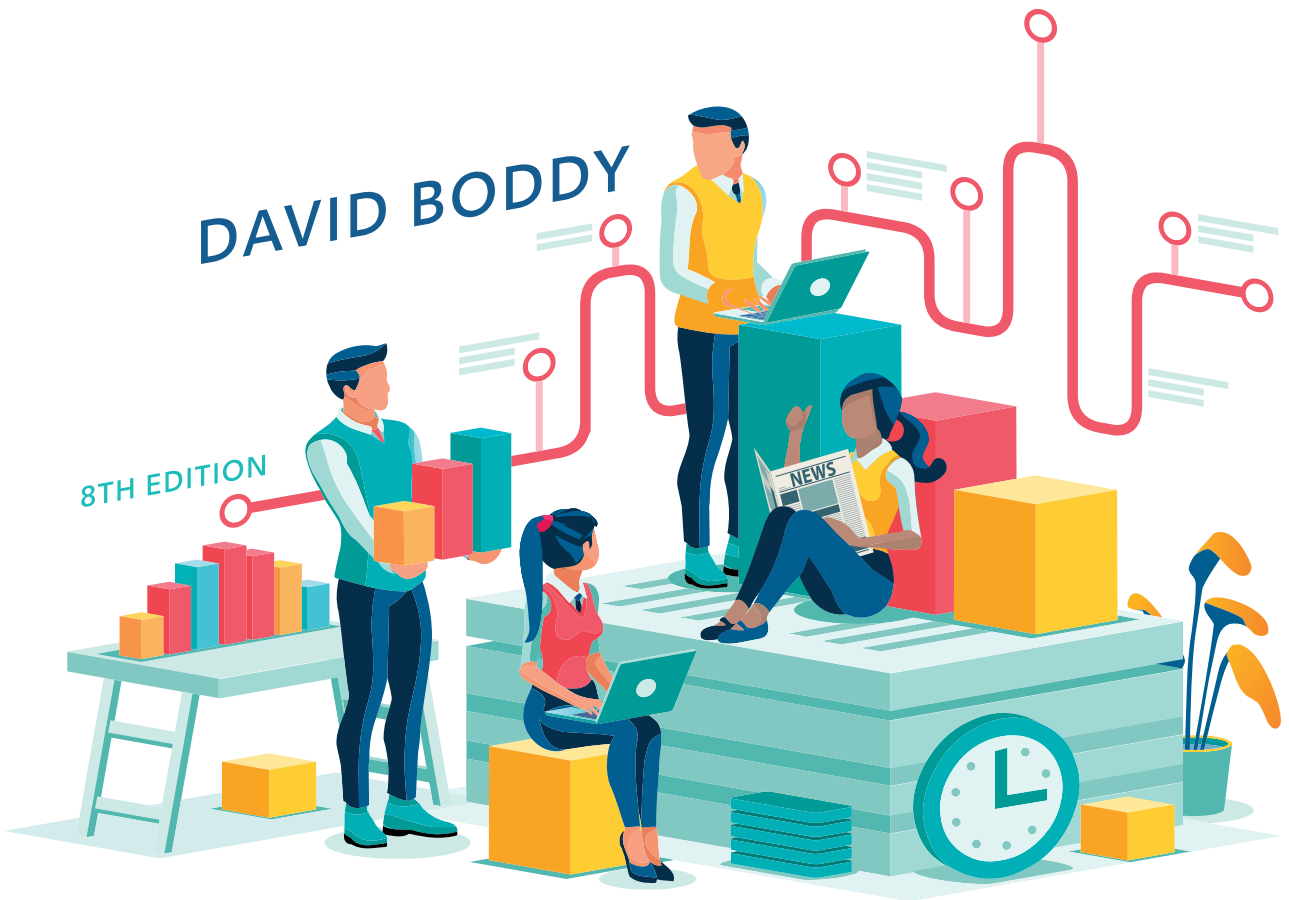


MANAGEMENT

Using Practice
and Theory to
Develop Skill

DAVID BODDY

8TH EDITION



MANAGEMENT

**Using Practice and Theory
to Develop Skill**



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David Boddy Formerly of University of Glasgow

