CHAPTER ONE

FUNDAMENTALS OF MANAGEMENT

At the end of this chapter you will be able to

- Define and understand the notion of Management and its functions
- Identify the importance of Management
- Explain the types of Managers and their role

1.1 Definition of Management

Management - A set of activities (including planning and decision making, organizing, staffing leading, and controlling) directed at an organization's resources (human, financial, physical, and information) with the aim of achieving organizational goals in an efficient and effective manner.

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- It is the process of setting and achieving organizational **objectives (goal**) by using the five basic managerial functions by acquiring and utilizing human, financial and other resources.
- It is the process of attaining organizational goals in an **effective** and **efficient** manner through the five basic managerial functions such as planning, organizing, staffing, leading and controlling.

The above definitions there are three basic concepts

- **Organizations**: A group of people working together in a structured and coordinated fashion to achieve a set of goals.
- **Goal**: A desired future condition that the organization seeks to achieve.

Efficiency: A measure of how well resources are used to achieve a goal.

- It is getting high output or the same amount of output at the same amount of input or lower input, respectively.
- Maximizing the organization's productivity by wise utilization of scarce resources.
- It is spending less & acquiring more by minimizing cost
- it is concerned with cost reduction
- it is **doing things right**
  - Usually, managers must try to minimize the input of resources to attain the same goal.

Effectiveness: A measure of the appropriateness of the goals chosen (are these the right goals?), and the degree to which they are achieved.

- it is providing the right product for the right person or customer
- it is **doing the right things** at reasonable cost (efficiently)
- Determine the success of the organization b/c it is doing the right things
  - Organizations are more effective when managers choose the correct goals and then achieve them

1.2. Significance of Management

- Management is significant because the coordination of resources is impossible without management
- It affects the establishment and re-establishment of many economic social and political goals of the country
- The success or failure of the organization mostly depends on the management system
- B/c it is the wise utilization of scarce resources for unlimited human wants.

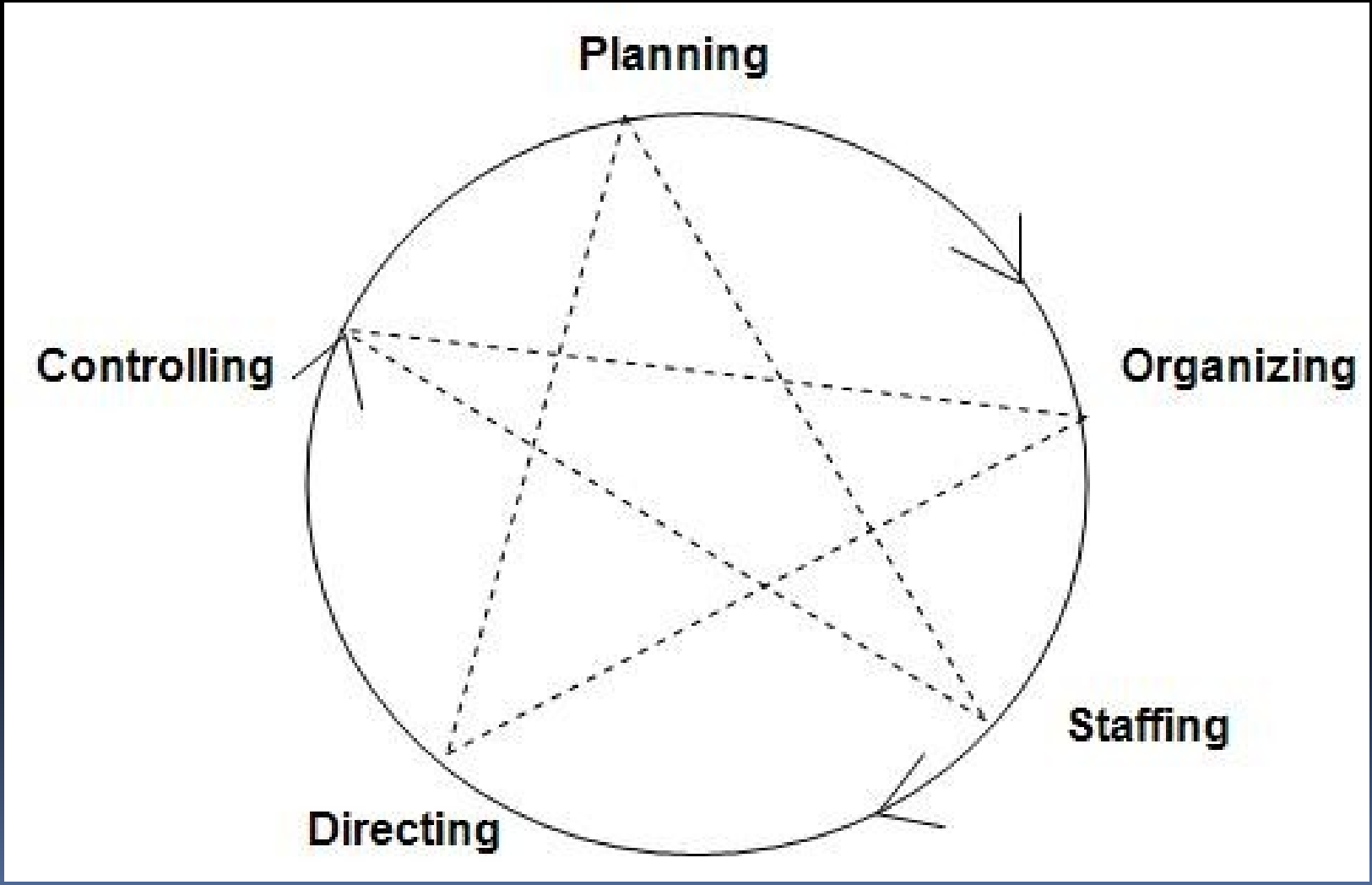
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- To accomplish Objectives, while in actuality the members might be working in opposite direction, to prevent this from occurring and to ensure coordination of work to accomplish the objectives, management is needed.
- As 'a brain' of an organization therefore, management gives direction for all other parts of organization.

