PART I
What is Management?

Part Contents

CHAPTER 01

Definition and Varieties of Management

Learning Objectives

After studying this chapter you should have a general overview of management that combines both the common elements in management work and the differences in management work. In particular you should be able to:

1 **define*** the essential role of management and differentiate managers from operatives and specialists

2 **explain** the concepts of transformation, added value and organising people

3 **compare and contrast** different types of managers – especially:
- owner managers, entrepreneurs and intrapreneurs
- line, specialist and project managers
- junior managers, middle managers and senior managers
- general managers and specialist managers

4 **list**:
- 12 types of *commercial organisations* where managers work
- 4 types of *voluntary organisations* where managers work
- 3 types of *government organisations* where managers work

5 **define** culture, **explain** its importance to management and **list** the ways in which organisational cultures may differ

6 **identify** 3 general management skills and explain how their importance changes at different levels of management

7 **list** 3 characteristics of management work and 10 management roles

8 **list** the three competences sought most frequently by employers

9 **describe** the main psychological characteristics of typical managers

10 **compare** the approach and management style used several decades ago with the approach and management style used today

* Notes on what is meant by terms such as define, describe, describe briefly, compare and contrast, list, analyse etc. are given on the website associated with this book

Managers play a very important role in our society but, unlike many other occupational groups, such as teachers, builders or doctors, managers do not form a single homogeneous group. They work in many different ways, at many different levels in many different types of organisation. One of the first tasks in studying management is to obtain an idea of both the common aspects of the managerial job and the very wide range of forms in which it exists. This chapter aims to achieve this goal by answering, in five sections, the question "What is Management? The five sections are:

Chapter contents

1.1 Definition of Management

The basic transformational role of management

Management has been defined in many ways. A simple definition is "the activity of using resources in an efficient and effective way so that the end product is worth more than the initial resources". This simple definition has the advantage that it focuses upon the crucial role of management to transform inputs into outputs of greater value. This is shown in Figure 1.1.

However, the simple definition has a drawback: it is too inclusive. According to this definition, a cow chewing the cud would be an excellent manager since it eats a cheap resource, i.e. grass, and converts it into a more valuable product, milk. The definition includes practically

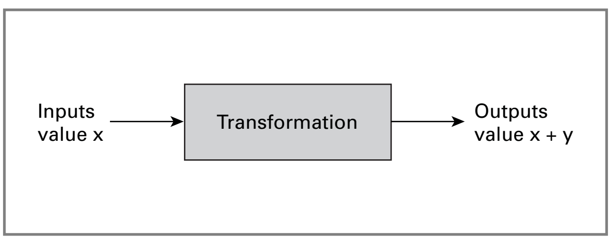

FIGURE 1.1 The Fundamental Transformation Process

every adult: a housewife cooking a meal, a vagrant collecting cigarette stubs, a student working in a library and an operative assembling chocolate boxes would qualify as a manager. A definition so wide is useless because it is synonymous with humankind and does not differentiate a subset of people who are clearly managers. To improve the definition it is necessary to specify the resources a manager uses. Classically (according to Karl Marx) there are three main resources (inputs):

- **capital**: the money to buy machines and raw materials
- **labour**: the people to work the machines
- **land**: where raw materials such as coal, iron ore and cotton can be extracted or farmed

Modern theory has refined Marx's list of resources. Today we tend to think of resources as the four "M's" of management:

- Markets
- Making goods and services
- Men & women
- Money

Even when the resources are specified, a definition of a manager as "someone who uses resources in an efficient and effective way so that the end product is worth more than the initial resources" is still inadequate. It still includes too many people. A person working alone assembling bundles of firewood or an academic reading a book in a library would still qualify as a manager. Many people identify the management of *other people* as the defining characteristic of management. Mary Parker Follett (1941) defined management as:

> "Getting things done by other people."

More recently Stewart (1967) described a manager as:

> "Someone who get things done with the aid of other people."

This emphasis on the management of other people provides a good way to differentiate between managers, operatives (workers who work directly upon raw materials or information or who directly provide personal services) and specialists (workers who use their skills and knowledge to enable other people to do things). Specialists such as neurologists or financial analysts may have equal or higher status and salaries than managers. However, they will not be managers until they are responsible for the work of other people such as a clinical team or a group of junior investment analysts.

The simple definition of a manager needs a final improvement. It needs to specify what is meant by "more value". Resources can be combined in ways that merely make the workers feel happy or they can be combined in ways that merely give managers pleasure. However, managers work within organisations and the phrase "more value" means "more value" in terms of the organisation's goals. When all these ideas are taken into account management can be defined as:

> "the activity of getting other people to transform resources so that the results add value to the organisation in terms of reaching its organisational goals."

CASE 1.1: SIMILARITIES BETWEEN DISSIMILAR MANAGERS

Arthur Darfor is an owner manager of an ostrich farm at Oudtshoorn in South Africa. He is responsible for the work of eight farm hands who need to be allocated work such as feeding or moving the birds to breeding paddocks. At times their work needs to be monitored closely to ensure that the correct temperatures and hygiene standards are maintained in the incubators. Since breeding is seasonal, Arthur needs to plan his flock carefully so that his farm is fully utilised throughout the year. He also needs to plan the supply of "lucerne", which is a key part of the birds' diet. Many of his decisions are routine, but the timing of sending the birds to market is a key judgement as the prices for both feathers and ostrich meat need to be predicted. The income produced must be budgeted carefully to ensure that cash is available to meet labour and other costs until another flock of birds is sent to market.

Karen Bede is the team leader of a group of six computer programmers working for a software company based in Berkshire, near Windsor Castle. Every week she allocates the parts of a larger program to each programmer and checks the code they produce. The work needs careful planning to ensure that the parts fit together and the costs stay within the budget agreed with the client. Karen often needs to juggle demands and prioritise tasks in order to meet deadlines. A considerable amount of her time is spent writing progress reports and attending meetings so that the middle managers in her organisation can integrate the work of several teams like hers.

Despite the fact that Arthur and Karen are working in very different environments (different countries, different industrial sectors and different technologies), the processes they use – planning, organising, staffing, deciding, budgeting – are very similar. The only major difference is that Karen spends time reporting and communicating to others. In both cases, these managers are using other people to transform resources so that the end product has greater value than their inputs.

Indices of managerial effectiveness and types of transitions

This definition has the advantage that it is linked to some standard indices of managerial effectiveness. In the commercial world organisational goals are usually framed in monetary terms. The effectiveness of managers is often gauged by the percentage return on capital. For example, a manager who uses £1 million of resources to produce a product worth £1.2 million will, other things being equal, be a better manager than one who uses £1 million to produce a product worth £1.1 million. Similarly, a managing director who takes over a company that is valued at £50 million and turns it into a company worth £55 million after one year is, other things being equal, a better managing director than one who takes over the same company and destroys value so that it is worth only £45 million one year later.

In many situations financial indices are too crude. They need to be supplemented by other information. For example, the number of people managed is an important consideration. The value added per employee is another common index of a manager's efficiency (see p. 191). For example, a manager who employs five people to convert £1 million of resources to products worth £1.2 million is probably doing a better job than a manager who employs 20 people to convert £1 million of resources to products worth £1.2 million – even though they add the same value (£200 000). Each person employed by the first manager is adding £40 000 value per year while each person employed by the second manager is adding only £5000 – probably not enough to cover their wages and other costs. Unless the second manager is able to obtain a subsidy from government or other parts of the organisation, their unit will not be viable and the 20 jobs will eventually disappear – with enormous consequences for the 20 employees and their families.

These examples have been drawn from the commercial world because they are clear. However, similar indices can be used in other types of organisation. The main difference is that value will be expressed in non-monetary units. For example, in the university sector a unit of performance will be FTE (full-time equivalent) per member of staff, in the theatre the unit of performance may be the number in the audience per performance, while in the health sector a hospital manager may be judged on the number of operations per surgeon per year. Table 1.1 lists some of the transformations where managers can add value to resources they consume.