MANAGEMENT

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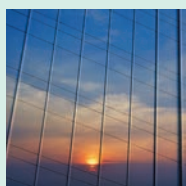
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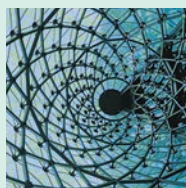
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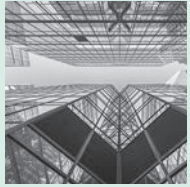
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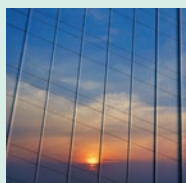
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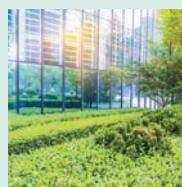
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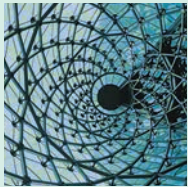
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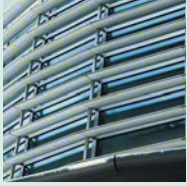
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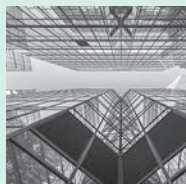
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PREFACE TO THE EIGHTH EDITION

This eighth edition takes account of helpful comments from staff and students who used the sixth edition, and the suggestions of reviewers (please see below). The book retains the established structure of six parts, and twenty chapters – though Managing Change replaces Finance and Budgetary Control (still available on the Companion Website). Within that structure each chapter has been updated where necessary, with many new and current examples both in the narrative and in the Management in Practice features. New empirical research maintains the academic quality.

Responding to concerns about ‘textbook fatigue’, this edition is shorter than previous ones, though the same amount of material is available to students. Each chapter contains what the author sees as the ‘core’ theories and approaches which will be most useful to students at an introductory level. Other material which is probably less essential is now included on the Companion Website, with a clear link from the text to the website where needed.

Examples of updating and revisions in chapter contents are:

Chapters

Chapter 1 (Managing in organisations) – includes the ‘triple bottom line’ as a way of assessing performance, and introduces the new ‘Think clearly to connect practice, theory and skill’ feature in Section 1.10. The idea that managers add value by performing tasks and processes within a context is also introduced.

Chapter 3 (Organisation cultures and contexts) – additional empirical material in the BBC case, and another study tracing the formation of a cultures in a call-centre which appeared to encourage mis-selling over customer care.

Chapter 5 (Corporate responsibility) – new empirical work applying CR principles to employees’ welfare, and a new overview of CR research.

Chapter 6 (Making decisions (previously 7)) – new material in the IKEA case as it starts to make major changes to its way of working, and a study of investors using instinct as well as rationality in their decisions.

Chapter 7 (Planning (previously 6)) – more on the troubles at Crossrail, and some good research on how people plan to use their time – which is the new ‘Develop a skill’ topic.

Chapter 8 (Managing strategy) – more on GKN, with evidence about poor performance of senior managers in the time before the Melrose bid (which most media comment seemed to overlook). Also a new research-based example of a local manager successfully adapting an inadequate strategic plan.

Chapter 10 (Structure) – empirical research on formalisation and how it affects whether public employees follow rules; also more on developments in the Chapter case – GSK.

Chapter 13 (Entrepreneurship, creativity and innovation) – new (two-part) Management in Practice feature following an entrepreneur’s early years in business.

Chapter 14 (Influencing) – new Chapter case – W. L. Gore and Associates in Europe, which illustrates their unusual, but successful, approach to managing.

Chapter 15 (Motivating) – much of the historical material is now on the Companion Website, with a table summarising the research outcomes. New empirical research on job characteristics theory.

Chapter 18 (Managing change) – a new chapter, with Amazon as the Chapter case. Outlines and illustrates Lewin’s force-field theory, forms of change and alternative, and complementary, theories of change, as well as understanding stakeholders (‘Develop a skill’ feature).

Academic content This has been extended and updated where appropriate, with over 90 new references, mostly reporting empirical research to enable students develop the habit of seeking the empirical evidence behind management ideas. Examples include new research on social entrepreneurship in Chapter 1, on culture and risk taking amongst entrepreneurs in Chapter 3, on task and process conflict over strategy in Chapter 8, on bureaucratic intensity and performance, and on the ‘big five’ personality traits, in Chapter 14.

Cases These have been revised and updated where appropriate, and two are completely new – W. L. Gore (Chapter 14) and Amazon (Chapter 18).

