information means that no-one else is in a better position to take decisions about a department's work.

Through extensive research and observation of what managers actually do, Mintzberg drew certain conclusions about the work of managers.

- The idea that a manager is a 'systematic' planner is a myth. Planning is often carried out on a day-to-day basis, in between more urgent tasks.
- Another myth is that a manager has no regular or routine duties, as these have been delegated to others. Mintzberg found that managers perform a number of routine duties, particularly 'ceremonial' tasks.
- Mintzberg's research showed that managers prefer verbal communication rather than a formal system of communication. Information passed by word of mouth in an informal way is likely to be more up to date and easier to grasp.

## Management by objectives (MBO)

In 1955, Peter Drucker, a US business adviser and writer, published a book called *The Practice of Management*. In the book, he suggested that managers had five functions:

- setting objectives;
- organising work;

### Question 1.

Allison Broomes had a typical morning as personnel manager for a company employing 750 people.

- 8.00 In her office dealing with her emails.
- 8.10 Interrupted by the production manager asking whether she had any luck in getting applications for the toolsetter's job.
- 8.30 Secretary arrives and they go through her diary appointments for the day.
- 8.40 Meeting with accounts manager to discuss the wording of an advert and job description for an accounts executive. Interrupted by mobile phone call from managing director's personal secretary confirming 3.45 meeting.
- 9.20 Back into the office to deal with the mail. Delegate tasks arising from the mail to her 2 assistants and 1 secretary in their open plan office.
- 9.40 Meeting with trade union representative to discuss disciplining of a worker for persistent lateness.
- 9.50 Review file for interviews taking place the following day. Interrupted by phone call from managing director's personal secretary to ask if the meeting could be moved to 4.00 p.m.
- 10.10 Checks progress on two job vacancies with one of her assistants.
- 10.30 Monthly meeting with head of marketing to discuss current personnel issues in her department.
- 11.30 Attendance at small ceremony where 15 employees are given their CIEH Basic Health and Safety awards.
- 11.50 Back in the office reading over letters and documents that are to be sent out by her secretary which require her signature.
- 12.10 Discussion with one of her assistants about a pay issue that has cropped up.
- 12.25 Accesses emails and replies to them.
- 12.40 Calls assistant head of production about application for training course from two of his workers.
- 12.55 Working lunch with her two assistants in the office.

- (a) Explain what functions of management Alison Broomes has fulfilled during her morning according to (i) Fayol's theory of management and (ii) Mintzberg's theory.

- motivating employees and communicating information to them;
- job measurement - checking that tasks have been performed and objectives met;
- developing people, including organising training.

**Setting objectives** Drucker argued that businesses could run into problems if managers and employees worked towards different objectives. For example, the marketing department might want to launch a new product. This could raise revenues, but would also increase costs. In contrast, the finance department might frustrate those plans by not agreeing to any increase in spending for the next six months. So Drucker put forward the idea that a business could be run and controlled through:

- the setting out of objectives;
- making plans to realise those objectives;
- carrying out those plans;
- monitoring whether objectives have been reached.

This is MANAGEMENT BY OBJECTIVES (MBO). It is a scientific approach to management, where the same principles can be applied to different businesses and different situations. MBO requires managers to use the skills identified by Drucker as essential to their role as managers.

**Planning and MBO** In a large organisation, the system to implement MBO is likely to be complex. This is because there is a large number of employees who must be involved at different levels in the hierarchy of the business. In a large organisation, objectives or goals for the whole business (corporate objectives) are set by senior managers and the directors of the company. Those objectives are derived from their aims (sometimes written out in the mission statement of the business). Senior management then has to plan how to achieve those objectives.

The next stage is to involve the next layer of management in the hierarchy. A corporate objective might be to increase sales by 30 per cent over the next three years. Senior management of a subsidiary company of the business would then be asked how they could contribute to realising that goal. Following discussions and analysis, they could agree on their objective. They might, for example, agree to an objective of increasing sales by 10 per cent. Planning is then required to map out how the 10 per cent increase will be achieved.

