Chapter 1

Introduction to Principles of Management

Figure 1.1

Managers make things happen through strategic and entrepreneurial leadership.

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WHAT’S IN IT FOR ME?

Reading this chapter will help you do the following:

1. Learn who managers are and about the nature of their work.
2. Know why you should care about leadership, entrepreneurship, and strategy.
3. Know the dimensions of the planning-organizing-leading-controlling (P-O-L-C) framework.
4. Learn how economic performance feeds social and environmental performance.
5. Understand what performance means at the individual and group levels.
6. Create your survivor’s guide to learning and developing principles of management.
We’re betting that you already have a lot of experience with organizations, teams, and leadership. You’ve been through schools, in clubs, participated in social or religious groups, competed in sports or games, or taken on full- or part-time jobs. Some of your experience was probably pretty positive, but you were also likely wondering sometimes, “Isn’t there a better way to do this?”

After participating in this course, we hope that you find the answer to be “Yes!” While management is both art and science, with our help you can identify and develop the skills essential to better managing your and others’ behaviors where organizations are concerned.

Before getting ahead of ourselves, just what is management, let alone principles of management? A manager’s primary challenge is to solve problems creatively, and you should view management\(^1\) as “the art of getting things done through the efforts of other people.” We draw this definition from a biography of Mary Parker Follett (1868–1933) written by P. Graham, *Mary Parker Follett: Prophet of Management* (Boston: Harvard Business School Press, 1995). Follett was an American social worker, consultant, and author of books on democracy, human relations, and management. She worked as a management and political theorist, introducing such phrases as “conflict resolution,” “authority and power,” and “the task of leadership.” The principles of management\(^2\), then, are the means by which you actually manage, that is, get things done through others—individually, in groups, or in organizations. Formally defined, the principles of management are the activities that “plan, organize, and control the operations of the basic elements of [people], materials, machines, methods, money and markets, providing direction and coordination, and giving leadership to human efforts, so as to achieve the sought objectives of the enterprise.” The fundamental notion of principles of management was developed by French management theorist Henri Fayol (1841–1925). He is credited with the original planning-organizing-leading-controlling framework (P-O-L-C), which, while undergoing very important changes in content, remains the dominant management framework in the world. See H. Fayol, *General and Industrial Management* (Paris: Institute of Electrical and Electronics Engineering, 1916). For this reason, principles of management are often discussed or learned using a framework called P-O-L-C, which stands for planning, organizing, leading, and controlling.

Managers are required in all the activities of organizations: budgeting, designing, selling, creating, financing, accounting, and artistic presentation; the larger the organization, the more managers are needed. Everyone employed in an organization is affected by management principles, processes, policies, and practices as they are either a manager or a subordinate to a manager, and usually they are both.

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1. The art of getting things done through the efforts of other people.
2. The means by which you actually manage, that is, get things done through others.
Managers do not spend all their time managing. When choreographers are dancing a part, they are not managing, nor are office managers managing when they personally check out a customer’s credit. Some employees perform only part of the functions described as managerial—and to that extent, they are mostly managers in limited areas. For example, those who are assigned the preparation of plans in an advisory capacity to a manager, to that extent, are making management decisions by deciding which of several alternatives to present to the management. However, they have no participation in the functions of organizing, staffing, and supervising and no control over the implementation of the plan selected from those recommended. Even independent consultants are managers, since they get most things done through others—those others just happen to be their clients! Of course, if advisers or consultants have their own staff of subordinates, they become a manager in the fullest sense of the definition. They must develop business plans; hire, train, organize, and motivate their staff members; establish internal policies that will facilitate the work and direct it; and represent the group and its work to those outside of the firm.
1.1 Who Are Managers?

**LEARNING OBJECTIVES**

1. Know what is meant by “manager”.
2. Be able to describe the types of managers.
3. Understand the nature of managerial work.