Features Many of the Management in Practice features have been updated and renewed, as have some Key Ideas. There are over 90 new references and additional suggestions for Further Reading. Several of the Case Questions and Activities have been revised to connect more closely with the theories being presented. The Learning Objectives are reflected in Summary section at the end of each chapter, and in the ‘Test your understanding’ feature.

Test your understanding As before, there is a set of questions at the end of each chapter to help students assess their progress towards the learning objectives.

Think clearly to connect practice, theory and skill Section 1.8 in Chapter 1 presents the components of clear (formerly ‘critical’) thinking – assumptions, context, alternatives and limitations. Section 1.9 presents the view that these thinking skills are equally useful as students evaluate a management practice, a theory about management, and as they reflect on how they develop their management skills. The last numbered section in each chapter puts this idea into practice. The table provides a structure for them to consider systematically an aspect of management practice from the Chapter case, and to use the same structure to plan how they would organise their answer to a typical assessment question on the subject of the chapter. The ‘Develop a skill’ section follows, with the suggestion that they can also think clearly as they reflect on how they approached that.

This arrangement reflects a belief that students and employers are seeking more connections between academic work and employment. I hope this new section provides a coherent way to integrate practice, theory and skills throughout the text, as a firm foundation for students’ careers. For teachers, the section offers many opportunities to build assignments, projects and tutorial work.

Develop a skill As before this feature is consistently based on two theoretical structures: (1) a theoretical model in the chapter showing the underlying rationale for developing this skill; and (2) an established model of skill development, which informs the structure of each ‘Develop a skill’ feature. The skills are listed here by Chapter.

Chapter 1 – Networking

Chapter 2 – Self-awareness

Chapter 3 – Present a reasoned case

Chapter 4 – Mindfulness

Chapter 5 – Clarifying values

Chapter 6 – Setting success criteria

Chapter 7 – Planning to use your time effectively

Chapter 8 – Setting clear goals

Chapter 9 – Identifying customer needs

Chapter 10 – Coordinating work

Chapter 11 – Preparing for an interview

Chapter 12 – Setting a project agenda

Chapter 13 – Practising everyday creativity

Chapter 14 – Setting ‘end-of-event’ goals when influencing

Chapter 15 – Design a motivating job

Chapter 16 – Present ideas to an audience

Chapter 17 – Observing team processes

Chapter 18 – Identifying stakeholders and their interests

Chapter 19 – Assessing what customers mean by quality

Chapter 20 – Monitoring progress on a task

I do not envisage that many will work on the skills in every chapter – it is a resource to be used as teachers think best. The *Instructors Manual* includes a suggestion on how it could complement the academic content of a course.

Read more For students who want to read more about the topic. The format varies, but usually includes a mix of classic texts, one or two contemporary ones, and a couple of academic papers which represent good examples of the empirical research that underlies study of the topic.

Go online Each chapter concludes with a list of the websites of companies that have appeared in it, and a suggestion that students visit these sites (or others in which they have an interest) to find more information related to the chapter. This should add interest and help retain topicality.

Part cases The Part cases are intended to help students engage with text material throughout the Part. The common principle is to encourage students to develop their ‘contextual awareness’ by seeing how organisations act and react in relation to, amongst other things, their environment. The common structure therefore is:

- The company – material on the company and major recent developments

- Managing to add value – some ways in which managers appear to have added value
- The company’s context – identifying between three and five contextual factors
- Current management dilemmas – drawing on the previous sections to identify pressing issues
- Part case questions – now in two groups – the first looking back to the material in the text, the second more focused on the company, and so perhaps offering a link to ‘employability skills’ – see below.

As well as supporting individual learning, these extended cases could be suitable for group assignments and other forms of assessment.

Employability skills (Now on the Companion Website) This section on ‘Employability skills – preparing for the world of work’ is a response to the growing expectations that universities and colleges do more to improve the employability of their students. The organising principle is to provide a structured opportunity for the student to develop and record evidence about six commonly cited employability skills:

- Business awareness
- Solving problems
- Thinking critically
- Team working
- Communicating
- Self-management

To help do this, students are asked to work through tasks which link the themes covered in the Part to the six skills (sometimes called capabilities and attributes) which many employers value. The layout should help students to record their progress in developing these skills, and articulate them to employers during the selection processes.

