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INTRODUCTION

WHAT IS MANAGEMENT?

Management is the co-ordination and the direction of the activities of oneself and others towards some particular end. When we think about management, we often think about running a business, but management exists in many other organizations and fields of activity as well. The provision of health care and education, the running of government departments and the armed forces, and the operation of charitable organizations, for example, all require some degree of management. Although this book often refers to businesses and companies, the basic principles of management apply to all these other fields as well.

The word 'management' is quite an old one. Its origins lie in the Latin *manus*, meaning literally 'by hand' but also 'power' and 'jurisdiction'. By the later Middle Ages the Italian word *maneggiare* had appeared, referring to any official in charge of a production facility such as a cloth manufacturing workshop, or an overseas trading office. This word evolved into the French *manegerie* and then the English 'management', which is first recorded in a document of 1589. By the end of the seventeenth century the words 'manager' and 'management' were in common English usage, and it was recognized that business organizations employed people whose primary job was to supervise the activities of others.

Although managers have existed for a long time, the idea that 'management' can be studied and taught was a relatively new one. Not until the very end of the nineteenth century did this idea begin to develop in any detail. The scientific revolution of the nineteenth century pervaded all walks of life, with an ethos that life could be improved if its various aspects could be studied and

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analyzed in detail. Studies of management began first in the workplace, with engineers like Frederick Winslow Taylor, Harrington Emerson and Henri Fayol developing detailed formal theories of management, and then in academia with the establishment of business schools in the USA at Dartmouth College, the University of Pennsylvania, and then most famously at Harvard University in 1908. From there the formal study of management grew steadily, developing an immense body of theoretical and practical knowledge.

The size of this body of knowledge – hundreds of thousands of books, millions of journal articles, websites and videos – can be more than a little daunting for the first-time student. However, many of these books and articles are highly specialized, looking only at one small part or aspect of management. Although valuable contributions to the theory and practice of management, these will be difficult if not impossible to understand without at least some background knowledge of what management is and how it functions.

The aim of this book is to provide some, at least, of that background knowledge by exploring the 'basics' of management. Having said what management is, we should now explain what we mean by 'basics'. Although much of management is complex and technical, it is also possible to reduce the study and practice of management to a relatively small number of fundamental ideas and concepts. These 'basics' are things that are part of all business management, no matter where the business is or what kind of business it is. For example, management has to consider the following:

- Every business needs a set of goals and a strategy for getting there. Without goals and a coherent strategy, much effort will be wasted.
- Every business needs an organization which will pull together resources and people to meet those goals.
- Every organization is made up of people, whose work needs to be guided and co-ordinated. These people all have their own needs and aspirations, which must be accommodated within the organization.
- Every business requires customers if it is to sell its products and services and earn money.

- Every business needs to have something to sell, products and services, if it is to have customers.
- Every business has to manage its money, both that received as income from customers and that put into the business by investors.
- Every business depends on knowledge; without it, people cannot be managed, customers cannot be found and products cannot be made.
- Every business is to some extent affected by culture, both the culture that develops within the organization and the national or local culture of the environment within which it operates.

It must be added that these 'basics' do not create themselves. Strategy does not emerge out of nowhere; someone actually has to sit down and decide what it is to be. Organizations do not build themselves; someone has to provide the catalyst for them. It is these sorts of basic tasks that form the roles and responsibilities of the manager.

As expressed above, these roles and responsibilities look simple. And at heart, they are. However, just because something is simple does not mean that it is easy. To say that businesses need customers is to state a simple truth; to actually go out and get customers is another matter. Fortunately, there are other 'basics' that we can use to guide us as well. In terms of customers, we can start with a fundamental premise that all customers have needs and wants that they are trying to satisfy. It follows that if we as managers can understand those needs and wants, then we can design products and services that will attract customers and persuade them to buy from us. The study of marketing offers many different ways of doing these things, but it all boils down to the same thing: identify potential customers, learn their needs, then make products and provide services that they want at a price they can afford and that will make a profit for the company. Keeping this basic principle in mind will help make the rest of the study of marketing seem much more clear.

Each chapter in this book goes on to explain the basics of the various major disciplines of management – strategy, organization, managing people, marketing, production and finance – and then the basics of a few all-embracing influences like knowledge and culture. Before we get into these, however, let us look at a few ‘basics of the basics’, concepts that underpin all the specific chapters and terms which are used throughout the book.

WHAT MANAGERS DO

The above shows what managers are responsible for, but what exactly do managers do on a day-to-day basis? The problem is that when asked, managers themselves often have trouble describing what it is they do. Researchers such as Henry Mintzberg and Warren Bennis, who have made detailed studies of how managers do their work, speak of the *ad hoc* nature of management and how managers spend much of their time dealing with situations as they arise rather than working through structured lists of tasks and processes. So, any description of what managers do has to be treated with caution, because different managers do different things at different times.

