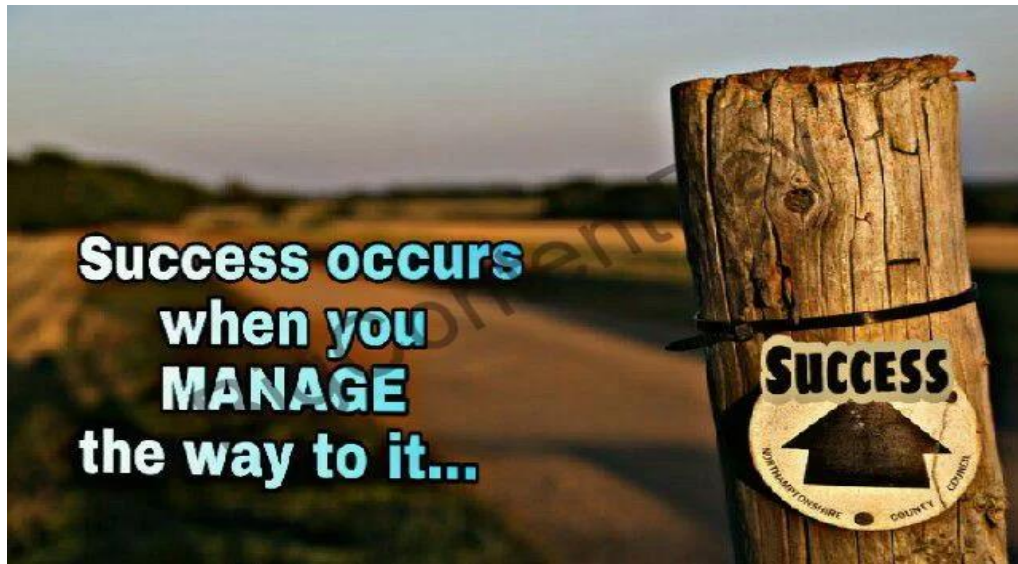


# 4 Basic Functions of Management – Complete Manual for Managers



The 4 basic functions of management form the foundation of the entire management. We define management as, “the process of planning, organizing, leading and controlling the combination of *ongoing, integrated activities in the organization to achieve organizational goals*”.

Hence, the manager is *a person who manages the resources and activities within the organization*. The role of a manager is crucial to the survival and success of the organization as he is the person who leads his people toward the achievement of their personal and organizational goals. In doing so, he has to perform certain functions that are related to one another. Numerous challenges and situations confronted by organizations dictate which of these 4 basic functions of management to exercise.

## Fayol's 5 Functions of Management

In 1916, a French mining engineer named Henry Fayol identified 5 business management functions: planning, organizing, staffing, directing, and controlling. Later, management experts and authors combined the functions of staffing and directing into a single leading function as it broadly covers both functions.

## The 4 Basic Functions of Management

The effective implementation and enactment of the 4 basic functions of management ensure that the organization does not miss out on the essentials leading to its success. Let's have a look in detail:



## 4 Basic Functions of Management

### 1) Planning

Planning is foremost among the 4 basic functions of management. It deals with the formulation of goals and objectives and deciding upon the strategies to achieve these goals. Whether the formulation of goals is for the personal growth of employees or departmental growth, the basic goal is always the same i.e., to achieve the goals of the organization.



Planning is a salient thoughtful function that includes thinking of the ways to get to the vision of the organization i.e., the point where the organization wants to be in the future. In doing so, the course of action needs to be defined. The planning function focuses on considering the goals of the organization, the ways to achieve these goals, the resources required, and the course of implementation of all these steps.

Managers need to address these requirements and determine the best course of action to accomplish their goals. So, this function deals with carving a layout or scope of how to take the organization to the next level. A successful planning phase ensures the smooth management of organizational activities and procedures.

