

Modern Management

Principles and Practices

Dick Carlson

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PRINCIPLES AND PRACTICES

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Dick Carlson



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PRINCIPLES AND PRACTICES

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INTRODUCTION

It is commonly recognized that the success of every enterprise (private or public) is dependent upon the objectives, policies, and practices of the men who control and direct its affairs. In other words, every organization's performance :

- Utilization of capital ;
- Services to customers ;
- Rewards and satisfactions to employees, and
- Relative value to the community and to the country in which it operates ;

reflects the attitudes and the competence of its management.

It seems to me, after thirty years of management consulting experience including a series of recent assignments in many of the free countries of Europe, that the kind of productivity and the standards of living that exist both in countries where living standards are high and those where they are relatively low, reflect directly the attitudes and abilities of the managers who govern the major business activities in each of these countries.

How to raise living standards is a problem that is exercising men's minds everywhere in the world today. Efficient, democratically controlled governments and adequate military and police powers (local, state, national, and international) are, of course, imperative requisites of organized society, but they alone do not determine the success of the business enterprises and the living standards of the people within their respective areas.

High productivity and high living standards are, finally, dependent upon the competence of the managers and the personnel who operate the business enterprises that function within each respective community, area, and country. I believe it is timely, therefore, to recognize that :

First, the standards of living in the so-called "emerging" or "developing" countries around the globe will improve only to the degree that the managements of significant business enterprises in these countries improve their present performance ; and

Secondly, that much of the money and effort directed toward helping these countries is likely to be wasted for the most part *unless* a substantial number of top managers in the countries receiving "foreign aid" make significant improvements in their management practices.

It seems to be as simple as this : in countries where managerial competence is high, we find high productivity and high living standards. Wherever management competence is low, we find, on the average, low productivity and low living standards. And, it is most unlikely that there will ever be any improvement in the living standards of these areas until there is *first* a significant improvement in the performance of the managers who direct their business enterprises.

This, we believe, is the most dynamic challenge that faces free enterprises and the democratic governments of the world today : *To develop business enterprises at home and abroad that maintain high productivity, services, and satisfactions for the greatest number of people - owners, customers, workers, and the public.*

This objective will be attained at home and abroad only to the degree that managerial competence and modern management practices are developed and maintained by managers who control and direct business institutions at home and abroad.

The purpose of this Manual is to present in a condensed, useful format the fundamental principles, techniques, and practices of modern management that will assist managers to improve their management performance, and, in turn, to increase the productivity of their respective organizations.

It has been compiled for busy executives and developed from the practical experience of many successful managers in many spheres of management.

A presentation of this kind can obviously be made in several different ways. We have not attempted to cover the entire field of management or to deal with the specifics of any particular industry or type of organization. But we have tried to select and arrange in logical sequence the most important managerial skills that are required in today's highly competitive markets where optimum competence is imperative.

The value of this Manual will, however, depend upon the degree to which it assists its readers to improve their day-to-day performance and to increase the productivity and the job satisfactions of all persons who report to them - in other words - the extent to which it is put into effective use.

Dick Carlson

*Santa Barbara, California
March 1, 1962*

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CHAPTER 1

THE FUNDAMENTALS OF MODERN MANAGEMENT

*You do not help anyone by preaching
a new idea; you help only by assisting
a man to think.* Switzer

Management is as old as man! It had its well-known beginnings in the dictator-slave, master-servant days. It has evolved very slowly through the ages with few changes in its dictatorial, authoritarian, paternalistic techniques and abuses until the recent advent of modern management.

Modern management has evolved from a few basic concepts of industrial democracy and consultative management techniques which have been pioneered, during the past forty years for the most part, by a limited number of successful organizations in the U.S.A. and in some foreign countries.

The Evolution of Modern Management

In order to understand better the present status and the meaning of modern management, let us take a brief look at its evolution and development in the U.S.A.

Until approximately 1840, about the only way a person ever got to be a manager was to own the business. Gradually, corporate ownership and the employment of non-owner managers began to develop. The men who controlled these new corporations were, however, mostly promoters and strong individualists who appointed themselves as managers and retained unto themselves, also, all the prerogatives of authoritarian control.

About 1890, combinations of corporations began to evolve; new corporate laws were developed along this trend and there was a natural tendency for many lawyers to move into positions of active management, along with their legal responsibilities.