This might then be taken down to managers of individual departments within the subsidiary company. What objectives would those departments have to help achieve the 10 per cent increase in sales? Ultimately, it can be taken down to the level of individual workers. Through systems of performance appraisal, individual workers can be set goals, say for the next year. Achieving these goals will form a small part of the way in which the objectives of the whole business will be achieved.

**Participation and MBO** The MBO process should encourage participation and negotiation. Orders should not simply be

Table 1: Advantages of MBO

- Managers and workers in the organisation will know their objectives. So the business can work to a single purpose.
- Objectives and plans can be co-ordinated throughout the organisation. So one part of an organisation should not be working in a way which will frustrate the objectives of another part of the organisation.
- Clarity of purpose, negotiation and payment systems should lead to workers and managers being better motivated.
- MBO allows senior managers to control the organisation. The MBO system allows them to steer the business in the direction in which they have agreed to go.

passed down the chain of command. Instead, objectives and how to achieve them should be the subjects of discussion and negotiation. There are two main reasons for this.

- Those lower down the chain of command often have a better understanding of what is possible than those further up the chain. Their knowledge and experience should be used rather than ignored. So they should be fully involved in objective setting, planning and execution.
- Participation is likely to increase motivation. Managers and workers are likely to be committed to achieving goals which they have helped to set.

**Compensation and MBO** Compensation of individual workers or groups of workers can be linked into the achievement of objectives. Bonuses can be paid to managers and workers who meet targets. Bonus systems should be designed to reward those who achieve. They should therefore motivate managers and workers. Reward-based compensation systems also force businesses to be clear about whether they have achieved their objectives. Information about what has been achieved must be collected to decide whether or not bonuses are to be paid. They force everyone to concentrate their attention on what is to be achieved and what has been achieved.

### Advantages and problems of MBO

Table 1 shows the benefits of a MBO approach. However, there may be some problems. Some large organisations have attempted to adopt MBO, although perhaps not as a complete management system. Others have not, for a number of reasons.

**Time and resources** Properly implemented, the system requires a considerable amount of time and resources to be allocated to it. Involving managers at all levels of an organisation is costly. It can be argued that these costs outweigh the benefits to be gained from implementation.

**Obstruction** MBO assumes that managers and workers can be moulded into employees who will understand objectives and carry out plans which will fulfil those objectives. But each

manager and worker is different. Some are highly motivated and are good at seeing objectives and implementing them. Others might have less positive attitudes towards work. They might have little interest in seeing the business achieve its objectives. Equally, many workers and managers find it difficult to understand large-scale objectives and plans. In their view, getting on with familiar routine tasks is all that is important. Meetings to them are mostly a waste of time and the outcomes are usually best ignored. There are also employees who find it difficult to work in ways which are fixed by others. They are not necessarily good team members because they do things in the way which suits them. But they can be highly valuable to an organisation, particularly where individuality and creativity are needed. So, many managers and workers conform to the type of working required by the MBO system. This reduces its effectiveness.

**Creativity** Some argue that MBO fails to recognise the importance of creativity and spontaneity in a successful business. MBO is a system of control to ensure that managers

### Question 2.

Kaplin Price is a manufacturer of scaffolding and safety equipment. It is increasingly facing stiff competition from abroad, but is not certain how best to react to this. Should it expand rapidly? Or should it rationalise to some extent? What would happen if it differentiated its products in some way from those of its competitors? Unless it makes a decision soon, it might find that its costs have escalated and it may be forced to shut down.

It has also experienced difficulties with its internal organisation. Last year it attempted to launch a new range of products with the intention of expanding its market share. It was not clear exactly what share it wanted to achieve, just that it wanted sales to grow. It set in place an incentive system for its sales representatives. Those that reached a certain target of sales would receive a bonus. However, it did not explain to the reps exactly what the target would be. This meant that they lacked motivation and whether they should be paid the bonus or not was decided by managers with a 'gut feeling' about individuals if there had been improved sales from the whole team.