## Levels of Planning

Top management plans the organizational goals and strategies while middle management formulates the departmental goals and strategies. First-line managers/ direct managers also formulate certain goals for their subordinates. For example, the management by objectives (MBO) plan is a mutually discussed plan for individual employees. Learn about setting [employee development plans](#) in another blog.

So, the planning function survives at various levels within the organization. Almost all managerial levels have the authority to make plans depending upon their positions and managerial levels. But one factor is common among all the plans i.e. every plan has to be **strategic** i.e. following the company goals.

## Types of Plans

There are three types of plans:

1. Single-use plans
2. Multiple-use plans or standing plans
3. Contingency plans

### 1) Single-Use Plans

These plans are **one-time plans** for specific situations. They become obsolete after the achievement of goals.

Single-use plans are of two types:

- **Programs**– These are broad-scope plans comprising a wide range of activities interrelated to achieve a major goal. After the achievement of the goal, this broad plan finally comes to an end.
- **Projects**– Projects are more focused and narrower in scope than the programs. They exist to achieve a specific objective. One program can have multiple smaller projects.

### 2) Standing plans

Standing plans are multi-use plans i.e., **they are helpful in many situations which are usually similar and recurring.**

Depending upon the need, standing plans are of three types:

- **Rules**– These standing plans demonstrate the situations in which any particular activity can or cannot be performed. Organizational rules have less flexibility and these are narrow in scope.

Employees need to strictly follow these rules. Rules are followed on a day-to-day basis. These are made once but the management can update them if they feel the need to do so.

- **Procedures**- These are the steps that have to be followed in specific, repetitive situations. They outline the ways to adapt to any situation. For example, companies have a grievance procedure to settle routine workplace disputes. So, whenever an employee has a complaint against another, he has to follow a certain way to register his complaint.
- **Policies**- Policies are general, a broad range of guidelines to achieve the goals of the company. Managers have little flexibility while implementing policies. Due to their general nature, policies have room for minor changes for each situation.

### 3) Contingency plans

These are the plan Bs to go for when the implementation of plan A becomes difficult or impossible. Alternative courses of action are taken in such situations where unforeseen events unfold and plan A fails. Contingency plans have to be always there when the manager is planning the organizational strategies. Unexpected situations like economic changes, weather changes, or sudden changes in the production or distribution phases can fail the actual plan. Hence, a contingency plan saves a manager from the non-fulfillment of the goals.

Planning function of management
<ul style="list-style-type: none"><li>• First function of management</li><li>• Deals with planning of organizational goals &amp; objectives</li><li>• In the light of these objectives, strategies are made to achieve these goals</li><li>• Every department plans its own goals &amp; strategies according to organizational goals</li><li>• All types of required resources like financial, human, physical, informational are identified</li></ul>
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Planning function of management

## 2) Organizing

The 4 basic functions of management include sorting and classifying the planned resources as the next important step. Hence, the organizing function of management deals with the coordination of activities and resources as planned by the higher management in the planning phase. Managers define the job tasks and assign these tasks to people with relevant skills.