Industry	**Transformation**	**Means of Transformation**
Education	Makes students more valuable by adding to their knowledge, intellectual ability and, perhaps, skills	Lectures, tutorials, practicals, books, etc.
Transport and Communication	Alters the position of physical things to a location where they are more valuable	Air-flights, lorry journeys, courier services, postal system
Media	Transmits information from mind of originator to mind of someone who finds it valuable	Newspapers, radio, TV, computer databases
Manufacturing	Changes the physical form of objects or chemicals into a more valued shape	Bending, cutting, joining, heating, assembling, etc.
Storage and Warehousing	Holds things until a time when they are more valuable	Warehouses, depots
Exchange	Transfers the ownership of an object or commodity to someone who places a higher value upon it	Wholesale organisations, retail organisations, merchanting organisations, exchanges such as the Stock Exchange
Health care	Removing or ameliorating illnesses	Hospitals, clinics
Government	Improving security and infrastructure for the population	Parliaments, councils, armed forces, police services

TABLE 1.1 Examples of Various Management Transformations

Management processes, management functions and other perspectives of management

Management is a very complex activity that can be viewed from several perspectives. The two most common viewpoints are *management processes* and *management functions*:

1. **Management processes** are the *activities* performed by the majority of individual managers in order to transform resources. For example, almost all managers make plans and supervise their staff. The main management processes are planning, organising, staffing and making decisions. Often management processes can be performed adequately without very high, detailed levels of specialist knowledge. For example, a manager may be able to motivate staff without having studied psychology to degree level.
2. **Management functions** are reasonably distinct *areas of management practice* that involve only a fraction of all managers. For example, in most large organisations less than 10 per cent of managers are directly involved in marketing or looking after the organisation's money. The main management functions are marketing, operations, human resources (HR) and finance – although the IT function is increasingly important. People working within a management function will usually need specialised training or experience in order to perform the intricate, high-level tasks within their function. For example, a manager in the HR function will need specialised training in order to devise an appraisal system that will be applied to the whole organisation. Managers working within a function often belong to relevant professional organisations. For example, a manager working within the HR function is likely to belong to an institute of personnel and will have studied for its qualifications. Similarly a manager working within the finance function is likely a member of an Institute of Accountancy.

In principle, management processes and management functions are independent but in practice they are often related. For example, a manager working within the HR function is likely to spend a large proportion of his or her time on staffing processes, while a manager working within the finance function will spend a large part of his or her time dealing with budgeting processes.

Even two, fairly distinct viewpoints do not cope adequately with complex special topics where the interplay of different influences is subtle. For example, bullying at work is a topic of contemporary interest. To some extent it lies within the management process of staffing. However, an organisation's HR function is likely to take the lead in forming and implementing policies to reduce the level of bullying at work. Furthermore, the policies and their implementation are likely to draw heavily on the academic discipline of psychology. The inter-relationships between management processes, management functions and special topics are shown in Figure 1.2, which also serves to show the structure of this book.

Even the complicated structure shown in Figure 1.2 is a simplification. A further perspective is needed – the viewpoint of academic disciplines that underlie many management processes, functions and topics. The main management disciplines are sociology, psychology, economics and quantitative methods. Marketing, for example draws on each discipline. A manager in the marketing function may use economics and sociology to identify unexploited markets. He or she may use psychology to ensure that advertisements have the maximum impact in the minds of customers. He or she may also use quantitative

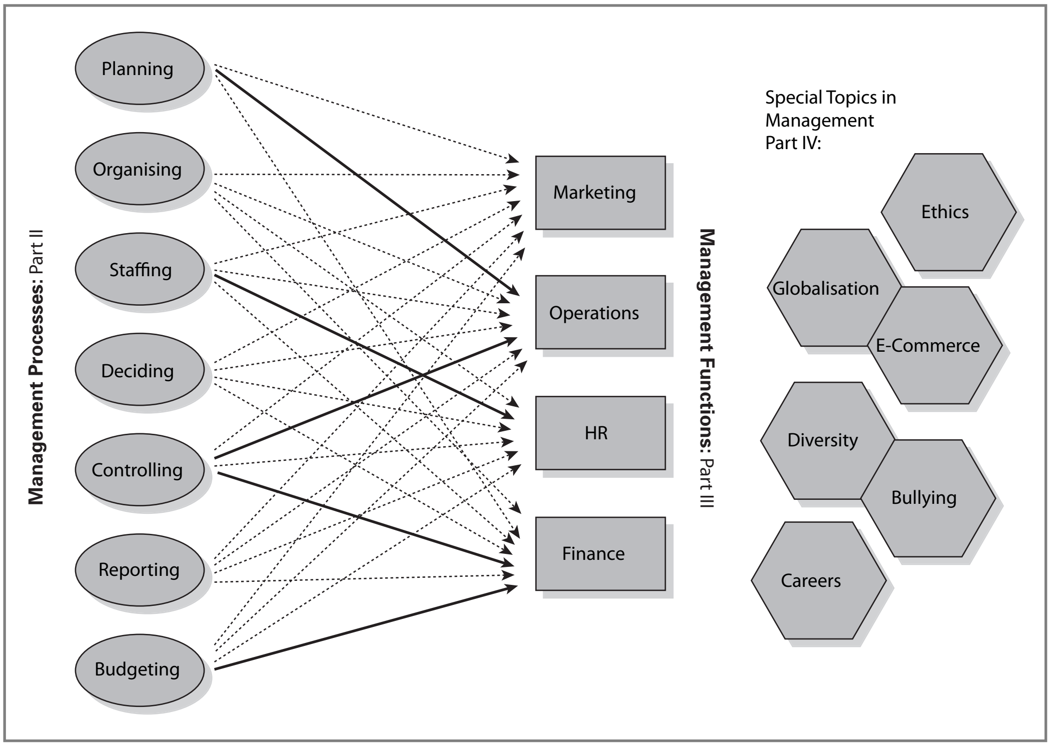

FIGURE 1.2 Relationship between Management Processes, Functions and Topics

methods to predict the number of future sales. Unfortunately, even a superficial treatment of academic functions is impossible in a book of this size. However, textbooks covering academic disciplines are readily available elsewhere.

1.2 Varieties of Manager

Many schools of management tend to assume that all managers are the same. Even contingency theory (see Chapter 2, section 6) tends to imply that all managers in the same kind of organisation will be similar. In fact there are many different kinds of manager. The main types of managers are:

1. Owner managers, entrepreneurs and intrapreneurs
2. Line, specialist and project managers
3. Levels of manager (junior, middle, senior)
4. Functional and general managers

Owner Managers, Entrepreneurs and Intrapreneurs

The concept of an "**owner manager**" is self-explanatory. It is, perhaps, the archetypal form of manager where the management and the ownership of the organisation is the same person or people. The combination of ownership and management was probably the dominant form of management before the Industrial Revolution. However, with the rise of limited companies and government organisations, a specialist cadre of people emerged to manage organisations on behalf of other people. People can own an organisation even when they are patently unsuitable to manage it. Perhaps these people have inherited an organisation from previous generations. Perhaps such people have saved money all their lives and have used their savings to purchase an organisation, or shares in an organisation, in order to provide an income in their retirement. Professional managers, on the other hand, can be selected and trained specifically for the job.

Today most owner managers exist in small firms and will be involved in most, if not all, activities. They can keep their finger on the pulse by walking round the firm and directly observing the state of affairs. As an organisation grows beyond, say, 50 employees the demands and the complexity of communication are too much for one person to control directly and the organisation will tend to hire professional managers.

Many, but not all, owner managers started as **entrepreneurs**. An entrepreneur is someone who identifies a business opportunity. The opportunity may arise from a gap in the market, a technological development or a commercial change. Once the opportunity is identified an entrepreneur will take a moderate risk to initiate a business venture to exploit it, which will involve assembling money, materials and men and women to meet a market need. A classic example of an entrepreneur would be Dyson. He noted that current vacuum cleaners became less efficient as the dust bag filled. He developed a new type of vacuum cleaner that did not need a dust bag. Dyson took a calculated risk and used his own money to fund the early developmental stages. Then he spent considerable time and effort convincing bankers who specialise in funding new developments (venture capitalists) to provide further funds that would pay for later development and the set-up costs for a factory. Other examples of entrepreneurial successes are Amazon book distribution, Last Minute travel and hotel reservations, and Anita Roddick's Body Shop. Perhaps the most successful entrepreneur of all time has been Bill Gates, who founded the software colossus Microsoft. New and small firms (with under 500 employees) account for a disproportionate number of innovations. One survey suggests that small firms are responsible for 55 per cent of all innovations and 95 per cent of radical innovations. Fast-growing businesses, sometimes nicknamed "gazelles", produce twice as many product innovations per employee as larger firms (Birch, 2000). Unfortunately, entrepreneurs do not have a guarantee of success. Small entrepreneurial organisations have a high failure rate. Perhaps 60–80 per cent of small businesses fail within five years.