A number of attempts have been made to define what managers do. Back in the fifteenth century the theologian San Bernardino of Siena stated that managers have four attributes: they must be efficient, they must accept the responsibilities of their position, they should be hard-working and they should be willing to accept and manage risk. All of these things are still true today.

In the early twentieth century the French engineer Henri Fayol divided managerial work into five categories: (1) forecasting and planning, (2) building organizations and systems, (3) directing subordinates, (4) co-ordinating various activities across the business and (5) guiding these activities so that all parts of the business are working towards the same end. One of the most famous management writers, the American Peter Drucker, also provides five categories: (1) setting objectives, (2) organizing, (3) motivating and communicating, (4) measurement of work accomplished and (5) developing people. There are a number of similarities in the two lists, although there are a few differences as well. Neither list should be taken as absolutely complete, but both give an idea of the nature of managerial work.

At an even more basic level, all the activities described by Fayol and Drucker can be reduced to a few building blocks. In any given situation, what managers ideally do is the following. First, they analyze information and understand what needs doing. Second, they plan what is to be done and decide or agree who will do it. Third, they co-ordinate the resources necessary to carry out the plan and ensure that it is being carried out. Fourth, they look at the results, decide whether the plan was successful and if not, what further action needs to be taken.

There is a further dimension to managerial work which also needs to be considered. That dimension is 'responsibility'. Organizations do not exist in a vacuum; they are part of the communities which they operate. Commercial businesses in particular exist only to serve social and economic needs; when that need no longer exists, the business will die. Competition means that if customers and consumers disapprove of the business and the way it operates, they can switch to other providers. Companies that behave dishonestly or immorally will lose customers, and will also find it difficult to recruit the best employees.

Organizations that enjoy long-term success are organizations that understand their role in society. In India, the Tata Group, founded in 1868, has grown to be India's largest business group with global revenues of over $100 billion. Tata is also the most trusted brand in India. The group's success is based on its values of trust, responsibility and service to the communities. Tata knows it owes its existence to the people who buy its products and work for it, and its managers regard themselves as servants of the community. That is their end goal; in the words of one senior manager, 'profit is a by-product of what we do.'

Again, recognizing this responsibility is simple, but enacting it is not always easy. This is particularly the case given that most managers work under severe time pressures and are nearly always doing more than one thing at a time. A dozen or more issues may command their attention simultaneously. There may not be enough time for detailed analysis and planning: snap decisions made in a few seconds may be necessary. It is for this reason that many writers caution against an overly rational approach to management. Another American writer, Chester Barnard, believed that the key traits of a successful manager were not so much the ability to reason scientifically, but things like feeling, judgement, sense, proportion and balance. Another of the basics of management, then, is that common sense and judgement are critical to the role.

Combined with the sense of responsibility we have just discussed, that should be enough to get managers through even the harshest crisis.

THE PURPOSE OF MANAGEMENT

Managers do these things, of course, not because they are ends in themselves, but because the business requires it. Let us briefly state two concepts. First, every organization has to have goals. These can be many and various, and can include growing or increasing sales, growing or increasing the size of the market, providing more value for shareholders, treating more patients, providing greater benefit to consumers and so on. Increasingly, customers, employees and shareholders are also demanding that the organization should have non-financial goals as well, and be able to clearly demonstrate and measure its contributions to things like community growth and environmental sustainability. These are no longer optional extras; they need to become a core part of the business model and part of every manager's mental framework.

Second, although managers have primary responsibility for what the organization does, they do not own the organization. Managers are stewards or custodians; they work for the benefit of the organization, and are rewarded for their work with a salary and other benefits. But they must not act in a way which is against the interests of the organization or its stakeholders: its employees, customers and the community more widely. If they do so, they may be acting unethically, and in many jurisdictions they may also be guilty of offences against the law.

Managers thus have a dual set of responsibilities: to set realistic goals which the company can meet and which will benefit the owners of the company, and then to ensure those goals are met as planned. The rest of this book talks about the things they need to consider as part of these responsibilities.

DEFINITIONS

Some of the following terms will be found throughout this book, and an understanding of them will help make later concepts seem more clear.

Capital Capital usually means money invested in the organization, although some theorists talk of the organizational strengths of the business and its accumulated knowledge as forms of capital. Capital is an 'input', and is necessary to transform resources (below) into finished goods and services which can be sold to customers. For example, capital is necessary to buy machinery and set up a factory in order to make cars.

Effectiveness Effectiveness is a measure of how well an organization – or a person – is meeting its goals. If the goal is to provide high-quality products that customers want, and the organization is doing so, then it is working effectively. If products are poor and customers do not want them, then the organization is not being effective.

Efficiency Efficiency is a measure of how well an organization – or a person – is using resources. If money and materials are being used well and there is little waste, then the organization is working efficiently. If costs are too high or raw materials are being wasted, then the organization is said to be inefficient. Exactly what constitutes efficiency varies between organizations and the kinds of products or services being produced.

