

Module 1 : Introduction to Management and Organizations

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Chapter 1

An Introduction To Management

A. What Is Management?

Management is a deliberate process followed by successful organizations, in most situations, to achieve their goals.

Management may be defined as a process whereby people in leading positions in an organization guide, direct and influence the activities of other people in the organization with the aim of efficiently providing relevant products and/or services in order to meet the needs of customers and/or clients as a means of achieving the stated goals of the organization.

Management is also defined as the process of coordinating work activities so that they are completed efficiently and effectively with and through other people. This definition has four elements i.e. **Process**, **Coordinating**, **Efficiency** (doing things right) and **Effectiveness** (doing the right things).

Management's connection to other fields

Academic disciplines that affected Management are:

Anthropology

The anthropological focus on organizations and industry has led to a 'highly varied and somewhat eclectic body of literature'. The contributions of W. Lloyd Warner, the anthropologist who was called in as a consultant by the famous Elton Mayo for the Hawthorne studies which were to open the eye on social arrangements of the plant are well known. This anthropological turn later gave birth to the popular and well-known Human Relations School.

'Culture' (the rules of the play), 'identity' (the position of the players) and 'power' (their playing strength) are key concepts in the anthropological tradition which serve as markers to describe the

customs of groups of people living together, and the ways they attribute meaning to their mutual relations and their environment. Culture (the rules of the play), identity (the position of the players) and power (their playing strength) are the theoretical labels organization researchers should combine to describe the play organizational actors perform daily.

Economics

Economics and management are ideal partners. Economics is the study of how consumers, firms and governments make decisions that together determine how resources are allocated. An appreciation of economics and the general workings of the economy have become increasingly necessary to make sense of government policy-making, the conduct of businesses and the enormous changes in economic systems which are occurring throughout the world. The study of economics is of great help to management which is concerned with the effective use and coordination of materials and labour within organizations in the pursuit of the organisation's defined objectives. It helps managers in the process of decision-making.

Philosophy

Philosophy is a field of study in which people question, and create theories about, the nature of reality. Management uses this Branch in deciding its overall Philosophy, Business Objectives, Business Ethos, Management Principle, Social Responsibility goals and Corporate Culture. The following illustrations of Business Objectives, Business Ethos, Management Principle, Social Responsibility goals and Corporate Culture of a hypothetical company make the linkage between philosophy and management clearer.

Business Objectives

We aim to be a global corporation, which contributes to the general well-being of all people in the world, through our business domains of food and food-related products, amino acid-based fine chemicals and pharmaceuticals.

Business Ethos

By always putting customers first, synergizing our vast pool of creative resources and employing only superior technologies, we offer innovative products and services of the highest standards and quality.

Management Principle

We continue to respect all interested parties, including shareholders, customers, local communities, trading partners and employees, and manage operations on the basis of quick and concise decision-making that is fair and open, so realizing an appropriate return of profits to our shareholders and continually increasing our business value.

Social Responsibility

As an outstanding and socially aware corporate citizen, we endeavor to contribute to the harmony and progress of society.

Corporate Culture

We strive to maintain a creative, open, spirited, and confident atmosphere in which employees can strive for self-fulfillment and career advancement.

Political science

Political science is the study of people's behavior as it relates to power and public organizations. The discipline is normally divided into various subfields of which Political philosophy(which deals with normative questions about how power should be used and distributed, rights and obligations, the nature of justice and the ideal state), Public administration(the role played by public employees in policy making, planning, personnel management, taxation and finance, and in responding to the needs and problems of communities and the nation) and International politics (which is concerned with relations between the states and other international actors such as multinational corporations and the United Nations and with the underlying realities

of power, based on resources, wealth, military preparedness and national security) have a lot to do with the management particularly in the public sector.

Psychology

Industrial and organizational psychology (also known as I/O psychology, work psychology, occupational psychology, or personnel psychology) concerns the application of psychological theories, research methods, and intervention strategies involving workplace issues. I/O psychologists are interested in making organizations more productive while ensuring workers are able to lead physically and psychologically healthy lives. Relevant topics include personnel psychology, motivation and leadership, employee selection, training, and development, organization development and guided change, organizational behavior, and work and family issues. All these areas have direct application in the field of management.

Sociology

There are two approaches to management:

The Industrial Organization Approach: This approach is based on economic theory which deals with issues like competitive rivalry, resource allocation, economies of scale. This approach to management assumes rationality, self interested behavior, profit maximization.

The Sociological Approach: This approach deals primarily with human interactions. It assumes rationality, satisfying behavior, profit sub-optimality.

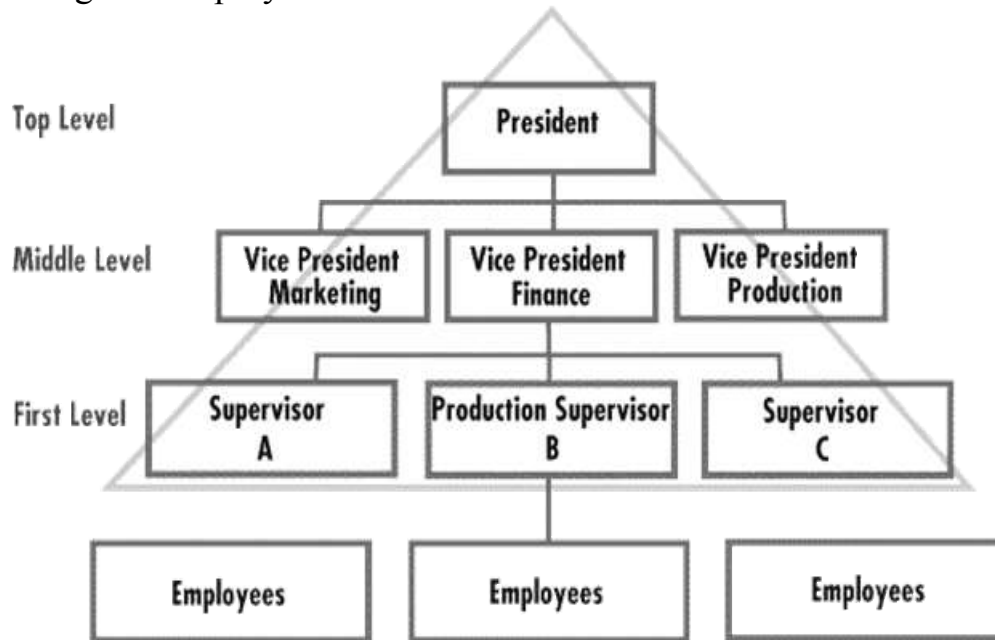
Management theories can also be divided into two sets. One is the set that concentrates mainly on efficiency and another is the set that concentrates mainly on effectiveness. Efficiency is about doing things the right way. It involves eliminating waste and optimizing processes. Effectiveness is about doing the right things.