The basis of these tasks is the large Part case. The Employability section builds on this by setting alternative tasks relating to the Part case (to be chosen by the student or the instructor as preferred). That task in itself relates to the business awareness theme – and concludes by asking the student to write a short para-

graph giving examples of the skills (such as information gathering, analysis and presentation) they have developed from this task, and how to build this into a learning record.

The other skills are developed by successive tasks which ask them to reflect on how they worked on the ‘Business awareness’ task – solving problems, thinking critically and so on.

I do not envisage that many will work through all of the tasks in every Part – it is a resource to be used as teachers and their students think best. I hope that teachers and students find this new feature valuable, and look forward to feedback and comments in due course.

List of reviewers We would like to express thanks to the original reviewers and review panel members who have been involved in the development of this book. We are extremely grateful for their insight and helpful recommendations.

David Monciardini, Senior Lecturer in Management, University of Exeter Business School
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PREFACE TO THE FIRST EDITION

This book is intended for readers who are undertaking their first systematic exposure to the study of management. Most will be first-year undergraduates following courses leading to a qualification in management or business. Some will also be taking an introductory course in management as part of other qualifications (these may be in engineering, accountancy, law, information technology, science, nursing or social work) and others will be following a course in management as an element in their respective examination schemes. The book should also be useful to readers with a first degree or equivalent qualification in a non-management subject who are taking further studies leading to Certificate, Diploma or MBA qualifications.

The book has the following three main objectives:

- to provide newcomers to the formal study of management with an introduction to the topic;
- to show that ideas on management apply to most areas of human activity, not just to commercial enterprises; and
- to make the topic attractive to students from many backgrounds and with diverse career intentions.

Most research and reflection on management has focused on commercial organisations. However, there are now many people working in the public sector and in not-for-profit organisations (charities, pressure groups, voluntary organisations and so on) who have begun to adapt management ideas to their own areas of work. The text reflects this wider interest in the topic. It should be as useful to those who plan to enter public or not-for-profit work as to those entering the commercial sector.

European perspective

The book presents the ideas from a European perspective. While many management concepts have developed in the United States, the text encourages readers to consider how their particular context shapes management practice. There are significant cultural differences that influence this practice, and the text alerts the reader to these – not only as part of an increasingly integrated Europe but as part of a wider international management community. So the text recognises

European experience and research in management. The case studies and other material build an awareness of cultural diversity and the implications of this for working in organisations with different managerial styles and backgrounds.

Integrated perspective

To help the reader see management as a coherent whole, the material is presented within an integrative model of management and demonstrates the relationships between the many academic perspectives. The intention is to help the reader to see management as an integrating activity relating to the organisation as a whole, rather than as something confined to any one disciplinary or functional perspective.

While the text aims to introduce readers to the traditional mainstream perspectives on management which form the basis of each chapter, it also recognises that there is a newer body of ideas which looks at developments such as the weakening of national boundaries and the spread of information technology. Since they will affect the organisations in which readers will spend their working lives, these newer perspectives are introduced where appropriate. The text also recognises the more critical perspectives that some writers now take towards management and organisational activities. These are part of the intellectual world in which management takes place and have important practical implications for the way people interpret their role within organisations. The text introduces these perspectives at several points.

Relating to personal experience

The text assumes that many readers will have little if any experience of managing in conventional organisations, and equally little prior knowledge of relevant evidence and theory. However, all will have experience of being managed and all will have managed activities in their domestic and social lives. Wherever possible the book encourages readers to use and share such experiences from everyday life in order to explore the ideas presented. In this way the book tries to show that management is not a remote activity performed

by others, but a process in which all are engaged in some way.

Most readers' careers are likely to be more fragmented and uncertain than was once the case and many will be working for medium-sized and smaller enterprises. They will probably be working close to customers and in organisations that incorporate diverse cultures, values and interests. The text therefore provides many opportunities for readers to develop

skills of gathering data, comparing evidence, reflecting and generally enhancing self-awareness. It not only transmits knowledge but also aims to support the development of transferable skills through individual activities in the text and through linked tutorial work. The many cases and data collection activities are designed to develop generic skills such as communication, teamwork, problem solving and organising – while at the same time acquiring relevant knowledge.

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This book has benefited from the comments, criticisms and suggestions of many colleagues and reviewers of the seventh edition. It also reflects the reactions and comments of students who have used the material and earlier versions of some of the cases. Their advice and feedback have been of immense help.