In recent years the importance of entrepreneurs to the economic well-being of a country has been appreciated. Many large employers have been investing in machinery or moving their factories to countries where labour costs are low. Consequently, many large employers have been shedding (outplacing) workers. Governments have been looking to entrepreneurs to start up new businesses which will replace the jobs being lost from large organisations. Entrepreneurs frequently set up businesses in two sectors: business services and restaurants – presumably because the "entry costs" are low in these sectors. Many entrepreneurs are corporate refugees. They have either been the victims when a large organisation has downsized or they are people who feel uncomfortable with the restrictions imposed by corporate life. Entrepreneurs follow one of five main tactics:

- **Start a new business**: this means the entrepreneur is in total control and can form the business in any way he or she prefers. Starting a new business can take a long time to produce a profit.
- **Buy an existing business**: an existing business can be obtained fairly cheaply if the former owner wishes to retire or sell businesses for other personal reasons. Existing businesses carry much less risk. However, it will be more difficult for the entrepreneur to mould these to their own preferences.
- **Buy a franchise**: in a franchise an entrepreneur buys the right to produce or distribute a product or service which has already been developed. Franchises carry much less risk than marketing a totally new product. However, the person taking on the franchise will have much less freedom because he or she will need to operate procedures determined by the owners of the product. Perhaps the most famous franchises are McDonald's, and some hotel chains such as Holiday Inns.
- **Be incubated**: some venture capitalists, government organisations and universities have incubator units where a number of entrepreneurs are gathered in close proximity, probably in a "science park". The parent organisation provides facilities such as premises and secretarial support in return for a share in the equity. The proximity of other entrepreneurs means that they can share information and business leads.
- **Be spun off**: sometimes good ideas emerge within organisations. However, it may not be appropriate for the large organisation to exploit the idea. The large organisation may therefore produce a spin-off company which is staffed by its former employees. They usually buy their materials and, perhaps, patents from the parent organisation. The parent organisation may provide support such as guaranteed sales for the entrepreneur's output. A typical spin-off situation would be where an employee of a large glass producer develops a new type of double glazing. A doubl-glazing unit or division would provide the glass producer with a distraction that could mean a loss of focus from its core activity. The double-glazing company could, however, be spun off. The new company might use the parent as a source from which to buy raw materials and, maybe, to identify contacts as potential customers.

Obtaining sufficient finance is a significant problem for most entrepreneurs. In essence there are two sources of finance: debt financing and equity financing. In **debt financing** an entrepreneur will approach a bank, other institutions or wealthy individuals and obtain the required capital at a rate of interest. Sometimes the money is borrowed from family and friends. If the money is borrowed from commercial sources, the rate of interest may be high because the risk of failure may also be high. Commercial sources of finance are likely to demand extra surety such as a claim on the entrepreneur's house. In **equity financing** money is obtained in exchange for a share in the ownership of the new organisation. Often the funds are provided by venture capital firms such as 3i. If the firm fails the venture capitalists lose money, but if it succeeds they make big profits. Usually a venture capital company will only provide money if it has reasonable expectations of a high rate of return. This is because the return from successful companies must outweigh the losses they might make from unsuccessful ones. However, using a venture capital company brings the additional advantages of advice, information and other support. (See also Chapter 14, p. 290 onwards.)

It would be wrong to think that all entrepreneurs work in small companies. Some large organisations realise that it is often necessary to act like a small firm. They value the entrepreneurial spirit and give entrepreneurs scope to work (Drucker, 1985). Entrepreneurs who work within a large company are called **intrapreneurs**. Some large organisations take proactive steps to encourage intrapreneurs. They set up small units where groups of people are able to work on new ideas creatively and without formality. Sometimes, these units are called "skunk works". Perhaps the best-known skunk work was a fiercely independent and sometimes anarchic unit set up by Apple Computers that developed the famous Macintosh computer which was state-of-the-art and user-friendly.

Line, specialist and project managers

Line managers are directly responsible for producing goods or services to customers. Sometimes, line managers are called "production managers" or "operations managers" but this title should not be interpreted narrowly since most line managers these days produce services rather than material goods. In a factory, the line manager will be the supervisor, the head of the production department or the head of the manufacturing unit. In a call centre, line managers will be the section supervisor, the floor manager and the call centre manager. The line managers' actions play a clear and identifiable part in the performance of the organisation. Line managers will be responsible, perhaps at second or third hand, for the people who have direct contact with customers. Often line managers have large spans of control. Many line managers regard themselves has being at the "sharp", "front-end" of the management spectrum.

Specialist managers are sometimes called staff managers or enabling managers. Typically they are found in finance, human resources, purchasing or technical service functions. Usually these specialist managers are involved only at the request of the line managers and, in some senses, they have the line managers as their "internal clients". If the line manager believes that a specialist manager is not adding value to the production process, in theory, the line manager does not need to request or follow these specialists' advice. Indeed, in theory, a line manager can often source the required advice from similar specialists outside the organisation.

However, some specialist managers have much more formal authority than the previous paragraph suggests. These are specialist managers in a control function that is designed to prevent errors and wrongdoing. The archetypal specialists who exercise very powerful control functions are managers concerned with environmental health and safety. These specialist managers generally act as a friendly source of advice and guidance to line managers. Nevertheless, they usually have the power to overrule line managers and, if necessary, shut down production if they feel that the line manager is likely to breach legal requirements. Similarly, quality-control managers will generally offer diplomatic advice to line managers in order to ensure high-quality products and services. Nonetheless, when the chips are down they will have a right to overrule line managers if they feel that the output is below the standard that is demanded by customers or regulatory authorities. Human resource managers generally offer advice and guidance which may, or may not, be accepted by line managers. However, if they feel that a line manager is in danger of acting against legislation (such as equal opportunities law) they have a right and obligation to intervene.

New initiatives and major changes are usually developed and brought to fruition by a special project team. For example, a financial services organisation that decides to offer a new tele-banking service would probably set up a team consisting of a line manager from its existing services, an HR specialist, a legal specialist and an IT specialist. This team would meet on a very regular basis to produce plans, organisational structures, procedures and training systems until the new service is up and running. It would then disband. When the organisation undertakes another project or major change a fresh team of different members would be constituted. The person in charge of such a team is usually called a "**Project Manager**". Project managers are usually, but not always, line managers who retain some responsibility for their production line while they are also managing the team which develops the new initiative.

Sometimes organisations hire special managers who are employed by the organisation only for the time (the interim) it takes to finish a project. This usually occurs when the project requires specialist expertise which is not provided by anyone in the organisation. **Interim managers** are also used if there is expertise within the organisation but the person or people concerned cannot be spared from their other duties. They may also be used to substitute for existing managers if they suddenly become unavailable due to ill health or other causes. Interim managers usually have a considerable track record in management which has equipped them with a wide range of experience that they can deploy rapidly and effectively. When they are called into a company interim managers need to "hit the ground running".

Levels of management

Managers may be classified according to their level in the organisation. Typically, managers are divided into first-line managers, middle managers and senior managers.

First-line managers are also called junior managers, supervisors, overlookers, team leaders or foremen. First-line managers are primarily responsible for directing the day-to-day activities of operatives. Usually they have substantial spans of control but their range of responsibility is usually quite narrow. Their responsibility is usually restricted to ensuring that their team of operatives is achieving performance targets. Often first-line managers will be directly responsible for machinery and materials. The objectives of first-line managers are usually clear. Their success in achieving their objectives is clear-cut and apparent within a short period of time (i.e. their time span of discretion is low). First-line managers frequently work at a frenetic pace, often needing to attend to a new issue every one or two minutes. An important part of the role of a first-line manager is to listen to the concerns of the people they manage (their direct reports) and relay these concerns to more senior managers. Similarly, they need to be aware of the wider organisational objectives and translate these into terms that are relevant and understandable by their direct reports. First-level managers are usually recruited from the ranks of operatives. They would be expected to be able to perform the job they supervise as well as managing it.