A good management style is a blend of both efficiency and effectiveness. There is no point in acting efficiently if what you are doing will not have the desired effect.

B. Who Are Managers?

A Manager is someone who works with and through other people by coordinating their work activities in order to accomplish organizational goals.

Thus an organization comprises managers (at three levels) and non-managerial employees.



First-level managers

These managers manage the work of non-managerial individuals who are directly involved with the production or creation of the organization's products or services. These are managers whose major functions emphasize directing and controlling the work of employees in order to achieve the team goals. They are the only level of management managing non-managers. Thus, most of the first level managers' time is allocated to the functions of directing and controlling.

Middle Level managers

These include all managers between the first-line level and the top level of the organization. They manage the first-line managers. Middle management implements top management goals.

Top Level managers

These are responsible for making organization-wide decisions and establishing the plans and goals that affect the entire organization. This level managers spend most of their time on the functions of planning and organizing. The top manager determines the mission and sets the goals for the organization. His or her primary function is long-range planning. Top management is accountable for the overall management of the organization.

However, the changing nature of organizations and work has blurred the clear lines of distinction between managers and non-managerial employees.

C. Management Process

There are various ways of looking at the Management process:

1. The traditional viewpoint of management

It focuses on what managers do. It is generally accepted that they perform the following four functions:

Planning:

This involves defining goals, establishing strategies for achieving those goals, and developing plans to integrate and coordinate activities.

Organizing:

This is the process of creating a structure of relationships within the organization that will enable employees to interact with one another, to interact with managers and to carry out management's plans and meet its goals. It involves determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are made.

Leading:

This involves communicating with and motivating others to perform the tasks necessary to achieve the organization's goals.

Controlling:

This means monitoring activities to ensure that they are going as planned. This is the process by which a person consciously monitors performance and takes corrective action. In the control process, managers set standards of performance, measure current performance against those standards, take action to correct any deviations, and adjust the standards if necessary.

2. ***The behavioural viewpoint of management***

It focuses on the roles which managers play while performing the four basic managerial functions:

- *Interpersonal* – It involves people and duties that are ceremonial and symbolic in nature
- *Informational* – It involves receiving, collecting, and disseminating information
- *Decisional* – It revolves around making choices

Moreover, the emphasis that managers give to the various roles seems to change with their organizational level.

3. ***The systems viewpoint of management***

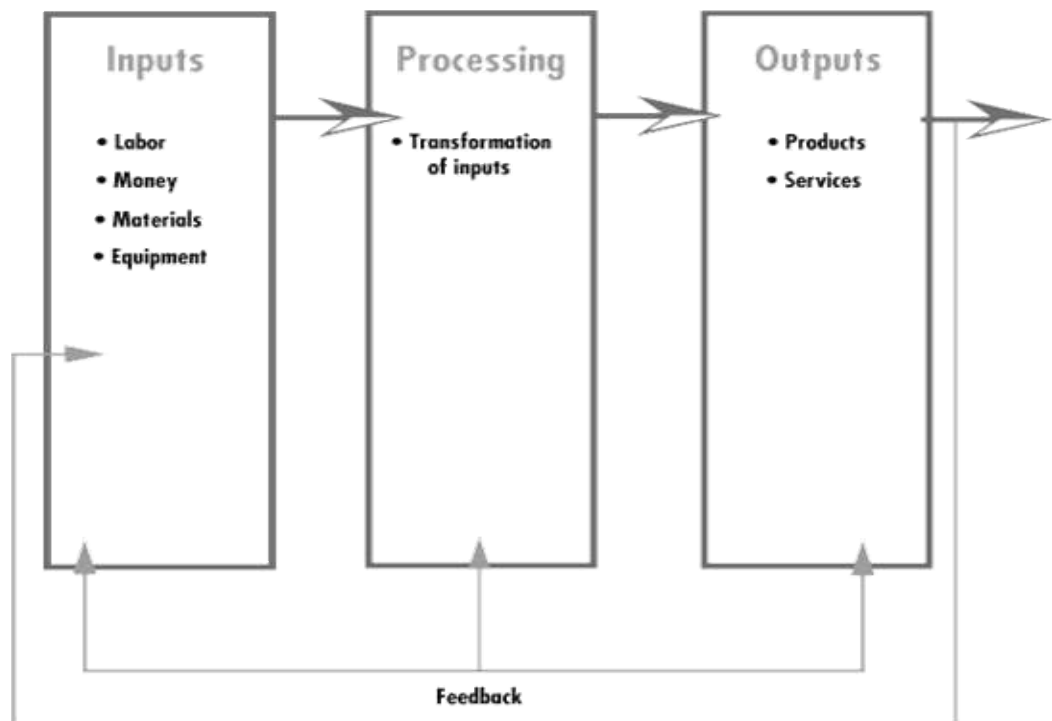
It recognises that an organization is an association of interrelated and interdependent parts or sub-systems. A business organization is what might be called a "system" made up of many "sub-systems" such as employees, teams, departments, divisions, subsidiaries, who all need to work together to achieve the organization's goals. The organization also has to interact with various external "systems" such as suppliers, customers, shareholders and government agencies, for example. A manager with a systems view of management will only make decisions after identifying and analysing how

other managers, departments, or customers might be affected by the decisions.

It provides a more general and broader picture of what managers do than the other perspectives provide. Further, the system can be of two types:

- *Closed system* - not influenced by and do not interact with their environment
- *Open system* - dramatically interact with their environment. In this system, organizations take inputs from their environments, transform or process inputs into outputs and outputs are distributed into the environment.

The Organization As A System



The management system can be conceptualized on two levels:

Internal Environment

The first level of management system involves the organization's internal environment. Internally, an organization

can be viewed as a resource conversion machine that takes inputs (labor, money, materials and equipment) from the external environment (i.e., the outside world), converts them into useful products, goods, and services, and makes them available to customers as outputs.



External Environment

The second level of the management system involves the organization's external environment. It consists of all the outside institutions and forces that have an actual or potential interest or impact on the organization's ability to achieve its objectives: competitive, economic, technological, political, legal, demographic, cultural, and ecosystem.

Environmental forces create challenges and opportunities for the organization. Managers must react and adapt to changes in their internal and external environment. Globalization is an example of an opportunity for an organization. Improving technologies, such as transportation and communications, have enabled companies to expand into global or worldwide markets. Globalization affects how organizations are managed.