- (a) Using examples, examine ways in which adopting an MBO approach might solve the difficulties faced by Kaplin Price.



carry out the objectives and plans of senior management. But success in many businesses comes about because workers react as individuals to individual situations. MBO stifles that initiative and makes it more difficult for managers to react to an unpredictable environment.

**A changing environment** MBO assumes that the environment in which a business finds itself is likely to be fairly predictable. But in practice, the business environment can be volatile. Objectives set one month can be unrealistic the next. War, recession, collapsing markets or new competitors can completely change what is possible. So, too much planning can be a waste of resources. Even worse, it can paralyse a business when circumstances change. Managers can carry on working to old objectives and plans when these have become redundant.

In practice, all medium to large businesses have formal or informal strategies (plans to meet objectives) and systems to implement those strategies. These systems include elements of MBO. But most accept that management by objectives is not the only way to run a successful business.

## Being a manager

Charles Handy, an Irish author specialising in organisational behaviour and management, has outlined what is likely to be involved in 'being a manager'.

**The manager as a general practitioner** Handy made an analogy between managing and staying 'healthy'. If there are 'health problems' in business, the manager needs to identify the symptoms. These could include low productivity, high labour turnover or industrial relations problems. Once the symptoms have been identified, the manager needs to find the cause of the trouble and develop a strategy for 'better health'. Strategies for health might include changing people, through hiring and firing, reassignments, training, pay increases or counselling. A manager might also restructure work through job redesign, job enrichment and a redefinition of roles. Systems can also be improved. These can include communication systems, reward systems, information and reporting systems, budgets and other decision making systems, e.g. stock control.

**Managerial dilemmas** Handy argued that managers face dilemmas. One of the reasons sometimes given for why managers are paid more than workers is because of the dilemmas they face.

- **The dilemma of cultures** When managers are promoted or move to other parts of the business, they have to behave in ways which are suitable for the new position. For example, at the senior management level, managers may deal more with long term strategy and delegate lower level tasks to middle management more often. If a promoted manager maintains a 'culture' that she is used to, which may mean taking responsibility for all tasks, she may not be effective in her new position.

- **The trust-control dilemma** Managers may want to control

the work for which they are responsible. However, they may have to delegate work to subordinates, trusting them to do the work properly. The greater the trust a manager has in subordinates, the less control she retains for herself. Retaining control could mean a lack of trust.

- **The commando leader's dilemma** In many firms, junior managers often want to work in project teams, with a clear task or objective. This can mean working 'outside' the normal bureaucratic structure of a larger organisation. Unfortunately, there can be too many project groups (or 'commando groups') for the good of the business. The manager must decide how many project groups she should create to satisfy the needs of her subordinates and how much bureaucratic structure to retain.

**The manager as a person** Management has developed into a profession and managers expect to be rewarded for their professional skills. Managers must, therefore, continue to develop these skills and sell them to the highest bidder.

## Theory X and Theory Y

In 1960 Douglas McGregor published *The Human Side of Enterprise*. It was an attempt to apply the implications of Maslow and the work of Taylor and Mayo on motivation to business. In the book, he gives different reasons why people work. He coined the terms Theory X and Theory Y to describe these differences. Table 3 shows the main ideas behind the two theories.

