



The Nature of Management

Matching terms

Definitions	Terms
The ability of management to achieve agreed objectives.	Effectiveness
A skill managers require to anticipate and respond to uncertainties in the business environment	Flexibility and adaptability to change
The ability of managers to minimise a business's costs, given the resources available.	Efficiency
The role managers perform when meeting clients at corporate functions.	Interpersonal
A skill managers require to provide a shared sense of direction to stakeholders, allowing the company to achieve a common goal	Vision
The level of management whose primary responsibility is to manage employees and ensure that management policies are implemented correctly.	Front-line management
Any individual that has an interest in a business	Stakeholder
A skill managers require when planning long-term resource allocation and identifying potential risks facing a business	Strategic thinking
The role managers fulfil when choosing a location for a new factory	Decisional
The process of coordinating the resources of an organisation to achieve a set of goals.	Management

True or False

- | | | |
|----------|---------|----------|
| 1. False | 5. True | 9. False |
| 2. False | 6. True | 10. True |
| 3. True | 7. True | |
| 4. True | 8. True | |

Multiple Choice

- 1 C Management roles
- 2 A Conflict of interest
- 3 C Responsibility to stakeholders
- 4 C Management roles
- 5 D Skills of management
- 6 D Effective management
- 7 A Skills of management
- 8 D Conflict of interest
- 9 C Management roles
- 10 B Skills of management
- 11 C Conflict of interest
- 12 B Responsibility to stakeholders
- 13 C Conflict of interest
- 14 A Management roles
- 15 C Skills of management

Short Answer Questions

Question 1

- (a) The manager is performing an informational role.
- (b) The informational role is important as part of effective management because management needs to receive information from both the internal and external environments and as well management needs to communicate information to other stakeholders in the business. Information forms the basis on which decisions will be made.
- (c) If a business decided to outsource its transport and distribution function, this could cause a conflict of interest between workers who are currently employed in that area by the business. This decision would have been made by management or the owners of the business in terms of improving the efficiency and/or the profitability of the business. The workers in the transport and distribution area will lose their jobs when that function is outsourced and this will create a conflict of interest between the workers on the one hand and owners/management on the other. Depending on the response from workers in other areas of the business there is the potential for all workers of the business who are union members to take industrial action to protect the jobs of those workers in the transport division.

Question 2

- (a) One skill needed in this position is strategic thinking. The Business Development Manager will be responsible for developing and implementing a new strategic plan which will involve possibly revising the bank's mission statement and goals. Because the position also calls for working closely with experienced advisors, the new manager will need people skills so that he or she will be able to consult with the advisors and secure their cooperation. The position requires that the manager is able to establish high quality relationships with the advisors and so will need to be able to manage and motivate them.

- (b) (i) Because shareholders are the owners of the business the main responsibility of the manager to them will be to ensure that the mission statement and strategic goals are consistent with the wishes of the shareholders. Another obvious responsibility to the shareholders would be to ensure that their financial goals such as making a profit and paying a dividend to them are being met.

(ii) Because this manager will be closely associated with a restructuring program he or she will have a responsibility to employees to manage change so that the impact on employees work and security is positive and maintains the quality of working relationships.

The manager will have a responsibility to both groups of stakeholders in areas such as compliance with the law in terms of what the company does. To assist the manager with this responsibility will be either the existence or adoption of an appropriate code of practice based on ethical standards. By doing this, the manager will be able to justify the behaviour of the business to both employees and shareholders.

Question 3

- (a) When senior managers receive large salaries and bonuses, particularly when a business has recorded a poor result there is often conflict between managers and shareholders (who may be upset at a falling share price or payment of a low dividend) or managers and employees (whose rewards may be relatively low and not adjusted with the frequency of the manager's salary or bonuses). By linking a senior manager's package to the profitability of a business the potential for conflict to arise with other stakeholders about the remuneration of senior managers is lessened.
- (b) Technically, it is the owners of a business who are responsible for approving the salaries of senior management. In a large public company with tens of thousands of shareholders, "small" shareholders may not have much say in setting the rewards of senior management. When a business is undergoing problems and its share price is falling, profits are low or the business is making losses and dividends are low or nonexistent, the payment of high salaries and bonuses to managers because of a contract made with the business at the time managers were hired will have a negative impact on the owners. Of course, few people or owners complain about high management salaries when the business is making good profits and paying owners dividends.
- (c) If the owners of the business are not complying with the law (for example Occupational Health and Safety law or Anti-Discrimination law) employees could take their grievances to the owners either through union representation or by workplace delegation. If this strategy was unsuccessful, the employees, through their unions could have the matter decided in the appropriate court, where a decision would be binding on both parties.

Again if the owners are breaking the law with regard to the product they are selling, there are many avenues that customers can pursue in terms of the law. One extreme strategy that customers could adopt is to boycott that particular business and deal with a competitor, thus eliminating the conflict with the first business.