**Managers**

We tend to think about managers based on their position in an organization. This tells us a bit about their role and the nature of their responsibilities. The following figure summarizes the historic and contemporary views of organizations with respect to managerial roles. S. Ghoshal and C. Bartlett, *The Individualized Corporation: A Fundamentally New Approach to Management* (New York: Collins Business, 1999). In contrast to the traditional, hierarchical relationship among layers of management and managers and employees, in the contemporary view, top managers support and serve other managers and employees (through a process called empowerment), just as the organization ultimately exists to serve its customers and clients. **Empowerment** is the process of enabling or authorizing an individual to think, behave, take action, and control work and decision making in autonomous ways.

In both the traditional and contemporary views of management, however, there remains the need for different types of managers. **Top managers** are responsible for developing the organization’s strategy and being a steward for its vision and mission. A second set of managers includes functional, team, and general managers. **Functional managers** are responsible for the efficiency and effectiveness of an area, such as accounting or marketing. **Supervisory or team managers** are responsible for coordinating a subgroup of a particular function or a team composed of members from different parts of the organization. Sometimes you will hear distinctions made between line and staff managers.

A **line manager** leads a function that contributes directly to the products or services the organization creates. For example, a line manager

3. The process of enabling or authorizing an individual to think, behave, take action, and control work and decision making in autonomous ways.
Communication is a key managerial role. © 2010 Jupiterimages Corporation

An *product manager* (often called a *product* or *service manager*) at Procter & Gamble (P&G) is responsible for the production, marketing, and profitability of the Tide detergent product line. A *staff manager*, in contrast, leads a function that creates indirect inputs. For example, finance and accounting are critical organizational functions but do not typically provide an input into the final product or service a customer buys, such as a box of Tide detergent. Instead, they serve a supporting role.

A *project manager* has the responsibility for the planning, execution, and closing of any project. Project managers are often found in construction, architecture, consulting, computer networking, telecommunications, or software development.

A *general manager* is someone who is responsible for managing a clearly identifiable revenue-producing unit, such as a store, business unit, or product line. General managers typically must make decisions across different functions and have rewards tied to the performance of the entire unit (i.e., store, business unit, product line, etc.). General managers take direction from their top executives. They must first understand the executives’ overall plan for the company. Then they set specific goals for their own departments to fit in with the plan. The general manager of production, for example, might have to increase certain product lines and phase out others. General managers must describe their goals clearly to their support staff. The supervisory managers see that the goals are met.

![Figure 1.3 The Changing Roles of Management and Managers](image)

**Figure 1.3** The Changing Roles of Management and Managers

Top managers ensure the organization’s competitiveness and lower level managers’ and employees’ job security.

Lower-level managers and employees implement top management’s strategy with loyalty and obedience.

Empowered lower-level managers and employees are responsible for the organization’s competitiveness and their own development.

Top management support personnel development and ensure employability.

Traditional

Contemporary
The Nature of Managerial Work

Managers are responsible for the processes of getting activities completed efficiently with and through other people and setting and achieving the firm’s goals through the execution of four basic management functions: planning, organizing, leading, and controlling. Both sets of processes utilize human, financial, and material resources.

Of course, some managers are better than others at accomplishing this! There have been a number of studies on what managers actually do, the most famous of those conducted by Professor Henry Mintzberg in the early 1970s. H. Mintzberg, *The Nature of Managerial Work* (New York: Harper & Row, 1973). One explanation for Mintzberg’s enduring influence is perhaps that the nature of managerial work has changed very little since that time, aside from the shift to an empowered relationship between top managers and other managers and employees, and obvious changes in technology, and the exponential increase in information overload.

After following managers around for several weeks, Mintzberg concluded that, to meet the many demands of performing their functions, managers assume multiple roles. A role is an organized set of behaviors, and Mintzberg identified ten roles common to the work of all managers. As summarized in the following figure, the ten roles are divided into three groups: interpersonal, informational, and decisional. The informational roles link all managerial work together. The interpersonal roles ensure that information is provided. The decisional roles make significant use of the information. The performance of managerial roles and the requirements of these roles can be played at different times by the same manager and to different degrees, depending on the level and function of management. The ten roles are described individually, but they form an integrated whole.

