

## Some Basic Problems and Future Trends in Management

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### MANAGEMENT AND ITS TASKS

The management of an organization is the activity which aims at achieving desired goals by creating conditions favourable for the performance of those who work within the organization. It may also be said that management is the coordinating of human endeavours for the achieving of given goals. Thus management of an organization contains the idea that those working within it can achieve desired goals *on behalf of the management*. Management is two-fold: it is knowledge and it is art. In principle it is partly science, the use of the scientific approach and scientific methods, and partly art in its most demanding sense, the creative and skilful application or reshaping of knowledge. Thus the problems of management are closely comparable with those of applied medicine or technology.

The problems of management can be approached from many points of view. In this paper management is considered as a process, an activity in which certain tasks appear. They are grouped as planning, control, organizing, staffing of the organization and the directing of subordinates. In what follows these tasks will be considered in an economic (business) enterprise.

### PLANNING

Planning is preparing for future activity, an attempt to decide in advance what is to be done. It has two sides, the active and the passive. The aim of active measures is to make things happen that would not happen without planning. But it must be remembered that there are many circumstances that cannot be affected in this way. The organization must adapt itself to these.

The choice of an alternative is the main, but by no means the only,

important matter in planning. If the alternative is to be chosen rationally, a number of questions must be answered which also belong to planning, and which in recent years have gained increasing attention. Such are, for example: what is the basic idea on which the whole existence of the organization rests; what are its goals, i.e. what is it aiming at in the long run; what kind of policy is followed; what sub-goals is it striving to achieve? Questions like these are typical management problems. How can the people working within the organization reach given desired goals, unless the management is first clear as to what these goals are?

There are cases when, for example, the basic idea of an organization may appear, as it were, self-evident. Take the wood-processing industry. The basic idea here has obviously often rested primarily on the fact that certain raw materials exist and need processing. But the basic idea is really much more complex, when it must be based—as is nowadays more and more commonly the case—primarily on a *need* or *group of needs* already existing or still to be awakened. We may take as an example some American railroad companies. Their basic idea was originally built on a given production factor—the rail—but since the 1930s it has no longer been based primarily on that, but on a certain need: the satisfying of the need for transport. In this case the activity is no longer tied to rails or even to the earth's surface.

The study of the goals of an enterprise is also a very complex management problem. Only a generation ago the goal was comparatively straightforward, the gaining of maximum profit. Today, in addition to this—and besides the growth of the organization, which is no new concept—other goals must be considered, especially in long-range planning. Examples of these are the achieving of technical leadership, the maintaining of the organization's stability, the developing of personal and of public relations.

Long-range planning is undoubtedly central to management's working field, and here the manager comes into very concrete contact with the problem of the organization's *balance*. Plans must be geared to one another, sometimes in succession, sometimes in parallel, sometimes one within the other. Not only plans, but also various functions of the organization such as selling, manufacturing, purchasing, financing, training, etc., must be brought into harmony. And behind all these there are, of course, in the last analysis, people; and the question is then the bringing of all their efforts, interests and goals into line with one another.

Planning as a principal task of management would be fairly straightforward if we did not live in a changing world. We have only to think of the enormous developments in science and technology, in the conquest of space, nuclear power, automation and so on. The economy in which we live is also changing. It is changing ever more clearly from a production

economy to a consumer economy, the standard of living is rising constantly, new consumer habits are appearing, leisure time is increasing, as is the competition for the customers' money. Whole economies or economic groupings, organizations and industries are becoming more dependent on one another than formerly. Today a given make of television set, for example, not only competes with other sets, but also with washing machines, package holiday trips, or a beautifying operation demanding high professional skill.

Social changes are perhaps the most perceptible of all; technical and economic developments only hasten them. The tremendous rise in the general culture level, the revaluation of people's tasks, the increase in general social responsibility, the reshaping of human relations both in various kinds of organization and in society as a whole, all these and innumerable other social changes are clearly to be seen. These progressive changes—to mention only a few—increase the need for *flexible adaptation* on the part of an organization. But not only that; they also demand to some extent the creation of new tools. One generously equipped *box of tools* that has already been mentioned is long-range planning using many kinds of new planning techniques. In this and in all planning a creative management strives to *bring about changes* by its own active measures. Here we come to the problem of the "Management of Change", with the technical, economic and social aspects and consequences that go with it.

