Fundamentals of Management

Second Edition

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Fundamentals of Management

Mike Smith

McGraw-Hill
Higher Education

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Dedication

To my valiant and wonderful wife, Pam
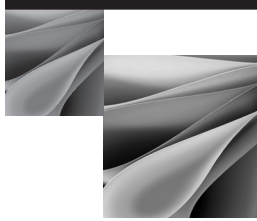
Brief Table of Contents

Detailed Table of Contents

Preface

Over many years I have taught the fundamentals of management to more than 12000 students. They have taught me the importance of good information given in a straightforward way. Unusually for an academic and researcher, I have been fortunate to experience management at first hand: junior manager in a knitwear factory in Leicester, director of a quoted company in London and chairman of a small company in Manchester. This has taught me the need to focus on what is practical and relevant. Consultancy work in Europe, Australasia, South Africa and Asia have also taught me lessons. It has made me aware of the need for a clear and straightforward text which combines a broad, classic framework with a deeper treatment of contemporary management topics.

Who is this book for?

This book is focused on three groups of readers.

- *First* are students embarking on a course of business studies and management at university or college. They face the danger that individual courses dealing with specific areas give a disjointed view that lacks perspective. This book aims to provide an integrating framework that places other specific courses within the context of management as a whole.

- *Second* are students of other subjects, perhaps engineering, IT or languages, who are taking one or two courses in management as subsidiary subjects. Even if they never become managers themselves they will need to interact with those who do. This book aims to give an understanding of management that will enable them to relate effectively with managers.

- The *third* group of readers are those already working in organisations who have started, or are thinking of starting, a managerial career. This book is designed to provide them with an authoritative, high-quality text which will help guide their decisions. This group also includes people who are about to embark on an in-company course or, perhaps, an MBA after many years away from education. This book aims to be pre-course reading that gives a head start.

Explicit Knowledge, Tacit Knowledge and Critical Thinking

Knowledge can be divided into two types – explicit and tacit (this is explained further in Chapter 18). The much greater part of this book is devoted to the *explicit knowledge* about management that is formally set out in texts and academic writings. It contains many references to both classical writings and up-to-date papers. Each chapter ends with a short, annotated list of recommended readings so that readers can explore this explicit knowledge in more depth. Inevitably, a book presents information in a linear form. But, management knowledge is far from linear and parts of the same topic are often best placed in different

places. For example, "strategy" is clearly a part of the planning process but certain aspects of strategy are better placed within decision-making and marketing. A unique system of signposting cross-references has been developed to help readers navigate their way through the multidimensional nature of the explicit knowledge about management.

Tacit knowledge is the informal, less codified information that is held in "managers' heads". Many texts ignore tacit information. But readers find tacit knowledge very engaging. It also provides a background that makes it easier to understand and apply explicit knowledge. I have made a conscious effort to provide tacit knowledge of management by including many **cases and examples** which, appropriately, are written in a less formal, more accessible style. Each chapter contains an opening case study to help readers recognise instantly what sort of information the chapter is going to cover. Development of critical thinking is a major concern of all education and development. The **critical thinking boxes** included throughout the chapters are a distinctive feature of this book which aims to develop these skills. Hopefully, they are thought-provoking – they are often disputatious and divergent. If readers are prompted to criticise my critical thinking . . . wow! Job done!

The book's structure

There are significant differences from the first edition in terms of both the content and pedagogy: all sections of the book have been updated and many recent references have been included, while numerous cases and critical thinking boxes have been added throughout. The structure of the book has also been reinforced to reflect a coherent and logical picture of management.

It was tempting to structure the book by starting with chapters on popular topics (e.g. strategy, leadership and organisational change), and work down to less fashionable areas such as control, and even omitting important but less conducive topics such as budgeting. That assembly is flawed. It is incomplete. It fails to convey what is a clear and coherent structure for the fundamentals of management. Further, this scrapbook approach would ignore a basic psychological principle: material within a meaningful framework is easier to remember. The framework of this book is formed by four giant girders: definition, processes, functions and personal perspective.

Definition of management

The starting point for a book on fundamentals of management is obvious – a definition of management with some idea of the types of managers (level, entrepreneurs, line managers, etc.) and the skills and characteristics managers need. But, managers do not exist in a vacuum. So, it is important to understand the contexts in which managers work (types of organisation plus the organisational, national and international cultures). Rightly or wrongly, the historical legacy, perhaps two centuries old, exerts an indelible influence on modern management. Further, history teaches an eternal lesson: social, economic, technical and intellectual zeitgeists shape the management methods of their era – but there is often a time lag. A knowledge of history may help managers identify trends that are shaping, and will shape future management practices. At a banal level a survey of the history of management also provides an excellent way to introduce key ideas such as "scientific management" or "contingency theory".