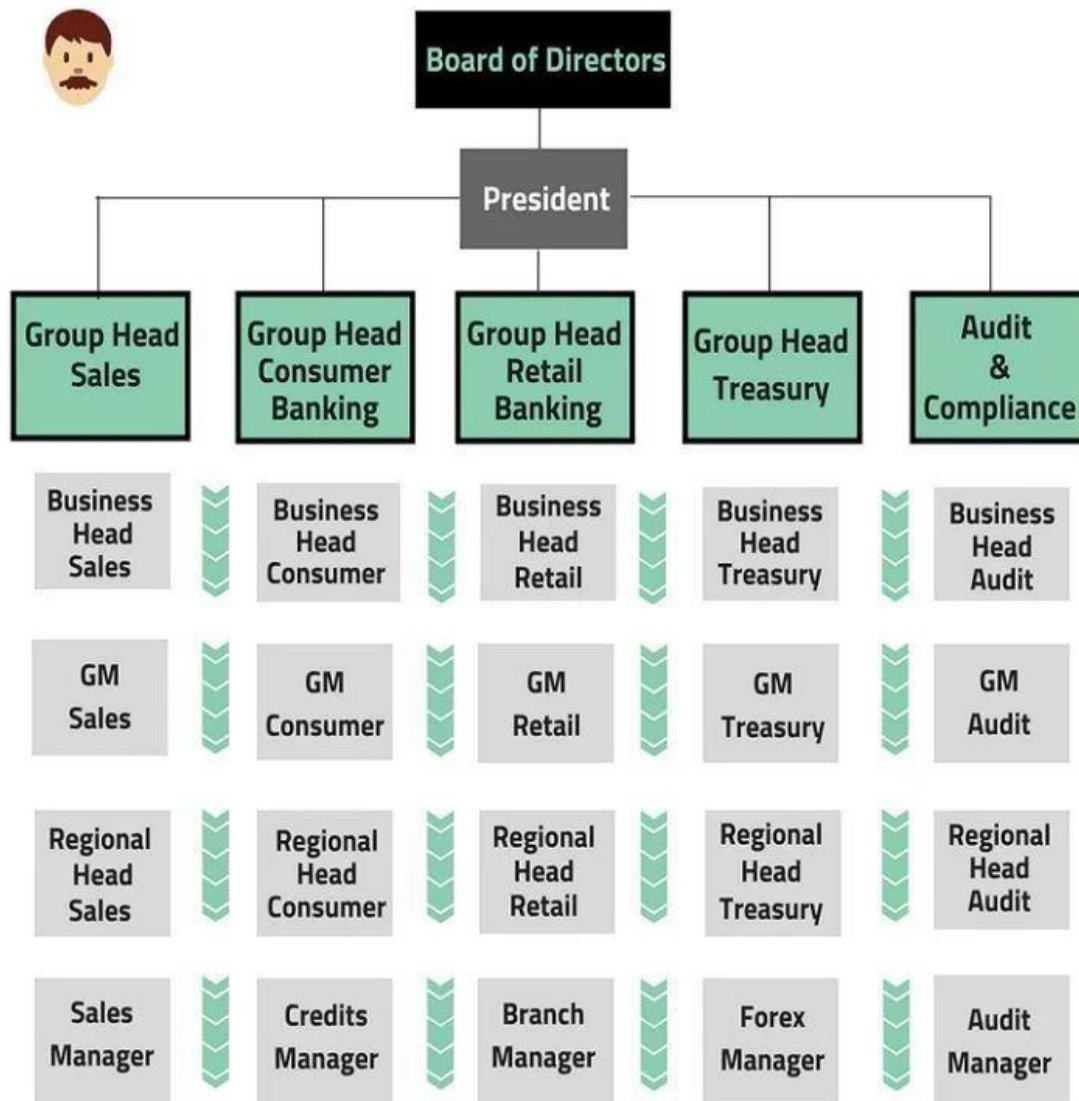




This phase involves consideration of all types of resources including human resources, financial resources, information resources, and physical resources. Hence, the organizing function of management deals with putting the organizational resources into place and implementing the ideas already carved in the planning phase.

### Organization structure

The implementation of policies and plans requires a formal system that directs and connects the people of the company. The organizing phase deals with this requirement by establishing an **organizational structure**. Organizational structure is **a formal structure demonstrating the positions, job responsibilities, and reporting lines within the organization by clarifying the nature of interpersonal relationships**. The Organization Chart is the “diagrammatic presentation of this organization structure”. Below is an example of the organizational structure of a bank:



Organization Structure in Business

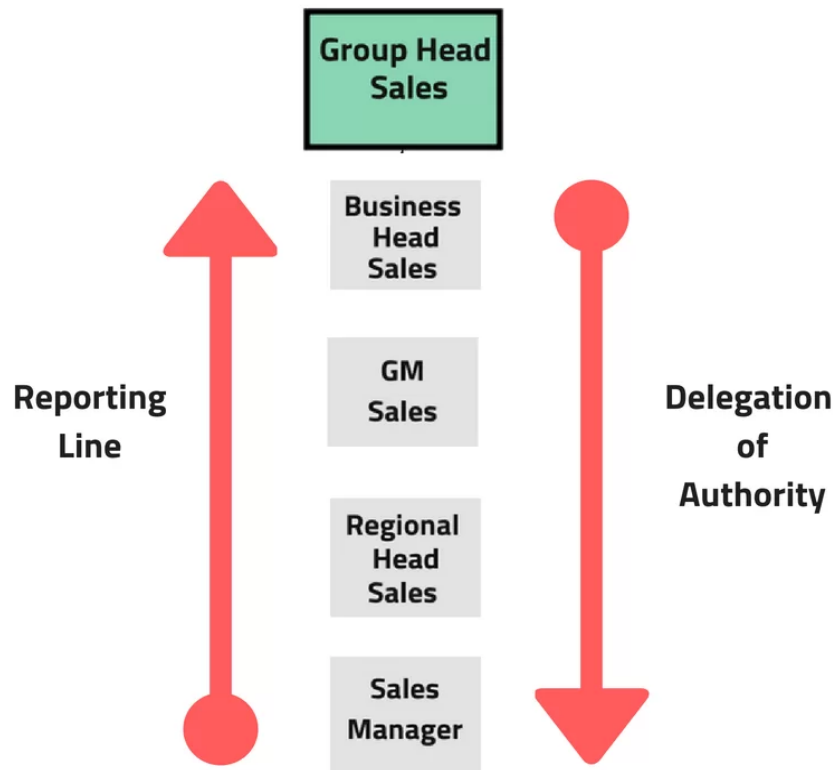
This is a glimpse of the managerial chain of authority in a conventional bank. The designations and names of positions may differ from one bank to another but the overall organizational structure remains the same. For any other kind of organization, the organization chart is designed in the same way.

## Hierarchy

The organizing function among the 4 basic functions of management deals with defining hierarchy as the prime requirement. Hierarchy is **the vertical part of the organization structure that defines the reporting lines and assignment of tasks**. So, it defines who reports to whom and who has the authority to assign tasks to others.

In the above example of the organizational structure of the bank, the vertical chains of the command show the hierarchy of the bank in which a sales manager is reporting to the regional head of sales,

the regional head of sales is reporting to the general manager of sales, and in this way, reporting line is continuing in the upward direction. Finally, the president is sitting at the top of the hierarchy.



### Delegation of Authority

The lower levels have to report to the people above and the people at the top assign responsibilities, goals, and tasks to the ones below. This assignment of tasks and responsibilities is called **delegation** which is accompanied by the authority that comes with a position. People in higher positions have more authority and people in lower positions have less authority.

Authority involves freedom of decision-making and getting the work done by the people at lower levels. In this regard, an important theory for managers to remember is the theory of acceptance of authority which states that "authority can be exercised well only if the lower-level employees accept it to be exercised by the manager". Hence, it is an important tip for managers to develop good interpersonal relationships with their subordinates. This certainly helps in effectively exercising authority and accomplishing goals. A democratic manager having good relationships with his employees is more likely to get the tasks completed than one who is dictatorial.

### Levels of Management

There are three levels of management:

- Top Managers
- Middle Managers
- First Line Managers



Levels of Management

- **Top managers** are responsible for making strategies for the organization. They have more strategic roles so their competencies have to be based on leadership and a visionary approach.
- **Middle managers** are below the top managers and hence, report to them. They get the goals and instructions from top management and pass them to the first-line managers who are finally responsible for the accomplishment of work by the employees.
- **First-line managers** directly interact with the employees.

Managers have to interact with other managers of the same level. This is the **horizontal structure of management** where the manager of one department has to coordinate with the managers of other departments to accomplish tasks.