1.3. Managerial Functions an Overview

- Managers create and maintain an internal environment, commonly called the organization, so that others can work efficiently in it.
- A manager's job consists of planning, organizing, staffing, directing, and controlling the resources of the organization.
  - These resources include people, jobs or positions, technology, facilities and equipment, materials and supplies, information, and money. Managers work in a dynamic environment and must anticipate and adapt to challenges.
- The job of every manager involves what is known as the functions of management: planning, organizing, staffing, directing, and controlling.

Managerial Functions



- ***These functions are goal-directed, interrelated and interdependent.***
- **Planning** involves devising a systematic process for attaining the goals of the organization. It prepares the organization for the future.

- Or Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be". A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals.

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- **Organizing** involves arranging the necessary resources to carry out the plan. It is the process of creating structure, establishing relationships, and allocating resources to accomplish the goals of the organization.

- Or Organizing as a process involves:
  - Identification of activities.
  - Classification of grouping of activities.
  - Assignment of duties.
  - Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships for achievement of organizational goals

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- **Staffing**, is the management function devoted to acquiring, training, appraising, and compensating employees . Or ". Staffing involves:
  - Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
  - Recruitment, Selection & Placement.
  - Training & Development.
  - Remuneration.
  - Performance Appraisal.
  - Promotions & Transfer.

- **Directing** is that inetr-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals

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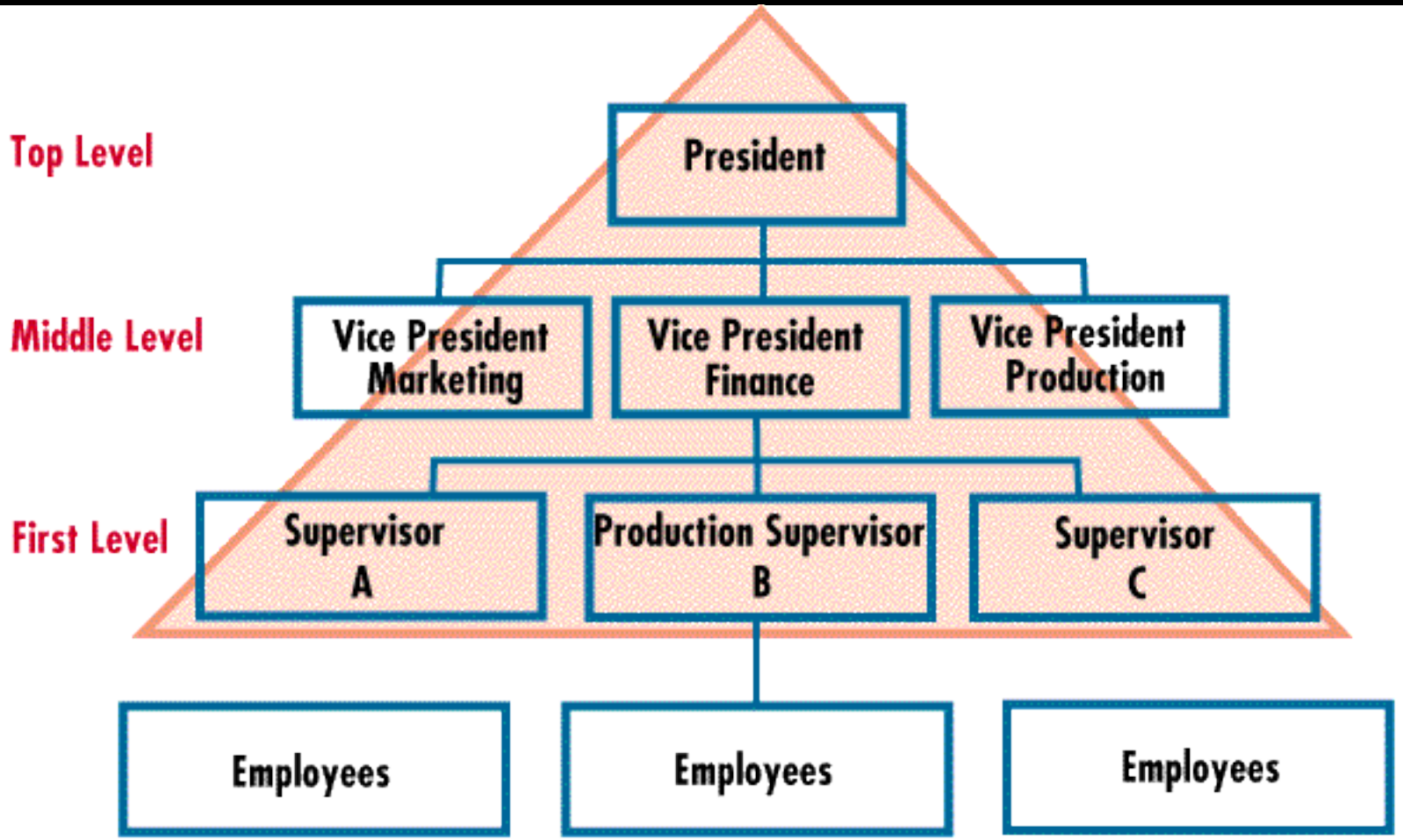
- **Controlling** involves verifying that actual performance matches the plan. If performance results do not match the plan, corrective action is taken.. Or
- Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished".

- Therefore controlling has following steps:
  - Establishment of standard performance.
  - Measurement of actual performance.
  - Comparison of actual performance with the standards and finding out deviation if any.
  - Corrective action.

4. Levels of Management and Types of Managers

Levels :- are Hierarchical arrangement of managerial positions in an organization.

- The extent to which managers perform the functions of management - planning, organizing, Staffing, directing, and controlling - **varies by level in the management hierarchy**.
- The levels can be expressed by using pyramid shaped arrangement of an organizational management structure.



Levels of Management

Top level management (top Managers)

- Top level management consists of highest rank managers of an organization with different titles such as CEO, president, vice president;
- Top managers are responsible for managing the entire organization or major parts of it.
  - They develop and define the organization's purpose, objectives, strategies and long term plans.

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- Besides this they deal with external bodies such as government.
- And Responsible for the performance of *all* departments and have cross-departmental responsibility.
- They establish organizational goals and monitor middle managers.

Middle level management (middle Managers)

- Middle level management consists of managers below rank of vice president but above supervisory managers.
- Supervise first-line managers and they are also responsible to find the best way to use departmental resources to achieve goals.
- Most common example is Branch managers.

