

# Chapter One

## Introduction to Management

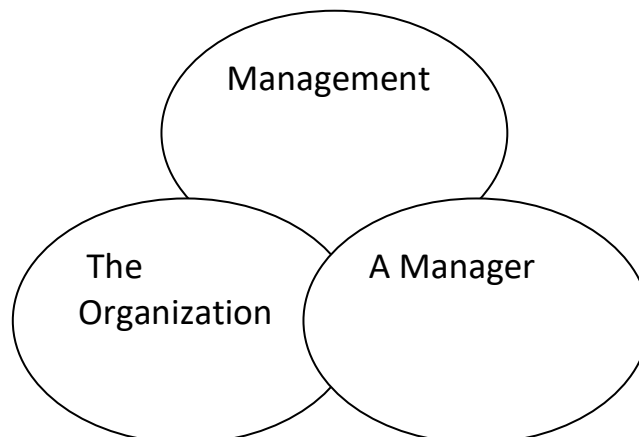
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*After studying this chapter, you should be able to:*

- *Describe what an organization is*
- *How the concept of an organization has changed*
- *Explain what a manager is*
- *Define management*
- *Distinguish between efficiency and effectiveness*
- *Describe the basic management functions and the management process*
- *Describe the kinds of managers found at different levels and in different areas of the organization.*
- *Identify the basic managerial roles that managers may play and the skills they need in order to be successful.*
- *Discuss the science and the art of management, describe how people become managers, and summarize the scope of management in organizations.*
- *Describing the importance of studying management*

### Basic concepts:

- An *organization* is a group of people with formally assigned roles who must work together to achieve stated goals.
- A *manager* is a person who organizes, leads, and controls the work of others so that the organization achieves its goals.
- *Management* refers to the process of administering and coordinating resources effectively and efficiently in an effort to achieve the goals of the organization.



## What is an organization?



- An organization is a group of individuals who work together toward common goals.
- An organization is a group of people intentionally organized to accomplish an overall, common goal or set of goals.
- A deliberate arrangement of people to accomplish some specific purpose.
- It is a social unit of people, systematically structured and managed to meet a need or to pursue collective goals on a continuing basis.
- Examples: College, University, Bank, Hospital etc.
- Common characteristics of an organization:
  - i. each organization has a distinct purpose
  - ii. each organization is composed of people
  - iii. all organizations develop some deliberate structure
- All organizations have a management structure that determines between functions and positions, and subdivides and delegates roles, responsibilities and authority to defined tasks.
- Business organizations can range in size from two people to tens of thousands.

## **Difference between traditional and contemporary (New) organizations:**

<b>Traditional Organization</b>	<b>New Organization</b>
<ul style="list-style-type: none"><li>• Stable</li><li>• Inflexible</li><li>• Job-focused</li><li>• Work is defined by job positions</li><li>• Individual-oriented</li><li>• Permanent jobs</li><li>• Command-oriented</li><li>• Managers always make decisions</li><li>• Rule-oriented</li><li>• Relatively homogeneous workforce</li><li>• Workdays defined as 9 to 5</li><li>• Hierarchical relationships</li><li>• Work at organizational facility during specific hours</li></ul>	<ul style="list-style-type: none"><li>• Dynamic</li><li>• Flexible</li><li>• Skills-focused</li><li>• Work is defined in terms of tasks to be done</li><li>• Team-oriented</li><li>• Temporary jobs</li><li>• Involvement-oriented</li><li>• Employees participate in decision making</li><li>• Customer-oriented</li><li>• Diverse workforce</li><li>• Workdays have no time boundaries</li><li>• Lateral and networked relationships</li><li>• Work anywhere, anytime</li></ul>

### **Example: The Changing Organization**

Firms like ABB, Saturn, and Cisco are in the vanguard of thousands of other firms that are re-creating themselves to fit these new conditions. Here is a summary of what management experts believe “the new management” for the 21st Century will look like.