Managers must learn to deal effectively with multiple cultures and political systems in the midst of rapidly changing markets and technology. They must be able to anticipate this changing environment and develop the vision and competencies at all levels in their organizations to embrace this dynamic future.

Managers must coordinate various work activities, ensure that interdependent parts work together and recognize and understand the impact of various external factors.

4. *The contingency viewpoint of management*

It evolved as a result of managers finding that applying either the traditional viewpoint of management, or the behavioural viewpoint of management, or the systems viewpoint of management in all situations on their own, did not work. The underlying principle of the Contingency Viewpoint of Management is that different situations require different practices. The Contingency Viewpoint really means "it all depends". The Contingency Viewpoint recommends using the other three management viewpoints, namely the Traditional, the Behavioural and the Systems Viewpoints, independently or in combination, as necessary and appropriate, to deal with various situations. Managers are required to determine which of these three approaches is likely to be more effective than the others in a given situation.

Applying the contingency viewpoint requires the development and use of conceptual skills. Managers must be able to diagnose and understand a situation thoroughly - to determine which approach is most likely to succeed - before making a decision. Thereafter, the manager must apply a variety of other managerial skills to ensure that the decision is carried out in the most effective and efficient way possible.

Amongst the most important of these managerial skills are:

Decision-making
Inter-personal skills
Communication

Negotiating skills
 Delegating
 Motivating skills
 Conflict management skills
 Problem solving skills
 Consensus building skills

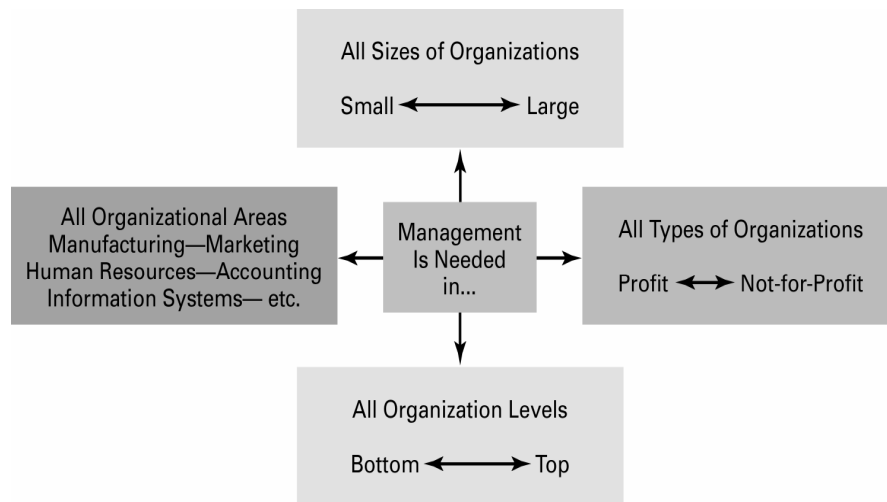
D. Why Study Management?

No matter what we do or who we are, we certainly end up managing things - or being managed ourselves. Wherever there is a need for people to work together to accomplish anything - there is a need for management and leadership skills. The managerial role is critical for economic performance and producing conditions. A good manager makes work satisfying and productive and always tries for the betterment.

To any responsible persona in any of the organization, management skills would surely help achieve things in a structured manner. Almost all the business groups and organizations appoint management people these days, to take care of their different managerial divisions and departments.

Study of Management becomes necessary because of:

Universality of Management



In short, management is needed

- in all types and sizes of organizations
- at all organizational levels
- in all work areas

The reality of work

To face the challenges of human resource and operation, management skills provide theoretical groundings and frameworks by a proper understanding and developing solutions. Most people have some managerial responsibilities. For example, a senior medical laboratory technician is both a scientist and a manager; a school principal is a teacher and a manager. A senior accountant is both a financial interpreter and a manager. Hence the study of management is relevant and it helps to make oneself proficient in the specific area of study.

Challenges of being a manager

We study management because being a manager is challenging and hard work. It involves dealing with a variety of personalities and motivation of workers in the face of uncertainty.

Rewards of being a manager

Being a manager creates an environment that allows others to do their best work, provides opportunities to think creatively, helps others find meaning and fulfillment and provides opportunity to work with a variety of people.

E. History of Management

The development of management has a long history. Many of the practices, principles, and techniques modern managers have been developed from earlier concepts and experiences. The Industrial Revolution brought about the emergence of large-scale business and its need for professional managers. Early military and church organizations provided the leadership models.

In 1975, Raymond E. Miles in his book, *Theories of Management: Implications for Organizational Behaviour and Development* popularized a useful model of the evolution of management theory and this model includes three evolution stages: classical school, human relations school, and human resources management.

Classical school

The Classical school of thought began around 1900 and continued into the 1920s. Traditional or **classical management** focuses on efficiency and includes bureaucratic, scientific and administrative management. Bureaucratic management relies on a rational set of structuring guidelines, such as rules and procedures, hierarchy, and a clear division of labor. Scientific management focuses on the "one best way" to do a job. Administrative management emphasizes the flow of information in the operation of the organization.

Bureaucracy

Max Weber (1864-1920), known as the Father of Modern Sociology, developed a theory of authority structures and relations called bureaucracy and analyzed it as the most logical and rational structure for large organizations.

Max Weber considered Bureaucracy an ideal type of organization and according to him the characteristics of bureaucracy included:

- division of labor
- clearly defined hierarchy
- detailed rules and regulations
- impersonal relationships

**Strengths of bureaucracy
(as seen by Max Weber)**

1. A division of labor into spheres of influence
2. A definite hierarchy of official offices
3. Clear norms and rules
4. Selection to office is by technical qualification.
5. Promotion by seniority.
6. Disciplinary control over the incumbent of each office.
7. Better than feudal/traditional forms where people got appointed by favoritism or bribes.

Weaknesses of bureaucracy

1. Becomes an Iron Cage of Control (as Weber saw it)

Other Dysfunctions Since Weber

2. Red Tape from all the rules and sign offs
3. Hard to change this form
4. Divisions of labor compartmentalize attention and response.
5. Hierarchy can mean silos (e.g. must go up and down chains of command to get things done).
6. Certain irrationalities result.

Scientific management

Scientific management focuses on worker and machine relationships. Organizational productivity can be increased by increasing the efficiency of production processes. The efficiency perspective is concerned with creating jobs that economize on time, human energy, and other productive resources. Jobs are designed so that each worker has a specified, well controlled task that can be performed as instructed. Specific procedures and methods for each job must be followed with no exceptions.