First-line managers are the most junior level of management. Their contribution is often taken for granted or ignored – especially by Business Schools and theorists who deal with senior managers. However, the contribution that first-line managers make to an organisation cannot be overstated. Recently, the role of first-line managers has expanded. They are now expected to perform many of the activities previously required of middle managers. The main reasons for this change are a tendency to flatten organisational structures, a greater use of computer information systems and a marked trend to better training and recruitment of first-line managers.

Middle managers manage first-line managers. They will have titles such as Head of Department or Head of Human Resources denoting responsibility for a function. One of the major trends in management during recent years has been reduction in the number of middle-management posts. Their number has often been reduced by as much as 30 per cent in many organisations. This has been achieved by using computers to accomplish many middle-management tasks and by training first-line managers to do some (hitherto) middle-management tasks.

The key activities of middle managers are co-ordination and liaison. Middle managers transmit information up and down the hierarchy and across the various functions in the organisation. They convert the strategies and objectives set by senior managers into specific actions and plans which must be implemented by first-line managers. Often they are required to find creative ways to achieve objectives. They will have a fairly wide remit and will spend most of their time on managerial activities rather than operations. Middle managers will spend a great deal of their time in meetings with other middle managers. The pace of middle management work is less frenetic than the work of first-line managers. Typically they will have about nine minutes to concentrate on a problem before they need to attend to another matter. In some large organisations there may be several layers of middle managers.

Senior managers are sometimes called "top managers". They are responsible for making strategic decisions about the direction of the organisation. Senior managers are often called directors, president, chief officer or controller. Generally they will report to the most senior person in the organisation such as the Chairman or the President or the Principal. However, in some very large organisations senior managers may be rather more distant from the peak of organisational power. Senior managers are responsible for the performance of the organisation as a whole. They need to be particularly sensitive to trends and developments in the outside environment. Senior managers are primarily concerned with future strategy and developing a "vision" for the organisation. They then need to communicate their vision effectively so that other people within the organisation are motivated towards its achievement.

Much of the time senior managers are in meetings with other senior managers, middle managers and with important people from the external environment, as well as acting as the figureheads for the organisation.

Functional and General managers

Functional managers are responsible for units or departments that achieve a single functional objective. Their staff will have similar abilities and training. The major functions are usually production, sales, finance and human resources – the four Ms of management: markets, making, men and women and money. However, other functions such as research and development and IT will also be crucial to the functioning of many organisations.

General managers are responsible for units that include many functional areas. For example, the general manager of a manufacturing plant will have some responsibility for the other functions listed in the previous paragraph. Often their title includes the words "General Manager". The term general management is only loosely linked to a person's position in the organisational hierarchy. The manager of a small department store will be a general manager but the person who is in charge of a whole chain of department stores will also be a general manager. Project managers at all levels usually have general management responsibilities. General managers are responsible for establishing the work environment within which other managers operate. They are also concerned with allocating resources and building the unit for which they are responsible into an effective "whole".

1.3 Organisations in which Managers Work

Managers work in many different kinds of organisation. In broad terms these organisations can be grouped into three types: commercial, voluntary and governmental. Below is a list of the main organisations in each group. Many of the types are well known or self-explanatory. Readers familiar with this subject can merely scan the list and perhaps read some of the more unusual entries such as limited partnerships, conglomerates and virtual organisations.

Commercial organisations

- **Sole traders** (often in a shed) are people who run a one-man or a one-woman band. They handle all aspects of the organisation and are responsible to and for only themselves. Often, sole traders work from home. Sole traders are personally responsible for the debts they incur. This type of organisation has expanded rapidly in the last decade. Technically, sole traders are not managers: they are not usually responsible for the work of others – unless of course their trade is organising events and other people.
- A **franchise** is an arrangement between the owner of a product or service and a franchisee who owns the limited rights to make or sell the product or service. The product is usually unique or has a very strong brand image. The franchisee is relieved of much of the risk of developing and marketing the product and often benefits from the advice and supervision given by franchiser. However, the franchisee usually has to pay a substantial purchase price and a continuing proportion of the profits. Perhaps the best-known franchise in the world is the McDonald fast-food chain.
- **Owner managers** were discussed earlier. The main difference between owner managers and sole traders is that the former will employ other people. There are a large number of owner-manager organisations, especially in retailing. Most owner managers employ up to 50 people. Above this limit it becomes increasingly difficult for one person to control all aspects of an organisation. Consequently, when organisations employ more than 50 people, it is likely that professional managers will be employed.
- **Partnerships** involve two or more people who jointly act as owner managers. The key aspect of a partnership is the personal and unrestricted liability of each partner for the debts and obligations of the firm – whether or not he or she specifically agreed to them. One partner can be made personally liable for the business debts incurred by another partner. Partnerships are particularly common in organisations providing professional

services in architecture, accountancy and law. Many management consultancies are partnerships and there may be dozens or even hundreds of international partners. Generally, however, the number of partners is fewer than six. The most well-known partnership, the John Lewis Partnership, is quite unusual since all employees who have a substantial length of service are partners.

- **Limited partnerships** have existed in continental European countries and the USA for some time. They now exist in the UK. In limited partnerships each partner is only liable for the organisations debts to the extent of the capital they may contribute or agree to contribute.
- **Private companies** are owned by a small number of shareholders and the shares are not traded to the public. Private companies have the advantage that they are not required to make stringent disclosures of financial information. This involves less cost and it gives greater confidentiality of commercial information. Many private companies start as owner-manager organisations that have grown substantially. The original owner manager may have passed some ownership to friends, family and business acquaintances. One of the most famous private companies is the BMW organisation.
- **Public Limited Companies (PLC)** are usually owned by thousands of shareholders and the shares are traded to the public. In order to protect the public these organisations are required to submit detailed, stringent accounts. Public companies are often traded on national stock exchanges such as LSE (London) and NYSE (New York). Sometimes the stock exchanges specialise in various sectors of the economy such as technology (NASDAQ). Some public companies are set up merely to trade in the shares of other companies. These are usually called Investment Trusts. Large public companies that are usually in the top 100 companies are often referred to as "blue-chip" companies. Obtaining a quotation is a long, costly and protracted procedure that involves establishing a track record and producing Articles of Association that regulate the way a company is governed. This elaborate process inhibits small or medium-sized organisations from obtaining a quotation. Consequently, small and medium companies are often listed on the "Alternative Market". Belonging to the Alternative Market is less onerous and acts as a halfway house to a full listing.
- **Holding companies** are organisations that own a number of other companies. Often they have assets of many billions of pounds or dollars but they employ only a small number of people since most of the work is performed by the employees of subsidiary organisations. Most holding companies own subsidiaries that are related in some way. Sometimes there is a vertical structure whereby, for example, one subsidiary mines the raw materials, another subsidiary processes the raw material and a third subsidiary retails the product to the public. Sometimes there is a horizontal structure whereby, for example, one subsidiary manufactures a product in the southern region, another manufactures it in the northern region and a further subsidiary manufactures a product in the eastern region.
- **Conglomerates** are usually large organisations and are often called "corporations" or "groups". They are usually a type of holding company where the subsidiaries are involved in different industrial sectors. Conglomerates are usually formed when one company takes over several other companies in order to diversify risk, improve its mar-

keting position or make additional use of existing plant and machinery. The formation of conglomerates was particularly frequent between 1960 and 1980. Well-known conglomerates include AEG-AG, Agfa-Gevaert Group, Alcan, Lever Brothers and Broken Hill Proprietary Company.

