Chapter 11: Managing a business

What do managers do?

All organizations have **managers**. They can come by the name of director, headmaster, etc... but they all perform similar **tasks**. These tasks are:

Planning:

Planning for the future involves **setting goals** for a business. These goals give the business a **sense of direction** and **purpose**. Now the whole business will have something to work towards. Managers also need to plan for **resources** which will be needed. These are only two **strategies** managers use to keep the business running.

Organising:

A manager cannot do everything by himself. Therefore, jobs must be **delegated** to employees. Employees need **sufficient resources** to complete their job, so managers need to **organise people** and **resources** effectively.

Co-ordinating:

Managers need to **bring people together** in a business for it to succeed. This is called **co-ordination**. If different **functional departments** do not co-ordinate, they could be doing completely different things which does not follow any common plan. Managers could co-ordinate the departments by holding regular **meetings** or setting up a **project team** with different members from different departments.

Commanding:

Commanding refers to **guiding**, **leading** and **guiding** subordinates which is very important in any organisation. Managers need to make sure that all subordinates are **following targets** and **deadlines**. It is the **responsibility** of the manager to ensure that all tasks are completed and therefore **instruction** and **guidance** must be provided to employees so that they can do so.

Controlling:

Controlling means **evaluating** the **performance** of subordinates, so that**corrective**

action can be carried out if the subordinates are not sticking to **goals**.

To sum up, this is what management gives to any organisation:

- a sense of **control** and **direction**.
- **co-ordination** between departments, preventing **wastage** of **efforts**.
- **control** of employees.
- making the most out of **resources** (**organisation**)

What makes a good manager?

There are different views of why some managers are better than others. Some say that managers are born that way, while others say good managers are trained. However, good managers do have these distinct characteristics:

- **intelligence:** to understand difficult ideas and deal with different issues.
- **initiative:** to be able to think of solutions and take control of situations.
- **self-confidence:** to be willing to lead others and be a model image.
- **assertiveness and determination:** to be able to take command of others and take ideas and solutions to the end.
- **communication skills:** to be able to inform subordinates in a clear way so that they will respond positively.
- **energy and enthusiasm:** to work with high effort and involvement so that others will follow.

Styles of leadership:

Different managers use different styles of leadership, and each one makes subordinates react in a certain way. It is important for the managers to choose the appropriate leadership style for the right situation. These styles will be discussed in Chapter 13: Motivation at work.

Management involves taking risks:

All managers need to make decisions in what they do, whether it is planning, organising, co-ordinating, ect. All as you know, all decisions involve some sort of risk.

Are all decisions as important as each other?

There are three types of decisions which has their type of importance and the length of time that is is going to affect the business. They are:

- **Strategic:** These are very important decisions that will affect the overall success of an organisation. They are long-term decisions such as company goals or growth. They are usually taken by the top management.
- **Tactical:** These are decisions that are less important decisions that are taken more frequently. They can include: new ways to train staff, new transportation routes used, advertising methods, etc... They are usually taken by the middle management.
- **Operational:** They are day-to-day decisions taken by the lower management. They tend to be repetitive and previous experience could be used to help making these decisions. They can be: inventory/stock levels, ordering goods, dealing with customers.

All of these decisions involve risk. Since they all cost **time**, **money** and**opportunity** cost one should think well before making a decision.

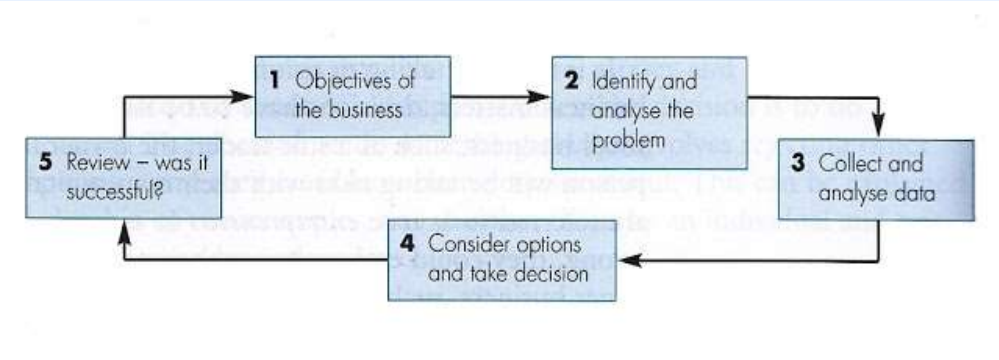
In business, decisions need to be made and the risks need to be accepted. People like sole traders who have unlimited liability risk loosing all that they own by setting up a business are called **entrepreneurs**. As we already know they are the**managers** and **risk-takers** of a company. Managers in a limited company are not "real" entrepreneurs, because they are not risking their assets but the capital of the shareholders.

