

Managing a business

Business



Management is an art or practice of managing (especially a business) for money. According to behavioral theories of management the traditional notion of Management is planning, organizing, leading and controlling. We have chosen Hong Kong and Shanghai Bank (HSBC) to explain these management concepts.

PLANNING:

Planning is an important management function that has to be carried out in an organization as it helps in determining the organizational goals and to create an action plan to carry it out.

PLANNING PROCESS:

Every department's manager is responsible for preparing its own plans of action to carry out their tasks in the most efficient manner. These plans of action can also be termed as tactical plans as they are designed to help execute major strategic plans along with helping the organization to achieve its overall goals.

SHORT-TERM AND LONG-TERM PLANNING:

The manager undertakes both short-term planning as well as long-term planning. The bank stresses on the departments to lay greater emphasis on short-term goals so that the bank sees at least the short-term results of each department and, therefore, the progress of the departments.

While preparing its plans, each department takes into consideration the resources, capital and human both, available to the department and the budget that is available to the department for each of the products. The manager also plans for the existing product line as well as the new products

that are recently launched in the market. Lastly, the manager also plans for the targeted volume of each product.

After the plan has been devised taking into account all the above factors, the plan is sent to the Central Planning Department, which is centralized. The Central Planning Department is a group of planning specialists who then prepares the overall future plan for the bank and submits it to the Finance Department.

At the same time, monthly meetings are held in which all the heads of various departments and the Board of Directors get together to review budget vs. variances, profit and loss accounts, cash flows, inventory level, etc. of each department and then the marketing department, for example, will have to come up with a new plan to overcome the shortcomings as pointed out by the Board of Directors.

STRATEGIES

Strategy formulation is an important part of planning which the department also undertakes. There are various strategies and methods used by the departments to undertake their plans.

PRICING STRATEGY:

One of the strategies that it uses is the Pricing Strategy. In this strategy, they look at the current prices in the market and then plan accordingly and then project the new prices which will prove to be more profitable than the old prices.

Note: While we are talking about the pricing then we mean the prices of the products that the banks are offering and the price itself is the interest rate being offered.

COST BASED PRICING STRATEGY:

The other strategy used by the departments is Cost Based Pricing Strategy. The department's sets the products prices by looking at the components those make up their price, that is, its imagery, cost and profit. The department always tries to set the price, which is lower than the competitors and brings in positive cash flow. So, it tries to produce the products at the lowest possible cost by investing more money into R&D so that it could increase its profit margin further.

OTHER STRATEGIES:

Other strategies used are market research, which is conducted on a small basis but is very important for the Marketing Department. And as their focus is on corporate clients, they carry out corporate surveys and interviews with their customers, which adds a personal touch and results in, increased sales. Focus groups and questionnaires are also sometimes distributed to get responses from the customers. Sampling is another strategy used by the department in which they give sample products to various houses which they choose randomly and the results are then verified by the sales and marketing team carrying out the research.

ORGANIZING:

Organizing is the next important function of management which is the assignment of resources available to the company to different tasks in order to achieve the strategic goals.

ORGANIZATIONAL STRUCTURE:

Like every other company HSBC has also been established as a separate legal entity having its own managing director and a team of professionals to head each department. As evident from the organizational structure of the company, the company has a formal structure i. e. it is official and planned and has deliberately planned structure of roles within the organization.

It follows the organic style of management where authority is based on expertise rather than hierarchy and, therefore, believes in participative decision making in which employees working in all levels of the company are involved. Decision making power is delegated up to the level of middle management. The company believes in the philosophy that “ To get the job done most efficiently, people doing the job should essentially be in decision making”. All the decisions, whether small or minor, are made at the top levels in the company’s hierarchy. Therefore, HSBC is a centralized company in the sense that only the department heads and the managing director is involved in decision making.

MARKETING DEPARTMENT’S STRUCTURE:

In the Marketing Department, the authority to make decisions is vested in the Marketing Director, who makes all the decisions for his department and then delegate’s authority and responsibility to their subordinates.

The sales team collects information like the sales figure currently in the market, information about the competitors, etc. and is handed over to the Marketing Director who then makes the final decision based on the available information. There are assistant brand managers working under the brand managers who are sometimes asked to give suggestions if a decision requires information related to a task which is directly handled by them.

HSBC follows the concept of line authority as the people in the management positions such as the research division manager has the power to control and direct the immediate employees which in this case are the field investigators.

LEADING:

HSBC believes that leadership is an art or process of influencing people so that they perform assigned tasks willingly and in an efficient and effective manner. The marketing director, therefore, thinks that leadership is crucial in motivating and inspiring the workforce.

MOTIVATORS:

The company uses only two ways of regarding the employees: either by increasing the salary or prompting the employees if possible. The company strictly adheres to the policy of promotion from within.

Job enrichment provided by HSBC is almost negligible which limits the scope of jobs for the employees because of which employees leave the company for better job offers elsewhere.

HSBC does provide a good working environment to its employees and there are large numbers of female employees working in the company.

There is high employee turnover in HSBC because of the few opportunities of progressing that the company provides to their employees because of which none of the employees stay with the company for a long time.

CONTROLLING:

Controlling which is the fourth function of management is effectively practiced in HSBC. The director of the Human Resource Department monitors employees' activities, keeps the departments on track towards achieving the goals and makes corrections as needed. These are the basic functions of controlling which are used in this department.

CONTROL

METHODS:

Regular meetings are held to check the progress of the employees and then make amendments as needed. Marketing and sales teams are sent for national visits to places and when they come back, they have to report to the marketing director in way of both formal and informal reports. The director then sees the results of the visit whether there was an increase in sales or not and therefore, make corrections like to change the sales team in the next visit, etc. These, therefore, train the employees in the practical aspects of the job which prove to be beneficial for the company.

Reference

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