

# The A to Z of Management Concepts and Models

## **Preface**

In the world today, there has been a sharp rise in the number of executive positions requiring knowledge of management. As greater demands are being made on our intellectual abilities, the capacity to manage and develop a business is at a premium.

Semantic confusion is notable within management circles, where there exists an abundance of concepts and expressions lacking generally known or accepted definitions.

Other specialist vocabularies – in for example medicine or the law – have expressions for facilitating and simplifying communication, thus leading to greater efficiency in their particular discipline.

If in the field of medicine we were to speak of arthritis or, in the law, of an obligation to offer for redemption, we would be understood without the need of additional language. Things are not as well ordered in management. Terms such as business concept, vertical integration level, benchmarking or Boston matrix may be bandied about, but how many of them are really fully understood?

Semantics (meaning and understanding) in business could be improved considerably.

A book called *Business Strategy* came out at the end of the 1980s. Its title could have been improved, for the contents were simply explanations and examples of terminology in management and business life generally.

Little by little the book was developed, being published in English in 1993 under the title of *Key Business Concepts*.

It has since been published in no less than 17 languages, including some exotic ones such as Russian and Chinese.

The need for conceptual clarity and concise information is thus global, and not by any means limited to one language only.

This book includes previously expressed ideas, but it has been modified and elaborated considerably.

In fact it is virtually a new book, with the ambition of giving the reader an insight into essential concepts and models as applied in management, not only in commerce but also in non-profit organisations and the public sector. We hope and believe that it will satisfy a need for many years to come.

During the writing phase we found *The Ultimate Business Library* by Stuart Crainer, and *Management* by Robert Kreitner, to be very useful. We have been inspired by a number of thinkers, among them Gary Hamel, Henry Mintzberg and Michael Porter. In addition, we have benefited from the creative input and experience of our colleagues within Karlöf Consulting.

The book is based on a number of concepts in management.

If you feel that you can make a contribution to its contents, or would like to comment on it in any way, please contact the authors at: [management@karlofconsulting.se](mailto:management@karlofconsulting.se).

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## **Management**

### **The need for management in society today**

We have already intimated that semantics in management is in a parlous state. The definition, content and application of management terms are poorly understood, being only taught to a limited extent at universities and colleges.

The function of specialist terminology in a particular discipline is normally to facilitate communication by preventing misunderstanding and obviating the need for lengthy explanation.

We gave medicine and the law as two examples of disciplines which fulfil this function admirably.

Clearly, specialist terminology did not arise to obfuscate, or confuse people through the use of complicated language, but as an aid to communication. In this respect, language as it is used in management leaves a lot to be desired.

The absence of systematic training in management, together with the use by consultants and professional managers of loose and vague terminology make the language of management a rich source of parody and amusement.

Scott Adams' Dilbert character, among others, must have entertained millions by the use of similar jargon.

While specialist terminology in other disciplines is there to clarify, management language is seen as ambiguous and confusing.

The terms differentiation and diversification are often confused for instance, and for many people, the significance of other terms such as business concept, entry barriers, or benchmarking, is doubtful – even for the few who profess to know what they are talking about.

The Economist of 26 February 1994 expressed the view that "the only thing worse than to slavishly follow management theory is to completely ignore it."

Given the enormous complexity and difficulty that there is in running a business, it is no surprise that management tends to follow current trends and fashions. After all, heads of department have to look for ways of solving their problems. The trouble is - there are so many!

While run-of-the-mill managers tend to slavishly follow trends, the more talented will look at new theories and ideas to see whether they can build on earlier experiences and ever-present reality.

From now on in this book, we will hold to the premise that there are three different facets to management: leading, controlling and developing a business. To put it simply we can say that a manager has three different roles:

- The coach – motivating and leading people
- The controller – checking that the business is efficient
- The strategist– taking decisions and acting in the present to ensure future success

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In the rest of this book, anyone bearing a management responsibility will be called a manager. A manager is generally delegated from above, while a leader is normally accorded that distinction by those who are led.