About 1910, anti-trust legislation began to develop (the Clayton Act of 1914, and the Transportation Act of 1920). This affected the

trend of corporate development, and with the formation of financial syndicates as these changes took place we find bankers coming into management picture, as the chief executives of large corporations.

Early in the 1930s, the big depression hit the entire business structure; many companies disappeared in the financial storms; others were re-organized, merged, or radically improved in order to survive in the new financial climate that followed the depression. Out of this crucible of the thirties a new type of manager also began to evolve.

By 1940, the professionally trained manager began to be accepted, and "Modern Management" as it is known today has thus developed and made most of its progress within the past forty odd years.

Early Management Publications

Some of the significant steps in the evolution of modern management were first evidenced by the following publications:

- 1911. *Principles and Methods of Scientific Management*
by Frederick W. Taylor, U.S.A.
Written largely from the viewpoint of utilizing *measurements* for the purpose of effecting individual job improvements.
- 1922. *Industrial and General Administration*
by H. Fayol, France.
Identifying the basic functions of management as they are used today.
- 1924- Papers on the spiral of the scientific method, and its effect upon
1933. industrial management
by Mary P. Follett, England.
Identifying ideologies and philosophies of modern management techniques.
- 1945. *Dynamic Administration*
by Metcalf and Urwick, U.S.A. and England.
A comprehensive summation of management principles developed to date.

Since 1945, hundreds of books, pamphlets, courses, and articles have been written and more speeches, seminars, conferences, and courses have been conducted on the subject of "management" than in all previous history. Today, it is a time consuming task to read the avalanche of management publications coming off of the presses. In the field of executive development, one American corporation, for example, is said to have invested more than \$2.5 million in facilities and spent more than \$500,000 on the development of educational materials, in addition to the cost of a full-time teaching staff and a corps of consultants to conduct a program for just its own executives.

Three Broad Eras – The Past One Hundred Years

To summarize briefly, at the risk of over-simplification, the evolution of management in the U.S.A. during the past one hundred years may be divided *roughly* into three broad eras, as follows:

1. 1860-1910. The development of rugged industrialists, and captains of industry;
2. 1910-1940. The evolution of modern corporate enterprises and the early phases of control, successively by promoters, lawyers, bankers, and industrial leaders; and
3. 1940-1960. The gradual recognition of professionally trained managers and consultants who are skilled in the utilization of accepted principles, techniques, and practices of modern management.

Today, it is a generally accepted practice for a successful career manager to be employed by a Board of Directors as the chief executive of an organization because of his professional skill as a manager rather than his stock ownership, or even his technical knowledge of that particular type of business.

The Management of Investments

A rather recent development that is growing very rapidly is the field of the professional investment manager who directs the utilization and placement of large blocks of capital; namely, pension funds, insurance funds, investment trusts, etc. He is employed by the owners of these funds, or a Board that controls them, for the sole purpose of directing the placement of this investment capital wherever there is reasonable assurance of capital security and an optimum net return on the funds invested.

The investment manager accomplishes his objectives by consistently and quietly moving his clients' investment funds into companies, industries, projects, and/or geographic areas where net returns (with safety) are most attractive. Usually, the investment manager is not interested in gaining any voice in the management of an operating company, or a place on the Board of Directors of a company in which he may be directly or indirectly placing investment funds; often he prefers to remain anonymous in the security markets.

This persistent movement of liquid investment capital, by professionally trained investment managers, toward channels where operating records, management know-how, and net earnings on capital give the greatest promise of maximum security and return on investors' funds will continue to exercise increasing pressure upon all top management

personnel throughout the world. It will certainly accelerate the requirements for improved management performance in the years to come.

The current pressures for a maximum net return on invested capital will also accelerate the development of new concepts of organization, production, distribution and marketing, personnel management, finance, management controls, and the refinement of criteria for measuring and evaluating management performance. It will also accelerate the development of technological improvements, automation, innovations, and other changes that are taking place, so that within the next decade many products, services, methods, and practices that have been successful in the past may become as obsolete as the propeller type passenger plane in the jet age.

Who is Management?

It is the consensus of recognized authorities that the term "Management" includes *all persons in any organization who are officially vested with authority and accountability for directing those who get work done.*

This concept says that "Management" includes the Board of Directors, the president, department heads, supervisors and foremen, and all others who are responsible for the work of others.

