

### 3. Management of Business

#### *Objectives*

At the end of this chapter, the students should be able to: (a) define or explain management (b) list and explain the management functions or functions of management.

#### 3.1 Introduction

First and foremost, it must be stated that there is no generally accepted definition of “management”™. It depends on the angle from which the person who gives the definition wishes to look at it. One school of thought may wish to approach “management”™ from the angle of human activities. This school will place emphasis on correct social relationship, creation of social groups with a high level of morale and may want to further place special emphasis on motivation. This is the **sociological approach**.

Another school of thought may concern itself with the evident productivity and efficiency data. That is, about earning maximum profit or the making of correct decisions for profit maximization. This is the **quantitative approach**, and it is regarded as the modern approach to management. It emphasizes the employment of a systematic method for planning and carrying out the work to be done. This explains the use of modern techniques for achieving good results in business, e.g. operational research, work-study, management accountancy, network analysis, charts and the like. However, it is pertinent to point out here that the variation in definition is not merely a product of differences of opinion, but a symptom of the complex nature of business enterprise.

#### 3.2 Definition of Management

Having appreciated the difficulty of securing a consensus on the correct definition of management, we may now attempt some universally acceptable definitions of management.

Management has been defined “as **the process by which managers create, direct, maintain and operate purposeful human effort**”™. Another simpler definition states that management is **the art of utilization of “man, material and money”™ as the organization’s resources for achieving the corporate objectives of the organization.**

#### 3.3 The Functions of Management

These are forecasting, planning, organizing, motivating, co-ordinating, controlling, communicating and leading. Management simply means the act of running and controlling a business or a similar organization. It also refers to the people in charge of a company, industry or a similar organization. However, authorities again differ as to which of these constitute the principal functions, although it has been agreed that planning, organizing and controlling can be extended to embrace all the other functions and therefore, merit being the principal functions. Let us examine each of the functions:

- (i) **Forecasting:** This is predicting or saying what is going to happen at some future time as a result of knowledge, experience, thought, etc. as basis for considering alternative courses of action.
- (ii) **Planning:** All aspects of business like investment, production, purchasing, selling and distribution are first of all planned for, because without planning managers will merely be groping in the dark and effecting corrective changes as difficulties are encountered. Planning therefore involves determining policies in advance of any business programme and it requires the ability to think, analyse, predict and to reach decisions.
- (iii) **Organizing:** This is the establishment of a framework in which responsibilities are defined and lines of authority are laid down. Unless due thought is given to establishing the correct relationship within an enterprise there are bound to be managerial conflicts. It must also be added that effective planning and organization are not a "once only" task. As the structure of business changes, the framework within which it operates may have to be changed or adjusted. This explains the existence of organization and method experts in many businesses today.
- (iv) **Motivating:** This emphasises the idea of fair treatment of employees. Motivation is provided in many ways – in kind (good working conditions, housing and cost of living subsidies, promotion prospects, and in cash – bonuses (productivity, non-accident, sales, etc.). A promise of job security, if it can be given, is always a good form of motivation. The sole purpose of motivating is to get people to work willingly and effectively.
- (v) **Co-ordinating:** This is the act of making people or things work together in order to increase effectiveness. It is ensuring co-operation and harmony among all the units of an enterprise, e.g. production, purchasing, stores, selling, distribution departments, so as to reduce sectional interests and conflicts and achieve the objectives of the entire enterprise or organization.
- (vi) **Controlling:** Controlling presupposes watchfulness and feedbacks on execution of plans already laid down. Control, which should be regular and systematic, could be both quantitative (in physical units) and financial (in value). In management accountancy, the need for control gives rise to establishment of standards with which actual performance is measured and "variances", i.e. differences, are isolated for remedial actions where necessary.
- (vii) **Communicating:** Communication is the transmission of information and instructions to all parties in an enterprise. It is a two-way traffic. Effective communication is capable of removing fears, anxieties, mistrust and other enemies of efficient management. Communication can be both oral and written, or through joint consultative committees. Effective communication is very important, especially when there are changes of policy as regards conditions of service, production methods (use of computers), retirements or retrenchments, etc. Communication must not be one-way but two-way – to and from employers and employees – especially providing an opportunity for employees to air opinions or their grievances.