The average company will be smaller and employ fewer people, so more people will start their own businesses. Organizations will become more team-based and “boundaryless,” so employees will be empowered to make more decisions, thereby minimizing the “chain of command.” Work requires constant learning, “higher order” thinking and, increased worker commitment. Flatter organizations will be the norm, so managers will have more people to supervise. And work will be organized around teams and processes rather than specialized functions. The bases of power will change, therefore, as managers can no longer rely on formal positions or authority to get their jobs done. Instead, they will have to win the respect of highly trained, empowered professionals. Rather than being “bosses” in the new knowledge-based organizations, managers will have to become “sponsors, team leaders, or internal consultants.” Companies will stress vision and values to which employees can commit. So, managers will have to become change agents and leadership skills will be more important than ever. Nearly all companies, both large and small, are reorganizing to take advantage of the great potential of the Internet and e-commerce.

### **Organizational Resources are-**

- Human resources: Managerial talent and labor
- Financial resources: Capital investments to support ongoing and long-term operations.
- Physical Assets: Raw materials; office and production facilities, and equipment
- Information: Usable data, information linkages

**Table 1.1: Examples of Resources Used by Organizations**

**Table 1.1**

**EXAMPLES OF RESOURCES USED BY ORGANIZATIONS**

*All organizations, regardless of whether they are large or small, profit-seeking or not-for-profit, domestic or multinational, use some combination of human, financial, physical, and information resources to achieve their goals. These resources are generally obtained from the organization's environment.*

Organization	Human Resources	Financial Resources	Physical Resources	Information Resources
Royal Dutch/Shell Group	Drilling platform workers Corporate executives	Profits Stockholder investments	Refineries Office buildings	Sales forecasts OPEC proclamations
Iowa State University	Faculty Administrative staff	Alumni contributions Government grants	Computers Campus facilities	Research reports Government publications
New York City	Police officers Municipal employees	Tax revenue Government grants	Sanitation equipment Municipal buildings	Economic forecasts Crime statistics
Susan's Corner Grocery Store	Grocery clerks Bookkeeper	Profits Owner investment	Building Display shelving	Price lists from suppliers Newspaper ads for competitors

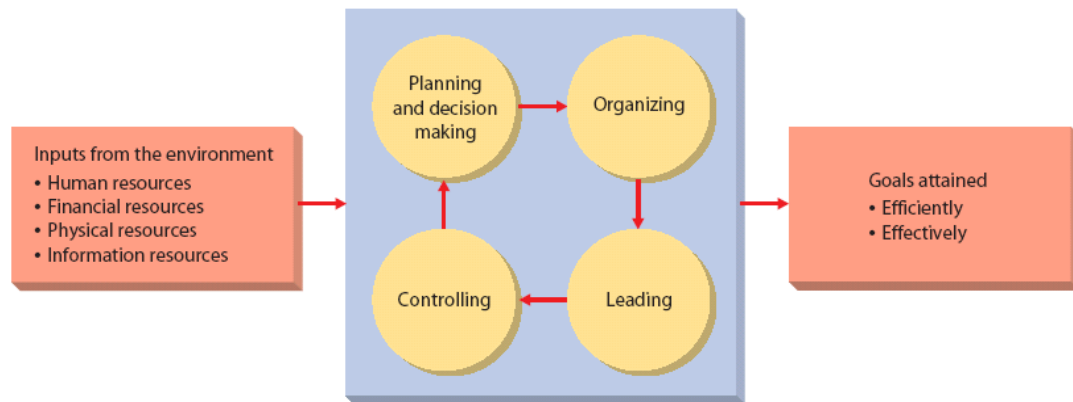
## What is Management?

**The Classic Definition of Management:** The art of getting things done through people- *Mary Parker Follet*

**The Broad Definition of Management:**

- A set of activities including planning and decision making, organizing, leading, and controlling directed at an organization's resources as human, financial, physical, and information resources with the aim of achieving organizational goals in an efficient and effective manner.
- The process of administering and coordinating resources effectively and efficiently in an effort to achieve the goals of the organization.
- The process of coordinating work activities so that they are completed efficiently and effectively with and through other people.