There have been three major changes to Part 1 which aims to answer the question "What is Management?".

- Management career pathways have been integrated into the first chapter, demonstrating the diversity of management.
- Sections on culture, both organisational and national, have been expanded significantly and now have their own chapter devoted to the organisational context of management (Chapter 2). Globalisation is now integrated into this chapter as an integral aspect of the context of modern management.
- Fordism is included

Management Processes

All managers use processes to transform resources into more valuable outputs. The large number of management processes can be bewildering. So, our framework requires a subframe of lintels. Very early in my teaching, I found that Fayol's subframe (planning, organising, staffing, etc.) is much better than most. It is widely known. The acronym (POSDCRB) is easy to remember. Above all else, it is very, *very* widely used and understood by practising managers throughout the world. Sure, it is an old subframe but it has proved its strength and it fully supports up-to-date topics. For example, strategy fits perfectly within Fayol's process of planning and it benefits from being placed in this context: it can be seen as an important part of a larger chain of activities that includes, say, organisational visions and management by objectives (MBO). Fayol's (updated) subframe gives a very comprehensive coverage of the processes that all managers must perform. In contrast, for example, some organisational behaviour frameworks give the impression that managers need pay little attention to, say, controlling or budgeting.

The new edition has changed to give greater emphasis to:

- organisational change, which now has its own chapter
- leadership, which also has its own chapter
- strategy – especially PESTLE
- teamworking

Management Functions

Most organisations have functions that involve specialist cadres which deploy specialist knowledge and expertise. Most managers work within a specific function. But it is impossible for them to be successful without some awareness of others. There are at least 12 functions. It is impossible to describe all of them in a book of this kind. A good solution is to list all functions and place them within another substructure (line, facilitating and controlling). Substantive chapters then describe each of the "Big Five" functions: marketing, operations, human resources management (HRM), finance and the information function (IT). The distinction between management processes and management functions is clearly understood by practising managers but it can cause confusion for students. Sometimes, for example, staffing is wrongly equated with HRM while budgeting is wrongly equated with finance. In essence, *processes* are activities performed by almost all managers at an individual level. *Functions* are

specialist activities performed by groups or organisations (the management). The structure of this book makes this distinction clear and explicit.

The structure of Part 3 has changed significantly. It now starts with a short introduction which puts management functions into context and then deals with the *five* main management functions. The major change has been to devote a substantive chapter on the knowledge function which covers the IT(updated), e-commerce and knowledge management. The section describing knowledge management has been expanded significantly and moved to this part. Other important additions involve: marketing (marketing orientations, market planning and sales); operations (supply chain management, business process re-engineering) and HRM (employee engagement, the psychological contract).

Personal Perspective on Management

Management processes and functions are the bread-and-butter of the fundamentals of management. But important issues are personally relevant to individual managers themselves. Some of these personal perspectives are covered in other chapters. For example, Chapter 1 has a section relevant to personal careers and Chapter 7 has a section on training and development which is relevant to personal improvement. Further, most chapters end with toolkits, development activities and recommended readings which an individual can use to extend their personal competencies. However, two major personal issues need chapters of their own: social and ethical responsibility plus scientific attitudes. These topics may not be a part of introductory courses on management but they are an essential background. It is very useful to be able to point students to a readily available source. The subjects of both chapters are inherently interesting. Some students will read them spontaneously.

Many management texts scatter aspects of *social responsibility and ethics* among several chapters. This demonstrates that ethics apply to most areas of management but the approach is unsatisfactory. It makes it difficult for students to form an integrated and coherent view. A separate chapter, on the other hand, allows social responsibility and ethics to be viewed as a whole. Many texts only cover the organisational perspective of ethics. However, practising managers also need to be ethical in their own job as well as ethical and socially responsible as consumers and members of society.

Chapter 20 "Management Fads, Gurus, and Research" is another distinctive feature and it was very enjoyable to write! It aims to encourage a scientific attitude to the study of management. There is a lot of bad management advice and research. Few texts give help in separating the wheat form the chaff. A prime responsibility of educationalists is to develop critical and evaluative abilities. I hope the final chapter enables readers to adopt a scientific approach so that they can recognise management fads, evaluate management research and differentiate between good and bad advice.

There have been major changes to Part 4. The material illustrating HR issues (diversity and bullying) has been moved to the website. This reluctant change liberated space that could be devoted to other topics such as organisational change, leadership and knowledge management. The material illustrating commercial issues has been shortened and moved to other chapters ("e-commerce" to information function and "globalisation" to management contexts).