- **Multinational corporations** are organisations that maintain significant, simultaneous, operations in several countries but are based in one home company. Well-known examples of multinational companies include the Kerry Group (Ireland), Shell Oil (Britain and Netherlands) and Nestlé (Switzerland).
- **Virtual companies** are a relatively new kind of organisation. They occur when the various departments or components of an organisation are physically divided and separated by distances of several miles. Often the component units may be separately owned. The separate components are linked together by computers and IT connections. These links mean that the separate components can work together as if they were one organisation. For example, a bookseller could set up a central computer that receives Internet orders. The computer could then search the inventories of several book wholesalers to locate a copy of the relevant book. It could then initiate the wholesaler's dispatch of the book to the customer. Finally, the computer could arrange to debit the customer's bank account. As far as the customers are concerned, they would be dealing with a large bookseller holding a huge inventory of books. In fact, they are dealing with a sophisticated computer system that links various components of the process of retailing books. Virtual companies have tended to arise in publishing and other industries where information is the key product.
- **Mutual organisations and co-operatives** are types of business association which are created for the mutual benefit of members. Often these are trading associations or financial institutions. In the UK they are sometimes called Building Societies or Unit Trusts. In the USA they are often called Mutual Funds. A co-operative is a legal entity that is owned and controlled by those who work for it or use it. There is usually some form of profit-sharing and the directors and managers are accountable to the members rather than the owners of capital.

Voluntary organisations

- **Charities** are institutions or organisations set up to provide help, money and support to people and things in need. Many charities are small and are staffed by volunteers. However, some charities have huge turnovers equalling those of substantial commercial organisations. Examples of large charities are the National Trust, Oxfam and Médecins sans Frontières.
- **Clubs and Associations** exist to increase the enjoyment of members who have similar interests. Some are managed by volunteers and are quite small. However, some clubs are large and employ professional managers. Some famous clubs are the MCC, the Garrick, the Liverpool Athenaeum and the Royal Channel Islands Yacht Club. Some clubs become huge commercial successes and convert into commercial organisations. Typical examples include Manchester United Football Club and the Automobile Association.
- **Trade Associations** and **Professional Bodies** are organisations which seek to protect and

foster the interests of certain occupational groups and companies. To some extent they are very similar to political pressure groups since their aim is to increase the power of their members. These organisations can be quite substantial and wield considerable influence. They may also employ numerous managers. Associations fostering the interests of trades are usually called "unions". Typical examples include the Communication Workers Union, the Amalgamated Engineering and Electrical Union and UNISON. Professional bodies tend to be called associations or societies. Typical examples include the Law Society, the British Psychological Society and The British Medical Association. Companies which share similar interests usually form a trade association to protect and foster their interests. Frequently they are called associations, federations or chambers. Typical examples include the Knitting Industries Federation, the Building Material Producers National Council and the Newspaper Publishers' Association. Usually trade associations and professional bodies start off as voluntary organisations but as their reputation and power increase it becomes virtually compulsory for members of the trade to enrol. For example, it is virtually impossible for a doctor or lawyer to practise unless they are a member of their professional body.

- **Political parties and pressure groups** aim to obtain sufficient power to change society. They aim to persuade other people to adopt and support their views so that they are then able to control resources they do not actually own. Senior managers in these organisations usually need a high level of charisma.

Government organisations

- **Government departments** employ many managers. Usually these managers are responsible to representatives who are directly elected by the adult population of a country. The range of government departments is enormous. They include the diplomatic service, the armed forces, revenue collection and the provision of services such as education and health. Usually government organisations are divided into two groups: central government and local government.
- **Public Enterprises** are created by statute to govern nationalised businesses. Perhaps the most famous public enterprise is the Bank of England. Other public enterprises include the German Federal Railway and the Tennessee Valley Authority. These organisations do not have share capital and are owned by the government.
- A **Quango** is a quasi-autonomous-nongovernmental organisation. They are semi-public administrative bodies which are set up by a government to achieve a "public good". Some are financed directly by a government and others are financed by a levy, which is often compulsory. A key feature of quangos is that the members are appointed, directly or indirectly, by the government and thus provide the government with huge powers of patronage. Quangos are often called agencies, commissions or councils. Typical examples of quangos are Health Service Trusts, the Health and Safety Executive, the Arts Council of England, the Boundary Commission, the Commission for Racial Equality and the Equal Opportunities Commission. Some lesser-known and esoteric quangos include the Crofters Commission, the Home Grown Cereals Authority and the Unrelated Live Transplant Regulatory Authority.

1.4 The Cultural Dimensions of Management

The variety of management work is increased by the fact that organisations have different cultures. For example, a manager of a provincial newspaper will have quite a different work environment from that of a manager of a national newspaper based in London – even though they work in the same industry, produce a similar product and use similar technology. A great deal of the difference can be explained by the culture of the two organisations. One of the best-known definitions is given by Schein (1985):

> "the pattern of basic assumptions that a given group has invented, discovered or developed and therefore taught to new members as the correct way to perceive, think and feel in relation to problems."

In other words, culture is "the way we do things round here". Schein's definition focuses upon the intangible aspects of culture. However, as Figure 1.3 shows, it has both tangible and intangible components.

Tangible aspects of culture include the physical layout of the organisation. For example, an organisation with a culture that emphasises status might have separate canteens for managers and workers. The intangible aspects of culture are usually more important and more numerous. They include shared values, shared knowledge and a fund of shared stories of past events and heroes.

Organisational cultures perform very **useful functions**. They help integrate the organisation and make sure that all members are "on the same wavelength". They help communication and give a sense of purpose. It has been claimed that a strong corporate culture helps to increase performance efficiency. However, research by Kotter and Heskett (1992) suggests that the relationship between corporate culture and performance is weaker than earlier claims suggest.

Corporate cultures do not happen at random and the **main causes** have been identified. Schneider (1987) believes that the main cause of a culture is the personality and style of the person who sets up the organisation. If the founder has a fluid, ethical style with an interest in basics (e.g. Anita Roddick, founder of Bodyshop) the organisation will be imbued with a fluid, ethical culture that emphasises products. This initial culture is then transmitted to future generations by the ASA process. First, the organisation **a**ttracts applications from people who hold similar values. It then **s**elects those who adhere most closely to the cultural norms. Finally, there is a process of **a**ttrition whereby employees who do not feed into the culture are encouraged to leave the organisation. Schneider's ASA theory does not fully explain the transmission of organisational culture. There is a socialisation

Corporate Culture

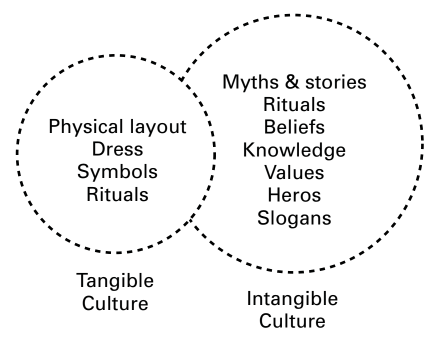

FIGURE 1.3 Components of Corporate Culture

process by which newcomers are taught the appropriate way of doing things and receive rewards, such as promotion, when they perform according to the organisation's culture.

There are many different **types of organisational culture** and most consultants and researchers have their own list. Organisational cultures may differ in the way they deal with *conflict and harmony*. Some organisations, especially those based in Australia and the UK, regard disagreement as a healthy sign. Employees are encouraged to discuss openly their reservations and conflicting views. There is a cultural belief that suppressing disagreements leads to longer-term problems and prevents good ideas from being adopted. Some organisations based in Asian countries have cultures that emphasise harmony. There is a cultural belief in preserving present methods and fostering traditional social relationships. Organisational cultures may also differ in a way that they deal with

- risk-taking
- teamwork
- attention to detail
- people and their needs
- time as a scarce commodity
- a proactive approach to change

Contrasts in organisational cultures may be particularly stark when they come from different countries. Early work by Hall (1976) divided cultures into low-context and high-context cultures. *Low-context cultures* are typified by the UK, Canada, Germany and the USA. Important communication uses verbal media of the written and spoken word. A message will be encoded very precisely in words. To decode the message the recipient needs to listen and read very carefully. *High-content cultures* include Japan and many Mediterranean countries. Only a part of the message is communicated in words. The rest must be inferred from contextual cues such as physical setting, the body language and even previous history. High-context communication takes considerable time. People from low-context cultures may not understand this and they may be perceived as pushy, hurried and even rude.