**Figure 1.1: Management in Organizations**



**Figure 1.1**  
**MANAGEMENT IN ORGANIZATIONS**

*Basic managerial activities include planning and decision making, organizing, leading, and controlling. Managers engage in these activities to combine human, financial, physical, and information resources efficiently and effectively and to work toward achieving the goals of the organization.*

### **Basic elements of the definition of Management**

- **Process** - represents ongoing functions or primary activities engaged in by managers
- **Coordinating** - distinguishes a managerial position from a non-managerial one
- **Efficiency** - getting the most output from the least amount of inputs
- **Effectiveness** - completing activities so that organizational goals are attained

### **Efficiency and Effectiveness**

The basic purpose of management is of achieving the goal efficiently and effectively. It can be described below:

**EFFICIENTLY:** Efficiency refers to getting the most output from the least amount of inputs or resources. That is *using resources wisely and in a cost-effective way* or “doing things right”. Efficiency is concerned with the means of getting things done. Managers deal with scarce resources—including people, money, and equipment—and want to use those resources efficiently.

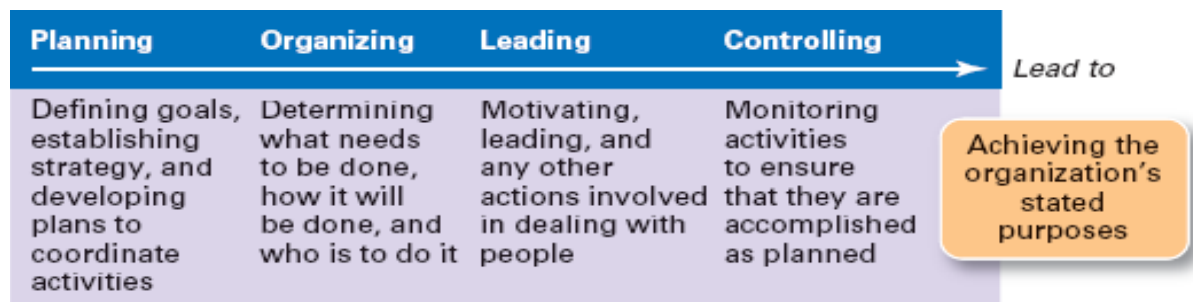
**EFFECTIVELY:** Effectiveness is often described as “doing the right things,” that is, doing those work activities that will result in achieving goals. It is concerned with the ends, or attainment of organizational goals. It is referred to *making the right decisions and successfully implementing them*.

## What Do Managers Do?/ Management Functions and Process

Henri Fayol, a French businessman, first proposed in the early part of the twentieth century that all managers perform five functions: planning, organizing, commanding, coordinating, and controlling. Today, these functions have been shortened to four: planning, organizing, leading, and controlling.

- *Planning* - defining goals, establishing strategies for achieving those goals, and developing plans to integrate and coordinate activities. Or, setting an organization's goals and selecting a course of action from a set of alternatives to achieve them.
- *Organizing* - determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are made. Or, determining how activities and resources are grouped.
- *Leading* - directing and motivating all involved parties and dealing with employee behavior issues. Or, the set of processes used to get organizational members to work together to advance the interests of the organization.
- *Controlling* - monitoring activities to ensure that they are going as planned. Or, monitoring organizational progress towards goals.

**Figure 1.2: The management Process**



As managers engage in planning, they set goals, establish strategies for achieving those goals, and develop plans to integrate and coordinate activities. When managers organize, they determine what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are to be made. When managers motivate subordinates, help resolve work group conflicts, influence individuals or teams as they work, select the most effective communication channel, or deal in any way with employee behavior issues, they're leading. To ensure goals are met and work is done as it should be, managers monitor and evaluate performance. Actual performance is compared with the set goals. If those goals aren't achieved, it's the manager's job to get work back on track. This process of monitoring, comparing, and correcting is the controlling function.

