

## Lecture 1: Introduction to Management in the Organization

### I. Functions of Economic Organization

#### 1. Concept of Function

The notion of a “function” primarily relates to intangible aspects rather than physical ones, focusing on tasks and processes rather than material structures. For an individual, a function refers to the set of tasks and duties assigned to them within the scope of their responsibilities and the authority granted by their position.

A broader understanding emerges when grouping multiple tasks, positions, and responsibilities into a coherent and integrated unit that fulfills a specific role, somewhat distinct from other roles within the organization. This may include phases of operational activity such as purchasing, storing, and production, or a set of tasks that structure these activities to achieve objectives, as seen in planning, organizing, directing, and controlling. These can be further consolidated under the broader concept of management. Finally, the organization itself can be regarded as a legal entity with a societal function.

#### 2. Classification of Organizational Functions

The concept of organizational functions was initially developed by **Henri Fayol** in his book *L'Administration Industrielle et Générale* (published posthumously in 1925, with earlier ideas appearing in 1916). Fayol identified the following functions within an organization:

- **Technical function:** production, manufacturing, transformation
- **Commercial function:** buying, selling, exchanging
- **Financial function:** acquiring and managing funds
- **Security function:** protecting property and personnel
- **Accounting function:** inventory, budget, cost, statistics, etc.
- **Administrative function:** forecasting, organizing, commanding, coordinating, and controlling

Overall, organizational functions can be grouped into three categories:

#### A. Resource Provision Functions:

- **Financial Function:** Encompasses all activities responsible for acquiring capital and optimizing its use. This includes ensuring the organization can meet all financial obligations, developing investment plans, estimating capital requirements, identifying internal and external funding sources, and conducting financial analyses to assess strengths and weaknesses. It involves decisions on financing, investment, and profit distribution.
- **Human Resource Management:** Covers all activities related to acquiring, developing, motivating, and retaining personnel to achieve strategic organizational goals and maximize employee performance. Core areas include recruitment, workforce development, performance management, compensation, occupational health and safety, and employee relations.

#### B. Operational Functions:

- **Marketing Function:** Includes all pre-production activities aimed at studying the organization’s market, understanding customer needs and preferences, and delivering goods or services of value. It also encompasses post-sale activities, such as evaluating customer feedback and fostering long-term relationships. **Philip Kotler** defines marketing as “activities aimed at satisfying individual needs and

desires through exchange processes.” The American Marketing Association defines it as “the set of activities guiding the flow of goods and services from producer to consumer or user.”

- **Production and Operations Function:** Involves utilizing production factors to create goods and services that satisfy consumer needs. Objectives include cost reduction, timely delivery, product/service quality improvement, and profit generation.
- **Supply Function:** Includes activities ensuring the acquisition, storage, and management of raw materials and finished goods, providing adequate stock at appropriate quantities, costs, and types according to organizational plans. It encompasses two sub-functions: **purchasing** and **storage**.

### C. Control Functions:

- Represented by **administrative or managerial functions**, responsible for planning, organizing, directing, and monitoring organizational resources to achieve intended goals. This function will be discussed in greater detail below.

## II. Introduction to Management

The success of economic organizations depends not only on acquiring necessary resources but equally on utilizing them efficiently and effectively. This constitutes the essence of management, regarded as both an art and a science. Below are key concepts related to organizational management:

### 1. Concept of Management

The French term “**gestion**” has a narrow meaning, referring mainly to procedural techniques. In contrast, the English term “**management**” encompasses both procedural skills and the leadership competencies required by managers. These terms are often used interchangeably in management literature.

- **Classical Definitions:**
  - **Taylor:** “Management is a science based on laws and principles applicable to human activities; it ensures that work is done in the best and most economical manner.”
  - **Fayol:** “To forecast, plan, organize, command, coordinate, and control,” supported by 14 principles: division of labor, authority-responsibility balance, discipline, unity of command, unity of direction, hierarchy, subordination of individual interests, remuneration, centralization, order, equity, job stability, initiative, and esprit de corps.
- **John Mee:** “Management is the art of achieving maximum results with minimum effort to ensure the greatest satisfaction for employers and employees while providing the best service to society.”
- **Decision-Making Perspective (Simon):** Management involves “decision-making processes as much as actions taken.”
- **Modern Environmental Perspective:** Management is “creating and maintaining environmental conditions in which individuals can achieve specific objectives efficiently and effectively.”
- **Peter Drucker:** “Management is a function and a body of knowledge applied by managers to execute organizational tasks.”

### Comprehensive

Management is “a continuous intellectual process based on scientific methods aimed at optimizing organizational resources and achieving objectives efficiently through planning, organizing, directing, and controlling.”

### Definition:

## 2. Stages in the Development of Management

Management evolved from practice to art and eventually to science, initially addressing “how” before exploring “why.” Commercial, industrial, and banking activities contributed significantly, while agriculture played a smaller role. The Industrial Revolution accelerated this development. Management evolved through four major stages:

1. **Traditional Management (Closed, Rational):** Classical school focus on rationality within a relatively stable environment.
2. **Human Relations Management (Closed, Social):** Behavioral school focus on human relationships, motivation, and incentives.
3. **Planned Management (Open, Rational):** Strategic adaptation to environmental changes and disturbances.
4. **Participative/Strategic Management (1970s–Present):** Balances external constraints and internal capacities, focusing on strategic planning and management in rapidly changing environments.

## 3. Importance of Management in Organizations

- Organizational survival and growth depend on achieving objectives, which management facilitates.
- Ensures optimal use of resources, linking to efficiency and effectiveness.
- Helps organizations adapt to environmental changes.
- Provides solutions to routine operational and strategic problems.
- Creates competitive advantage, adds customer value, and strengthens long-term market position.

## 4. Levels of Management

1. **Strategic Management:** Focuses on organizational growth, sustainability, and long-term goals through environmental analysis and competitive positioning; typically at the top management level.
2. **Tactical Management:** Implements medium-term objectives and aligns operational activities with strategic goals; typically at middle management.
3. **Operational Management:** Oversees daily activities, ensures operational efficiency, and maximizes resource utilization; typically at lower management levels, interacting with internal teams and external stakeholders such as clients and suppliers