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Leveraging Management Practices for Sustainable Economic Growth

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Abstract - Management is the core function of any organization. This conceptual paper outlines a number of best management practices that organizations should follow to achieve its objectives and it leads to sustainable economic growth. The paper also tries to give a snap shot on the contributions of different management gurus in the development of best management practices.

Key Words: Employee involvement, management practices, Performance monitoring, TBL

I. Introduction

Every institution, organization, sector, household and business needs proper management to ensure smooth running of such organizational set up. An organization, if not properly managed, planned and controlled cannot achieve success. In a nutshell, good management practices needs to be established. Human, material and financial resources must be present to achieve managerial goals and objectives. Individual staffs control all the other resources of the organization. The efficiency of individual staff determines the overall productivity and thereby the overall profitability of an organization. The overall efficiency of an organization mainly depends on the management practices followed by the organization.

An organization that wants to become sustainable has to look at changing a wide range of business activities, most of which are measured by the triple bottom line (TBL) which means the total impact of the company's operations on the environment, society, and the economy.

The TBL is comprised of specific environmental, social, and economic indicators, such as the amount of various pollutants released, the ways in which employees are treated and the financial impacts of companies on local communities. The TBL includes the direct impact of the company's operations, the impacts of the products, and the impacts of the suppliers and their operations. As daily headlines remind us, sustainability and the TBL are now of enormous

importance in every industry, which helps in shaping companies' public reputations and their future business prospects.

Management is the core function of any organization. Management is responsible for well-being of the company and its stake holders, such as the investors and employees. Therefore, the management should be skilled, experienced, and motivated set of individuals, who will do whatever necessary for the best interest of the company and stake holders.

Management Practices are approaches based on known science that, if followed, should allow the client to meet the required standards or achieve the desired objectives.

Best Management Practices are the methods or techniques that are found to be the most effective and practical means in achieving organizational objectives while making the optimum use of organization's resources.

There are two types of best practices in an organization:

- **Internal Management practices:** These practices are originated by the internal knowledge management efforts.
- **External (industry) Management practices:** These are acquired to the company by hiring the skilled, educated and experienced staff and through external trainings.

II. The Main Areas

When it comes to management best practices, we can identify five distinct areas where the best practices can be applied.

1) **Communication:** - Management is all about communicating to the staff and the clients. Effective communication is a must when it comes to successful management. The management should have a set of best practices defined for clear and effective communication to the staff and the clients.

2) **Leading by Example:** - Respect is something that the management should earn in a corporate environment. Leading by examples is the best way of doing this. Define and adhere to leadership by example best practices and the management must also make sure the subordinates do the same.

3) **Setting and demanding realistic goals:-** Realistic goals can boost the corporate morale. Most of the times organizations fail due to unrealistic/unachievable goals and objectives.

There are many management practices on how to set goals and objectives, such as SWOT analysis. Since the goals are the driving factor behind the organization, management needs to make use of every possible best practice for goal setting.

4) **Open Management Styles:** - When management style is open and transparent, others respect more. In addition, information directly flows from the problem areas to the management.

5) **Strategic Planning:** - This is the most important best practice area when it comes to long-term benefits for the company.

There are many tools a manager can use for best management practices.

Benchmarking:

Benchmarking is a domain itself. Accurate benchmarking helps Management to understand the capability of the company or the departments. Benchmarks can also be used for evaluating and assessing the performance of the company.

Forecasting:

Forecasting, especially, financial forecasting is a key function for a business organization. There are many tools such as price sheets, effort estimates for accurate forecasting.

Performance Monitoring:

Matrix is one of the management practices in performance monitoring. In addition, management can define certain criteria for measuring and assessing the performance of departments, functions and people.

THE WAYS IN WHICH MANAGEMENT PRACTICES HELPS IN SUSTAINABLE ECONOMIC GROWTH:

- 1) **Introduction of modern manufacturing techniques:** - Some aspects of manufacturing can be formally introduced in the organization, including just-in-time delivery from suppliers, flexible manpower, support systems, attitudes, and behavior can increase the sustainability in economic growth
- 2) **Rationale for introduction of modern manufacturing techniques:-** Modern manufacturing techniques must be adopted to meet business objectives like reducing costs and improving quality and must not be used just because others were using them. These practices can be used for sustainable growth.
- 3) **Process problem documentation:-** process improvements to be used by companies to actively sought out for continuous improvement as part of a normal business process.
- 4) **Performance tracking:** - performance is continuously tracked and communicated to all staff so that performance is reviewed with an expectation of continuous improvement.
- 5) **Performance dialogue:-** At the time of review/performance conversations, to what extent is the purpose, data, agenda, and follow-up steps (like coaching) clear to all parties to be checked by management.
- 6) **Target balance:** - Management should verify whether the goals are exclusively financial, or is there a balance of financial and non financial targets.
- 7) **Target interconnection:** - organization should also look whether goals are based on accounting value, or are they based on shareholder value in a way that works through business units and ultimately is it connected to individual performance expectations.
- 8) **Target time horizon:** - Top management should visualize short-term targets as a “Ladder” toward the main focus on long-term goals. Goals must be demanding but attainable for all parts of the firm.