### **Effect of centralization & decentralization**

Centralization refers to **the extent to which authority and decision-making are confined at the top levels of the organization**. This means top management takes all the important decisions and lower-level managers have less authority to make decisions.

**Decentralization is the opposite of centralization**. In decentralization, authority and decision-making power sufficiently pass down to the lower levels thus, lower-level managers have a



**high level of autonomy.** This has a huge impact on the way a manager has to organize activities and take decisions. Organizations having a decentralized style of management tend to hire managers with more leadership abilities. They prefer people who tend to take initiative, make quick assessments, have strong problem-solving skills, and take effective decisions. Such managers have more autonomy so they organize the resources in a much more efficient way than the centralized structure where managers have less flexibility.

## Organizing function of management

- Deals with organizing resources which have been identified during the planning phase
- Coordinate the activities to achieve the decided goals
- Assign responsibilities to people
- Define hierarchy to establish authority and reporting lines

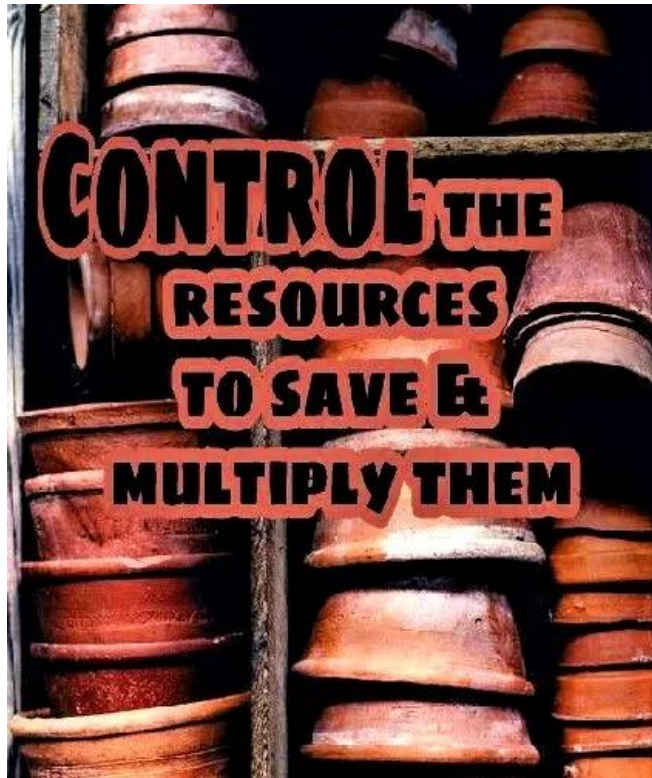
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Organizing Function of Management

### 3) Controlling

Controlling is the third among the 4 basic functions of management. It deals with monitoring and evaluating events. It can be defined as: **“The process of monitoring the activities and processes to achieve the predefined standards and goals in an organization”.**

The controlling function of management deeply connects with the planning function. The planning function of management deals with establishing the goals and objectives while controlling determines whether the organization is meeting those goals and objectives. The managers constantly monitor the performance of employees. They supervise the activities planned in the planning phase to ensure that their scope remains upright. They also identify any off-track activities needing corrective actions. This function requires managers to give feedback to their subordinates and establish effective communication.



The controlling phase ensures the effective use of the company's resources. It is essential to measure the progress of activities against the pre-set standards so that every resource remains focused on the organizational objectives. This includes quality control checks, assessment of allocated financial resources and ensuring timely completion of activities.

### Departmental Controls

Every department of the company requires effective control over the resources. Let's have a brief look:

- **Human resource control**- Deals with the processes to help the employees achieve organizational goals. This includes employee development activities, smart compensation, competency-based hiring, and all motivation-based HR policies. This control aims to direct human resources toward accomplishing the company's goals.
- **Operational control**- This control tends to direct the company processes/ operations with a goal-oriented approach. Every operational process of the company should support its overall goals and success.
- **Financial control**- This is the control of the finances of the company. Every department receives a specified budget to operate smoothly. Hence, the finance department must be able to support the goals of all other departments and finally the goals of the organization.
- **Marketing control**- The goals of the marketing department should also support the company's goals. Maximizing sales and acquiring a large market share ultimately enhance the profits of the organization. So, all marketing activities need to be controlled keeping this real goal in mind.

