

# THE USE OF A FOUR MANAGEMENT FUNCTIONS PERCEPTION TOOL TO DIAGNOSE ORGANIZATIONAL MANAGEMENT PRACTICES: A CASE STUDY

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## ABSTRACT

The diagnose of management practices is a key step in the process of organizational improvement. There are multiple alternatives for evaluating management practices. Maturity models are used for diagnosing the level of specific management areas: project management, process management, risk management etc. Empirical models have been designed by different consulting organizations or even researchers to evaluate different management areas of an organization or even the whole organization. The main limitation of such models is the restricted applicability within companies due to their restricted/narrowed focus, being limited to specific management areas or limited industry fields. The goal of this article was to test the usage of a simple diagnose tool based on the four management functions. It has been applied to a Romanian company. The results of the first usage show that it is a very adaptable tool for any organization, but it cannot measure specific details regarding management activities for any company.

**Keywords:** diagnosis, management practices, management functions, perceptions.

**JEL classification:** M12, M10.

## 1. Introduction

The influence of management practices on firm's processes and performance has been differently approached in the literature. They influence firm productivity and its capability to deliver in an efficient way competitive and profitable products or services. Some authors go even further, presenting management practices as a variable in the Darwinian selection process that exists in business [1].

To perform a relevant diagnosis of management practices, all companies, regardless their size, face a major challenge to find the most appropriate tool, suitable for their needs and expectations. This paper is meant to provide an example of the usage of a tool that diagnosis management practices.

The four management functions perception tool is a very simple tool that relies on evaluating employees and managers perceptions about the way each management function is performed within an organizational unit of a company. As far as we know, this four-management functions perception concept is new, but similar feedback-based models are used by practitioners to evaluate

management, even if they haven't done it using the same name or the same four key areas we have used.

The contribution this paper brings to the literature is dual. The details of the model are an important source for both practitioners and researchers, as the recommendations that we make based on the usage of the tool are very useful for both people who plan to create new similar tools or for people who plan to use similar tools or even this tool. The first usage of the tool has been made in a Romanian large company that operates in the energy industry. The main findings of the paper are that this tool is a very simple one, easy to use at any level, it contains basic practices relevant for almost any organization and that this model evaluates the foundation of every organization's management. The tool has also weak points: it does not consider organizational culture, it doesn't go too deep in evaluating narrow practices that should exist in one organization.

In the next section of this paper, we present a survey of the relevant literature on management practices in order to better explain our contribution. Section III is devoted to the presentation of the model, section IV is a presentation of the results, including data description and methodology, and Section V concludes.

## 2. Literature review

Management practices research has evolved from single organizational area models to multiple organizational areas models. As, for many years human resources management has been a main research area in management, there is no surprise that management diagnosis was covered by related studies on management practice. For example, Delaney and Huselid (1996), in their analyses on HRM impact on firm performance, concluded that progressive human resource management practices, as selectivity in staffing, trainings and incentive compensation, influence organizational performance [2]. A similar research is performed by Patterson et al. one year later [3]. They conclude that acquisition and development of employee skills and job design are the main management practice categories that influence workers performance and progress.

A similar research was performed in the area of Supply Chain Management (SCM) by Li et al. They studied the impact of SCM practices on competitive advantage and organizational performance. They demonstrate that higher

levels of implementation for the management practices included in their model (strategic supplier partnership, customer relationship, level of information sharing, quality of information sharing, and postponement) can lead to enhanced competitive advantage and improved organizational performance [4].

The main research area related to organizational management practices is linked to Bloom and his collaborators. Their main research question is about the factors that determine management practices level in different organizations and even in different countries [1]. The results of their multiple studies bring both positive factors for organizational management practice level, as higher competition levels or family ownership associated to professional management, and negative factors, as companies managed by primo geniture. The model constructed by Bloom et al. evaluate multiple management practices that can exist in organizations. It covers four dimensions, each of them including specific practices. (1) Operations has three practices included: lean manufacturing, process documentation and rationale. (2) Monitoring contains five practices, covering aspects as tracking and reviewing performance and consequence management. (3) Targets area contains five practices that refer to type, realism, transparency and range. (4) Incentives has also five practices, referring to high performance, poor performers, promotion, attracting and retaining human capital.

This model can be used to evaluate management practices at firm level. It can be used for comparisons between organizations and it was tested on several firms from multiple countries. Management is compared to specific practices every company should implement (scores from 0 to 5). One weakness of this model is that it has been tested only for medium sized companies (700 employees average). Later studies using the same methodology conclude that ownership and labor regulation are the main factors that influence management practices [5].