## Who is a Manager?

- Someone whose primary responsibility is to carry out the management process.
- Someone who plans and makes decisions, organizes, leads, and controls human, financial, physical, and information resources.
- Someone who coordinates and oversees the work of other people so that organizational goals can be accomplished.

## Kinds of Managers by Level

- Top Managers: are the small group of executives who manage the overall organization. They create the organization's goals, overall strategy, and operating policies.
- Middle Managers: are primarily responsible for implementing the policies and plans of top managers. They also supervise and coordinate the activities of lower-level managers.
- First-Line Managers: supervise and coordinate the activities of operating employees.

Most organizations contain several types of managers. *Executives* are the managers at the top of an organization: for example, Chief Executive Officers or Presidents. *Middle managers* are beneath top managers and report to them: for example, Production Managers or Sales Managers. *First-line managers* (supervisors) make sure that day-to-day activities are carried out: for example, Production Supervisors or Field Sales Managers.

While all managers plan, lead, organize, and control, differences exist between the management levels:

- Executives and middle managers have managers for subordinates, but first-line managers have non-managers (workers) as subordinates.
- Top managers spend more time planning and setting goals, middle managers translate these goals into specific projects, and first-line managers direct and control those who work on the projects.

## Kinds of Managers by Area

- Marketing Managers: work in areas related to getting consumers and clients to buy the organization's products or services—new product development, promotion, and distribution.
- Financial Managers: deal primarily with an organization's financial resources—accounting, cash management, and investments.
- Operations Managers: involved with systems that create products and services—production control, inventory, quality control, plant layout, site selection.



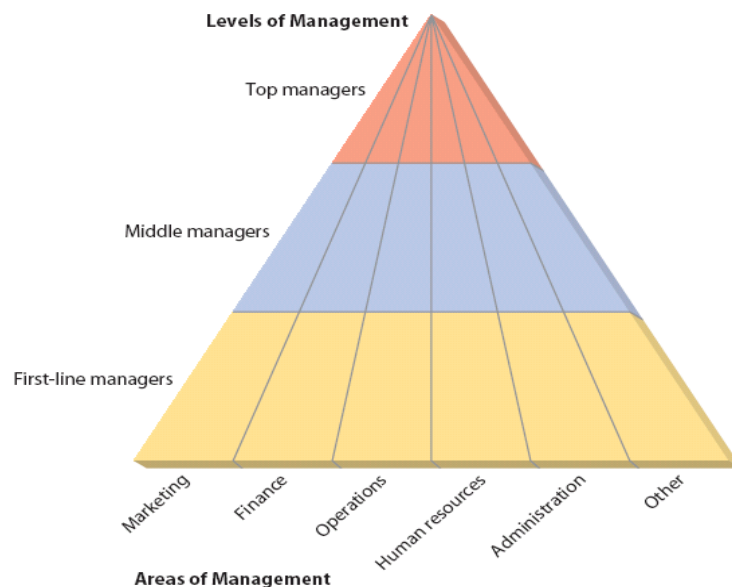
- **Human Resource Managers:** are involved in human resource activities.
- **Administrative Managers:** are generalists familiar with all functional areas of management and are not associated with any particular management specialty.
- **Other Kinds of Managers:** hold specialized managerial positions (e.g., public relations managers) directly related to the needs of the organization.

**Figure 1.3: Kinds of Managers by Level and Area**

**Figure 1.3**

**KINDS OF MANAGERS BY LEVEL AND AREA**

*Organizations generally have three levels of management, represented by top managers, middle managers, and first-line managers. Regardless of level, managers are also usually associated with a specific area within the organization, such as marketing, finance, operations, human resources, administration, or some other area.*