- R&D control- All research and development activities also follow the same principle of supporting company goals. Whether developing new products or introducing new features to the same products, R&D focuses on achieving a better standing in creating better products/ services to address customer needs.

## Controlling process in management

The controlling process has the following phases:

- **Establishing standards**

This is the first and most important step as properly defining the standards ensures the correct course of implementation. Standards must be SMART similar to SMART goals, i.e., specific, measurable, achievable, realistic, and time-bound. Standards followed in an industry are formally known as **SOPs: Standard Operating Procedures**. But every department and project have some distinct goals thus, different standards to measure performance.

The purpose of setting these standards is to measure each activity, process, or performance against pre-set criteria. Therefore, it becomes easy for managers to assess their employees and processes uniformly.

It is essential to communicate the performance expectations and standards to lower levels of the hierarchy so that everyone knows his responsibilities. In this way, employees are more motivated to achieve their personal and organizational goals. e.g. assembly department can set a standard for every employee to assemble 20 chocolate boxes in one hour.

- **Measuring performance**

Likewise establishing standards, there should be a defined way to measure performance. This can be done by observation or using a system/ tool for measurement. A performance standard of assembling 20 chocolate boxes hourly can be measured by observation but to check the performance of our newly introduced courier service, we can use an online tracking system. This system monitors the delivery of couriers in a pre-defined time frame. Another example of performance measurement is the annual employee appraisal where managers assess the performance of employees. So, in all scenarios, the controlling function improves the productivity and efficiency of the company.

The best practice is to have some tools to measure the performance. Today, fast working environments demand speedy performance checks and more accurate monitoring. Developing a tool or purchasing it can help in uniform and fast measurement of performance.

- **Comparing performance to standards**

Setting standards and measuring performance requires the strategic approach of managers. This stage is a relatively simpler stage which calls for a comparison of the previous two stages. This requires good analysis, judgment, and decision-making skills of managers. They have to find out the cause of failures or successes of the processes to conform to the scope of the company goals. Managers may confront 3 situations:

1. Performance = Preset standards
2. Performance < Preset standards
3. Performance > Preset standards

- **Taking action**

This stage calls for taking action according to the results of the comparison achieved in stage 3. After comparing performance against preset standards, the manager can take these actions:

- **Meeting standards:** If the performance/ process meets the set standards, he has to decide how to sustain its level or increase it.
- **Falling short of standards:** If performance/ process does not meet the set criteria, he has to find out the reason behind this; whether to involve more resources or not, and look for possible corrective actions.
- **Exceeding standards:** If the performance/ process exceeds the standards, how to reward employees and sustain this high output?