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The major functions of middle level management are:

- They execute the plans of the organization in accordance with the policies and directives of the top management.
- They make plans for the sub-units of the organization.
- They participate in employment & training of lower level management.
- They interpret and explain policies from top level management to lower level.
- They are responsible for coordinating the activities within the division or department.
- It also sends important reports and other important data to top level management.
- They evaluate performance of junior managers.
- They are also responsible for inspiring lower level managers towards better performance.

Operating(first level)management (first line Managers)

- These are types of managers whose subordinates are non management workers or operating employees. They are responsible for day-to-day operation.
- They supervise the people performing the activities required to make the good or service the typical titles in this level are: office manager, crew leaders' supervisor etc.

The major functions of operating level management are:

- Planning daily and weekly activities and accomplishment based on the monthly, quarterly, and yearly plans.
- Assigning operating employees to specific tasks.
- Issuing instructions at the work place, following up, motivating and evaluating workers and reporting to their superiors.

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- **To sum up,** Supervisors are managers whose major functions emphasize directing and controlling the work of employees in order to achieve the team goals.
- They are the only level of management managing non-managers. Thus, most of the supervisor's time is allocated to the functions of directing and controlling.

Comparison

- Top managers spend most of their time on the functions of **planning and organizing**.
- The top manager determines the mission and sets the goals for the organization. His or her primary function is long-range planning.
- Top management is accountable for the overall management of the organization.
- **Middle management** implements top management goals.
- **Supervisors** direct the actual work of the organization at the operating level