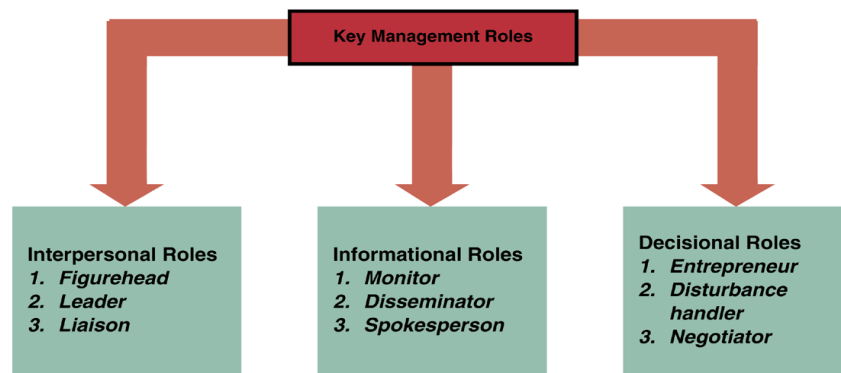
## Managerial Roles (Mintzberg):

Henry Mintzberg, a well-known management researcher, studied actual managers at work. In his first comprehensive study, Mintzberg concluded that what managers do can best be described by looking at the managerial roles they engage in at work. The term managerial roles refer to specific actions or behaviors expected of, and exhibited by, a manager. Mintzberg identified 10 roles grouped around interpersonal, information, and decision-making.

- The interpersonal roles involve people and other ceremonial and symbolic duties. The three interpersonal roles include figurehead, leader, and liaison.
- The informational roles involve collecting, receiving, and disseminating information. The three informational roles include monitor, disseminator, and spokesperson.
- Finally, the decisional roles entail making decisions or choices and include entrepreneur, disturbance handler, resource allocator, and negotiator.



**Figure 1.4: Key Managerial Roles**



### Managerial Skills:

Robert L. Katz proposed that managers need three critical skills in managing: technical, human, and conceptual.

**Figure 1.5: Managerial Skills Needed at Different Management Levels**



Technical skills are the job-specific knowledge and techniques needed to proficiently perform work tasks in an organization. These skills tend to be more important for first-line managers because they typically manage employees who use tools and techniques to produce the organization's products or service the organization's customers.

Human skills involve the ability to work well with other people both individually and in a group. Because all managers deal with people, these skills are equally important to all levels of management.

Finally, conceptual skills are the skills managers use to think and to conceptualize about abstract and complex situations. Using these skills, managers see the organization, understand the relationships among various subunits, and visualize how the organization fits into its broader environment. These skills are most important to top level managers.

### There are some other skills needed for a manager.

- Interpersonal
  - The ability to communicate with, understand, and motivate both individuals and groups.
- Diagnostic

- The manager's ability to visualize the most appropriate response to a situation.
- Communication
  - The manager's abilities both to convey ideas and information effectively to others and to receive ideas and information effectively from others.
- Decision-Making
  - The manager's ability to recognize and define problems and opportunities correctly and then to select an appropriate course of action to solve the problems and capitalize on opportunities.
- Time-Management
  - The manager's ability to prioritize work, to work efficiently, and to delegate appropriately.