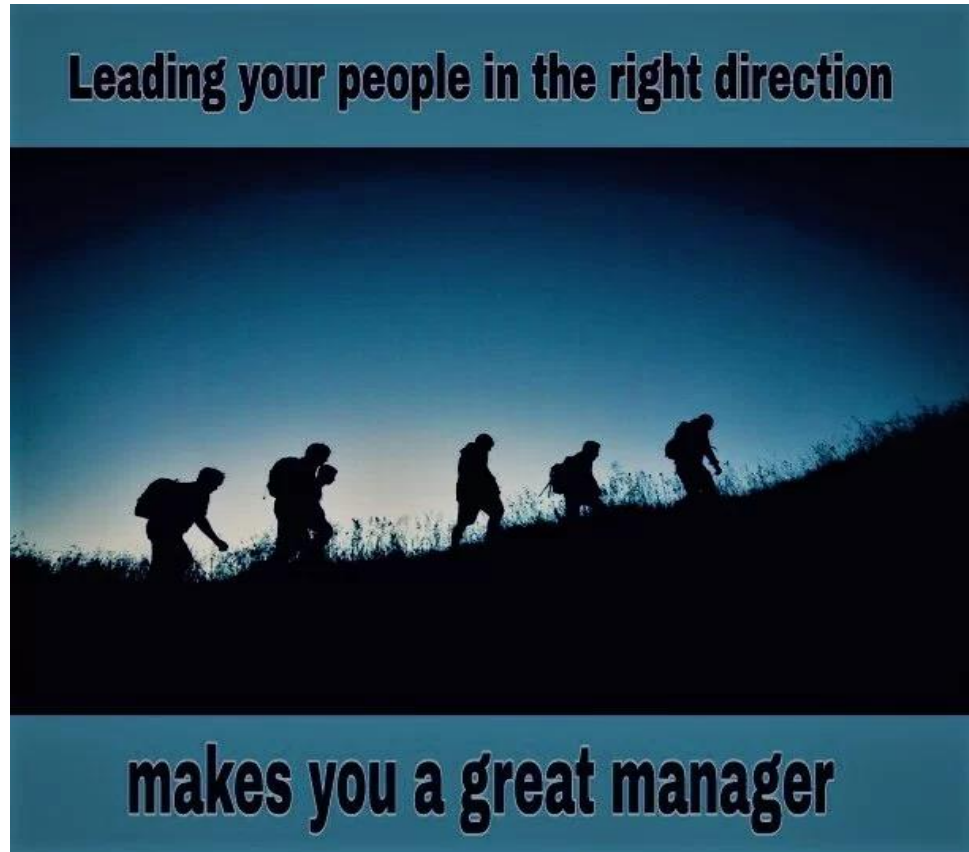
So, the control process is an ongoing process to ensure we do not get off track and stay attached to achieving the organizational goals. Feedback given by managers is valuable in this regard. This helps employees improve their performance and ultimately it can increase the efficiency of the processes.

One important consideration is to know how much control to exercise. Too much exercise of authority demotivates employees, consequently reducing their creativity and performance. A fairly good level of autonomy motivates employees and helps in organizational effectiveness.

Controlling function of management
<ul style="list-style-type: none"><li>• Third function of management</li></ul>
<ul style="list-style-type: none"><li>• Deals with continuous monitoring and evaluation of the first two phases</li></ul>
<ul style="list-style-type: none"><li>• Monitor whether the activities are going as planned or not</li></ul>
<ul style="list-style-type: none"><li>• If not then, take corrective action</li></ul>
<ul style="list-style-type: none"><li>• Establish standards to measure performance of processes and employees</li></ul>
<ul style="list-style-type: none"><li>• Give feedback to employees about their performance</li></ul>
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#### 4) **Leading**

The leading function of management requires a manager to act as a leader throughout the management process. A **leader** is *someone who directs and inspires people toward the achievement of* goals, motivates them, and possesses a strong vision. Becoming a successful manager requires one to be a good leader who helps employees in their professional growth thus, accelerating the growth of the organization. I have written a detailed blog on [leadership and management](#) which you can read to improve your leadership abilities.



Leading is the most prominent among the 4 basic functions of management. It caps other functions as a good leader has the ability to plan, organize and control the activities & resources of the company.

#### **Implementing these 4 basic functions of management**

These 4 basic functions of management set a standard course for the company's higher management, middle management, and all other employees to follow. So, understanding these is critical for laying out a plan of which jobs to perform, when & how to perform, and who is responsible for which job. Thus, these 4 basic functions of management define everyone's role within the organization with clarity. Following these 4 basic functions of management ensures that everyone in the organization is focusing on the organizational goals & effectively deploying and controlling the resources. Particularly, if these 4 functions of management are in the proper place, the long-term survival of the company and its success never sink.