- **Theory X** THEORY X assumes that people are lazy. If this is accepted, then the only way to get people to work is by using strict control. This control can take one of two forms. One method is to use coercion – the threat of punishment if rules are broken or targets not achieved. This is often known as the 'stick' approach. The problem with threats is that they are only effective if the person being threatened believes that they will be carried out. Modern employment laws and company-wide agreements,

Table 2: Theory X and Theory Y

Theory X	Theory Y
• Workers are motivated by money	• Workers have many different needs which motivate them
• Workers are lazy and dislike work	• Workers can enjoy work
• Workers are selfish, ignore the needs of organisations, avoid responsibility and lack ambition	• If motivated, workers can organise themselves and take responsibility
• Workers need to be controlled and directed by management	• Management should create a situation where workers can show creativity and apply their job knowledge

### Question 3.

In 2007 BP's new chief executive, Tony Hayward, vowed to fix the problems at the company after announcing a slide in second quarter profits. He said there would be a revamp of BP's structure and promising to rein in operating subsidiaries in favour of a more centralised management style. Previously BP's head office issued financial targets, but left divisional heads with a high degree of operational independence. Mr Hayward is thought to admire the greater 'command and control' style of industry leader Exxon Mobil. 'We are not moving to a completely functional operation,' he said, 'but there will be much stronger boundaries and standards within which to operate.'

Promising the end of 'duplication' around the group, Mr Hayward detailed cost cuts, including the redeployment of 25 per cent of head office staff into the field. Hayward has already indicated that the management style and approach that he wants to filter down to the grass roots will be less about politics and cult of personality and more focus used on profits and operations. Hayward has written of BP's failure to 'listen enough to what the bottom of the organisation is saying'. The word 'collegiate' crops up a lot in conversations with BP personnel about the management approach that Hayward aims to cultivate.

Source: adapted from the *Telegraph*, 2007.

- What are the potential dilemmas of a manager's role at BP?
- To what extent does Mr Hayward subscribe to a Theory X or Theory Y approach to management?

have made this difficult for managers. For this reason, a 'carrot' approach may be more suitable. People have to be persuaded to carry out tasks by means of promises or rewards. In many ways this theory is similar to Taylor's **scientific management** view of people at work as shown

earlier in this unit.

- **Theory Y** THEORY Y, on the other hand, assumes that most people are motivated by those things at the top of Maslow's hierarchy. In other words, people are responsible, committed and enjoy having control over work. Most people, given the opportunity, will get involved in work, and contribute towards the solution of a problem that may arise. This theory is similar in some ways to the **human relations school**.

Business managers tend to say that their own assumptions are closer to Theory Y than to Theory X. But tests on management training courses tend to show that their attitudes are closer to Theory X than they might like to admit. In addition, many managers suggest that, while they themselves are like Theory Y, workers are closer to Theory X. This theory has been used by managers to organise employees in business.

In practice, it could be argued that most firms behave according to Theory X, especially where shopfloor workers are concerned. The emphasis is on the use of money and control to encourage workers to behave in the 'correct way'. The same organisations might behave according to the assumptions of Theory Y when dealing with management. A representative of a banker's union wrote in *The Independent on Sunday*, 'The lower down the ladder you are, the less control you have over your work environment. Managers can do as they please, stretch their legs whenever they want. Clerical workers, if they are working in a data-processing centre, for example doing entries for cheques or credit cards, are disciplined if they don't complete a given number of key strokes in an hour or a day. Half the time they don't know what they are doing. They don't see any end product. More and more work has been downgraded.'

## KEY TERMS

**Management by Objectives (MBO)** – a management theory which suggests that managers set goals and communicate them to subordinates.

**Theory X** – put forward by McGregor, the theory that workers disliked work, were inherently unambitious, lazy, irresponsible and untrustworthy and were motivated to work mainly by earning money.

**Theory Y** – put forward by McGregor, the theory that workers enjoy work, want to take responsibilities and organise themselves and are motivated to work by a much wider number of factors simply than earning money.

## KNOWLEDGE

1. (a) According to Fayol, what are the functions of management? (b) How do these differ from those suggested by Mintzberg?
2. What are the functions of management according to Drucker?
3. Explain what is meant by 'management by objectives'.
4. Explain the role, in management by objectives, of (a) participation and (b) compensation.
5. Compare the advantages and disadvantages of management by objectives.
6. What is the difference between the Theory X and Theory Y views of workers'?