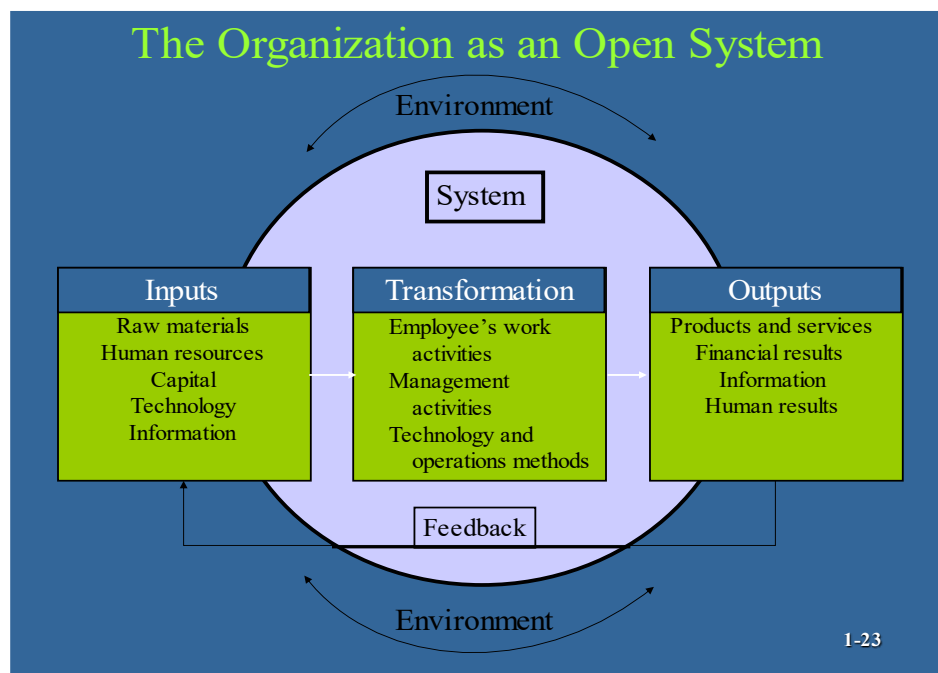
## Managing Systems

*System* - a set of interrelated and interdependent parts arranged in a manner that produces a unified whole thing.

- provides a more general and broader picture of what managers do than the other perspectives provide.
- *Closed system* - not influenced by and do not interact with their environment
- *Open system* - dramatically interact with their environment.

Organizations:

- take in inputs from their environments
- transform or process inputs into outputs
- outputs are distributed into the environment



## Management: Science or Art?

- The Science of Management
  - Assumes that problems can be approached using rational, logical, objective, and systematic ways.
  - Requires the use of technical, diagnostic, and decision-making skills and techniques to solve problems.
- Art of Management
  - Making decisions and solving problems using a blend of intuition, experience, instinct, and personal insights.
  - Using conceptual, communication, interpersonal, and time-management skills to accomplish the tasks associated with managerial activities.

## Why Study Management?

### 1. The Universality of Management

The reality that management is needed in all types and sizes of organizations, at all organizational levels, in all organizational areas, and in organizations no matter where located. This is known as the universality of management. Therefore, it's imperative to find ways to improve the way organizations are managed. We have to interact with organizations every single day. Organizations influence every aspect of our lives.

#### Example: Universal Need for Management



### 2. The Reality of Work

When you begin your career, you will either manage or be managed. For those who plan to be managers, they should develop their management knowledge and skills. For non-managers they have to know how to work with managers. Also, assuming that you'll have to work for a living and recognizing that you're very likely to work in an organization, you'll probably have some

managerial responsibilities even if you're not a manager. Our experience tells us that you can gain a great deal of insight into the way your boss (and fellow employees) behave and how organizations function by studying management.

### **3. Challenges of Being a Manager**

There are many challenges to being a manager. It can be a tough and often thankless job. Additionally, a portion of a manager's job (especially at lower organizational levels) may entail duties that are often more clerical than managerial. A large percentage of managers spend significant amounts of time in meetings and deal with interruptions, which can be time consuming and sometimes unproductive. Managers often have to deal with a variety of personalities and have to make do with limited resources. It can be a challenge to motivate workers in the face of uncertainty and chaos, which are constants in management regardless of the field or discipline.

### **4. Rewards of Being a Manager**

Despite challenges, being a manager can be rewarding. You're responsible for creating a work environment in which organizational members can do their work to the best of their ability and thus help the organization achieve its goals. You help others find meaning and fulfillment in their work. You get to support, coach, and nurture others and help them make good decisions. In addition, as a manager, you often have the opportunity to think creatively and use your imagination. You'll get to meet and work with a variety of people—both inside and outside the organization. Other rewards may include receiving recognition and status in your organization and in the community, playing a role in influencing organizational outcomes, and receiving attractive compensation in the form of salaries, bonuses, and stock options.