1.5. Managerial Roles and Skills

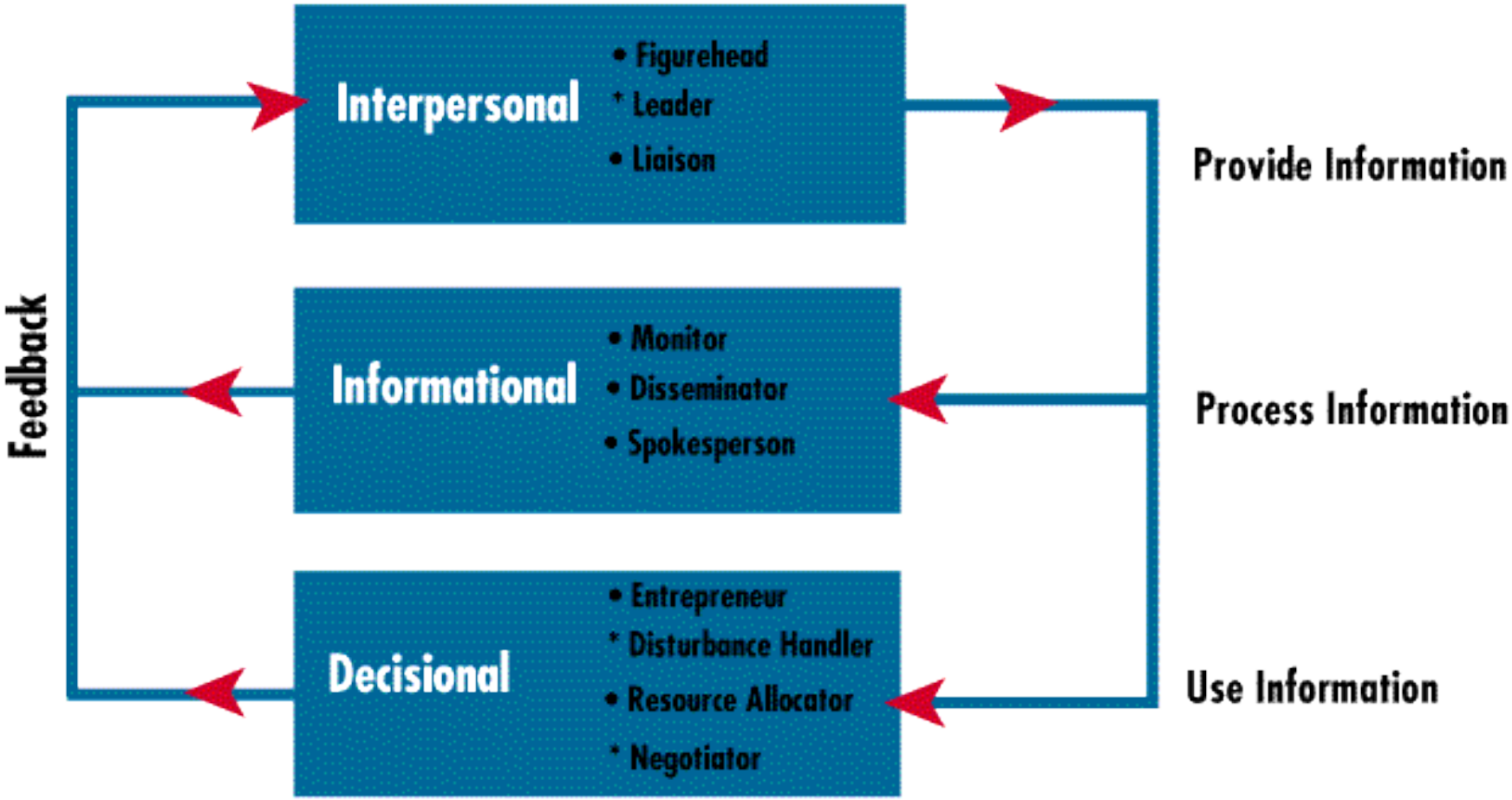
1.5.1 Managerial Roles

- **Role** is an organized set of behaviors.
- There are about 10 roles identified that managers undertake to accomplish management functions (planning, Organizing, staffing, leading, and controlling).

Managerial roles

- These ten roles are classified in to three major categories:
  - **Interpersonal role**
  - **Informational role**
  - **Decisional role**

The Managerial Roles



* Indicates significant role for the supervisor

1.Interpersonal role

- When managers play interpersonal roles, they use their **human and communication** management skills as they perform the necessary management function.
- It includes:
  - **Figure head role**
  - **leader role**
  - **liaison role**

Figure head role

- Managers represent the organization or department in ceremonial and symbolic activities.
- In the figurehead role, the manager represents the organization in all matters of formality.
- The top level manager represents the company legally and socially to those outside of the organization.
- It is the most basic and the simplest of all managerial roles

Leader role

- Managers are assumed as leaders when they influence, initiate and motivate the subordinates so that the subordinates achieve organizational goals.
- This is at the heart of the manager-subordinate relationship and managerial power.
- **The manager**
  - Defines the structures and environments within which sub-ordinates work and are motivated.
  - Oversees and questions activities to keep them alert.
  - Selects, encourages, promotes and disciplines.
  - Tries to balance subordinate and organizational needs for efficient operations.

Liaison role

- The liaison role refers to dealing with people outside the organization,
- *such as clients, government officials, customers, and suppliers, it also refers to dealing with mangers in other departments, staff specialists, and other departments' employees in liaison role*
- manager seeks support from people who

2. Informational role

- When managers play informational roles they build net works of contacts for sharing information with others. It includes:
  - **Monitor role**
  - **Disseminator role**
  - **Spokesperson role**

Monitor role

- **Monitor role** Managers play monitor role when they read and talk to others to receive information.
- It involves seeking out, receiving and screening information.
- It also involves scanning of the environment.

Disseminator role

- In this role managers share information with subordinates and other members of the organization that is managers play disseminator role when they send information to others with in the organization.
- The manager brings external views into his/her organization and facilitates internal information flows between subordinates (factual or value-based).

Spokesperson role

- managers play spokesperson role when they provide information to people outside the organization.
- the manager informs and lobbies others (external to his/her own organizational group).
- Key influencers and stakeholders are kept informed of performances, plans & policies.
- For outsiders, the manager is an expert in the field in which his/her organization operates.
- Forexample:CEOs meet with investors, government officials, community leaders, and others to convey information about company developments of interest to those stakeholders.

3. Decisional role

- When managers play decisional role they use their **conceptual and decision-making** management skills.
- It consists;
  - **Entrepreneur role**
  - **Disturbance handler role**
  - **Resource allocator role**
  - **Negotiator role.**

Entrepreneur Role

- Is the role of managers which focuses on innovation and initiation of improvements by managers.
- It may include such activities as initiating new projects, launch survey, test new markets etc..