Frederick Taylor (1856-1915)

Frederick Taylor, known as the Father of Scientific Management, became interested in improving worker productivity early in his career when he observed gross inefficiencies during his contact with steel workers.

In 1911, Frederick Taylor published *Principles of Scientific Management* in which he proposed work methods designed to increase worker productivity. One of his famous experiments had to do with increasing the output of a worker loading pig iron to a rail car. Taylor broke the job down into its smallest constituent movements, timing each one with a stopwatch. The job was redesigned with a reduced number of motions as well as effort and the risk of error. Rest periods of specific interval and duration and a differential pay scale were used to improve the output. With scientific management, Taylor increased the worker's output from 12 to 47 tons per day! The Taylor model gave rise to dramatic productivity increases.

Taylor's 4 Principles of Scientific Management

After years of various experiments to determine optimal work methods, Taylor proposed the following four principles of scientific management:

- i. Replace rule-of-thumb work methods with methods based on a scientific study of the tasks.
- ii. Scientifically select, train, and develop each worker rather than passively leaving them to train themselves.
- iii. Cooperate with the workers to ensure that the scientifically developed methods are being followed.
- iv. Divide work nearly equally between managers and workers, so that the managers apply scientific management principles to planning the work and the workers actually perform the tasks.

These principles were implemented in many factories, often increasing productivity by a factor of three or more. Henry Ford applied Taylor's principles in his automobile factories, and families even began to perform their household tasks based on the results of time and motion studies.

Frank Gilbreth (1868-1924) and Lillian Gilbreth (1878-1972)

Frank and Lillian Gilbreth emphasized method by focusing on identifying the elemental motions in work, the way these motions were combined to form methods of operation, and the basic time each motion took. They believed it was possible to design work methods whose times could be estimated in advance, rather than relying upon

observation-based time studies. Frank Gilbreth, known as the Father of Time and Motion Studies, filmed individual physical labor movements. This enabled the manager to break down a job into its component parts and streamline the process. His wife, Lillian Gilbreth, was a psychologist and author of *The Psychology of Work*. In 1911 Frank Gilbreth wrote *Motion Study* and in 1919 the couple wrote *Applied Motion Study*. Frank and Lillian had 12 children. Two of their children, Frank B. Gilbreth, Jr. and Ernestine Gilbreth Careyone, wrote their story, *Cheaper by the Dozen*.

Henry Gantt (1861-1919)

Henry Gantt developed the Gantt chart, which is used for scheduling multiple overlapping tasks over a time period. He focused on motivational schemes, emphasizing the greater effectiveness of rewards for good work (rather than penalties for poor work). He developed a pay incentive system with a guaranteed minimum wage and bonus systems for people on fixed wages. Also, Gantt focused on the importance of the qualities of leadership and management skills in building effective industrial organizations.

Administrative management

Administrative management emphasizes the manager and the functions of management. Henri Fayol (1841--1925), known as the Father of Modern Management, was a French industrialist who developed a framework for studying management. He wrote *General and Industrial Management*. His five functions of managers were plan, organize, command, coordinate, and control. His fourteen principles of management included division of work, authority and responsibility, discipline, unity of command, unity of direction, subordination of individual interests to general interests, remuneration of personnel, centralization, scalar chain, order, equity, and stability of tenure of personnel, initiative, and esprit de corps (union is strength).

Mary Parker Follett's concepts included the universal goal, the universal principle, and the Law of the Situation. The **universal goal** of organizations is an integration of individual effort into a synergistic whole. The **universal principle** is a circular or reciprocal response emphasizing feedback to the sender (the concept of two-way

communications). **Law of the Situation** emphasizes that there is no one best way to do anything, but that it all depends on the situation.

Human relations school

Behavioral or **human relations** management emerged in the 1920s and dealt with the human aspects of organizations. It has been referred to as the neoclassical school because it was initially a reaction to the shortcomings of the classical approaches to management. The human relations movement began with the Hawthorne Studies which were conducted from 1924 to 1933 at the Hawthorne Plant of the Western Electric Company in Cicero, Illinois.

The Hawthorne Studies

Harvard Business School researchers, T.N. Whitehead, Elton Mayo, and George Homans, were led by Fritz Roethlisberger. Elton Mayo, known as the Father of the Hawthorne Studies, identified the **Hawthorne Effect** or the bias that occurs when people know that they are being studied. The Hawthorne Studies are significant because they demonstrated the important influence of human factors on worker productivity.

Chester Barnard (1886-1961)

When Chester Barnard retired as the CEO of New Jersey Bell Telephone, he recorded his insights about management in his book, *Functions of the Executive*. It outlined the legitimacy of the supervisor's directives and the extent of the subordinates' acceptance. He developed the concepts of strategic planning and the acceptance theory of authority. Strategic planning is the formulation of major plans or strategies, which guide the organization in pursuit of major objectives. Barnard taught that the three top functions of the executive were to (1) establish and maintain an effective communication system, (2) hire and retain effective personnel, and (3) motivate those personnel. His **Acceptance Theory of Authority** states that managers only have as much authority as employees allow them to have. The acceptance theory of authority suggests that authority flows downward but depends on acceptance by the subordinate. The acceptance of authority depends on four conditions. (1.) Employees must understand what the manager wants them to do. (2.) Employees

must be able to comply with the directive. (3.) Employees must think that the directive is in keeping with organizational objectives. (4.) Employees must think that the directive is not contrary to their personal goals. Barnard believed that each person has a **zone of indifference** or a range within each individual in which he or she would willingly accept orders without consciously questioning authority. It was up to the organization to provide sufficient inducements to broaden each employee's zone of indifference so that the manager's orders would be obeyed.

Human resources school

Beginning in the early 1950s, the human resources school represented a substantial progression from human relations. The behavioral approach did not always increase productivity. Thus, motivation and leadership techniques became a topic of great interest. The human resources school understands that employees are very creative and competent, and that much of their talent is largely untapped by their employers. Employees want meaningful work; they want to contribute; they want to participate in decision making and leadership functions.

F. Integrating the Management Theories

Systems theory and a contingency view can help integrate the theories of management. Appropriate managerial techniques can be applied as required by environmental conditions. A broad perspective is valuable to managers when overseeing one unit or the total integration of all subunits.