The author wrote all of this edition, though colleagues wrote some chapters in earlier editions. Chapter 11 (Human Resource Management) was created by Professor Phil Beaumont and then developed by Dr Judy Pate and Sandra Stewart: in the sixth and subsequent editions it was revised by the author. Chapter 18 (Managing operations and quality) was created by Professor Douglas Macbeth and then developed by Dr. Geoff Southern and Dr. Steve Paton: in the sixth and subsequent editions it was revised by the

author. In the fifth edition Dr Steve Paton contributed new material to Chapters 13 and (now) 20. In the sixth and subsequent edition both chapters were revised by the author. Dickon Copsey, Employability Officer in the College of Social Sciences, University of Glasgow, gave much valuable advice on the employability material at the end of each Part.

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David Boddy
Alresford, 2019

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To Gilly, with love



PART 1

AN INTRODUCTION TO MANAGEMENT

Introduction

This part considers why management exists and what it contributes to human wealth and well-being. Management is both a universal human activity and a distinct occupation. We all manage in the first sense, as we organise our lives and deal with family and other relationships. As employees and customers we experience management in the second sense, as members of an organisation, or as one with which we deal. This part offers ways of making sense of the complex activity of managing.

Chapter 1 clarifies the nature and emergence of management and the different ways in which people describe the role. It explains how management is both a universal human activity and a specialist occupation. Its purpose is to create wealth by adding value to resources, which practitioners do by influencing others – the chapter shows how they do this. It ends by suggesting that using the skills of clear thinking should help your learning and develop the practical skills that will help your career. Every chapter contains material that will help you practise and use clear thinking skills.

Chapter 2 explains how management theory relates to contemporary management practice. It organises theories within a coherent framework, which enables you to relate theories to the types of situation in which they might be most useful: relating theory and practice to context is a constant theme. Be active in relating these theoretical perspectives to real events as this will help you to understand and test them.

The Part Case is Apple Inc., one of the world's most valuable and innovative companies. It illustrates how those managing it have been able to add value so successfully over many years – and also the challenges it now faces from new competitors.

CHAPTER 1

MANAGING IN ORGANISATIONS

Aim

To introduce the tasks, processes and context of managerial work in organisations.

Objectives

By the end of your work on this chapter and companion website (CW) you should be able to outline the key terms below in your words and:

- 1 Explain that the role of management is to add value to resources
- 2 Give examples of management as a universal human activity and as a distinct role
- 3 Compare functional roles, and distinguish levels of responsibility within a hierarchy (CW)
- 4 Distinguish alternative ways to measure value, including the 'triple bottom line'
- 5 Distinguish between 'task', 'process' and 'context'
- 6 Give examples of how managers add value to resources by influencing others through:
 - a. the tasks of managing
 - b. the process of managing and
 - c. the contexts within which they and others work
- 7 Think clearly to evaluate these management practices and theories, and as you begin to further develop your networking skills

Key terms

This chapter introduces these terms:

entrepreneur	role	stakeholders
social entrepreneur	organisation	management tasks
management as a universal human activity	competences	process
manager	value	context
management	task (sometimes called content)	networking
management as a distinct role	sustainability	management skills
	triple bottom line	clear (or critical) thinking

Each term is defined within the text and in the Glossary at the end of the book.

Companion website

The companion website includes additional material on:

Specialisation within management
Informational, interpersonal and decisional roles

Managers and their context

Case study

Ryanair www.ryanair.com

In 2018, Ryanair, based in Dublin, reported that it had carried over 130 million passengers in the 12 months to the end of March, 8 per cent more than in the previous year. Revenue had grown by 8 per cent and profit by 10 per cent. This growth was slower than in previous years, which management attributed to overcapacity in the industry, rising fuel costs, and to badly managing a new system for organising pilots' work. This led to many cancelled flights and to unrest amongst pilots, who pressed the company to recognise their trade union – which Ryanair had always refused to do. Later in the year, it reported that profits for the first six months of the 2019 financial year had fallen to £1.2 billion. Revenue had risen but so had costs, including a 20 per cent pay increase to pilots, and the costs of cancellations and delays caused by strikes. The company predicted that profits in the 2019 financial year would be lower than in 2018.

Tony Ryan (1936–2007), the son of a train driver, left school at 14 to work in a sugar factory and in 1954 joined Aer Lingus, the state-owned Irish airline, to work as a baggage handler. By 1970, he was in charge of the aircraft leasing division, lending Aer Lingus aircraft and crews to other airlines. This gave him the idea of creating his own aircraft leasing company, which he did without delay.