Disturbance handler role

- Managers play this role when dealing with problems and changes beyond their immediate control and when they take corrective actions during disputes or crisis situation.
- Disturbances may arise from staff, resources, threats or because others make mistakes or innovation has unexpected consequences.
- The role involves stepping in to calm matters, evaluate, re-allocate, support - removing the thorn -buying time.
- **For example: Sales may grow more slowly than anticipated; excess inventory may accumulate; production processes may break down; valuable employees might leave for jobs elsewhere; and so on. Managers must decide what to do about these unanticipated problems—often quickly.**

Resource allocator role

- Managers play recourse allocator role when they schedule, request authorization and perform budgeting and programming activities.
- A manager determines who in the work unit gets what recourses money, facilities, equipment and access to manager.

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- The manager oversees allocation of all resources (staff, reputation). This involves:
  - *Scheduling own time*
  - *Programming work*
  - *Authorizing actions*

Negotiator role-

- is role in which managers’ work with suppliers, distributor, and labor unions to reach on agreements about the quality and price of inputs,
- technical and human resource, work with other organizations to establish agreements to pool recourses to work on joint projects.
- **N.B**: Negotiations are an integral part of managers' job. It takes charge over important negotiating activities with other organizations. The spokesman, figurehead and resource allocator roles demand this.

1.5.2 Managerial Skills

- Skill is ability to do something expertly and well.
- Managerial skills are enhanced through formal training, reading, and practice.
- There are three principal skills that managers get through experience an education.
- These are:
  - Conceptual skills
  - Human skills
  - Technical skills.

Conceptual skills

- Conceptual skill involves the ability to view the organization as a whole, understand how the various parts are interdependent and recognize its relationships to large environment or business world.
- Are ability (or mental capacity) to conceive and manipulate ideas and abstract relation-ships.
- the ability to analyze and diagnose a situation and find the cause and effect. **These skills allow managers** to evaluate situations and develop alternative courses of action.
- are more needed by top-level managers

2.Human skills

- Human skills include the ability to understand, alter, lead, and control the behavior of other individuals or/and groups. Human skills focus on working with people.
- The ability to understand, alter, lead, and control people's behavior
- Are needed uniformly at three levels of management. That is the need for human skills at three levels of management remains fairly constant.

Technical skills

- The job-specific knowledge required to perform a task.
- Common examples include marketing, accounting, and manufacturing.
- Are greatly needed by first line managers.

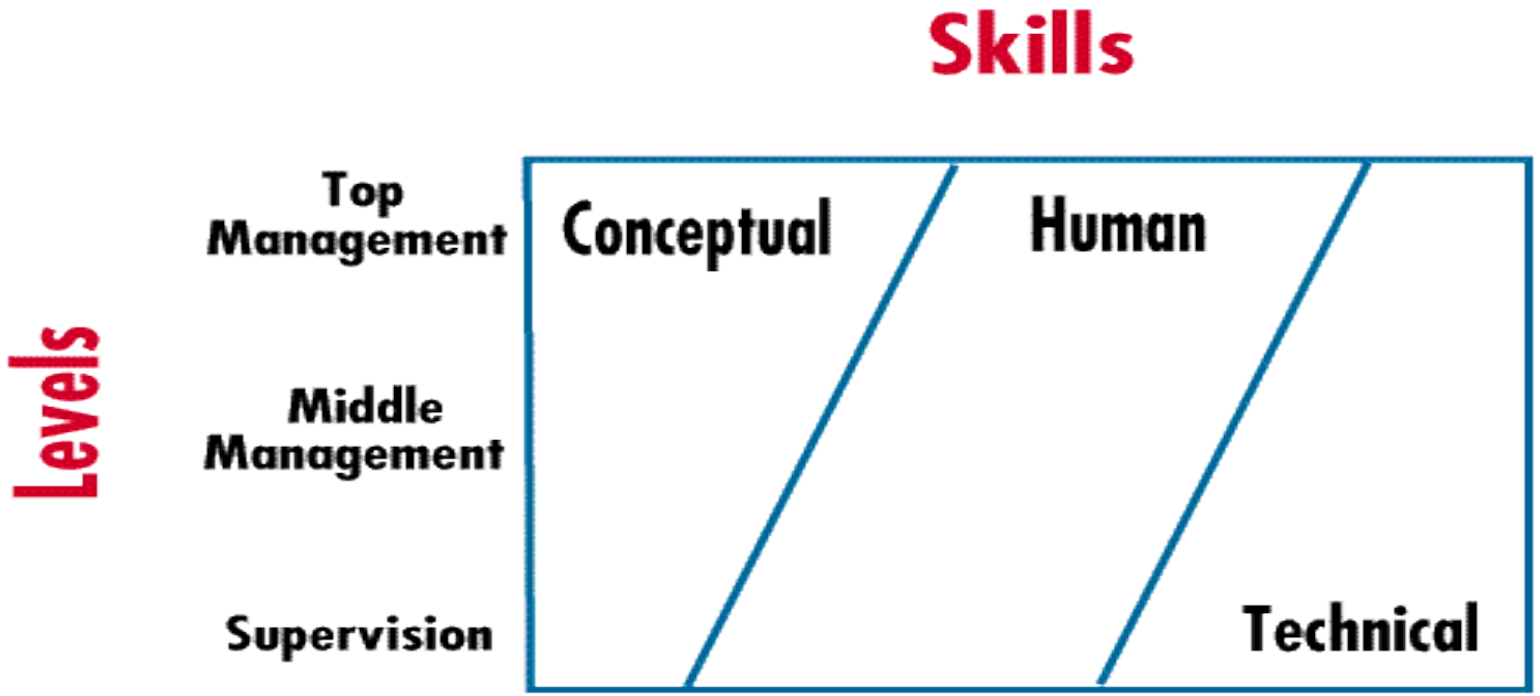
Management skills and levels of management