Entrepreneurship Entrepreneurship is a collective term for a set of behaviours and actions associated particularly with the setting of new organizations, especially businesses, but sometimes found within previously existing organizations as well. Entrepreneurship has strong connotations of creativity and risk-taking; people described as entrepreneurs tend to be both highly imaginative and willing to accept higher than usual levels of risk. Management academics do not always agree that entrepreneurship should be included as part of management, as management is often seen as aiming to control and limit risk. However, organizations tend to appreciate entrepreneurial qualities in their managers.

Environment Environment in this context is the place, time and culture in which the company operates. Many forces in the environment will have an effect on the organization, including competition (how many other organizations are in the same or similar market, and what are they doing), regulation (how does government treat organizations and what laws govern their conduct), economics (how strong/weak is demand for goods generally) and more general social issues such as concern for the physical environment, social justice and so on. The factors in the environment are nearly always outside the control of managers, and they are often forced to respond to these at the same time as planning for the business itself.

Ethics We usually think of ethics in terms of right and wrong, but there is another aspect too; we can also think of ethics in terms of outcomes, whether what we do has good or bad consequences for other people. As managers, we have to think in both of these dimensions. We need to do what is legally and morally right and accept our responsibilities to behave as moral beings. But we also need to remember that everything we do as managers has consequences for other people, and sometimes these consequences are unplanned and unintended. Moral responsibility to ourselves, our organizations and everyone who could be affected by our actions must be part of the manager's mental framework.

Growth Growth is a general term which can mean either expanding the size of the organization (numbers of employees, volume of goods made and sold) or the value of the organization, that is to say, the value of its assets and the work it is carrying out.

Income Income, or revenue, is money the organization brings in through the sale of its products and services.

Innovation Innovation can be the development of either new products and services to sell to customers, or new ways of making products and services that reduce costs or increase efficiency (or both). Innovation is in turn dependent on knowledge (see Chapter 8).

Leadership Leadership is often distinguished from management, in that the main purpose of the leader is to set general goals and then inspire the rest of the organization to move towards those goals; detailed planning and execution are not properly the province of the leader. Leadership is, however, necessary in some aspects of management, particularly in the management of change (see Chapters 3 and 9).

Profit Profit is the excess of income over expenditure. If an organization is bringing in more income than it is spending, then it is making a profit; if not, then it is making a loss. Remember that money invested as capital does not count as income, and is not included in the calculation of profit.

Resources Resources are what an organization requires in addition to capital in order to make and sell things. Resources include raw materials and parts from which products are build; human labour and knowledge to make the products; and technology (see below) to assist in making and delivering them. It is sometimes said that resources are only 'potential', until capital is provided as a catalyst to turn them into actual goods and services.

Technology Technology includes mechanical and electronic devices which are used to design, make and deliver products and services to customers, or to support other organizational tasks such as communication and co-ordination. Strictly speaking, any artefact used by people at work, such as a hammer or a saw, is technology.

Value Value is what the organization puts into the products and services it makes and sells. A collection of parts or a barrel of raw materials has a certain value on it; the organization, by combining labour, parts, materials and technology, produces a finished product or service that has a value greater than the sum of all those parts. It is this value that attracts customers (who otherwise would buy the parts and make the product themselves). The process of building in value by the organization is known as the value chain.

With these terms in mind, let us now move directly to the first function of management, the setting of goals and the development of strategies for meeting them.

SUGGESTIONS FOR FURTHER READING

Bennis, W., *Managing People is Like Herding Cats*, Provo, UT: Executive Excellence Publishing, 1997. An easy read and well worth a look; despite its title, the book is about management generally, not just managing people.

Drucker, P., *Management: Tasks, Responsibilities, Practices*, New York: Harper & Row, 1974. A classic by one of the all-time great management gurus, this is a big book and takes a while to get through. The definitions of management, however, remain influential. Alternatively, try the shorter essays in Drucker's *The New Realities* (New York: Harper & Row, 1989), especially those on management and the liberal arts.

Fayol, H., *General and Industrial Management*, trans. I. Gray, New York: David S. Lake, 1984. An early attempt (the book was first published in 1917) to construct a general theory of what management is, this book has indirectly influenced much modern thinking about management.

Grove, A., *High Output Management*, New York: Random House, 1983. An attempt to explain what management is and what managers do in simple terms, by a very successful senior manager. Grove's other book, *Only the Paranoid Survive*, is also worth reading, but this is a very good introduction to the subject.

Mintzberg, H., *The Nature of Managerial Work*, New York, Harper & Row, 1973. This was a revolutionary book in its day, and still runs counter to much formal management theory. The picture of how managers actually do management, however, remains a compelling one.

Witzel, M., *The Ethical Leader*, London: Bloomsbury, 2015. Discussion of the role of ethical and moral behaviour in leadership and management, along with frameworks for ethical decision-making.