9) **Performance clarity:** - performance of organization must be well-defined, clearly communicated, and made public. Therefore Staff in the Organization work accordingly to reach up the sustainable Growth.

10) **Managing human capital:**-senior managers should evaluate and hold accountable for attracting, retaining, and developing talent throughout the organization.

11) **Rewarding high performance:** - People who perform well should be rewarded on the basis of their performance. If possible, incentives should be given on the basis of labour productivity. Studies reveal that non-monetary incentives will have long lasting impact on the employees.

12) **Promoting high performers:** - Organizations should verify whether people promoted are mainly on the basis of tenure, or does the firm actively identify, develop, and promote its top performers.

13) **Attracting human capital:** - Competitors offer stronger reasons for talented people to join the companies, and firm should provide a wide range of reasons to encourage talented people to join.

14) **Retaining human capital:** - Firm must do whatever it takes to retain top talent when they look likely to leave.

III. The Evolution of Management Thought by Management Gurus

A brief discussion about the management thoughts introduced by eminent management gurus gives more insight into best management practices for sustainable economic growth:

Peter F Drucker (1909-2005)

In the present times Peter Drucker has become world renowned as an authority on management. He is described by an admirer as “an economist, journalist, historian, humanist, philosopher, thinker, author, futurist and a management expert all in one and none in particular. Drucker has written several books on management viz ‘The concept of the Corporation’ (1946); ‘The practice of Management’ (1954); ‘Managing for results’ (1964); ‘The Effective Executive’ (1967); ‘The Age of Discontinuity’ (1969); and ‘Management Tasks, Responsibilities and Practices’ (1973). His book ‘The Practice of Management’ has made the best impact and is the most enduring. He advocated management by objectives. He also made notable contributions in the field of decision making. He makes the observation that a decision is a judgment - a choice between alternatives, a choice which is rarely a choice between right and wrong; being one between almost right and probably wrong. He has not only been an original thinker but has given a new twist to old ideas. In short he has made the managers and academicians rethink.

F. W. Taylor (1856-1915): Scientific Management

At the turn of the century, the most notable organizations were large and industrialized and often included ongoing, routine tasks that manufactured a variety of products. Management tended to be the same. Frederick Taylor developed the "scientific management theory" which espoused this careful specification and measurement of all organizational tasks. Tasks were standardized as much as possible. Workers were rewarded and punished. This approach appeared to work well for organizations with assembly lines and other mechanistic, routinized activities."

F.W. Taylor was considered as the "father of management thought." He developed four principles to increase efficiency in the workplace based on his own experience and observations as a manufacturing manager: Gathering of the traditional knowledge of the workman; record and codify it, Scientific selection of the workman and his progressive development, Bringing together the trained workman and the scientific approach and Teamwork between management and workmen; sharing of a division of the labour.

The Gilbreths: Time-and-Motion Study

Frank and Lillian Gilbreth refined time-and-motion study in the early twentieth century. "The Gilbreths' preferred "motion study" to Taylor's "time study," however the term "Time and Motion" has tended to stick in popular terminology. The Gilbreths studied the actions taken by workers at certain task with the aim of streamlining the processes involved. One of their most famous experiments involved analyzing the work of bricklayers and significantly reducing the number of "operations" involved. This change benefited both employers (increased productivity) and employee (decreased fatigue). The Gilbreths developed a categorization system for the different basic activities which went to make up a task. The basic Therbligs numbered around 15 (the system developed over time) and included such actions as "find", "select" and "rest." Each of these was represented by an icon, for example an eye for "find." The activity of a worker could then be plotted on a Simo Chart ("Simultaneous Motion Chart") for optimization."

Max Weber (1864-1920): The Theory of Bureaucracy

Max Weber, born to a wealthy family that had strong political ties in Germany, became a sociologist, editor, consultant to government, and author. Because of his various positions, he experienced the social upheaval brought on by the Industrial Revolution. He saw the emerging forms of organization as having broad implications for managers and society. "Adhering to a perspective that viewed society as becoming increasingly rational in its activities, Weber believed that organizations would become instruments of efficiency if structured around certain guidelines." Weber constructed an ideal type so that he could study this movement towards rationality of organizations. He termed this ideal type a bureaucracy which described an organization in its most rational form. "Because of the emphasis on efficiency that had developed around the turn of the 20th century, many management scholars and practitioners interpreted Weber's writings on bureaucracy as a prescription for organizing. Weber, however, was more interested in developing his bureaucratic type as a method for comparing organizational forms across societies. While he did not believe any organization would perfectly conform to the dimensions that compose his bureaucratic model, Weber felt that some organizations would come closer than others." The closer to the bureaucratic type, the more rational society was becoming, and it was Weber's interest in the rationality of social life that directed his attention to the study of organizations."