Systems Theory

During the 1940s and World War II, systems analysis emerged. This viewpoint uses systems concepts and quantitative approaches from mathematics, statistics, engineering, and other related fields to solve problems. Managers find optimal solutions to management problems by using scientific analysis which is closely associated with the systems approach to management. A system is an interrelated and interdependent set of elements functioning as a whole. It is an open system that interacts with its environment. It is composed of inputs from the environment (material or human resources), transformation

processes of inputs to finished goods (technological and managerial processes), outputs of those finished goods into the environment (products or services), and feedback (reactions from the environment). Subsystems are systems within a broader system. Interdependent subsystems (such as production, finance, and human resources) work toward synergy in an attempt to accomplish an organizational goal that could not otherwise be accomplished by a single subsystem. Systems develop synergy. This is a condition in which the combined and coordinated actions of the parts of a system achieve more than all the parts could have achieved acting independently. Entropy is the process that leads to decline.

Contingency View

In the mid-1960s, the contingency view of management or situational approach emerged. This view emphasizes the fit between organization processes and the characteristics of the situation. It calls for fitting the structure of the organization to various possible or chance events. It questions the use of universal management practices and advocates using traditional, behavioral, and systems viewpoints independently or in combination to deal with various circumstances. The contingency approach assumes that managerial behavior is dependent on a wide variety of elements. Thus, it provides a framework for integrating the knowledge of management thought.

G. Management Roles

A role is an organized set of behaviors. To meet the many demands of performing their functions, managers assume multiple roles.

The primary role of management is to make it possible for teams to work. They also provide guidance and direction to work effort.

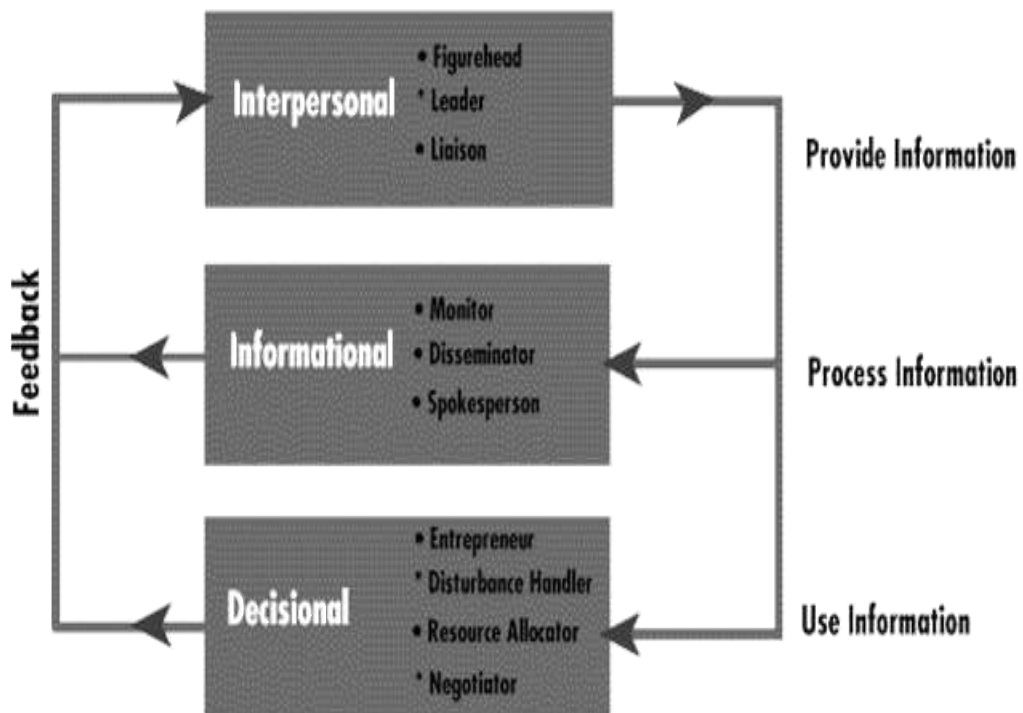
The role of management in an organization is purely functional. It is not a role any more or less prestigious than any other role in the company. The function of management is:

- Set up a plan (vision) for the company, group, or team being managed.

- Ensure that the management personnel can do their jobs with the up most efficiency.
- Resolve any disputes that arise.
- Act as an interface between employees and upper management
 - Track resource use and report costs to higher management.
 - Present new ideas for the company to upper management.
 - Track project progress and revise estimates or make adjustments.
 - Deal with problems and shield employees from them as much as possible to allow them to concentrate on their jobs.

Mintzberg's 10 Managerial Roles

Henry Mintzberg has identified ten roles common to the work of all managers. The ten roles are divided into three groups: interpersonal, informational, and decisional.



The *interpersonal roles* involve people and duties that are ceremonial and symbolic in nature and ensure that information is provided. The *informational roles* involve receiving, collecting, and disseminating information and link all managerial work together. The *decisional roles* revolve around making choices and 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. Emphasis that managers give to the various roles seems to change with their organizational level.

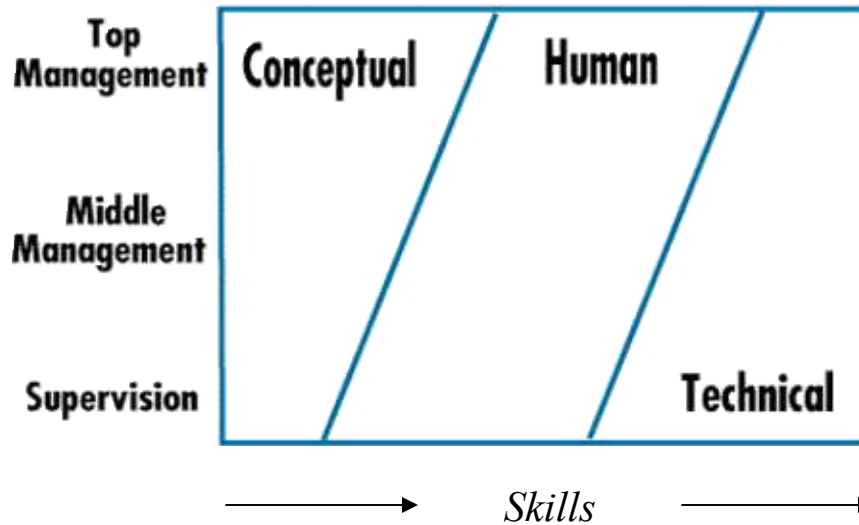
INTERPERSONAL	Figurehead	Performs ceremonial and symbolic duties such as greeting visitors, signing legal documents
	Leader	Direct and motivate subordinates, training, counseling, and communicating with subordinates
	Liaison	Maintain information links both inside and outside organization; use mail, phone calls, meetings
INFORMATIONAL	Monitor	Seek and receive information, scan periodicals and reports, maintain personal contacts
	Disseminator	Forward information to other organization members; send memos and reports, make phone calls
	Spokesperson	Transmit information to outsiders through speeches, reports, memos

DECISIONAL	Entrepreneur	Initiate improvement projects, identify new ideas, delegate idea responsibility to others
	Disturbance Handler	Take corrective action during disputes or crises; resolve conflicts among subordinates; adapt to environmental crises
	Resource Allocator	Decide who gets resources, scheduling, budgeting, setting priorities
	Negotiator	Represent department during negotiation of union contracts, sales, purchases, budgets; represent departmental interests

One important difference between managers and other functional positions in the company lies in the fact that decisions made by the manager will affect more people either in a positive or negative way.