The best-known investigations of cultural differences were conducted by Hofstede (1984) and Trompenaars (1993). Trompenaars' research was more systematic and involved 15 000 people from 47 countries. He came to the view that cultures differed in three main ways: relationships between people, attitudes towards time and attitudes towards the environment.

Relationships between people was the most complex way in which cultures differed. Trompenaars differentiated five sub-dimensions:

- **Universalism vs. particularism** reflects a culture's emphasis on rules and their consistent application (universalism) or its emphasis on flexibility and bending the rules depending upon the person and his or her circumstances (particularism).
- **Individualism vs. collectivism** concerns the emphasis a culture places upon the individual and his or her rights and responsibilities (individualism) or the interests of the group and achieving a consensus of opinion (collectivism).
- **Unemotional vs. emotional** is the degree to which a culture stresses detachment and objectivity in decision making (unemotional) or whether subjective feelings are a part

of decisions (emotional). This dimension may be related to universalism vs. particularism.

- **Specific vs. diffuse** is the extent to which a culture stresses in-depth, intense relationships (specific) or a wider range of superficial relationships (diffuse). Again this may be an aspect of universalism vs. particularism; universalism is more likely when there are diffuse relationships.
- **Achievement vs. prescription** reflects the extent to which a culture rewards people on the basis of their achievement or their social standing, celebrity and connections.

Trompenaars' second major dimension of cultural differences was the *way that time was viewed* – particularly the way that the present is viewed in relation to the past. Western cultures tend to see time as a linear **synchronic** dimension. There is a clear past, present and future. Present time is precious and must not be wasted. Decisions need to be taken quickly without losing time. In **sequential** cultures, time is a passing series of recurring events where opportunities will recur. Consequently there is a relaxed attitude to time and appointments – a philosophy of "manyana".

Trompenaars' third dimension of cultural differences focuses on the *relationship with the environment*. In **inner-directed** cultures people see themselves as separate from the environment and attempt to control it for their personal benefit. On the other hand, in **outer-directed** cultures people see themselves as a part of nature. They try to live in harmony with nature and are more likely to "go with the flow".

Organisational culture is so pervasive that it affects most aspect of management and it is relevant to many later chapters in this book. For example, an organisation's plans will be influenced by its cultural attitudes towards risk and teamwork. Similarly the appropriate leadership style will be influenced by an organisation's cultural attitude towards conflict and power-distance. In particular, organisational culture has a very important influence on communications within an organisation (see Chapter 8) and its impact is a very clear when dealing with global organisations (see Chapter 16, p. 344).

1.5 Management skills

The skills needed by managers have been studied by a large number of researchers. Probably the most influential studies have been carried out by Katz, Mintzberg and McClelland. Other important studies have centred upon management competencies and the psychometric qualities of managers.

Katz's three broad skills and management level

Katz (1974) was one of the earliest commentators on management skills. He divided management skills into three broad groups:

- **Conceptual skills**: the ability to view situations broadly, think analytically and to solve problems. Often conceptual skills involve breaking problems into smaller parts and understanding the relationships between these parts.
- **Interpersonal skills** involve the ability to work effectively with other people and teams

within the organisation. They involve listening carefully to the views of other people and tolerating differing perspectives. Communication is a very important interpersonal skill but others include the ability to motivate people and generate the appropriate psychological atmosphere. Interpersonal skills also embrace political acumen – which is needed to be able to build a power base, establish the right connections and the ability to enhance one's own position.

- **Technical skills** consist of specialised knowledge of an industry or a process. Technical skills can involve engineering, scientific, financial or legal knowledge. Knowledge of IT systems, markets and commercial procedures are also kinds of technical skill. Often technical skills are obtained initially through formal education and are then developed by formal training.

Figure 1.4 shows the mix of these three skills changes according to a manager's position in the hierarchy.

First-line managers typically require high technical skills. Operatives and their supervisors must have detailed technical knowledge in order to transform resources into more valuable products. The possession of good technical skills is often the basis for a higher career in management. However, as a manager rises in the hierarchy, detailed technical skills become less important. A computer programmer, for example must know the ins and outs of the computer language that is used. However, a chief executive needs a less detailed understanding but he or she must understand the contribution which IT can make to the organisation.

The most important skills for middle managers are the interpersonal ones. Many technically competent people who are promoted into middle management fail because their interpersonal skills are insufficient to harness the capabilities of other people. Sometimes

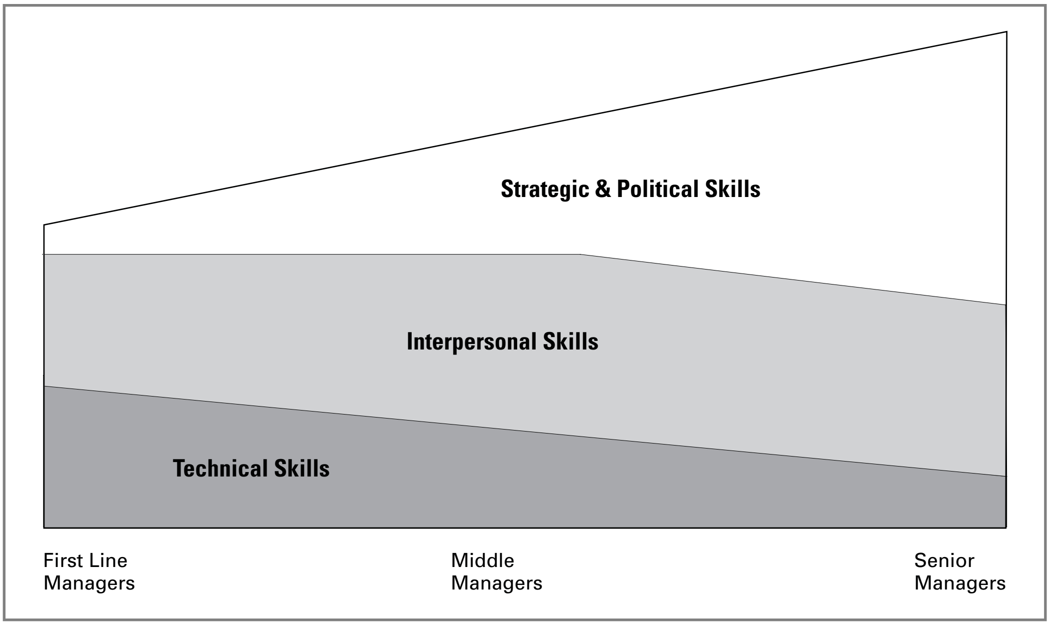

FIGURE 1.4 Changes in Management Skills According to Managerial Level

people with brilliant financial skills rise to high positions within organisation only to then fail because they antagonise so many people that their position becomes untenable. While interpersonal skills assume their maximum importance at middle management level they are still very important at all other levels.

Conceptual and political skills are highly important at senior levels. Managers at the top of the organisation encounter more complex, ambiguous and longer-term problems. They need to be able to understand the many components of a problem and find accurate, long-term, solutions.

The changes in the composition of skills needed at different management levels cause much frustration and heartbreak. First-line managers who have exceedingly good technical ability can become very frustrated when they are passed over for promotion in favour of a colleague who has better interpersonal skills. Similarly, very successful middle managers may be promoted to senior levels only to find that they no longer enjoy their jobs because they do not have the required conceptual skills.

Katz's analysis has important implications for management training and education. It suggests that introductory courses should focus upon technical skills with an appreciation of interpersonal and conceptual skills. Courses for senior managers, however, should focus upon conceptual skills.

Mintzberg and the nature of managerial work

Probably the most famous study of the skills needed by managers was conducted by Henry Mintzberg (1973). His study is a classic example of research using structured observation. He observed each of five chief executives for five days and noted their activities using a carefully worked out scheme. Mintzberg noted that the work of the chief executives was characterised by three features: brevity, variety and fragmentation.

