

# Pinholing Management

Posted on

**Books** on management written by successful managers tend to be very expensive because managers think that their experiences are worth selling and that other people should pay dearly for learning about their successes. Publishers too, exploit the thirst for good reading matter on management, by publishing such experiences in hard-cover books which are normally priced between 15 and 25 Sterling Pounds.

In this light, the Essence of Management Series published by Prentice Hall, India, must be appreciated. Books which were originally priced at over 17 Sterling Pounds have been reproduced in a paperback format and are now available in Sri Lanka at Rs 180/- each. It is not possible to review all the books but three of them are of special significance to Sri Lanka. The books are edited by Adrian Buckley, Professor of International Finance at the Cranfield School of Management.

The Essence of Management Accounting is written by Lesley Chadwick, MBA, FCCA, who is a lecturer of Financial Management and Accounting at the University of Bradford Management Centre. Many managers who attend short management courses and students involved in non-professional courses often emphasise that they do not want to become accountants nor do they have the desire to become experts in the number crunching side of accountancy. What they are really looking for is to acquire a good grasp of terminology used, to know how the overhead cost of a product may be calculated and to know what information would be available to assist with decision making.

In a market like Sri Lanka where most average buyers tend to ask for discounts or always get discounts, the cost factor is a vital component of sales. In December, we saw advertisements offering free fax machines and cellular phones for those buying photocopying machines, while one laptop sales organisation offered a colour printer to those who purchased one of the latest computers available in the market. December is always a traditional month when the tradesmen try to outbid one another with attractive offers to sell their wares.

But the bottom-line is how much does the company make after deducting the salesman's commissions, overheads, including advertising costs. An understanding of these factors will help managers appreciate why pre-determined cost and management accounting systems are needed and also help managers understand what is meant by elements of costs.

Distinguishing between direct and indirect costs, fixed and variable costs and appreciating the way in which management accounting can meet the needs of management are among the other issues tackled. Chadwick says in the book, that historic costing looks back at past performance, but this is not a satisfactory way of controlling business activities because it's hard to say whether or not past performance has been good, bad or indifferent. He says that budgets and standards used should provide targets at which to aim and should not merely reflect what is expected to happen.

What is interesting about the book is that it provides not only examples but also opportunities for selfassessment. The chapter on labour is also worth reading, specially since the demand for more and more wages with the rising cost of living tends to make most company budgets go haywire. Chadwick stresses that securing the cooperation and participation of employees through clear communication is an important factor in management.

Like a good arithmetic book the 'Essence of Management Accounting also provides answers at the end of the book. Chapter Ten has suggested answers to all the self-assessment problems asked in the book so that potential managers can work out the problems and see whether their answers are correct, while those who are lazy can study the questions and look immediately at the answers.



The Essence of Operation Management is by Terry Hill of the London Business School. Production. Management and Operations Management are both concerned with the managing of the resources of an enterprise, that are required to produce the goods or services to be sold. But production management came first with the initiation of the manufacturing industry and the subsequently emphasis was placed on the production management task within that sector. In the west, the term “operations management” came into vogue with the growth of the service industry. Hill therefore rightly treats the terms ‘production management’ and ‘operations management’ as synonymous.

He says that if companies are to succeed in today’s market the role in the forefront is the firm’s strategic response. He says that when developing a corporate strategy, many

companies have neither the way nor sometimes the will to incorporate the necessary functional perspectives essential for determining an appropriate corporate strategy response. He adds that most companies recognize marketing perspectives and the need to identify financial constraints. Few incorporate the critical perspective of Operation Management. He says one reason for this is the historical perspective where someone says, "this is the way it has always been done". This is specially true of Sri Lanka where the majority of companies are family-owned businesses and there are often traditional ways of doing things based on the whims and fancies of the owner.

