

Management

STUDYING KEY CONCEPTS

Definition of Management

Management can be defined as using professional skills to identify and achieve organizational goals through the development of suitable resources. Management involves identifying what needs to be done and then organizing and supporting the people involved to perform the necessary tasks. There are seven main skills and tasks of management:

- Planning
- Goal-setting
- Decision-making
- Delegation
- Support
- Communication
- Plan control

Planning

Planning can be defined as establishing goals and the means to achieve them by formulating, evaluating, and selecting policies, strategies, tactics, and action. Large companies prepare different kinds of plans, such as strategic plans, financial plans, marketing plans, and production plans.

A manager must have a plan. The starting point in management is “The Five-P Rule”: Proper Planning Prevents Poor Performance.

Goal-Setting

There are various kinds of goals in business: business goals, financial goals, marketing goals and individual goals, to name a few. Each of these must have the four characteristics of a “good goal.” These characteristics are:

1. Specific

A goal should be specific. A vague and unclear goal doesn’t drive you toward action.

2. Measurable

In order to understand how well you achieve your goal, the goal should be measurable.

3. Time-limited

A goal should have a time limit. A distant goal is like a dream and has no impact on your daily actions.

4. Right-sized

A goal should be the right size. Small goals do not inspire people. Big goals can create a sense of mission, and a sense of mission creates motivation. We have to keep in mind, though, that even large goals must be achievable, or employees will see them as manipulative or just plain silly.

Decision-Making

Decision-making is the process of choosing between alternative courses of action. Decision-making takes place both at an individual level and at an organizational level. A six-step process for making rational business decisions is given below:

1. Define the problem

Start by asking: "What is the problem?"

2. Gather information

Once you define the problem, gather all relevant facts.

3. Analyze the information

Examining and evaluating the information helps you understand the facts better and discover what they mean in regard to your problem.

4. Develop options

Even when there initially seems to be only one option, you will probably find several alternatives if you consider all possible solutions.

5. Choose the best option

If you follow the first four steps, you will probably make a good decision.

6. Monitor the outcome

Follow-up is the only way to know whether your decision solved the problem.

Delegation and Support

Delegation is the assignment of tasks to subordinates. Delegation is actually how a manager gets things done, as managers supervise the work of others. It is essential for any manager to assign tasks and to ensure that they are performed properly. Still, a manager's work doesn't end with delegation. Support and encouragement of the subordinates is needed for effective delegation.

Communication

Communication is essential to running an organization effectively. Some people say that communication skills are the ones that are most desired in a manager. Both written and oral communication skills are important. Business demands that you communicate clearly, accurately, honestly, and persuasively.

Plan Control

There's a saying in business: "Plan your work and work your plan." In other words, prepare a plan and put it to use. This is more formally known as "plan control." As a manager, you must manage your resources—your people, time, equipment, and money—as planned in order to reach the goal. A good plan helps you each step of the way towards your goal.

Japanese-style management deserves updated appraisal

Japanese-style management was once widely acclaimed as ideal. Since the collapse of the bubble economy, though, it has been discarded as a model for its incompatibility with reform. Now the system is being reevaluated, and active debate is going on in the business community on how to adapt it to changing times.

Carlos Ghosn, president and chief executive officer of Nissan Motor Co., writes in the August issue of the monthly magazine *Bungei Shunju* that Japanese-style management derives its strength from three basics: seniority-based wages, lifelong employment and concentration of power in middle management. Ghosn says companies under Japanese-style management have had mixed results. . . . He says competitive Japanese companies have produced high profits by retaining the strengths of Japanese-style management and adopting features of international management throughout their global operations. . . .

Unsuccessful companies, on the other hand, cling to their traditional management methods and fail to adapt to changes. . . . Seniority-based wages and lifelong employment will produce good results when they are combined with performance-based evaluation to bring out the latent abilities of middle managers and young employees. . . .

Fujio Mitarai, president of Canon Inc., writes in the July issue of the *Bungei Shunju* magazine that Japan, which excels in manufacturing technology, should



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develop high-added-value products to expand its presence in the global market. Toward that end, he says, genuine corporate loyalty should be fostered—which will ultimately lead to increased patriotism among Japanese. Although corporate loyalty flourishes under the tradition of lifelong employment, he believes that companies should reward those who have achieved results through their ingenuity, regardless of the traditional system of seniority-based wages.

(*The Japan Times*, July 21, 2003)

note: Canon Inc. scrapped its seniority-based wage structure in 2002.

Discuss the benefits of retaining the strengths of the Japanese management system in today's business world, based on the above article.

Nissan's Revival

Nissan Motor Corporation has come a long way from its humble origins as a company established in 1933 to manufacture small cars and auto parts. Today, Nissan is Japan's second largest car manufacturer behind Toyota. Nissan produces a variety of passenger cars, commercial vans, and trucks, and has major interests in businesses that deal in auto components.



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Nissan grew in the wake of the first oil crisis and went on to become one of the largest automobile manufacturers, establishing manufacturing facilities in Mexico and Australia. It expanded its operations to the United States in 1980s with a plant in Tennessee. Nissan went on to establish manufacturing units in Sunderland in the UK and Pretoria in South Africa.

The financial crisis lasting throughout the 1990s led to mounting debts, and by the end of the 1990s Nissan had posted losses for seven consecutive years. In 1999 the French car manufacturer Renault took a controlling stake in Nissan and appointed Carlos Ghosn as president. Born to Lebanese parents in Brazil, Ghosn had overseen major assignments for Renault over the years.

Ghosn's plan for Nissan, known as the Nissan Revival Plan, set out to reorganize the company. Major reductions in costs were undertaken as well as a slashing of the workforce in order to bring the company out of the red. Ghosn is said to have offered to quit along with his entire team if he were unable to turn Nissan around by 2000. Many Japanese employees at Nissan worried that they would be dismissed as a result of Ghosn's radical approach. As a matter of fact, five manufacturing facilities in Japan were closed and more than 21,000 jobs were cut around the world.

Nissan returned to profitability owing mainly to the deep cuts in costs as well as a decreased payroll and the elimination of inefficient suppliers. Ghosn almost entirely unloaded Nissan's holdings in other companies and freed up capital to divert to the profitable U.S. market. Nissan's plan to lay off workers initially caused great alarm in its workers union; however, the methods employed to achieve the plan were gentle, such as offers of incentives for early retirement.

Employee evaluation is another area that went through a sea change. The traditional Japanese system was set aside in favor of the evaluation of performance and contributions to the company, irrespective of gender, university education, and so on. Now female employees of Nissan have as much chance for promotion as their male counterparts. Nissan plans to raise the ratio of women in managerial positions to 5 percent by 2008—well above the average of 2.8 percent in Japanese industry.

In just two years, Ghosn managed to bring Nissan back from the brink, from losses mounting to 600 billion yen to a profit of 275 billion yen, which also happened to be Nissan's best performance to date.

The company's revival is also reflected in the performance of Nissan's shares on the market. Starting from around 400 yen per share, the share price has climbed to 1,285 yen in only two years, an astounding increase of 300 percent. This is especially impressive when one considers that the Nikkei index went down by 30 percent in the same period.

• *Discuss the reasons behind Mr. Ghosn's success, based on insights you gained from studying this chapter.*