Management work primarily consists of a series of *brief episodes*. Mintzberg carefully recorded the duration of each episode. He found that, on average, each managerial episode would last nine minutes. Less than 10 per cent of managerial episodes last longer than an hour. The average for chief executives included six minutes for each of numerous telephone calls. This was counterbalanced by scheduled meetings which tended to last 68 minutes. By some standards nine minutes is a long time. Previous research into the work of first-line managers (foremen) suggested that they attended to 583 incidents per day – less than one minute for each incident. Indeed, it would seem that the duration of a managerial episode is closely related to the level of management. The more senior the level, the longer the duration of an individual manager activity until at chief executive level the average managerial incident lasts about 10 minutes. This is in sharp contrast to the assumptions made by many management educators who emphasise that managers should spend extended periods of analysis and reflection before they take action.

Management work is also characterised by *variety*. This is in contrast to many other jobs such as a physician. The average time a physician devotes to each patient is, perhaps, about nine minutes. But for each patient the physician will be dealing with a medical problem. However, each nine minute episode completed by a manager is likely to vary from the previous one: the first episode may involve a financial problem; the second episode may involve a customer; the third episode may involve disciplining a subordinate and the fourth episode may involve a mechanical problem that is affecting production. The range of activities which managers need to complete suggests that their education should be broad and multi-disciplinary with a wide range of knowledge and skills.

The third characteristic of managerial work is *fragmentation*. Managers are rarely able to complete a task in one go. Often, they will spend nine minutes dealing with a problem – perhaps by ascertaining the nature of the situation and requesting further information. They will then deal with several totally different issues. Later in the day they may return to the initial problem, absorb the new information and request further clarification. The problem will be revisited, perhaps during the next day, when a decision will be made. This implies that management courses should not be a straightforward linear exposition of the subject. They should involve time pressures and a mix of topics.

Mintzberg also noticed that managers *prefer live action*. Managers much prefer talking to people and observing situations for themselves. They dislike static, formal and written work. Much of this dislike was based upon the fact that formal media are slow. By the time a written report is composed, typed and checked it is likely to be out of date. Furthermore people are more circumspect when writing things down: they are more likely to be diplomatic and disguise the true facts and causes.

Mintzberg noticed that managers routinely perform 10 major roles. He groups the roles under three major headings:

Interpersonal roles centre upon dealing with other people:

1. **Figurehead**: this is probably the simplest and most basic managerial role. Most managers act as a symbol of their unit because they have the formal authority and responsibility for it. They are therefore obliged to perform a number of ceremonial duties such as welcoming guests or presenting retirement presents. In other cases a manager must formally sign documents in order to meet legal requirements.
2. **Leader**: it is a manager's responsibility to induce people to do things they would otherwise let lapse. He or she must inform, motivate and guide subordinates to perform activities that contribute to the organisation's goals. A manager must act as a role model for his or her subordinates.
3. **Liaison**: managers have a vital function in linking their own group to other groups. Their role in vertical communication (forming a channel between their own subordinates and senior management) is demonstrated in most organisational charts. With middle and senior managers the vertical communication role is masked by the importance of horizontal communication. A large proportion of a middle manager's time is taken up by liaising with other middle managers in the same organisation. A large proportion of a senior manager's time involves liaising with senior people from other organisations. Often this is a source of complaint from junior managers who frequently feel that senior managers should spend more time liaising with them.

Informational roles deal with the key management activities of obtaining and receiving information. Once the information has been obtained it is important that it passed on to people who can use it effectively. The informational roles are:

4. **Monitor**: managers are continuously seeking information about the performance of their area of responsibility (AoR). They do this by making frequent, informal tours of

inspection (walking the job), discussions with other people and by reading the trade press. Furthermore, they are bombarded with information from suppliers, customers, regulatory authorities (such as a health and safety) and other stakeholders. They must sift this information and identify the small portion that is relevant. In particular, they must sift information to identify relevant trends.

5 **Disseminator**: once the manager has collected and interpreted all the information that comes his or her way it must be transmitted to the people who can use it effectively. Once factual information has been checked it can be forwarded to subordinates for action. Much of the information will be more ambiguous. It may consist of trade gossip or tip-offs that can help tailor a presentation to a potential client. It may consist of disseminating a set of values the manager wishes subordinates to uphold.

6 **Spokesperson**: a spokesperson is similar to a disseminator but, while the disseminator directs information internally within the organisation, a spokesperson directs information outside the organisation. The organisation is required to keep the general public informed. The chances are it will be a manager, and probably a senior manager, who performs the task.

Decisional roles concern the choices made in the allocation of resources, the direction to follow and how to negotiate with other organisations. Often a senior manager is the only person who is able to commit his unit to a course of action.

7 **Entrepreneur**: a manager often acts as an initiator and designer of change. Often the entrepreneurial roles stem from a manager's ability to authorise action. This allows him or her to spot opportunities and to galvanise their unit into appropriate action.

8 **Disturbance handler**: in an entrepreneurial role a manager is proactive. However, managers sometimes need to react to events that have gone wrong. Unforeseen events may result in progress being off-target. A disturbance handler takes action to get progress back on track. Typical disturbances arise from the sudden departure of staff, accidents such as a fire on the premises or when a major customer takes their business elsewhere. Sometimes disturbances arise when subordinates cannot agree among themselves or when a problem is too difficult for them to solve. Disturbances usually have a sudden onset. Managers usually give disturbances priority and will change their schedules to deal with them. Often the first reaction is to "buy time", which is used to find a solution to the problem

9 **Resource allocator**: usually a manager has more possibilities than his or her resources can match. A manager will therefore exercise judgement and choice when allocating resources to some activities and not to others. The power of authorisation gives a manager ultimate control without the necessity of being involved in the detailed preparatory work. Demands on managers are so great that they are not able to undertake all the tasks themselves: they need to delegate tasks to others. The process of delegation involves considerable power because it contains the authority to choose one individual over another. The choice process communicates to the whole unit the preferences which a manager will reward. The act of delegation is a clear manifestation of power because the manager can give the work to a second person if the first choice does not live up to expectations.

10 **Negotiator**: a manager will nearly always be involved when his or her unit is involved in a major negotiation with an external organisation. Normally the manager will lead the other negotiators from his or her unit. In part the negotiation role flows from the role of figurehead, but it also involves the spokesperson and the resource allocator roles since only a manager can commit the resources that are implicit in the negotiated solutions.

McClelland and managerial needs

David McClelland (1971) was interested in the needs which motivate managers. He was particularly interested in achievement motivation (n ach). Achievement motivation is the need to do something quicker, better or more efficiently. McClelland maintained that if a society had a high proportion of people who were motivated by achievement the society would grow faster. Using an ingenious method of gauging motivation by analysing street ballads he was able to show that the industrial revolution in the UK was preceded, fifty years earlier, by a surge in the level of achievement motivation of the British population. Similarly, the relative economic decline of Britain in the first part of the twentieth century was preceded, fifty years earlier, by a fall in the level of achievement motivation in the British population.

McClelland analysed the level of achievement motivation of executives in companies in the USA, Finland, UK, India and Australia. He obtained a very robust finding. Companies who had executives with high level of achievement motivation made more innovations, filed more patent applications and grew faster than companies whose executives had lower levels of achievement motivation.

McClelland was also interested in the motives for power (n pow) and affiliation (n affil). He found that people who rose to senior levels in large organisations showed a distinct motivational pattern which he called the Leadership Motivation Profile (LMP). People who rise to the top of large organisations tend to have a high need for power, a moderate need for achievement and a low need for affiliation.

Managerial competencies

During the 1980s many organisations were keen to identify the skills, abilities, attitudes and other characteristics which made managers competent at their jobs. Boyatzis (1982) called these attributes “competencies”. Organisations tried to determine the competencies which their executives needed so that they could recruit people who already had the required competencies or who could be trained to achieve them. Many organisations produced their own list of competencies. The lists used different words to describe the competencies but often they were referring to the same attributes. Bristow (2001) analysed the lists which were used by over 60 different organisations. Table 1.2 is based on his results.

It can be seen that interpersonal skills dominate the competencies a manager needs. Seven of the top ten competencies concern relations with other people. Communication skills are particularly important and tower above all other competencies. This suggests that the priority in both self-development and management training should be given to inter- and intra-personal skills. Once these competencies have been developed, precedence should then be given to organisational skills, analytical ability and a results orientation.