In 1985, he founded Ryanair, with a single aircraft flying between Ireland and the UK, to compete with his former employer. The Gulf War in 1990 discouraged air travel and caused financial problems for Ryanair. Rather than close it, he and his senior managers (including Michael O'Leary, now chief executive) decided it would be a 'no-frills' operator, discarding conventional features of air travel like free food, drink, newspapers and allocated seats. Staff (including pilots, ground staff and cabin crews) would serve customers who wanted a functional and efficient service, not luxury.

In 1997, changes in European Union regulations enabled new airlines to enter markets previously dominated by national carriers such as Air France and British Airways. Ryanair quickly opened new routes between Dublin and continental Europe, and between European cities: although based in Ireland,



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80 per cent of routes are between airports in other countries. Tony Ryan also turned Ryanair into a public company by selling shares to investors.

In May 2018, the chairman of the board presented the company's results for the latest financial year.

Measures of financial performance in recent financial years (ending 31 March)

	2018	2017
Passengers (millions)	130.3	120
Revenue (millions of Euros)	7,151	6,648
Profit after tax (millions of Euros)	1,450	1,316
Earnings per share (Euros)	1.2151	1.053

Sources: Kumar (2006); Doganis (2006); *Financial Times*, 31 January 2018, p.18, 5 October 2018, p.17; Ryanair Annual Report 2018; *The Guardian*, 23 October 2018, p.29.

Case questions 1.1

- Visit the company website. Go to 'Corporate Website' and 'Investor Relations' to find information on recent developments in the business.
- List examples of the resources Ryanair uses.
- Give three examples of external forces affecting the company's performance.

1.1 Introduction

The Ryanair case study shows how an experienced entrepreneur, Tony Ryan, saw a further opportunity to add value to the resources he had or could obtain, and how he created an organisation to turn his vision into a profitable business. He persuaded others to provide resources – especially investors willing to provide money for the aircraft and the costs of operating it – and organised these into a service that he sold to customers. The business changed frequently in the early years and, under the current chief executive, Michael O’Leary, it has continued to adapt to changes in the outside world by making internal changes to the way it operates. This book is about the knowledge and skills required to balance internal and external expectations, and so build a satisfying and rewarding career.

Entrepreneurs are people who see opportunities in a market, and quickly mobilise the resources to deliver the product or service profitably.

Social entrepreneurs identify opportunities, secure resources and establish ventures to provide goods or services to disadvantaged groups.

Entrepreneurs thrive on innovation as they try to make the most of opportunities. Some focus on financial gain, while **social entrepreneurs** identify opportunities, secure resources and establish ventures to provide goods or services to disadvantaged groups.

All organisations – from new ones like Facebook to established ones like Royal Dutch Shell or Marks & Spencer – depend on people at all levels who can run the current business efficiently, and also innovate. Figure 1.1 shows that they draw resources from the external world and transform them into outputs that they return to the world outside. The value they obtain in return (money, reputation, goodwill, etc.) enables them to attract new resources and continue in business (shown by the feedback arrow from output to input). If the outputs do not attract sufficient resources, the enterprise will fail.

This chapter begins by showing that ‘management’ is a widespread human activity, not the preserve of a few in commercial organisations. Managers are expected to add value to the resources they use, through an identifiable set of activities focused on the tasks, processes and contexts of managing. It introduces theories and practices relevant to these. It also invites you to use the material to develop the skills of clear thinking as these will help you develop the knowledge you need to do well on your course. The chapter concludes with an opportunity to further develop your skill of networking.