How can managers reduce risks when taking decisions?

Risks are the **results of failure**. Risks cannot be eliminated, but they can be reduced by the process of making decisions. Here are the steps:

- **Set goals**: It is impossible to make decisions if the aims are not clear.
- **Identify and analyse the problem:** Managers all make decisions to solve a problem. This problem might be how to use your salary in the most efficient way possible, how to spend the rest of your life, etc... It is imperative that you must understand the problem before finding a solution for it. Otherwise, you might make the wrong decision.
- **Collect data on all possible alternative solutions:** It is always important to analyse all possible solutions to find which one is the best. The data collected should also contain **constraints** and **limitations** on the possible decisions (e.g. the law).
- **Make the final decisions and put it into effect:** This is called**implementing the decision**. This means that the manager must see to it that the decision is carried out and is working to plan.
- **Review and evaluation of decision:** This is looking back at the decision to identify pros and cons of a decision so that the experience can be used in the future. This is often hard to do especially when the wrong decision is made. It is nevertheless necessary.

Here is a decision-making flow chart from the book that will help you visualise the process:



Management responsibilities in departments:

Human resources department:

- **Forecasting** staffing needs.
- **Recruiting** staff.
- Preparing the **job descriptions** and **job specifications**.

- Planning and implementing staff **training** programmes.
- **Interviewing** and **selecting** staff.
- **Negotiating** with worker representatives, such as union leaders, on**wages** and **working conditions**.
- Keeping **staff records**.
- **Disciplining** staff

The role of this department is becoming more and more important as the cost of hiring staff rises, so that it is crucial for the HR department to manage people firmly and fairly. An unsuccessful HR department results in a high **staff turnover**(people leaving the business early). The department must also make sure that the business and staff comply with all employment laws.

Marketing department:

- Market research for:
  - New **products**.
  - New **markets**.
  - New **opportunities**.
- **Planning** the release of new products, often working with the Production and R&D departments.
- Decide on the best **marketing mix** (discussed later) for a product and implementing it.
- Keeping track of products so **extension strategies** can be used or to take the product off the market.

The marketing department is crucial for the business to keep in touch with its customers. No business can survive without this kind of function.

Accounting and finance department:

- Recording all **financial transactions**.
- Collecting all the data and presenting it as the **regular accounts**.
- Preparing all **budgets**.
- Analysing the **profitability** of new projects.
- Deciding on which **source of finance** to use.
- Keeping control over business **cash flow**.

Production department/Operations management:

- Ordering **stock/inventory** of **materials** and **resources** used for producing goods.
- **Developing** and **designing** new products.
- **Locating** in the most cost-effective place possible.
- Deciding on the **methods of production** and **machinery**. Purchase of new machinery will involve the Finance department.
- Controlling production to maintain high levels of **efficiency**.
- Maintaining the **efficiency** of **machines**.

- Keeping the **quality** high to meet the **standards** of the consumers. All staff will need to co-operate because poor quality is normally blamed on bad staff.

Administration department:

The responsibilities of the Administration department varies with the business it is in. For example, in smaller businesses, the administration department would be the same as the Accounts and Finance department. A larger business will have more specialized administrative department. These are what the the department does:

- **Clerical and office support services:** Ensure the smooth running of all other departments.
  - **Sorting** of incoming **mail** and sorting and franking of outgoing mail.
  - **Reception** will greet visitors, answer calls, and schedule rooms for meetings.
  - **Office** tasks will include filing all records. e.g. visitors and calls.
  - **Information** and **data** processing.
- **Responsibility for the IT system:**
  - The **IT** department is part of the Administration department.
  - Allows **information** to be **delivered** between departments**accurately**.
  - Provides managers with **data** to help in decision making.
- **Cleaning, maintenance and security:**
  - Vital for **safe** and **healthy working conditions**.
  - Failure to maintain **equipment** and **the building** (e.g. air conditioner) will result in reduced **efficiency**.

The widespread use of **computers** means that many workers in all departments can do some of these tasks by themselves (clerical and support services), reducing the function of the Administration department and make them less common in businesses.