Competency	Components	%
1 Communication	Written communication, oral communication	97
2 Self-management	Personal effectiveness, self-control, self-discipline, self-confidence, resilience	75
3 Organisational ability	Organisational awareness, delegation, control, structure	68
4 Influence	Impact others, networking, negotiation	67
5 Teamwork	Team membership, team leadership	60
6 Interpersonal skills	Relationships, dealing with individual people	58
7 Analytical ability	Conceptual thinking, problem-solving	58
8 Results orientation	Achievement focus, concern for effectiveness	55
9 Customer focus	Customer service, customer orientation	53
10 Develop people's potential	Enabling others, coaching	53
11 Strategic ability	Vision, breadth of view, forward thinking	52
12 Commercial awareness	Business acumen, market awareness, competitor awareness	48
13 Decision-making	Decisiveness, evaluating options	48
14 Planning	Planning and organising, action planning, task planning	40
15 Leadership	Providing purpose and direction, motivating others	40
16 Self-motivation	Enthusiasm for work, achievement drive, commitment, energy, drive, will-to-win	35
17 Specialist knowledge	Expertise, professional knowledge, functional expertise, operational understanding	35
18 Flexibility	Adaptability, mental agility	32
19 Creativity	Innovation, breakthrough thinking	32
20 Initiative	Proactivity	31
21 Change orientation	Change management, openness to change	23
22 Dealing with information	Information gathering, information processing	20
23 Concern for quality	Quality focus, concern for excellence	20
24 Reliability	Accuracy, disciplined approach, procedural compliance, attention to detail, systematic	18
25 Ethical approach	Integrity, commitment to social and economic equity, valuing people	13
26 Financial awareness	Financial judgement, cost awareness	12
27 Negotiating skills		7
Other		15

TABLE 1.2 Competencies Demanded of Graduates

Psychometric qualities of managers

Managers have been completing psychometric tests for many years. Usually these tests measure intelligence and personality. Managers usually complete them as a part of a selection procedure or career counselling. The present author has available the records for almost 2500 managers and they reveal a fairly consistent pattern.

Managers need to be more intelligent than the average person. Only three of the 2500 managers scored below average. The degree to which they are above average often correlates with their managerial level. The average IQ score for the population as a whole is 100. Typically, a first-line manager will have an IQ of about 109 which would put him or her in the top 27 of the population. A typical middle manager will have an IQ of about 119 (top 10 per cent of the population) while a typical senior manager will have an IQ of about 124 (top 5 per cent of the population). This pattern is not perfect and there will a spread of scores either side of these averages. Nevertheless, intelligence tests (the politically correct term is "tests of cognitive ability") are good predictors of management ability. The exact nature of a person's intelligence is also relevant. Typically managers do best on verbal problems, especially those that involve understanding the reasons behind events and identifying similarities between objects and situations.

The results concerning personality are slightly different. Personality tests are moderately good predictors of managerial performance but there is a wider spread of scores about the averages. Furthermore, personality is more complex and difficult to measure. Research indicates that there are five main aspects of personality. They are:

- extroversion
- stability
- conscientiousness
- tough-mindedness
- openness to new ideas

Typically managers, especially production managers, tend to be *moderate extroverts*. They are lively and sociable without going "over-the-top". Moderate extroverts enjoy jobs involving a variety of tasks and where they need to make quick practical decisions involving people. This is consistent with Mintzberg's work that showed that the managerial job involves brevity, variety and fragmentation. There are, however, some exceptions to this rule. Managers of specialist functions such as R&D, quality control or finance may be less extroverted and perhaps even a little introverted.

Managers are usually also *emotionally stable* people. This enables them to cope with a torrent of emotional situations and gives them the resilience to bounce back after setbacks. Again, there are some exceptions to this rule. Project managers and some managers in the finance function may have average stability and may even be a little "touchy".

Almost all managers are *conscientious*. This means that they show a sense of duty and they have a clear self-image to which they adhere. This often means that they are reliable and their work is well organised and considerate of other people. The few exceptions to this rule are usually seen in managers working in highly competitive, dealing or merchanting situations.

Finally, managers tend to be moderately *tough-minded*. This means that they are prepared to take responsibility, push proposals through and get things done. They will face conflict but they will not actively seek it.

The level of open-mindedness is often related to the industry in which they work. Traditional industries which are "close-coupled" to the market and which produce a fairly standard product with high efficiency and at low cost tend to suit people with a personality that is down-to-earth and focuses on concrete information. On the other hand academia, the media, advertising and fashion industries tend to favour a personality that exults in new ideas.

Writers such as Dumaine (1993) believe that the skills needed by managers are changing in order to match contemporary demands. Table 1.3 shows the contrasts between what Dumaine calls the old manager and the new manager.

Dumaine's work highlights the fact that management and managers are not static. They change over time. In order to have a good understanding of management it is necessary to have a basic knowledge about how it has changed in the past. In other words it is easier to understand current management if something is known about its history.

OLD MANAGER	NEW MANAGER
Thinks of self as manager or boss	Thinks of self as sponsor, team leader or internal consultant
Follows chain of command	Deals with anyone necessary to do job
Works within existing structure	Changes structure according to environment
Makes decisions alone	Involves others in decisions
Hordes information	Shares information
Masters single discipline, e.g. finance or marketing	Masters broad array of disciplines
Demands long hours	Demands results

TABLE 1.3 Differences between Old and New Managers

Activities and Further Study

Essay Plans

Prepare plans for the following essays:

1. Compare and contrast the work of managers and non-managers.
2. To what extent are managers, and their work, the same?
3. What skills do managers need in order to perform their work effectively?

Compare your plans with those given on the website associated with this book

Web Activities

1. Go to the website associated with this book and download the spreadsheet containing a sample of 100 activities performed by managers. Use the adjacent column on the spreadsheet to classify each activity according to its management process. Use the initials:

   P = planning
   O = organising
   S = staffing
   D = deciding
   C = controlling
   R = reporting (communicating)
   B = budgeting (money and time)

   Use the sort function to rearrange the activities according to the management process involved. Work out the percentage of time that managers spend on each process and answer the following questions:

   - Which two activities take up most management time?
   - The sample of a hundred activities was obtained from managers in manufacturing. To what extent would you expect the results to differ if the sample had been obtained from managers in a service industry?
   - To what extent would you expect results to differ according to the level of managers involved?

   Compare your answers with those given on the website associated with this book.

2. Use the Web to locate two specific examples, preferably from your own area or region, on the following types of organisations in which managers work. Enter their names onto a table such as the one that follows:

Web Activities continued

Type of organisation	Example 1	Example 2
Franchises		
Limited partnerships		
Holding companies		
Conglomerates		
Multinational corporations		
Virtual companies		
Trade associations		
QUANGOS		

3 Use the Web to research the career of an entrepreneur in whom you are interested.

Experiential Activities

1 Form a discussion group to examine one or more of the following topics:

- The changes that have occurred in management work during the past 40 years (i.e. during the working life of someone who is just retiring).
- The changes that are likely to occur in management work during the next 40 years (i.e. during the working life of someone who is just starting a career).
- The skills needed for management work (start by brainstorming the skills and competencies needed) and writing them on a flip chart. Then list the skills and competencies according to their importance. Finally, compare your group's list with list of competencies from organisations – for example, see the list on page 27.

2 Interview a manager (use your network of friends and relatives to identify someone who would help) and ask about:

- the people they supervise
- the people to whom they are responsible
- the way they spend their time at work

On the basis of this information decide whether they are junior, middle or senior managers. Also decide whether they are general or specialist managers. You should also identify the function (e.g. marketing, operations, finance, human resources, etc.) in which they work. Check your decisions by asking your interviewee to name their management level and their management function.

3 Arrange (perhaps with the help of your college, university or careers service) to observe a practising manager at work for one or two days. In advance of your visit read Henry Mintzberg's book *The Nature of Managerial Work* (or at least a summary of it!). Keep notes on the roles that the manager occupies and the duration of his or her "working episodes". Compare your notes with the findings by Mintzberg.