Hill also stresses on quality circles which originated in Japan where they were introduced as one way of improving overall performances. In Japanese companies alone, more than 2.5 million employees were involved in quality circles. Hill rightly says that quality is no longer an optional extra but needs to be an integral part of a business's strategic response. He says that to introduce total quality management the seven vital steps are:

1. Leadership
2. Company-wide introduction
3. Corporate orientation
4. Motivation, education & training.
5. The Robust function (Building quality into the product/service at the design stage)
6. Cost orientation
7. Customer Orientation.

The third book is the *Essence of Services Marketing* by Adrian Payne of the Cranford School of Management. The book does not assume a specialist knowledge of marketing but offers a foundation on the application of marketing for service businesses from a managerial perspective. What is significant is that the book adopts a managerial rather than a tactical focus and presents those strategic elements and issues considered relevant to a service market.

The book tackles some basic issues like how a firm can achieve a corporate image, product differentiation and a distinctive reputation in the market place. For example, airlines flying to the same destination from Colombo woo potential passengers with a variety of incentives. They never publish fares, leaving the under cutting and the wheeler dealing to travel

agents. Some boast about their new planes, some their superior inflight service, some their menus, while some even stress on the quality of their beautiful air hostesses and their smart uniforms.

Fortunately, Sri Lanka has been spared from being serviced by American Airlines where higher age brackets for stewardesses mean that some people may not like to even step into the aircrafts.

Another competitive field is insurance. How can one insurance policy be made to appear more attractive than the competitor's broadly similar offer. In Sri Lanka, privatisation has led to intense competition and marketing skills in services are at a premium. Even professionals like architects have begun to rethink their marketing strategy.

*Philip Kotler* in his book ***Marketing Management/Analysis planning and Control*** has distinguished the following four categories of offers normally made to customers.

- A pure, tangible good e.g., soap, toothpaste or salt- no service to accompany the product.
- A tangible good with accompanying services to enhance it's consumer appeals e.g., Computers.
- A major service accompanying minor goods and services-e.g., First Class Airline Travel
- A pure service e.g., Psychotherapy Payne says that services vary considerably over a range of factors including whether they are directed at business or individual consumers, whether they require a customer's physical presence and whether they are equipment intensive (e.g. Launderette) or people intensive (e.g., A Masseur).

In trying to show to what extent services differ from goods, he says that the latter have unique characteristics. He describes them as:

- Intangibility services are to a larger extent abstract and intangible.
- Heterogeneity services are non-standard and highly variable.
- Inseparability services are typically produced and consumed at the same time with the customer participation in the process.
- Perishability it is not possible to store services in inventory. The book analyses in detail even the issue of mission statements and goes into the details of psychographics

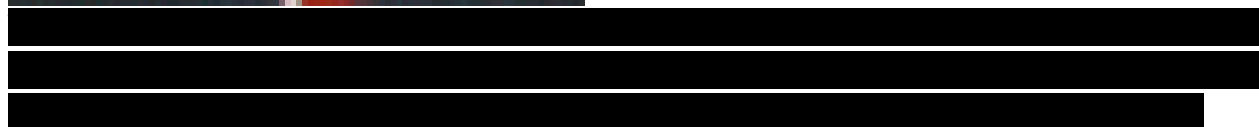
segmentation which are concerned with people's behaviour and basis of living.

In servicing a product, identifying and selecting target market segments are important factors because the service company has to check whether they have the resources available to meet the service requirement. One example he cites is a hotel offering quiet, sophisticated surroundings suited to the business traveller which should not accommodate noisy package tour groups during the week. He says business travellers may need facilities during the week but the hotel could be used to offer family weekend packages. This of course can work in a western country but certainly not relevant in Sri Lanka where any type of guest is grabbed by hotels who are looking for guests to fill their empty beds.

Advertising and public relations, direct marketing and customer service are among other subjects tackled in the book.

One valuable asset of this book is a three page listing of further reading material which will be of interest.

This series is very essential for any manager who is serious about his role, be it in a private or a public sector operation.



---