The three interpersonal roles are primarily concerned with interpersonal relationships. In the figurehead role, the manager represents the organization in all matters of formality. The top-level manager represents the company legally and socially to those outside of the organization. The supervisor represents the work group to higher management and higher management to the work group. In the liaison role, the manager interacts with peers and people outside the organization. The top-level manager uses the liaison role to gain favors and information, while the supervisor uses it to maintain the routine flow of work. The leader role defines the relationships between the manager and employees.
The direct relationships with people in the interpersonal roles place the manager in a unique position to get information. Thus, the three informational roles are primarily concerned with the information aspects of managerial work. In the monitor role, the manager receives and collects information. In the role of disseminator, the manager transmits special information into the organization. The top-level manager receives and transmits more information from people outside the organization than the supervisor. In the role of spokesperson, the manager disseminates the organization’s information into its environment. Thus, the top-level manager is seen as an industry expert, while the supervisor is seen as a unit or departmental expert.

The unique access to information places the manager at the center of organizational decision making. There are four decisional roles managers play. In the entrepreneur role, the manager initiates change. In the disturbance handler role, the manager deals with threats to the organization. In the resource allocator role, the manager chooses where the organization will expend its efforts. In the negotiator role, the manager negotiates on behalf of the organization. The top-level manager makes the decisions about the organization as a whole, while the supervisor makes decisions about his or her particular work unit.
The supervisor performs these managerial roles but with different emphasis than higher managers. Supervisory management is more focused and short-term in outlook. Thus, the figurehead role becomes less significant and the disturbance handler and negotiator roles increase in importance for the supervisor. Since leadership permeates all activities, the leader role is among the most important of all roles at all levels of management.

So what do Mintzberg’s conclusions about the nature of managerial work mean for you? On the one hand, managerial work is the lifeblood of most organizations because it serves to choreograph and motivate individuals to do amazing things. Managerial work is exciting, and it is hard to imagine that there will ever be a shortage of demand for capable, energetic managers. On the other hand, managerial work is necessarily fast-paced and fragmented, where managers at all levels express the opinion that they must process much more information and make more decisions than they could have ever possibly imagined. So, just as the most successful organizations seem to have well-formed and well-executed strategies, there is also a strong need for managers to have good strategies about the way they will approach their work. This is exactly what you will learn through principles of management.

**KEY TAKEAWAY**

Managers are responsible for getting work done through others. We typically describe the key managerial functions as planning, organizing, leading, and controlling. The definitions for each of these have evolved over time, just as the nature of managing in general has evolved over time. This evolution is best seen in the gradual transition from the traditional hierarchical relationship between managers and employees, to a climate characterized better as an upside-down pyramid, where top executives support middle managers and they, in turn, support the employees who innovate and fulfill the needs of customers and clients. Through all four managerial functions, the work of managers ranges across ten roles, from figurehead to negotiator. While actual managerial work can seem challenging, the skills you gain through principles of management—consisting of the functions of planning, organizing, leading, and controlling—will help you to meet these challenges.
EXERCISES

1. Why do organizations need managers?
2. What are some different types of managers and how do they differ?
3. What are Mintzberg’s ten managerial roles?
4. What three areas does Mintzberg use to organize the ten roles?
5. What four general managerial functions do principles of management include?
1.2 Leadership, Entrepreneurship, and Strategy

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<th>LEARNING OBJECTIVES</th>
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<td>1. Know the roles and importance of leadership, entrepreneurship, and strategy in principles of management.</td>
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The principles of management are drawn from a number of academic fields, principally, the fields of leadership, entrepreneurship, and strategy.