Turn now to the climax and basic problem of the whole planning process—decision. The change I have already touched on naturally affect decision also. For these and many other reasons the *aim* today must be set *a long way into the future*. *The time during which a decision has an effect* may often lengthen simply because of heavier investments in production machinery. Many production factors cannot be withdrawn quickly; they are tied to the production for a long period. On the other hand, *the decision-making period* obviously be shortened, partly because of growing demands, partly because of the availability of new tools which aid the making of decisions. Demands directed towards *the quantity and quality of data* needed for decisions will also grow. The management will have to make decisions which are increasingly far-reaching in both space and time and take into account increasingly complex considerations, all within increasingly short periods.

The new technology has, however, developed new tools to satisfy these new demands. The most striking of these is the tool which goes by the general name of information technology, with its very highly developed methods for obtaining and processing information. The approach to decision making can be made with the support of a more "scientific" arsenal, perhaps, than is available for any other group of problems in management. The exact sciences, mathematics and statistics and other scien-

ces, offer their assistance. Operation analysis, including the theory of games, linear programming and servo theory are available, together with many other tools offered by symbolic logic, information theory, system simulation, etc. All these terms come from modern basic textbooks.

### CONTROL

Control is the second task and group of problems of management mentioned above. It means the setting of goals and plans alongside each other and examining how the set goals are achieved in the organization as a whole or in its parts. Thus control is organically connected with planning.

The problems of control may be of many kinds. Perhaps the most vital is, paradoxically, how control can be minimized while prompting people to operate usefully in achieving the goals of the organization. The fundamental idea is in fact the managing of an organization with the help of *goals* and *targets* rather than with the help of control. The basic assumption for this way of thinking is that all persons in responsible positions themselves participate in the setting of their own targets, and the targets, which they themselves have approved, will thus stimulate them to better results. I would say that the success of, for example, that important tool of planning and control, budgeting, often depends on this point.

If we think about the development of control in organizations, perhaps the first stage has been control performed by some person in a supervisory position who has personally seen, heard and followed the process. In the second stage a given system has taken over which *externally* performs the control without the active participation of the persons to be controlled. Nowadays, however, there is an increasing shift within a systematic framework of control towards a *know yourself* principle, where the object of control is actively contributing both to the setting of targets and to the following up of results. Control thus changes at least partly to *internal control*, *self-control* or something of that kind, instead of control from above or outside. The fundamental ideology of this kind of control is based particularly on the setting of targets and on a strong motivation towards reaching those targets.

The technical side of control is also a question worthy of attention. By developing it, control can be virtually improved, though the basic problem cannot be solved. One speaks sometimes of "management reach" or "span", and these are considered to depend on the information system available to management. It is hardly likely that in any physical context, such an increase in span and especially in speed, has occurred or is occurring as it has in span of management. Integrated data processing, logistics,

cybernetics, network analysis—all these along with many others are the latest technical tools of control. The possibilities for the developing of control technique in the future are almost immeasurable. This development may be hopeful or it may be absolutely terrifying, depending on how the fundamental non-technical problems of control are solved.

### ORGANIZING

The third task of management is organizing. Here the main problems are the principles of activity grouping (departmentalization) in an organization, formal relationships, authority and responsibility, etc. These are questions which have for long been discussed. To a large degree they have remained unchanged, but the answers have changed or are changing. It may be asked, why is this so?

One vital reason is again the development of technology, and especially of information technology. When “scientific management” originated at the beginning of this century (and in the form put forward by its pioneer Frederick Taylor in particular) its attention was especially directed towards *the individual worker* in an enterprise. Later, after the Second World War, “Participative Management” appeared, stressing the participation in management of various organizational levels. The attention of Participative Management was mainly directed towards *middle management*, and emphasized the importance of decentralization in the organization of an enterprise. Decentralization has become a clearly perceptible trend in the organizing of an enterprise for many powerful reasons, including psychological ones. But one reason has been the management’s capacity, time or some other limiting factor, which has been used as an argument for the decentralizing of many operating decisions.

The new information technology, however, is revolutionizing the situation. Strong arguments are again favouring concentration. It is possible to obtain much more information and in a much shorter time than formerly, and its processing takes only a fraction of the time it took a few years back. This makes it possible for the management to analyse, digest and administer an increasing number of problems. Top management in particular may thus take upon itself many more new things, more planning and general creative work than at present. The permanent conflict of organization, centralization versus decentralization, is thus acquiring new content.

The position of middle management in the organization of an enterprise may also undergo radical changes for the reasons I have just stated. It may happen that certain tasks performed by middle management at present can be programmed. Thus some of these tasks may be eliminated

or shifted down the organization ladder; and the same may happen to those who perform the tasks. Some other components of middle management may shift up the ladder. If the problem is seen purely as a result of information technology, the middle management level in the organization may be thinned out considerably while the top management will use an increasing number of specialists to help decision making at the highest level. The problem of the depth and breadth of organization clearly needs reassessment.