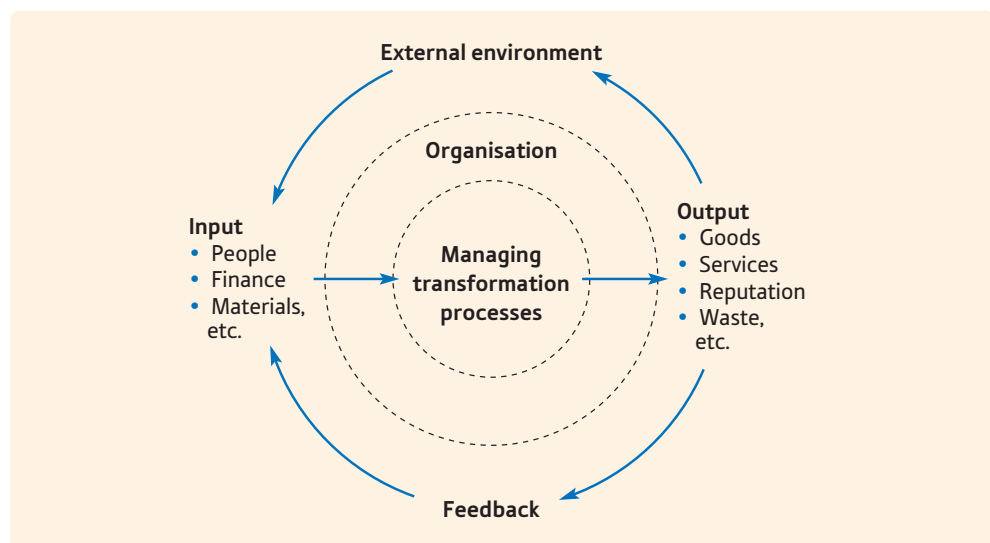


Figure 1.1
Managing organisation and environment

Activity 1.1 What is 'management'?

Make notes summarising what you think 'management' means.

- Think of instances in which you have encountered 'management' – such as when you have been managed in your school, university or job.
- Alternatively, reflect on an occasion when you have managed something, such as a study project.
- What were you, or those managing you, expected to achieve? By doing what?

1.2 Meanings of management

Management as a universal human activity

As individuals, we run our lives and careers: in this respect we are managing. Family members manage children, elderly dependents and households. Management is both a **universal human activity** and a distinct role. In the first sense, people manage an infinite range of activities:

When human beings 'manage' their work, they take responsibility for its purpose, progress and outcome by exercising the quintessentially human capacity to stand back from experience and to regard it prospectively, in terms of what will happen; reflectively, in terms of what is happening; and retrospectively, in terms of what has happened. Thus management is an expression of human agency, the capacity actively to shape and direct the world, rather than simply react to it (Hales, 2001, p.2).

This, and the need to add value to resources, leads to the view that a **manager** is someone who is expected to add value to resources with the aid of people and other resources, and that **management** is the activity of intending to add value with the aid of people and other resources. This positions management as a universal human activity in domestic, social and political settings, as well as in organisations.

In agricultural societies, people typically work alone or in family units, controlling their time and resources. They decide what to make, how to make it and where to sell it, combining work and management to create value. Self-employed craftworkers, professionals in small practices, and those in a one-person business do this every day. We all do it in household tasks or voluntary activities in which we do the work (planting trees or selling raffle tickets) and the management activities (planning the winter programme).

Management as a **universal human activity** occurs whenever people take responsibility for an activity and consciously try to shape its progress and outcome.

A **manager** is someone who is expected to add value to resources with the aid of people and other resources.

Management is the activity of intending to add value to resources with the aid of people and other resources.

Activity 1.2 Think about the definition

Choose a domestic, community or business activity you have undertaken.

- What, specifically, did you do to 'add value to resources with the aid of people and other resources'?
- Decide if the definition accurately describes 'management'.
- If not, how would you change it?

Management as a distinct role

Management as a distinct role develops when activities previously embedded in the work itself become the responsibility not of the employee, but of owners or their agents.

A **role** is the sum of the expectations that others have about the responsibilities of a person occupying a position.

Human action can also separate the ‘management’ element of a task from the ‘work’ element, thus creating ‘managers’ who are, in some degree, apart from those doing the work. **Management as a distinct role** emerges when external parties, such as a private owner of capital, or the state, gain control of a work process that a person used to complete themselves. These parties may then decide what to make, how to make it and where to sell it. Workers become employees selling their labour, not the products of their labour.

The same evolution occurs when someone starts an enterprise, initially performing the *technical* aspects of the work – writing software, designing clothes – and also more *conceptual* tasks – deciding their markets, or how to raise money. If the business grows and the entrepreneur engages staff, they need to work on *interpersonal* tasks such as training and supervision. The founder gradually takes on more management roles – a **role** being the expectations that others have about the responsibilities of someone holding a job – what they should do (or not do). If growth continues, the founder begins to share the management role with others – they begin to build a management team. Levy (2011) shows that this proved controversial as Google grew. Founders Larry Page and Sergey Brin were not convinced that the hundreds of engineers they were recruiting needed managers – they could report to the head of engineering. The engineers disagreed:

Page wanted to know why. They told him they wanted someone to learn from. When they disagreed with colleagues and discussions reached an impasse, they needed someone who could break the tie (p.159).