Leadership

If management is defined as getting things done through others, then leadership should be defined as the social and informal sources of influence that you use to inspire action taken by others. It means mobilizing others to want to struggle toward a common goal. Great leaders help build an organization’s human capital, then motivate individuals to take concerted action. Leadership also includes an understanding of when, where, and how to use more formal sources of authority and power, such as position or ownership. Increasingly, we live in a world where good management requires good leaders and leadership. While these views about the importance of leadership are not new (see “Views on Managers Versus Leaders”), competition among employers and countries for the best and brightest, increased labor mobility (think “war for talent” here), and hypercompetition puts pressure on firms to invest in present and future leadership capabilities.

P&G provides a very current example of this shift in emphasis to leadership as a key principle of management. For example, P&G recruits and promotes those individuals who demonstrate success through influence rather than direct or coercive authority. Internally, there has been a change from managers being outspoken and needing to direct their staff, to being individuals who electrify and inspire those around them. Good leaders and leadership at P&G used to imply having followers, whereas in today’s society, good leadership means followership and bringing out the best in your peers. This is one of the key reasons that P&G has been consistently ranked among the top ten most admired companies in the United States for the last three years, according to Fortune magazine. Ranking of Most Admired Firms for 2006, 2007, 2008. http://www.fortune.com (accessed October 15, 2008).

4. The act of influencing others toward a goal.
Whereas P&G has been around for some 170 years, another winning firm in terms of leadership is Google, which has only been around for little more than a decade. Both firms emphasize leadership in terms of being exceptional at developing people. Google has topped Fortune’s 100 Best Companies to Work for the past two years. Google’s founders, Sergey Brin and Larry Page, built a company around the idea that work should be challenging and the challenge should be fun. [http://www.google.com/intl/en/corporate/tenthings.html](http://www.google.com/intl/en/corporate/tenthings.html) (accessed October 15, 2008). Google’s culture is probably unlike any in corporate America, and it’s not because of the ubiquitous lava lamps throughout the company’s headquarters or that the company’s chef used to cook for the Grateful Dead. In the same way Google puts users first when it comes to online service, Google espouses that it puts employees first when it comes to daily life in all of its offices. There is an emphasis on team achievements and pride in individual accomplishments that contribute to the company’s overall success. Ideas are traded, tested, and put into practice with a swiftness that can be dizzying. Observers and employees note that meetings that would take hours elsewhere are frequently little more than a conversation in line for lunch and few walls separate those who write the code from those who write the checks. This highly communicative environment fosters a productivity and camaraderie fueled by the realization that millions of people rely on Google results. Leadership at Google amounts to a deep belief that if you give the proper tools to a group of people who like to make a difference, they will.
Views on Managers Versus Leaders

My definition of a leader...is a man who can persuade people to do what they don’t want to do, or do what they’re too lazy to do, and like it.

- Harry S. Truman (1884–1972), 33rd president of the United States

You cannot manage men into battle. You manage things; you lead people.

- Grace Hopper (1906–1992), Admiral, U.S. Navy

Managers have subordinates—leaders have followers.

- Chester Bernard (1886–1961), former executive and author of Functions of the Executive

The first job of a leader is to define a vision for the organization...Leadership is the capacity to translate vision into reality.

- Warren Bennis (1925–), author and leadership scholar

A manager takes people where they want to go. A great leader takes people where they don’t necessarily want to go but ought to.


Entrepreneurship

It’s fitting that this section on entrepreneurship follows the discussion of Google. Entrepreneurship is defined as the recognition of opportunities (needs, wants, problems, and challenges) and the use or creation of resources to implement innovative ideas for new, thoughtfully planned ventures. Perhaps this is obvious, but an entrepreneur is a person who engages in the process of entrepreneurship. We describe entrepreneurship as a process because it often involves more than simply coming up with a good idea—someone also has to convert that idea into action. As an example of both, Google’s leaders suggest that its point of distinction
“is anticipating needs not yet articulated by our global audience, then meeting them with products and services that set new standards. This constant dissatisfaction with the way things are is ultimately the driving force behind the world’s best search engine.” [http://www.google.com/intl/en/corporate/tenthings.html](http://www.google.com/intl/en/corporate/tenthings.html) (accessed October 15, 2008).