- A manager's level in the organization determines the relative importance of possessing technical, human, and conceptual skills.
- Top level managers need conceptual skills in order to view the organization as a whole.
- Conceptual skills are used in planning and dealing with ideas and abstractions.
- Supervisors need technical skills to manage their area of specialty.

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- All levels of management need human skills in order to interact and communicate with other people successfully.
- All managers need technical, human and conceptual skills.
- However, the need for these skills varies with the level of management.
- ***Thus, technical skill deals with things***
- ***human skill concerns people and***
- ***conceptual skill has to do with ideas.***

Fig1.5 Skill Type Needed by Management Levels



Skill Distribution at Various Management Levels

1.6. Universality of Management

- Although the problems, other organizational constraints and nature of different organizations vary widely, the functions performed by each manager are nearly the same.
- This means to successfully attain the objectives of any organization, managers must ***plan, organize, staff, lead and control.***
- These are the basic managerial functions. Management is said to have universal application because:

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- Management is important for any organization or entity regardless of objective(s) for which it is established to reach the stated goals or objectives.
- Any person who holds managerial position in an organization performs the five functions of management.
- That is first level, middle level, and top level managers perform the functions.

1.7. Is Management an art, Science, or profession?

- Basically management is an art, a science as well as a profession.
- **Management as an Art:**
- 'Art' refers to the way of doing specific things. Just like an art, the process of management **requires the use of know-how and skills**. Management is also practical like an art because it aims at the achievement of concrete results.
- Issues can be resolved using instinct and experience.
- Requires use of: Conceptual, Communication,
- Interpersonal, and time-Management skills.

E.g. to become a good painter, the person may not only be knowing different colour and brushes but different designs, dimensions, situations etc to use them appropriately. A manager can never be successful just by obtaining degree or diploma in management; he must have also know how to apply various principles in real situations by functioning in capacity of manager.

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- **Management as a Science**
- **Science** is a systematically organized body of knowledge based on proper findings and exact principles and is capable of verification. Any subject which is **scientifically developed and consists of universally accepted principles** is a science.
- **Management is *science***, in that it requires the use of Technical, Diagnostic, Decision-Making skills, logics and analyses.
- And In addition it uses computers and quantitative formulas to problems on hand. Problems can be solved using systematic methods.

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- ***Management is a profession***
- A profession may be defined as **an occupation that requires specialized knowledge and intensive academic preparations** to which entry is regulated by a representative body.
- because to say a given field is a profession it must fulfill the following criteria.
  - Specialized knowledge
  - Competent application
  - Community application
  - Social responsibility
  - Self control
- So, management is a profession because it fulfills the above criteria.

Discussion question

1. Define the term management?
2. List and discuss the basic functions of management?
3. List and discuss the levels of management?
4. List and explain managerial roles and skill?

Thank You!