Google has since developed a robust system to measure managers’ effectiveness and improve their skills (Garvin 2013; and see Chapter 12 Case study).

This separation of management and non-management work is not inevitable or permanent. People deliberately separate the roles, and can also bring them together. As Henri Fayol (1949) (of whom you will read more in Chapter 2) observed:

Management ... is neither an exclusive privilege nor a particular responsibility of the head or senior members of a business; it is an activity spread, like all other activities, between head and members of the body corporate (p.6).

Someone in charge of a production department will usually be treated as a manager, and referred to as one. Those operating the machines will be called something else. In Ryanair, the boundary between ‘managers’ and ‘non-managers’ will be fluid, with all being expected to perform many tasks, irrespective of their title.

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More on specialisation within management

1.3

Managing to add value

An **organisation** is a social arrangement for achieving goals that create value.

We live in a world of managed **organisations**. We experience many every day – domestic arrangements (family or flatmates), large public organisations (the postal service), small businesses (the newsagent), large businesses (the jar of coffee), or a voluntary group (the club we attended). They affect us and we judge their performance. Did the transaction work smoothly or was it chaotic? Was the service good, reasonable or poor? Will you go there again? The answer is likely to depend on whether the organisation has used resources well.

Adding value

Good managers make things work – aid is delivered, roads are safe, shops have stock, mobiles work, hospitals function. They don't do the work themselves: they build an organisation with the resources *and* competences to deliver goods and services. To transform these resources into something with value, people work together on countless activities – to understand customers, deal with enquiries, and generally move work forward. They seek to improve, innovate and learn from experience. Good managers bring out the best in others so that they willingly 'go the extra mile': together they develop effective ways of working that become second nature. These 'ways of working' are **competences** – skills, procedures or systems that enable people to use resources productively. A manager's role is to obtain the resources, and develop the competences to use them, so that the organisation transforms them, adds **value** to them – by producing outputs that are more valuable to customers than the cost of the resources used.

Competences are the skills and abilities that an organisation uses to deploy resources effectively, such as systems, procedures and ways of working.

Value is added to resources when they are transformed into goods or services that are worth more than their original cost plus the cost of transformation.

Management in practice

Creating value at The Southbank Centre www.southbankcentre.co.uk

Jude Kelly was appointed Artistic Director of London's Southbank Centre in 2005. This is the UK's largest arts centre, receiving (in 2016–17) 43 per cent of its income from public funds, and the rest from ticket sales, commercial activities, and sponsorship. In 2016–17, over 6 million visitors engaged with their onsite activities, offered by more than 3000 artists. Are there any special challenges in managing creative people?

People who are confident about their creativity are confident about asking questions ... So you have to be flexible and excited about a variety of solutions ... The best leaders of creative projects are those who are excited by other people's imagination and not just their own.

Ms Kelly stresses that artists are aware of practicalities:

To finish a piece of work an artist has [to know] to marshall the material [in time for an audience] coming through the door. Good arts organisations have to be highly entrepreneurial and flexible and make a little go a long way.



Sources: *Financial Times*, 16 September 2013, p.16; *Southbank Centre Annual Review*, 2016–17.

Alternative measures of value

Commercial organisations (business start-ups, small and medium-sized enterprises, large private sector businesses, often operating internationally) measure value mainly (not only) in financial terms. They spend money on resources in the hope that what they produce and sell will bring in enough money to at least repay the original investment, together with an acceptable profit. Cooperatives (a growing form of UK enterprise according to their trade body Cooperatives UK (www.uk.coop) does the same. Some (like the Cooperative Group – see Chapter 5 Case study) are owned by customers, who receive a share of the profits as a dividend. HF Holidays (www.hfholidays.org.uk) provides walking and activity holidays for 60,000 people a year, and is owned by its members. Employees own others – the John Lewis Partnership (www.johnlewispartnership.co.uk) is the most prominent example, and another is Circle Health (www.circlehealth.co.uk), a healthcare provider founded and owned by clinicians.