Henri Fayol (1841-1925): Principles of Management

"Henri Fayol was a French mining engineer who spent many of his later years as an executive for a French coal and iron combine. In 1916, as director of the company, Fayol penned the book *General and Industrial Management*. In this book, Fayol classified the study of management into several functional areas which are still commonly used in executive training and corporate development programs. The functional areas identified by Fayol are planning, organizing, directing, coordinating, and controlling. Fayol set down specific principles for practicing managers to apply that he had found useful during his years as a manager. He felt these principles could be used not only in business organizations but also in government, the military,

religious organizations, and financial institutions. Fayol's principles were not meant to be exhaustive. Rather, his aim was to provide managers with the necessary building blocks to serve as guidelines for managerial activities. In sum, the principles emphasize efficiency, order, stability, and fairness. While they are now over 90 years old, they are very similar to principles still being applied by managers today. "

The Work of Mary Parker Follett (1868-1933)

"Mary Parker Follett advocated for a human relations emphasis equal to a mechanical or operational emphasis in management. Her work contrasted with the "scientific management" of Frederick W. Taylor and evolved by Frank and Lillian Gilbreth, which stressed time and motion studies. Follett stressed the interactions of management and workers. She looks at management and leadership holistically, presaging modern systems approaches; she identifies a leader as "someone who sees the whole rather than the particular." Follett is sometimes considered the "mother of conflict resolution". She was one of the first to integrate the idea of organizational conflict into management theory. "

Douglas McGregor: Theory X and Theory Y (1906-1964)

"Douglas McGregor in his book, "The Human Side of Enterprise" published in 1960 has examined theories on behavior of individuals at work, and he has formulated two models which he calls Theory X and Theory Y. Theory X assumes that the average human being has an inherent dislike of work and will avoid it if he can." It also assumes that people work only for money and security. "McGregor sees these two theories as two quite separate attitudes. Theory Y is difficult to put into practice on the shop floor in large mass production operations, but it can be used initially in the managing of managers and professionals." Theory Y is the opposite of theory X and states that some people, if they are committed to the objectives, see work as natural and will be self-directing. The manager's role with these people is to help them achieve their potential.

The Open-Systems View

"According to Katz and Kahn (1978), organizations consist of the patterned activities of Individuals aimed at some common output or outcome. These activities can be characterized as consisting of the energetic input into the system (i.e., inputs of people, money, technology, etc.), the transformation of energies within the system (i.e., putting the inputs to work together), and the resulting product or energetic output (i.e., the product that results from the patterned activities of the input and throughput phases). Central to open systems model is the idea of a negative feedback loop that informs the system that it is not functioning effectively, thereby allowing for changes to reduce any discrepancies."

Contingency Theory

The contingency approach to management is based on the idea that there is no one best way to manage. Also, to be effective, planning, organizing, leading, and controlling must be tailored to the particular circumstances faced by an organization. Environmental factors impacting the effectiveness of different organizational forms include environmental change and uncertainty, work technology, and the size of a company. "According to the contingency perspective, stable environments suggest mechanistic structures that emphasize centralization, formalization, standardization, and specialization to achieve efficiency and consistency. Certainty and predictability permit the use of policies, rules, and procedures to guide decision making for routine tasks and problems. Unstable environments suggest organic structures which emphasize

decentralization to achieve flexibility and adaptability. Uncertainty and unpredictability require general problem solving methods for non routine tasks and problems. Paul Lawrence and Jay Lorsch suggest that organizational units operating in differing environments develop different internal unit characteristics, and that the greater the internal differences, the greater the need for coordination between units."

Recent Changes in Management Practices

Many organizations have changed the way they operate so that they can increase efficiency and effectiveness. To reduce costs, managers have restructured and downsized operations and out sourced activities. To increase efficiency and effectiveness, organizations are also utilizing self-managed teams and empowering their workforces. "Managers are increasingly utilizing IT to achieve these objectives."

IV. Challenges for Management in a Global Environment

It can take years to build an internationally competent workforce whose members know the business and are flexible and open-minded. Organizations that are multinational can no longer rely on just a few experts of a particular country or a few managers with multicultural experience to succeed. For this reason, all employees must have some minimal level of international expertise and be able to recognize cultural differences that may affect working relationships and daily business communications. Overseas managers share common traits with their domestic counterparts. "Wherever a manager is hired, he or she needs the technical knowledge and skills to do the job, and the intelligence and people skills to be a successful manager. Selecting managers for expatriate assignments means screening them for traits that predict success in adapting to what may be dramatically new environments.

V. Conclusion

Management is the process of using functions that include planning, organizing, leading and controlling of an Organization. There are several theories pertaining to Management. They include the Scientific Management theory, the administrative management theory and the behavioral theory and the Organizational environment theory. All these theories suggest best management practices for the effective utilization of the resources. Firms with best management practices tend to have better performance on a wide range of dimensions: they are larger, more productive, grow faster, and have higher survival rates and strive hard for sustainable economic growth. If an organization is able to balance various internal as well as the external environmental forces that is an indication that the organization follows best management practices.

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