The Job of Management

Now, let's ask ourselves: **what is the Job of Management?**

You are probably familiar with a number of different definitions of management, but, for purposes of this discussion, may we put it this way; the fundamental job of management is to:

1. *Visualize results desired; interpret needs and markets; forecast significant trends, and identify major problems;*
2. *Establish objectives, policies, criteria and standards for measuring performance; formulate plans, programs, budgets, and related management controls;*
3. *Attain results through people; build and maintain a sound organization that is competently staffed, directed, and motivated;*
4. *Look for improvements; appraise results; make decisions; effect remedial action;*
5. *Help subordinates to develop; understand people; inspire confidence; motivate teamwork; maintain respect, discipline, training and high morale.*

To state it another way:

\ The *first* job of management is to *visualize results desired; interpret customer needs and potential markets for its organization's services;*

to evaluate its current operating position; to identify and forecast significant areas and trends, and problems related thereto.

"Forecasting" is "foreseeing" anticipated actions; predicting significant trends, interpreting what future results are indicated (one, three, five, or ten years hence) based upon past performance and foreseeable changes, and determining the most effective areas within which strategy decisions must be made.

The second job of management is to develop and establish objectives, policies, programs, budgets, and whatever other basic controls are necessary for governing the administration of an organization's affairs most effectively.

In doing this most effectively, the Chief Executive (president or general manager) must coordinate and direct the abilities of his staff; utilize the benefits of group thinking, consultative management, and other modern management techniques that are available today.

Objectives are the goals we hope to attain; the end results desired. Every organization needs to periodically review and clarify its objectives; to make certain that its objectives, when attained, will be the realization of the satisfactions desired by all concerned.

The third job of management is to attain results through people. This requires an entirely different set of skills than those required in order to get results through our own efforts.

Some of the skills are, for example "How to plan, lay out, and make work assignments most effectively; how to instruct; how to improve methods; how to maintain good human relations; how to delegate responsibility and maintain controls; how to conduct conferences and meetings; and how to utilize most effectively the power of 'group thinking' in the solution of operating problems."

The fourth job of management is to look for improvements, continuously. This requires awareness, the desire to make improvements, and skill in appraising performance for conformity with established criteria and standards; to recognize and initiate the need for changes, and to effect remedial action wherever indicated. It requires the ability to break down each job for which an executive or supervisor is responsible and to answer such questions as:

1. "What is the purpose of this job; why is it necessary?"
2. "Where should it be done; when should it be done; who should do it?"
3. "How should it be done?"

Improvements require change. Changes are often painful, but there is no improvement except through change.

The *fifth* job of management is to *develop subordinates* – those who report directly to each respective executive and supervisor. This requires another set of special skills and abilities such as: a) how to secure the highest productivity with a minimum of effort; b) how to conduct individual appraisals of work performance; c) how to provide individual guidance and counsel as necessary, and d) how to conduct effective personal follow-through until job satisfaction and desired improvements are accomplished.

An analysis of many organizations indicates that some of their major management problems often arise from a few basic causes, such as:

1. Lack of clear-cut objectives and policies;
2. Lack of adequate management controls;
3. Lack of significant criteria for measuring results.

There is a tendency for executives to get so busy with day-to-day activities that they don't take time to investigate and analyze the *fundamental* causes of their major problems; too, the Board of Directors does not always recognize or follow through its responsibility with respect to the establishment of necessary objectives, policies, control ratios, and the basic criteria they need for evaluating the performance of the management staff.

An organization's future welfare depends upon the viewpoints and the decisions of its Board of Directors – and the effectiveness with which the decisions of its Board are interpreted and carried out by the staff.

Three Major Phases of Management

The job of management may be broken into three major phases:

1. The management of *money*;
2. The management of *things*;
3. The management of *people*.

Each of these distinct areas requires specific management skills, knowledge, and interests. The total management job requires a smooth *integration* of all three phases, and they must be kept in balance; otherwise, the organization as a whole gets into difficulties.

The Functions of Management

So that the whole subject of modern management can be better understood, it has been broken down into five major functions as follows:

- | | |
|--------------------------------|--------------------------------|
| I. Planning; | III. Direction and leadership; |
| II. Organization and staffing; | IV. Coordination; |
| V. Controls. | |