H. Management Skills

In order to perform the functions of management and to assume multiple roles, managers must be skilled. Robert Katz identified three managerial skills that are essential to successful management: technical, human, and conceptual. **Technical skill** involves process or technique knowledge and proficiency. Managers use the processes, techniques and tools of a specific area. **Human skill** involves the ability to interact effectively with people. Managers interact and cooperate with employees. **Conceptual skill** involves the formulation of ideas. Managers understand abstract relationships, develop ideas, and solve problems creatively. Thus, technical skill deals with things, human skill concerns people, and conceptual skill has to do with ideas.



A manager's level in the organization determines the relative importance of possessing technical, human, and conceptual skills. Top level managers need conceptual skills in order to view the organization as a whole. Conceptual skills are used in planning and dealing with ideas and abstractions. Supervisors need technical skills to manage their area of specialty. All levels of management need human skills in order to interact and communicate with other people successfully.

Efficiency and Effectiveness

The two concepts of efficiency and effectiveness can be understood from the following point of views:

- 1) The primary difference: Efficiency is productivity metric whereas Effectiveness is a quality metric.
- 2) There is a handy phrase coined by Drucker that 'efficiency is about doing things right and effectiveness is about doing the right things'.

Efficiency

Efficiency is a productivity metrics meaning how fast one can do something. Hence testing efficiency metric can be "Number of test cases executed per hour or per person day". This explains how efficient (i.e. fast) the person is at testing.

Doing things right means achieving the optimal relation of inputs and outputs (or outcomes). In this sense a procedure is efficient if it maximizes the output/input ratio. We can distinguish two types of efficiency: **production efficiency** and **economic efficiency** (or **cost-efficiency**). An increase in production efficiency means achieving more output for a given input, while an increase in cost efficiency means reducing the costs of inputs for a given output.

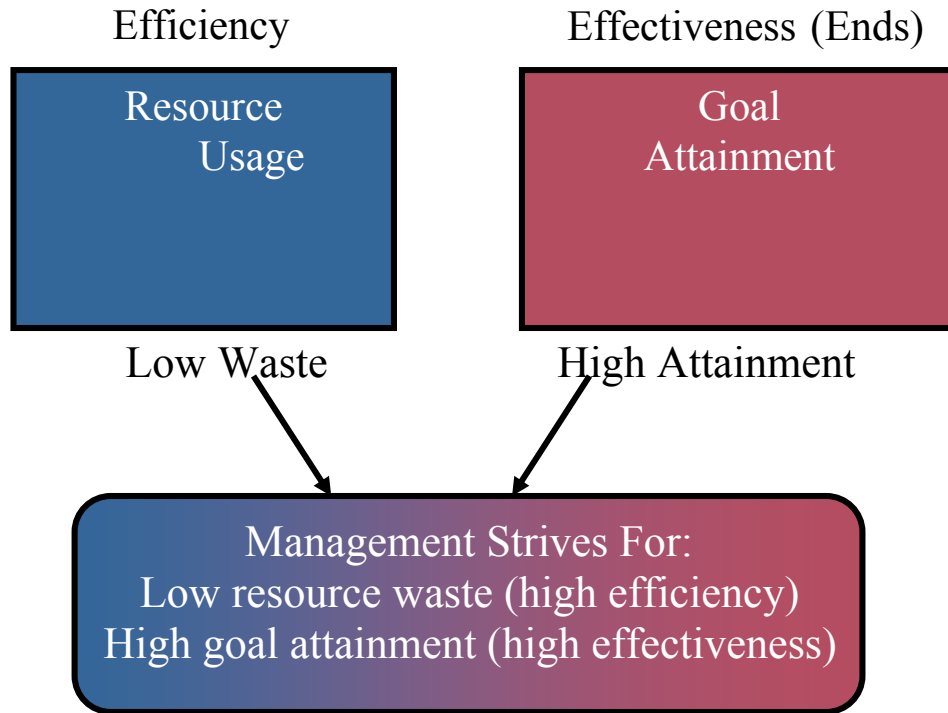
Effectiveness

Effectiveness is a quality metrics meaning how good a person is at testing. Hence testing effectiveness metrics can be "Number of defects identified by a tester in a given feature / total no. of defects identified in that feature". Here the difference between total defects and defects identified by the tester could be that some defects must have been uncovered by the customer since the tester was not able to detect them during testing.

If defects uncovered by a tester and total no. of defects are same, meaning that all the defects were uncovered by the tester, then he is 100 % effective in testing the product.

The notion of **effectiveness** is about doing the right things, i.e. achieving the set goals. Effectiveness measures can be defined in a binary manner (i.e. goal achieved not achieved) or by specifying a percentage by which the goal has been achieved (e.g. 42% in a test). Obviously the way one achieves one's goal will not necessarily be the most efficient way. This means you can be effective but inefficient.

Can you be efficient without being effective? In a way you can: You might very efficiently produce a product that nobody wants to buy. Cost per unit is low and the production process is running smoothly. But if you produce without a market you are not effective in achieving the objective of making good profits.



I. Managerial Functions

Managers create and maintain an internal environment, commonly called the organization, so that others can work efficiently in it. A manager's job consists of planning, organizing, directing, and controlling the resources of the organization. These resources include people, jobs or positions, technology, facilities and equipment, materials and supplies, information, and money. Managers work in a dynamic environment and must anticipate and adapt to challenges.

The job of every manager involves what is known as the functions of management: planning, organizing, directing, and controlling. These functions are goal-directed, interrelated and interdependent. Planning involves devising a systematic process for attaining the goals of the organization. It prepares the organization for the future. Organizing involves arranging the necessary resources to carry out the plan. It is the process of creating structure, establishing relationships, and allocating resources to accomplish the goals of the organization. Directing involves the guiding, leading, and overseeing of employees to achieve organizational goals. Controlling involves verifying that

actual performance matches the plan. If performance results do not match the plan, corrective action is taken.