Pedagogical Features

A good text should always lead readers to extend their knowledge and abilities. The role of the critical thinking boxes in developing the ability to evaluate research and ideas has already been noted. Each chapter has up to five features to encourage students to broaden their understanding.

- **Toolkits** highlight the practical implications of the preceding chapter so that readers can apply the knowledge they have gained. Toolkits also have a half-hidden agenda: to provide models so that students will, themselves, learn to draw practical implications from academic writings.

- The main role of **Essay plans** is self-explanatory – to develop the ability to structure material to serve a given (academic) purpose. The website provides model answers for essay plans suggested for early chapters. Later chapters do not. They can be set as the title for assignments. Only a masochistic tutor who enjoys marking scores of near identical essays would set a title where a model answer is available!

- **Web activities** serve a number of pedagogical purposes. Early Web activities direct readers to structured exercises which are contained in the website that accompanies this book. Later activities generally aim to encourage students to search for additional information and specific examples of ideas or management practices.

- **Experiential activities** aim to give readers a personal, subtle and nuanced appreciation of the softer, subjective facets of management. Many Web activities require readers to relate a chapter's contents to their own lives. Some of the experiential activities can be tailored to provide the basis of good seminars or tutorials.

- **Annotated recommended readings** aim to lead students to study at a wider or deeper level. I hope that the annotations are sufficiently intriguing and informative to entice students to follow them up. Almost all recommended readings should be downloadable using a college or university's subscriptions to literature databases. The readings offer a wide range of difficulty – from easy magazine articles to difficult journal articles. The difficulty level is often flagged and a little guidance is often given in how to approach difficult articles.

There is lots more that I would like to include, but one of the key aims of this text is to avoid the mass of unwieldy and expensive detail that is seen in many introductory management texts. However, this disciplined approach resulted in a tighter focus on key aspects of management. Fortunately, extra material is available on the website associated with this book.

I hope that readers find the book is clearly written and logically structured. I hope that you find it adds value by being both interesting and "profitable".

Good luck.

Mike Smith
January 2011

Guided Tour

CHAPTER 3 — The Historical Context

Learning objectives

Each chapter opens with a set of learning objectives clearly summarising what knowledge, skills and understanding readers should acquire from each chapter.

Opening cases

Opening cases introduce readers to the chapter topic in an easily recognisable way, giving an instant lively insight into the issues.

Cases

Each chapter includes numerous boxed examples illustrating how well-known organisations and real individuals tackle management issues in practice.

Critical thinking boxes

New to this edition, this unique feature encourages readers to question "accepted wisdom". Lively and thought provoking, these boxes help the reader to develop the skills of critical thinking.

Toolkits

Many chapters end with a toolkit which provides succinct guidance to applying the ideas to practical situations.

Activities and Further Study

Essay plans

Prepare plans for the following essays:

1 Compare and contrast the work of managers and non-managers.
2 Compare and contrast management processes with management functions
3 To what extent are managers, and their work, the same?
4 What skills and abilities 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?

Activities and further study

Each chapter ends with this section which gives the reader ample opportunity to test, apply and develop their understanding in a variety of ways:

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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:

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Essay plans

Practice essay questions with feedback provided on the book's website at www.mcgraw-hill.co.uk/textbooks/mikesmith

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Web activities

Guided activities for further research on the Web.

Experiential activities

1 It is possible to gain some first-hand experience of the IT function with vacation work or, perhaps, a management training scheme with short periods of work in different functions ("Cooks Tours"). You could also obtain similar experience working in an e-tailing organisation.
2 Try IT and knowledge management using the Internet.
3 If possible talk to a manager working in IT. Try to get detailed answers to the following questions: What type of organisation is it? What are its goals? What is its basic transformation process? How does the IT function operate? What are the future challenges the operations IT function is likely to face?
4 If possible talk to a manager working in e-commerce. Try to get detailed answers to the following questions: What type of organisation is it? What are its goals? What is its basic transformation process? How does e-commerce operate? What future challenges is e-commerce likely to face?
5 In a group of up to six colleagues, brainstorm products that you could set up as an e-commerce venture: (a) a B2B product or service and (b) a B2C product or service.