Entrepreneurs and entrepreneurship are the catalysts for value creation. They identify and create new markets, as well as foster change in existing ones. However, such value creation first requires an opportunity. Indeed, the opportunity-driven nature of entrepreneurship is critical. Opportunities are typically characterized as problems in search of solutions, and the best opportunities are big problems in search of big solutions. “The greater the inconsistencies in existing service and quality, in lead times and in lag times, the greater the vacuums and gaps in information and knowledge, the greater the opportunities.” J. Timmons, *The Entrepreneurial Process* (New York: McGraw-Hill, 1999), 39. In other words, bigger problems will often mean there will be a bigger market for the product or service that the entrepreneur creates. We hope you can see why the problem-solving, opportunity-seeking nature of entrepreneurship is a fundamental building block for effective principles of management.

**Strategy**

When an organization has a long-term purpose, articulated in clear goals and objectives, and these goals and objectives can be rolled up into a coherent plan of action, then we would say that the organization has a strategy. It has a *good* or even *great* strategy when this plan also takes advantage of unique resources and capabilities to exploit a big and growing external opportunity. Strategy then, is the central, integrated, externally-oriented concept of how an organization will achieve its objectives. D. Hambrick and J. Fredrickson, “Are You Sure You Have a Strategy?” *Academy of Management Executive* 15, no. 4 (2001): 2. **Strategic management** is the body of knowledge that answers questions about the development and implementation of good strategies.

Strategic management is important to all organizations because, when correctly formulated and communicated, strategy provides leaders and employees with a clear set of guidelines for their daily actions. This is why strategy is so critical to the principles of management you are learning about. Simply put, strategy is about making choices: What do I do today? What shouldn’t I be doing? What should my organization be doing? What should it stop doing?

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7. The central, integrated, externally-oriented concept of how an organization will achieve its objectives.
8. What an organization does to achieve its mission and vision.
Synchronizing Leadership, Entrepreneurship, and Strategy

You know that leadership, entrepreneurship, and strategy are the inspiration for important, valuable, and useful principles of management. Now you will want to understand how they might relate to one another. In terms of principles of management, you can think of leadership, entrepreneurship, and strategic management as answering questions about “who,” “what,” and “how.” Leadership helps you understand who helps lead the organization forward and what the critical characteristics of good leadership might be. Entrepreneurial firms and entrepreneurs in general are fanatical about identifying opportunities and solving problems—for any organization, entrepreneurship answers big questions about “what” an organization’s purpose might be. Finally, strategic management aims to make sure that the right choices are made—specifically, that a good strategy is in place—to exploit those big opportunities.

One way to see how leadership, entrepreneurship, and strategy come together for an organization—and for you—is through a recent (disguised) job posting from Craigslist. Look at the ideal candidate characteristics identified in the Help Wanted ad—you don’t have to look very closely to see that if you happen to be a recent business undergrad, then the organization depicted in the ad is looking for you. The posting identifies a number of areas of functional expertise for the target candidate. You can imagine that this new position is pretty critical for the success of the business. For that reason, we hope you are not surprised to see that, beyond functional expertise, this business seeks someone with leadership, entrepreneurial, and strategic orientation and skills. Now you have a better idea of what those key principles of management involve.
Help Wanted—Chief of Staff

We’re hiring a chief of staff to bring some order to the mayhem of our firm’s growth. You will touch everything at the company, from finance to sales, marketing to operations, recruiting to human resources, accounting to investor relations. You will report directly to the CEO.