There are also similar models, less visible than the one provided by Bloom et al., built to cover multiple organizational areas management practices, as is the model provided by Nedelko and Potocan [6]. Their results provide some insights about the different needs for management practices between companies from different environments. Their conclusion is that comparisons should not be made between firms unless they act in the same conditions.

A different perspective regarding management practices is the one brought by Ng [7]. In this case, management practices do not refer to organizational areas, but to the manager as an individual who should perform nine practices on a daily basis (visionary big picture orientation, a sense of curiosity and inquisitiveness, importance of being observant, attention to detail, manage with visibility and enthusiasm, crisis management skill, manage with openness and set an example, the art of delegation and communication skills, talent cultivation and mentoring) in order to be successful.

Management practices are also presented and promoted by consulting organizations, management professional

associations and other organizations that promote management practices using the maturity model concept. There are maturity models for the management of projects, risks, innovation, sustainable projects, performance, service lifecycle, products, change, business processes, supply-chains, sustainability, capacity, software projects, inventory, knowledge, matrix, data, sales, talent, identity, portfolio, IT, and for different other types of management as environmental management, financial management, strategic management etc. These maturity models traditionally contain best practices identified by these organizations during their practice or best practices used for marketing purposes. These maturity models can be used for evaluating the level of specific management areas in different companies. They are useful as reference for a single organizational area and they can be used for self-evaluation or external evaluation.

In comparison to the models that exist in literature, our model is a new model for evaluating management practices within organizations. It is built on considering two premises: to be simple and to deliver fair results. Simplicity is covered by the fact that it is designed according to the four management functions every manager and employee knows. Simple to understand, simple to evaluate, simple to improve. The fairness of the model comes from the fact that its results are not a one-person interview or an external evaluation, but an opinion of both managers and employees.

More than these arguments, our model can be used within every department within the organization and to superior management levels. A map of management competence level can be this way developed for the whole organization.

### **3. The four management functions perception tool – details and methodology**

Our model relies on the basic practices that every manager should perform in his/her daily operations. It was created relying on the following functions: planning, organizing, leading and controlling. These four functions are the foundation for any type of management, usable in any type of organization and at any hierarchical level. Given the fact that they are traditionally explained at any basic management course, these functions are notorious among managers and easy to understand.

To evaluate planning activities, we have relied on basic practices, considered mandatory to any manager: as objectives and KPI usage, team members involvement in decision making process, stakeholders' involvement in strategy development, considering risks in decision making, evaluation and control of plans and supervisors' involvement in decision making. The use of intuition has been considered a negative practice in decision making process.

Also, for organizing practices, we have considered the following three practices: the usage of formal delegation, the existence of written procedures and the continuous improvements of operations.

For leading we have considered: the practice of using individual performance discussions, individual support provided to encourage team work and the practice of

meetings with the whole team for problem solving.

For controlling function, the authors considered five practices: performing centralized performance control, KPIs continuous review, individual performance reports, detailed analysis using statistics and procedures monitoring.

The model for evaluating management practices is supposed to be used within departments, organizational areas or even large organizations, a 360-degree feedback from closed stakeholders is recommended.

#### 4. Results and discussion

The questionnaire was applied within a large Romanian company within two different operational areas. For Area 1 we received 4 questionnaires completed by managers and 15 by non-executive employees. For Area 2 we received 12 questionnaires completed by managers and 36 by non-executive employees.

The results for all management functions are presented in Tables one to four. We have used a 5 levels Likert scale for evaluating each practice, where 1=Very rarely, 2=Rarely, 3=Sometimes, 4=Often, and 5=Very Often. The results and the related discussions are further presented.

**Table 1. Results for planning practices**

Area 1	Employees	Managers	Difference
Objectives	3.14	2.58	0.55
KPIs	2.65	2.42	0.23
Intuition usage	2.81	2.75	0.06
Team involvement	2.97	3.5	-0.53
Continuous plan review	2.84	2.83	0.01
Stakeholders	2.78	2.42	0.37
Supervisor contribution	3.22	3.75	-0.53
Risks	2.97	3.25	-0.28
Area 2	Employees	Managers	Difference
Objectives	2.6	2.25	0.35
KPIs	1.93	2.25	-0.32
Intuition usage	2.4	2.5	-0.1
Team involvement	2.2	3	-0.8
Continuous plan review	2.33	2.75	-0.42
Stakeholders	1.8	2.33	-0.53
Supervisor contribution	3.21	4.75	-1.54
Risks	3.07	4.25	-1.18

In the first organizational unit, the perspectives of both employees and managers on management practices do not vary significantly, showing that employees and managers have similar perspectives regarding performed planning

activities. In the second case we see lower values showing that the items considered to evaluate planning activities are not so well developed, exception make the items "risks" and "supervisor contribution (Table 1, Area 2).