### STAFFING OF AN ORGANIZATION

This group includes such problems as the recruiting, selection, training and development, evaluation and promotion of people. From this group I shall pick out one problem only: the training and improvement of managers.

Only a decade or two ago, cautiously feeling one's way, one could ask the question: is management a profession in itself, do managers need training, and is it possible in general to train and improve them? Here there has occurred a radical change both in the approach and in the way of thinking.

Management education is no longer considered a luxury which only big enterprises during good times can allow themselves. It is no longer considered a cost so much as an investment, and a very important one. When we think about the changes that have happened and are happening and will probably go on happening in the world around us, it would be odd indeed if persons in responsible positions could ignore them and themselves remain unchanged and undeveloped, and yet avoid becoming obsolete.

The time is clearly past when the world changed and developed much more slowly than it does today, and when the man at the top could be said to know everything, and need not bother about studying or improving himself. Today the situation is different. When seeking staff for responsible tasks, the object is often not so much to find persons who are ready, but to find persons who can keep on learning and improving themselves for more and more demanding tasks.

Here perhaps we have arrived the core of management education and development. Professional skill is a good thing, but it tends to become obsolete. What is more important is to be able to develop one's ability to analyse one's creative imagination, one's ability to get on with other people, and to train oneself to make decisions under changed sets of circumstances. In my opinion it is the creating of these weapons, and keeping them sharp, that is the key problem of management education and development. But it is still more important to arrange for such conditions

within the organization that managers may have the opportunities to improve themselves. *Docendo discimus*, as the saying goes; by teaching we learn. One excellent way for a manager to improve himself is to help others improve themselves, and in particular to help those close to him, and above all his successor. This is a matter that may well be of incalculable importance for the education of management.

### DIRECTING OF SUBORDINATES

The last group of management tasks that I mentioned was the directing of subordinates. This includes e.g. the problems of motivation and exchange of information, i.e. communication. I intend to deal particularly with the first of these. Motivation is very important in that it is the driving force in all human activity in whatever organization, including the particular enterprise involved. It is understandable that people work to live, but do not live for work alone. They are prepared to make sacrifices up to a certain limit just to raise their own standards of living. But at some point a limit is reached. We human beings are under the influence of many and varied forces. Thus the problem of motivation cannot be solved by the wage packet alone. It is said that during the last few decades, with their improved standards of living and culture, part at least of the solution to the problem of motivation has risen from the stomach to the head and the heart. Various social values have come increasingly into the foreground.

The theory of the management of an enterprise developed recently by certain sociologists can be crystallized to a few main points in which motivation in fact plays the leading role. They consider that it is indeed the task of management to organize production factors—people, machinery, equipment, raw materials—with an eye to economic goals. But motivation, the ability to develop and take responsibility, readiness to act for the furthering of the enterprise's goals, all that is in the man himself. Management does not need to instil these characteristics in a man. The task of management is to create opportunities, to release talents, to remove barriers and encourage personal endeavours. All this means the reassessment of many values.

My own opinion is that limits to the field of motivation can scarcely be drawn, and that it cannot therefore be entirely understood. As our knowledge of solutions increases, so the problem itself not only grows but becomes diverse. The management of an organization must solve the problem yet, owing to its nature, the solution will always be more or less incomplete. For this reason it seems that the question of motivation will always remain a problem for management.

### BALANCE IN THE MIDST OF CHANGE

When we consider the problems of management of an organization, we must remember that managers are human beings too, that they too have their own, often very strong, motivations and targets—otherwise they would never be managers. Their targets, some cruder, some more refined, may be the desire to make money, to achieve visible results, to keep their jobs as managers, to be good citizens accepted by their colleagues and respected as superiors. All this in turn makes the manager and his work clearly dependent on a number of things inside and outside the organization, and on good *relations* in various quarters.

The management of various organizations is, as it were, affected by the different pressure groups in the midst of which it operates. In any particular enterprise, such groups are, for example, workers and their organizations, owners, supplier, credit institutions, customers, and the authorities whose activity is constantly increasing by means of laws and directive measures. The management of an organization is also more dependent than formerly, in this age of modern mass information media, on powerful public opinion.

Taking into consideration all these factors which tend to affect management, the main problem of managing most enterprises is one of balance. The fact that the conditions of this balance are dynamic is a challenge to dynamic management.