Recommended reading

1 Moridespa, T. and Qtalletch, S. (2010) "Examining tactical information technology-business alignment", Journal of Computer Information Systems, 50(4), 107–117. Aligning IT function with the strategy and tactics of an organisation, this is moderately technical and difficult to read. Focus on the findings (section 4.1, pages 109–113). Abstract main ideas; do not get bogged down in details at this stage.
2 "Clash of the clouds; computing", Economist, (2009), 391(8625), 66 and "Google on a cloud; move into operating system could change computing", Financial Times, 9 July 2009. Two short articles that give some insight into the titanic commercial battle that developments in cloud computing are causing between Microsoft, Google and, to a lesser extent, IBM.
3 Nonaka, I. and von Krogh, G. (2009) "Tacit knowledge and knowledge conversion: controversy and advancement in organisational knowledge creation theory", Organisational Science, 20(3), 635–652. This article gives the distinction between tacit and explicit knowledge, and describes the process which converts tacit knowledge into explicit knowledge. This is difficult to read because it is theoretical and is over-referenced. Focus on sections 2.1, 3.2, 4.1 and 4.2.

Experiential activities

An opportunity for individual or group work to apply the chapter's ideas.

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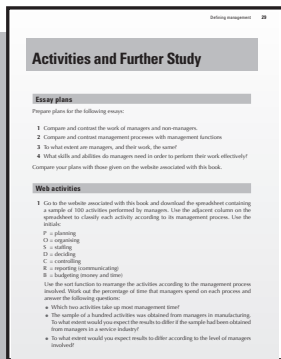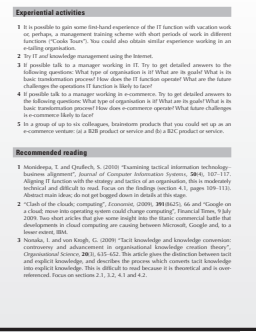5 In a group of up to six colleagues, brainstorm products that you could set up as an e-commerce venture: (a) a B2B product or service and (b) a B2C product or service.

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Recommended reading

Annotated suggestions chosen as the ideal starting point for any additional reading or further research on the chapter's themes.

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This textbook is accompanied by a range of learning and teaching materials which have been created to help students to learn and assist lecturers in delivering their Management module.

The Student Centre

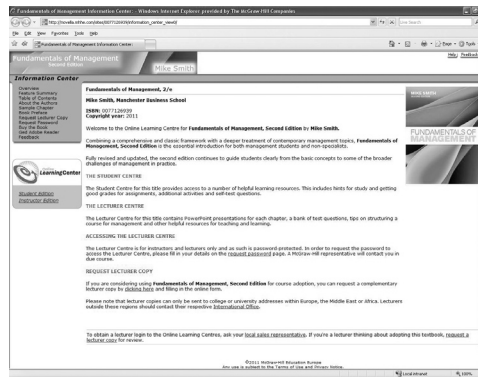The Student Centre for this title provides access to a number of helpful, completely free, learning resources designed to support Management students. These include:

- hints for studying Management
- tips for getting good grades for your assignments
- additional activities to support your learning
- self-test questions

The Lecturer Centre

The Lecturer Centre for this title contains

- PowerPoint presentations for each chapter
- a bank of test questions
- tips on structuring a course in management, and other helpful resources for teaching.

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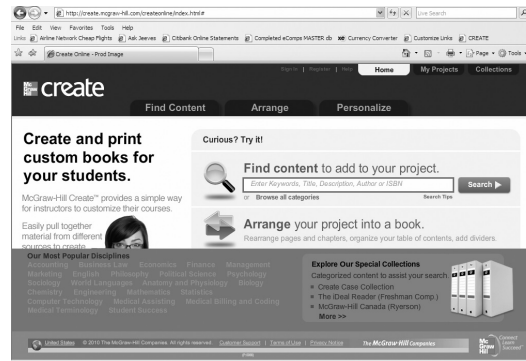
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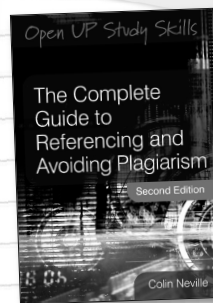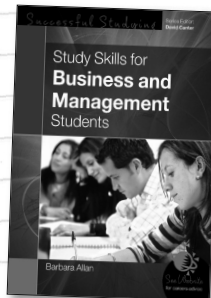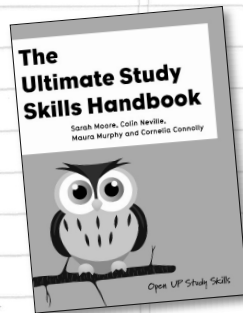
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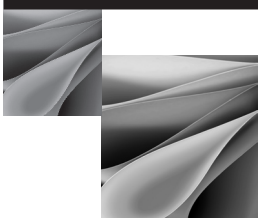
About the Author

Dr Mike Smith has researched and taught management for many years. He has experience of managing in several UK organisations, as well as consulting in management in UK, Australasia, South Africa and Asia. He was formerly Senior Lecturer at Manchester Business School.