These results highlight that employees expect more implication from management team when setting objectives and KPIs, plan review and stakeholders' implication. Also, in the second case the highest values were registered in the case of "supervisor contribution" and risks consideration (4,75), showing that managers at upper hierarchical levels are perceived to be more implicated than the ones at the operational level.

Regardless the practice included in our model, they are all formulated positively (higher the results, better the situation), except one – intuition usage. According to quality management practice and literature, data-based decision making is better than intuition-based. There are also arguments for intuition usage. As it can be observed, each item can be subject of a detailed discussion. While the existence of objectives and KPIs, the plan review", and risks role, are acknowledged by everyone, the other practices (intuition usage, team involvement, stakeholders and supervisors' involvements) can be all subjects for debates. The culture a company has, the context for planning activities can impact practice implementation in both positive and negative way.

Besides providing useful insights of the management practices, the model enables comparison among employees' and managers' perceptions. Having different perspectives of the same matter, the evaluator is able to identify the perception regarding the whole management process, and the particular needs and weaknesses of each unit, representing a valuable source for strategy development.

**Table 2. Results for organizing practices**

Area 1	Employees	Managers	Difference
Written procedures existence	3.3	3.25	0.05
Formal delegation	2.57	2.33	0.23
Operations Improvement	2.92	2.75	0.17
Area 2	Employees	Managers	Difference
Written procedures existence	3.13	3.75	-0.62
Formal delegation	2.27	2.5	-0.23
Operations Improvement	2.6	4	-1.4

In case of organizing practices (Table 2), the items "the existence of written procedures", and "the usage of formal delegation are non-debatable topics, confirmed by the small variation registered in both cases. Nevertheless, the item "operations improvement" registers a difference for Area 2 of (-1.4), highlighting that employees consider that is still much that can be done to improve operations.

Especially in Area 2 significant variations were registered

between employees' and managers in terms of leading management practices (Table 3). It can be seen that employees expect more interaction and support coming from the management team, while managers have a more optimistic view of the leading practices used.

**Table 3. Results for leading practices**

Area 1	Employees	Managers	Difference
Meetings for problem solving	2.84	2.92	-0.08
Individual performance discussions	3.16	3.67	-0.5
Individual support	3	4.08	-1.08
Area 2	Employees	Managers	Difference
Meetings for problem solving	2.2	2.75	-0.55
Individual performance discussions	2.67	4	-1.33
Individual support	3.47	4.5	-1.03

**Table 4. Results for controlling practices**

Area 1	Employees	Managers	Difference
Detailed analysis, statistics	2.84	2.5	0.34
Centralized performance control	3	3.17	-0.17
KPIs continuous review	2.7	3.08	-0.38
Individual performance reports	2.59	1.92	0.68
Procedures' monitoring	3.24	3.17	0.08
Area 2	Employees	Managers	Difference
Detailed analysis, statistics	1.93	3	-1.07
Centralized performance control	2.2	3.75	-1.55
KPIs continuous review	2.43	4.25	-1.82
Individual performance reports	1.8	2.25	-0.45
Procedures' monitoring	2.93	3.75	-0.82

In the case of controlling practices (Table 4), the variations in Area 1 were not so significant, both categories involved in the study having almost similar perceptions. Nevertheless, managers view tend to be more optimistic, with one exception, which is "individual performance reports". Managers from the first unit do not consider important individual performance review within the evaluation process.

There is also to be noted that the gaps between the two categories of respondents are higher in the sense that managers perceive the controlling practices as being more important in comparison to employees' opinion.

## 5. Conclusions

The model is able to deliver reliable results on main management practices problems existence. For example, in terms of organizing practices, the first organizational unit has better results when it comes to employees' perceptions, compared to the second one.

There are also larger differences between managers and employees in the second unit. This can be interpreted as a result of bad communication, low predisposition to improve existing practices or low flexibility.

This research represents the results of a first application of our model in a company. According to the results, there are more questions to be added before using this model once again. There should be more work in establishing what items should be included in the model for each function.

While analyzing the results and during the discussions which took place with company representatives, they have observed that some of the practices considered positive in the model were rather useless in their organization. Also, a discussion was related to managers' hierarchical position. "How much data analysis a low-level manager should perform?" The scale we have used did not discover always reliable results. Value 1 is an answer for people that estimate rare usage or no usage, so the average is affected.

One question we have received and one element already mentioned in literature is about the appropriateness of the practices used to firm's particular environment and culture. A question that should be included in the questionnaire should evaluate the appropriateness of the practices used to accomplish firm's objectives.

Given these questions and after testing this model, the development of an improved version of it is necessary. We are looking for the one that is capable to consider organizations' characteristics, organizational levels, the objectives of the company and the objectives of the firm.

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