The leadership of people, together with a knowledge of psychology and group dynamics, is a fundamental part of management.

This book, however, lays stress primarily on those areas that deal with the control and development of businesses.

Some of the most important aspects of each of these areas are given in the three lists, below.

#### Leading

- The leader as an individual
- The leader in a group
- The leader as coach
- The performance review
- Entrepreneurship
- Progress work

#### Development

- How to work with strategy questions?
- Tools and methods for operational development
- Competence development and educating organisation
- Vision/ambition
- Business Concept

#### Controlling

- How do you know that your business is efficient?
- Financial terms and their significance
- Quality controln
- Objectives management
- Process control
- Benchmarking

The word management comes from the Latin *manus*, which means hand, and *agere*, meaning to act. In modern Italian can be found the closely related word *maneggiare*, which has the dictionary meanings of to handle, wield, treat, cultivate, deal with, administer and run. According to Webster's, management is "The act, art or manner of managing, handling, controlling, directing etc."

Management thus has to do with all forms of organised business that are to be led, controlled and developed. During the industrial revolution, roughly one hundreds and fifty years ago, there were few people who held the responsibility for a business.

Perhaps 0.5 percent of the gainfully employed population would lead and control a business, while 99.5 percent carried out more or less repetitive work.

The situation today has changed radically. With the advent of decentralized responsibility and automatisaton, the number of the gainfully occupied with a management responsibility has virtually taken off.

Areas of responsibility may vary, from the handling of a business portfolio to project management, but the main functions of leading, controlling and developing are nevertheless common to all management responsibility.

The complexity of large-scale enterprises today has led to the organisational pie being cut in a number of ways, leading to a wealth of new work arenas, all of them calling for management competence. This applies to all of the functions, processes, projects, as well as competence centres and sales companies of a great variety of businesses.

Then there is the range of activities outside purely business operations. Under the pressure of government budgets, there is an ever-increasing need for management competence in the public sector.

The same applies to non-profit activities, whether of religious bodies or the many professional and industrial organisations that exist.

The demand for management has thus grown dramatically and continues to do so.

Due to the amorphous nature of the subject, this need has been relatively well represented in the number of books published in recent years, although the same cannot be said for what is taught at business schools and faculties of applied economics.

There has been a boom in the number of published titles in the last 25 years. The trend-setter in the field can with some justification be said to be the book *In Search of Excellence* by Thomas Peters and Robert Watermans (1982), and others, such as the well-known authors Michael Porter, Henry Mintzberg and Gary Hamel have followed in their footsteps. The general level of awareness of published material among active managers seems to be increasing, and they tend to be less mindful of trends nowadays. Good managers will have their own approach and probably read books which they hope will throw up new ideas in their areas of responsibility. The tendency to package and standardize on the other hand can sometimes lead to an approach that has not been thought through.

Management plays a meaningful role in the debate on innovation, which in most cases is understood to be synonymous with a product and seldom as encompassing the whole business concept with all its commercial ramifications. Regardless of how we look at it, any debate on innovation must to a great extent include commercial competence, or in other words, management.

The basis of all organised business is actually to create a value that is higher than the cost of producing this value. Value should not be understood here as mere commercial value, but as consisting of all the components built into an offer of goods or services.

This is true for all types of business, whether they are religious organisations, state-owned, or municipal.

There is less need of management competence at times and in situations where a business is guaranteed its survival. But the more pressure there is, the more important its management competence will become.

An illustration of this is given by the tight budgets which during the last ten years have led to a greater demand for management competence in the public sector.

This introduction to the subject of management is intended to put into relief the rest of our account of the subject, which in condensed form will attempt to define, explain and give examples of concepts and models.

We naturally had to be selective as to material, basing our choice primarily on personal experience of the usefulness and frequency of the terms included.

Readers are cordially invited to make suggestions for improvements, changes or additions.

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