Here’s what you’re going to be asked to do across a range of functional areas in the first ninety days, before your job evolves into a whole new set of responsibilities:

Marketing

• Leverage our existing customer base using best-in-class direct marketing campaigns via e-mail, phone, Web, and print or mail communications.
• Convert our current customer spreadsheet and database into a highly functional, lean customer relationship management (CRM) system—we need to build the infrastructure to service and reach out to customers for multiple users.
• Be great at customer service personally—excelling in person and on the phone, and you will help us build a Ninja certification system for our employees and partners to be like you.
• Build our Web-enabled direct sales force, requiring a lot of strategic work, sales-force incentive design and experimentation, and rollout of Web features to support the direct channel.

Sales

• Be great at demonstrating our product in the showroom, as well as at your residence and in the field—plan to be one of the top sales reps on the team (and earn incremental variable compensation for your efforts).

Finance and Accounting
• Build our financial and accounting structures and processes, take over QuickBooks, manage our team of accountants, hire additional resources as needed, and get that profit and loss statement (P&L) rocking.
• Figure out when we should pay our bills and manage team members to get things paid on time and manage our working capital effectively.
• Track our actual revenues and expenses against your own projection—you will be building and running our financial model.

Operations

• We are building leading-edge capabilities on returns, exchanges, and shipping—you will help guide strategic thinking on operational solutions and will implement them with our operations manager.
• We are looking for new headquarters, you may help identify, build out, and launch.

HR and Recruiting

• We are recruiting a team of interns—you will take the lead on the program, and many or all of them will report to you; you will be an ombudsman of sorts for our summer program.
• The company has a host of HR needs that are currently handled by the CEO and third parties; you will take over many of these.

Production and Product Development

• The company is actively recruiting a production assistant/manager—in the meanwhile, there are a number of Web-facing and vendor-facing activities you will pitch in on.

The Ideal Candidate Is...

• a few years out of college but is at least two or three years away from going to business or other graduate school;
• charismatic and is instantly likeable to a wide variety of people, driven by sparkling wit, a high degree of extraversion, and a balanced mix of self-confidence and humility;
• able to read people quickly and knows how to treat people accordingly;
• naturally compassionate and demonstrates strong empathy, easily thinking of the world from the perspective of another person;
• an active listener and leaves people with the sense that they are well heard;
• exceptionally detail-oriented and has a memory like a steel trap—nothing falls through the cracks;
• razor sharp analytically, aced the math section of their SAT test, and excels at analyzing and solving problems;
• a perfectionist and keeps things in order with ease.

KEY TAKEAWAY

The principles of management are drawn from three specific areas—leadership, entrepreneurship, and strategic management. You learned that leadership helps you understand who helps lead the organization forward and what the critical characteristics of good leadership might be. Entrepreneurs are fanatical about identifying opportunities and solving problems—for any organization, entrepreneurship answers big questions about “what” an organization’s purpose might be. Finally, as you’ve already learned, strategic management aims to make sure that the right choices are made—specifically, that a good strategy is in place—to exploit those big opportunities.

EXERCISES

1. How do you define leadership, and who would you identify as a great leader?
2. What is entrepreneurship?
3. What is strategy?
4. What roles do leadership, entrepreneurship, and strategy play in good principles of management?
1.3 Planning, Organizing, Leading, and Controlling

**LEARNING OBJECTIVES**

1. Know the dimensions of the planning-organizing-leading-controlling (P-O-L-C) framework.
2. Know the general inputs into each P-O-L-C dimension.

A manager’s primary challenge is to solve problems creatively. While drawing from a variety of academic disciplines, and to help managers respond to the challenge of creative problem solving, principles of management have long been categorized into the four major functions of planning, organizing, leading, and controlling (the P-O-L-C framework). The four functions, summarized in the P-O-L-C figure, are actually highly integrated when carried out in the day-to-day realities of running an organization. Therefore, you should not get caught up in trying to analyze and understand a complete, clear rationale for categorizing skills and practices that compose the whole of the P-O-L-C framework.