The Functions of Management



Chapter 2

Public Management

A. Introduction

Public management is the subject of a rapidly growing literature that is international in scope and multifarious in content. The common sense of public management is relatively straightforward. Good public managers, whatever their particular positions or responsibilities, are men and women with the temperament and skills to organize, motivate, and direct the actions of others in and out of government toward the creation and achievement of goals that warrant the use of public authority. Few public laws and policies are self-executing, and, in their formulation, all might benefit from managerial insight and experience. Under virtually any political philosophy or regime, then, the achievement of good government requires the responsible and competent use of public authority by a government's managers.

B. Management and Administration

There are differences of opinions on whether 'public management' or of 'public administration' are the same subjects different subjects. Arguments to the effect that management and administration are fundamentally different have a long history in literature, although the distinction often seems arbitrary. Many such arguments relegate management to subordinate, specialized or even stigmatized status with the result that the structural and institutional aspects of public management that are vital to understanding its significance to constitutional governance are overlooked.

According to Henri Fayol, 'It is important not to confuse *administration* with *management*. To manage . . . is to conduct [an organization] toward the best possible use of all the resources at its disposal... [i.e.] to ensure the smooth working of the . . . essential functions. Administration is only one of these functions...', whereas 'administration was equated with management,' or the words

administration and *management* were treated as synonymous by some other management thinkers.

Yet many public administration scholars have held that, of the two concepts, administration is original and primary, public management is novel and subordinate or specialized. 'Public management as a special focus of modern public administration is new.' In the past two decades, the topic of public management has come forcefully onto the agenda of those interested in governmental administration because of the growing unpopularity of government. Some management thinkers argue that '*Public management* is a major segment of the broader field of public administration. Public management focuses on public administration as a profession and on the public manager as a practitioner of that profession.

One concept of 'public management' adds responsibility for goal setting and political management to the traditional responsibilities of public administration. This concept of public management adds some quintessential executive functions such as setting purpose, maintaining credibility with overseers, marshaling authority and resources, and positioning one's organization in a given political environment as central components of a public manager's job.

According to one view, the gist of public management is 'conceiving and implementing public policies that realize the potential (Public Value) of a given political and institutional setting'. Thus this view was new, that is, a departure from traditional conceptions of administration, in that it appeared to disavow interest in the settings for public management and to emphasize its behavioral and psychological aspects.

The newer behavioral approach to public management has tended to become more action-oriented and prescriptive. As such it says both more and less about public management than traditional conceptions. Briefly, the older view is that public management is the responsible exercise of administrative discretion. The newer conception adds to this 'craft perspective', i.e., a concern for decisions, actions, and outcomes and for the political skill needed to perform effectively in specific managerial roles. However, by emphasizing the strategic political role of public managers *within given political and*

institutional settings, the newer conception is concerned more with the immediate, pragmatic concerns of managers at executive levels of governmental organizations. A lower priority is placed on the manager's role in developing institutional capacity and in adhering to durable democratic values — that is, to public management as an institution —and on management at middle and lower levels of administration.

Precision concerning the distinction between administration and management is of more than antiquarian interest. Because the concept of public management as the responsible exercise of discretion is at least implied by the intellectual development of public administration as a field, public administration's literature is also a literature of public management. Together, the older and more recent, craft-oriented literatures provide foundations for the structural, craft and institutional aspects of the subject. These three aspects, because they emphasize that practice must conform to constitutional structures and values, supply an analytic framework for evaluating particular public management reform proposals and developments.

One particular argument for distinguishing between administration and management deserves further scrutiny, however. Those who define public administration in managerial terms, tend to minimize the distinctions between public and private administration. The term administration, in this view, conveys respect for the constitutional and political foundations of governance in a way that the term management does not.

C Public and Private Management

How alike or unlike are managing in the public and private sectors? Can and should government be more business-like? Is management generic? To the extent that public and private management involve similar temperaments, skills, and techniques, then the extensive body of ideas and practices relating to corporate success can be applied to the problems of public management, and the public sector can in principle draw on the large pool of private sector managers to meet its own managerial needs. To the extent that, from structural or craft perspectives, they are different, then the public sector must have

access to sources of knowledge, techniques, and skills suited to its unique character.

The basic elements of the argument that public and private management are fundamentally different in all important respects are:

- (1) that the public interest differs from private interests,
- (2) that public officials, because they exercise the sovereign power of the state, are necessarily accountable to democratic values rather than to any particular group or material interest, and,
- (3) that the constitution requires equal treatment of persons and rules out the kind of selectivity that is essential to sustaining profitability. Moreover, the extent of the differences between the two sectors has been well documented empirically.

Some will argue nonetheless that an enumeration of such differences is misleading because it obscures important similarities. 'All organizations are public,' in the sense that all organizations, whether governmental, for-profit, or non-profit, are affected to at least some degree by political authority. Thus, 'public managers can be found in almost every type of organization' because public managers are not limited to government employees but encompass 'persons who manage publicness' in any sector. However, one might also argue the converse that all organizations are 'private' to the extent that they are responsible for tasks that are performed by experts who are governed by professional or technocratic authority rather than by stakeholder interests.

The distinction between public and private management, then, is arguably definitive from structural, craft, and institutional perspectives. The two sectors are constituted to serve different kinds of societal interests and distinctive kinds of skills and values are appropriate to serving these different interests. The distinctions may be blurred or absent, however, when analyzing particular managerial responsibilities, functions, and tasks in particular organizations. The implication of this argument is that lesson drawing and knowledge transfer across sectors is likely to be useful and should never be rejected on ideological grounds.

D. Public Management as Structure

As already noted, the earliest conception of public management was as a structure of governance, that is, a formal means for constraining and overseeing the exercise of state authority by public managers. From a structural perspective, public management involves two interrelated elements: lawful delegation of authority and external control over the exercise of delegated authority. The design of arrangements that balance these elements constitutes the paradigmatic problem of public management viewed as a structure of governance.

E. Public Management as Craft

In recent decades, increasing emphasis has been placed on public management as a craft practiced by specific individuals in specific managerial roles. The challenge to any administrator is to overcome obstacles, to understand and master problems, to use imagination and insight in devising new goals of public service. No able administrator can be content to be simply a good caretaker. He seeks rather to review the ends of organized effort and to advance the goals of administrative endeavor toward better public service.

In a democratic society this questing is not guided solely by the administrator's own personal sense of desirable social ends. The administrator must convince others as well. He must work with interest groups, with legislators, with chief executives, and with the personnel of his own agency to convince them all that a particular line of policy or program is desirable.