- (viii) **Leading:** This is significant. Good leadership, inspires confidence and trust and induces maximum co-operation from employees within the control of a manager. Therefore, leadership constitutes the dominating factor in motivation. ~

### Summary

In any organization, the management or manager has to perform some functions which are summarized below:

- (i) Forecasting involves projection into the future, it means looking ahead.
- (ii) Planning is the process of laying down the groundwork, it involves thinking.
- (iii) Organizing establishes the correct relationship between the various elements within the business.
- (iv) Motivation inspires the management and staff to greater productivity.
- (v) Co-ordination is responsible for the harmony which brings out the best in the components working together.
- (vi) Control ensures that there is little departure from laid down plans.
- (vii) Communication has to do with exchange of information within the business organization.
- (viii) Leadership shapes the overall direction of the business.

It must be emphasized at this stage that management, administration and organization are not separately distinct within a business concern. Let us take a limited company as an example:

- (i) **Management:** This denotes the board of directors, who are appointed by the shareholders to ~manage~™ the company on their behalf. This level of ~management~™, often referred to as ~top management~™, has the responsibility of determining of the overall policy of the company. Usually a board of directors is on a part-time basis. This ~top management~™ is often a management board and operates within an administrative set-up; so it is indeed part of an administration.
- (ii) **Administration:** This is the function of paid senior managers or senior executives employed full-time. This cadre of officers includes heads of different departments; and in order to distinguish the administrative staff from the board of directors, they are usually referred to as the ~lower management~™. However, the distinction between the two-tier management level is not always fine and distinct; for instance, the Chief Executive or Managing Director of the company, who is full-time head of administration, is also a member of the ~top management~™. Other full-time directors like the financial and sales directors are also members of the board of directors, the ~top management~™. Such dual membership helps to bridge the gap between the two layers of management while at the same time assisting mutually the policymaking body and the executors of the policy.
- (iii) **Organization:** This defines the duties and responsibilities of the officers employed in carrying out effectively the policy of the ~top management~™. Such duties and responsibilities relate to those of the Chief Executive himself and others down the cadre line, i.e. the duties and responsibilities of the ~lower management~™. Indeed the

relationship between the 'top management' and the 'lower management' is a function of organization. In all cases, an organization even starts its own function before the formation of the company; an example is the function of the promoter who serves as what economists refer to as an entrepreneur in bringing about the company in the first instance. There is no business without an organization at all. In very small firms, the organization may be informal, while in big firms, such organization would be formal and elaborate. This explains the existence of organization charts in big companies, a topic which is the subject of the following chapter.

If the rules and regulations governing business concerns are compared to those of a democratic state the 'top management' would be the 'legislature'. The 'low management' would be the 'judiciary' and the 'executive'.

### **Revision Questions**

#### **Essay Questions**

1. List and explain 'the functions of management'.
2. Why do we need effective communication in an industry? State the occasions when communication can be very useful.
3. Discuss the relationship between 'planning' and 'controlling' in management that make them two faces of the same coin which cannot be separated.
4. Write short notes on the following
  - (i) Motivation
  - (ii) Leadership
  - (iii) Communication
  - (iv) Co-ordination
5. Explain the importance of forecasting and planning in management.

#### **Objective Questions**

1. Management has been described as the process by which managers
  - A. create
  - B. direct
  - C. maintain
  - D. misinform
2. The management function that makes the difference in intensifying of behaviour is
  - A. directing
  - B. motivation
  - C. controlling
  - D. supervising
3. Under what management function would the motivation of employees fall?
  - A. staffing
  - B. controlling
  - C. organizing

- D. directing
- 4. Motivation is an essential element in management because it
  - A. leads to improvement of staff welfare
  - B. encourages individuals to work towards achieving the organization's objectives
  - C. reduces friction among employees in the process of achieving the organization's objectives
  - D. helps to eliminate industrial disharmony
- 5. The practice of assessing employees for payment or promotion according to their observed achievement is called
  - A. employee ranking
  - B. merit rating
  - C. job grading
  - D. employee evaluation
- 6. Providing good leadership in management entails in those being led
  - A. trust
  - B. co-operation
  - C. fear
  - D. confidence
- 7. Co-operation indicates
  - A. disharmony
  - B. harmony
  - C. cordiality
  - D. lack of rancour
- 8. The following are the features of controlling as one function of manager
  - A. setting standards as in the management of accounts
  - B. feedback on plan execution
  - C. watchfulness
  - D. manipulation to meet accounts balance
- 9. A feature of an effective communication is
  - A. one-way communication
  - B. two-way communication
  - C. empathy
  - D. simple to understand
- 10. The management approach that places emphasis on the angle of human activities is
  - A. quantitative approach
  - B. human approach
  - C. friendly approach
  - D. sociological approach.

## **Project**

Make a list of those who are responsible for the management of your school. State some reasons to support of your list.