It is important to note that this framework is not without criticism. Specifically, these criticisms stem from the observation that the P-O-L-C functions might be ideal but that they do not accurately depict the day-to-day actions of actual managers. H. Mintzberg, *The Nature of Managerial Work* (New York: Harper & Row, 1973); D. Lamond, “A Matter of Style: Reconciling Henri and Henry,” *Management Decision* 42, no. 2 (2004): 330–56. The typical day in the life of a manager at any level can be fragmented and hectic, with the constant threat of having priorities dictated by the law of the trivial many and important few (i.e., the 80/20 rule). However, the general conclusion seems to be that the P-O-L-C functions of management still provide a very useful way of classifying the activities managers engage in as they attempt to achieve organizational goals. D. Lamond, “A Matter of Style: Reconciling Henri and Henry,” *Management Decision* 42, no. 2 (2004): 330–56.
Planning

Planning is the function of management that involves setting objectives and determining a course of action for achieving those objectives. Planning requires that managers be aware of environmental conditions facing their organization and forecast future conditions. It also requires that managers be good decision makers.

Planning is a process consisting of several steps. The process begins with environmental scanning, which simply means that planners must be aware of the critical contingencies facing their organization in terms of economic conditions, their competitors, and their customers. Planners must then attempt to forecast future conditions. These forecasts form the basis for planning.

Planners must establish objectives, which are statements of what needs to be achieved and when. Planners must then identify alternative courses of action for achieving objectives. After evaluating the various alternatives, planners must make decisions about the best courses of action for achieving objectives. They must then formulate necessary steps and ensure effective implementation of plans. Finally, planners must constantly evaluate the success of their plans and take corrective action when necessary.

There are many different types of plans and planning.

Strategic planning involves analyzing competitive opportunities and threats, as well as the strengths and weaknesses of the organization, and then determining how to position the organization to compete effectively in their environment. Strategic planning has a long time frame, often three years or more. Strategic planning generally includes the entire organization and includes formulation of objectives. Strategic planning is often based on the organization’s mission, which is its fundamental reason for existence. An organization’s top management most often conducts strategic planning.
Tactical planning\(^\text{11}\) is intermediate-range (one to three years) planning that is designed to develop relatively concrete and specific means to implement the strategic plan. Middle-level managers often engage in tactical planning.

Operational planning\(^\text{12}\) generally assumes the existence of organization-wide or subunit goals and objectives and specifies ways to achieve them. Operational planning is short-range (less than a year) planning that is designed to develop specific action steps that support the strategic and tactical plans.

Organizing

Organizing is the function of management that involves developing an organizational structure and allocating human resources to ensure the accomplishment of objectives. The structure of the organization is the framework within which effort is coordinated. The structure is usually represented by an organization chart, which provides a graphic representation of the chain of command within an organization. Decisions made about the structure of an organization are generally referred to as organizational design\(^\text{13}\) decisions.

Organizing also involves the design of individual jobs within the organization. Decisions must be made about the duties and responsibilities of individual jobs, as well as the manner in which the duties should be carried out. Decisions made about the nature of jobs within the organization are generally called “job design” decisions.

Organizing at the level of the organization involves deciding how best to departmentalize, or cluster, jobs into departments to coordinate effort effectively. There are many different ways to departmentalize, including organizing by function, product, geography, or customer. Many larger organizations use multiple methods of departmentalization.

Organizing at the level of a particular job involves how best to design individual jobs to most effectively use human resources. Traditionally, job design\(^\text{14}\) was based on principles of division of labor and specialization, which assumed that the more narrow the job content, the more proficient the individual performing the job could become. However, experience has shown that it is possible for jobs to become too narrow and specialized. For example, how would you like to screw lids on jars one day after another, as you might have done many decades ago if you worked in a company that made and sold jellies and jams? When this happens, negative outcomes result, including decreased job satisfaction and organizational commitment, increased absenteeism, and turnover.