Many craft-oriented public management scholars have assumed away the structural elements of public management, concerning themselves with the temperamental and psychological aspects of management. This approach leads to a highly reductive view of public management. Thus successful managers are characterized as enterprising or entrepreneurial, disposed to take risks, purposeful, imaginative and intuitive, and inclined to act. Others emphasize simple, generic processes — establishing and reiterating clear goals, managing by walking around — or adhering to unexceptionable principles —

develop and focus on a narrow agenda, look for opportunities to act, and the like.

The oversimplifications of its proponents should not discredit the importance of craft as an element of public management, however, at least in principle. Beyond structural considerations are the behavioral and intellectual challenges that any good manager must take into account. There are, as well, what Barnard called the ‘non-logical’ aspects that give rise to timely reactions, intuitive insights, and, ultimately, good judgment. From a craft perspective, some public managers are better than others. Though there has been relatively little rigorous empirical research on managerial contributions to governmental performance, it is reasonable to assume that public management will be only as effective as public managers are masters of their craft.

F. Public Management as Institution

The notion that public management should be a self-regulated institution evokes the concept of responsibility, another paradigmatic value in traditional public administration. The following observations have been made on the concept of responsibility by different management thinkers:

Woodrow Wilson observed that ‘there is no danger in power, if only it be not irresponsible’.

Morstein Marx argued, ‘the heart of administrative responsibility is a unified conception of duty, molded by ideological and professional precepts’.

Frederick Mosher said, ‘responsibility may well be the most important word in all the vocabulary of administration, public and private’ and that responsibility ‘would seem to me to be the first requisite of a democratic state’.

How should responsible public management be defined? One group defined it in terms of adherence to a liberal political philosophy. Another thinker distinguished between objective responsibility, or answerability for one’s actions, a structural perspective, and

subjective responsibility, which is akin to identification, loyalty, and conscience, a craft perspective. Yet another group had identified in the classic literature of public administration four distinct and demonstrable qualities — accountability, judgment, balance, and rationality — which, they argue, constitute a *precept of managerial responsibility* that, when observed in managerial practice, justifies judicial deference when agencies are defendants in litigation and qualifies as a general norm of responsibility.

After all external direction is taken into account, however, public managers still have considerable freedom to decide matters on the basis of their own ethical promptings. Thus no combination of mechanisms for enforcing administrative responsibility can extinguish the element of *judgment* from public management.

Because public managers are necessarily accountable to numerous stakeholders in their political environments, one characteristic of good judgment is *balance*. Public managers should give careful thought to the legislative balance of power, the enunciated or anticipated preferences of the chief executive, and the probabilities of public reactions. Ideally, political and administrative thinking should blend into a joint process. Thus public managers must strike a balance among competing interests, political philosophies, and interpretations of fact. The real agenda of public management is balancing political, economic, and social concerns for equity, justice, and fairness, as well as integrating perspectives for bettering ‘the public good’ in complex, highly diverse, competitive, and inequitable environments.

A second characteristic of good judgment is *rationality*. Managerial discretion has been conceptualized as ‘the liberty to decide between alternatives’. To be responsible, judgment concerning the merits of alternative strategies or actions, whether devised by the public manager or by other stakeholders, should aspire to be logical or rational as well as politically balanced. A rational action is one for which the relationship between the goals and the means for achieving them in the mind of the manager corresponds to the relationship between goals and means for achieving them in reality (or as might be confirmed by independent analysis). To be responsible, the public manager must seek out and master arguments and evidence concerning the relationships between means and ends. The fact that

the public managers cannot anticipate or calculate all consequences following from their actions, however, does not vitiate the argument for intentional rationality in management decisions.

The institutional perspective on public management might be summarized as follows: the structures of the administrative state constitute an appropriate framework for achieving balance between a jurisdiction's need for administrative capacity to pursue public purposes and citizen control of that capacity (Lynn 2001). When managerial craft practiced within this framework is guided by a sense of responsibility, public management becomes a primary institution for preserving the balance between the state's capacity to effect the public interest and the citizen's power to hold office holders accountable.

Detailed legislation and judicial control over its execution are not sufficient to produce harmony between the governmental body, which expresses the will of the state, and the governmental authority, which executes that will. . . . The executive officers may or may not enforce the law as it was intended by the legislature. Judicial officers, in exercising control over such executive officers, may or may not take the same view of the law as did the legislature. No provision is thus made in the governmental organization for securing harmony between the expression and the execution of the will of the state. The people, the ultimate sovereign in a popular government, must . . . have a control over the officers who execute their will, as well as over those who express it .

As early as 1900, then, the contemporary problem of balancing the competing values of democratic institutions, including the institution of public management, was clearly in view.

G. Public Management and Governance

Public management performs its institutional role when public managers conform to lawful constraints, manage responsibly within them, and respond creatively to opportunities for policy making and structural reform. But public management is not the only institution that preserves balance in a constitutional regime. The capacity to effect the public interest does not reside solely in the executive

agencies of government, nor does the maintenance of control reside solely with legislatures and courts. Capacity and control, and the balance between them, depend upon the actions of executives, legislatures, judicial institutions, and citizens acting in their many capacities. A term for this complex reality is 'governance.' From a public management perspective, governance may usefully be defined as regimes of laws, rules, judicial decisions, and administrative practices that constrain, prescribe, and enable the exercise of public authority on behalf of the public interest.

The broader issue for any self-governing jurisdiction, then, is distributing power among lawful organizations and institutions so as to establish a governance regime that ensures a satisfactory balance among competing interests and values. Therein lies the continuing challenge to public management as an institution. As a result of regime restraints and the politics they authorize, the public manager may have to deal with inadequate resources, unreasonable or unrealistic workload or reporting requirements, inconsistent guidance, or missions defined so as to be virtually unachievable.

Conclusion

Notwithstanding the vagaries of politics, public management as an institution and public managers as individuals must attempt to do the best that they can under difficult, if not impossible circumstances, even when that means doing little more than 'muddling through' or 'coping' (Lindblom 1959; Wilson 1989). Doing the best that they can is unquestionably a matter of craft, which can benefit from training and practice based on the study and analysis of particular cases. It is also, and maybe even primarily, a matter of institutionalized, and internalized, values, of public managers being self-consciously guided by a precept of managerial responsibility. Though the particular character of structure, craft, and institution varies across organizations, levels of government and countries with different legal and political traditions, a strong argument can be made for the general relevance of these concepts to effective public management and to successful administrative reform.

In the final analysis, public management is also a matter of common sense. Governments authorize imperfect people to use flawed

procedures to cope with insoluble problems. The results of their efforts are remarkably effective given the exigencies of their roles. Responsible public management is indispensable to sound governance.