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11. Intermediate-range planning that is designed to develop relatively concrete and specific means to implement the strategic plan.
12. Assumes the existence of goals and objectives and specifies ways to achieve them.
13. The matching of organizational form, such as structure, reporting relationships, and information technology, with the organization’s strategy.
14. The process of putting together various elements to form a job, bearing in mind organizational and individual worker requirements.
Recently, many organizations have attempted to strike a balance between the need for worker specialization and the need for workers to have jobs that entail variety and autonomy. Many jobs are now designed based on such principles as empowerment, **job enrichment**¹⁵ and **teamwork**¹⁶. For example, HUI Manufacturing, a custom sheet metal fabricator, has done away with traditional “departments” to focus on listening and responding to customer needs. From company-wide meetings to team huddles, HUI employees know and understand their customers and how HUI might service them best. [http://www.huimfg.com/abouthui-yourteams.aspx](http://www.huimfg.com/abouthui-yourteams.aspx) (accessed October 15, 2008).

**Leading**

Leading involves the social and informal sources of influence that you use to inspire action taken by others. If managers are effective leaders, their subordinates will be enthusiastic about exerting effort to attain organizational objectives.

The behavioral sciences have made many contributions to understanding this function of management. Personality research and studies of job attitudes provide important information as to how managers can most effectively lead subordinates. For example, this research tells us that to become effective at leading, managers must first understand their subordinates’ personalities, values, attitudes, and emotions.

Studies of motivation and motivation theory provide important information about the ways in which workers can be energized to put forth productive effort. Studies of communication provide direction as to how managers can effectively and persuasively communicate. Studies of leadership and leadership style provide information regarding questions, such as, “What makes a manager a good leader?” and “In what situations are certain leadership styles most appropriate and effective?”

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¹⁵ A job redesign technique that allows workers more control over how they perform their own tasks.

¹⁶ Cooperative effort by the members of a group or team to achieve a common goal.
Controlling

Controlling involves ensuring that performance does not deviate from standards. Controlling consists of three steps, which include (1) establishing performance standards, (2) comparing actual performance against standards, and (3) taking corrective action when necessary. Performance standards are often stated in monetary terms such as revenue, costs, or profits but may also be stated in other terms, such as units produced, number of defective products, or levels of quality or customer service.

The measurement of performance can be done in several ways, depending on the performance standards, including financial statements, sales reports, production results, customer satisfaction, and formal performance appraisals. Managers at all levels engage in the managerial function of controlling to some degree.

The managerial function of controlling should not be confused with control in the behavioral or manipulative sense. This function does not imply that managers should attempt to control or to manipulate the personalities, values, attitudes, or emotions of their subordinates. Instead, this function of management concerns the manager’s role in taking necessary actions to ensure that the work-related activities of subordinates are consistent with and contributing toward the accomplishment of organizational and departmental objectives.

Effective controlling requires the existence of plans, since planning provides the necessary performance standards or objectives. Controlling also requires a clear understanding of where responsibility for deviations from standards lies. Two traditional control techniques are budget and performance audits. An audit involves an examination and verification of records and supporting documents. A budget audit provides information about where the organization is with respect to what was planned or budgeted for, whereas a performance audit might try to determine whether the figures reported are a reflection of actual performance. Although controlling is often thought of in terms of financial criteria, managers must also control production and operations processes, procedures for delivery of services, compliance with company policies, and many other activities within the organization.
The management functions of planning, organizing, leading, and controlling are widely considered to be the best means of describing the manager’s job, as well as the best way to classify accumulated knowledge about the study of management. Although there have been tremendous changes in the environment faced by managers and the tools used by managers to perform their roles, managers still perform these essential functions.

**KEY TAKEAWAY**

The principles of management can be distilled down to four critical functions. These functions are planning, organizing, leading, and controlling. This P-O-L-C framework provides useful guidance into what the ideal job of a manager should look like.

**EXERCISES**

1. What are the management functions that comprise the P-O-L-C framework?
2. Are there any criticisms of this framework?
3. What function does planning serve?
4. What function does organizing serve?
5. What function does leading serve?
6. What function does controlling serve?