MEASURING THE MANAGERIAL POTENTIAL

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Abstract

The paper proposes the measurement of managerial and functional capabilities of the organization, as the dimensions of managerial potential, based on the configurative theory and not on the reductionist one.

The components of the managerial potential are fulfilled by the capability of building organizational culture, managerial change and defining equity as the proximate type of social responsibility. The components are described in relation with the socio-economic model, useful in the process of economic and social crisis when new issues of organization management appear.

Keywords: the management capability, organizational capability functioning, the capability of building organizational culture, managerial change capability, equity, socio-economic model

JEL Classification: M10, M11, M12, M14

Introduction

The managerial potential (P_m), the first factor of internal environment, is the vector of organizational development or, conversely, of crisis and bankruptcy, and is expressed as a function of five capabilities (variables) [7]:

$$P_m = f(C_m, C_f, C_{ult}, S_m, E)$$

where:

C_m -represents managerial capability;

C_f – functional capability;

C_{ult} – capability of building organizational culture;

S_m – managerial change capability;

E – the capability to conduct fair activities

Measuring management and functioning capabilities required the investigation of thirty lucrative and non profit organizations. We also used the specific literature to determine the criteria (the activities for measuring the value of each feature / function).

1. The managerial capability, results from the permanent articulation of managerial functions with different accents and it is expressed as a function of the following form:

$$C_m = f(P, O, C_o, AM, CE)$$

where:

P is the forecast function, conducted in the following steps: forecast, planning, scheduling;

O – the organizing function;

C_o – the coordinating function;

AM - the staffing function;

CE - the control-evaluation function

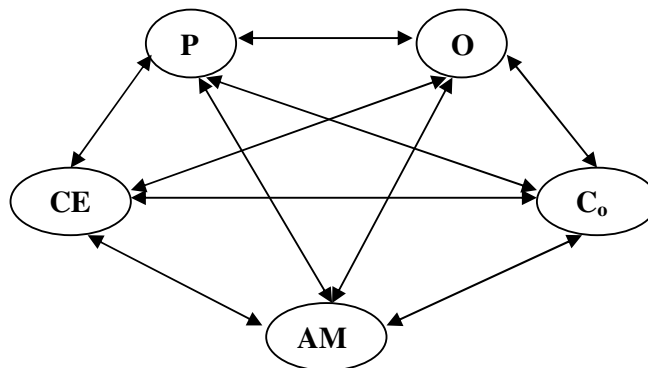The complete and symmetric graph of the functions defining managerial capability is illustrated in Figure 1:

Figure 1. The graph of the managerial functions

In practice there are "managers" who have the skills for one function and minimal skills for the others. The lack of complete and symmetric graph reduces or eliminates the managerial potential. In this context, the authentic manager, no matter of his position in the managerial pyramid, conducts trials of the type 5!.

The value of managerial capability is calculated as the product of the values of functions' capabilities that they depend on.

Further on we propose the way of measuring the managerial functions' capabilities:

a) Measuring the forecast function's capability

We propose the criteria of the scale with five steps, which may be:

i)   the design and existence of the chain forecasting-planning-programming;

ii)   the existence of planning (annually) for each type of activity;

iii) design and existence of the master programs on each type of activity and structural subunit [6];

iv) the permanent correlation of each objective of the prediction process with the existing resources and the conduct of the negotiation process in order to achieve dynamic balance between the necessary and available;

v) Design and conduct of the operative "programming" [6].

The suggested scale and the steps percentage or importance is presented in Table 1:

Table 1

Criteria (activities)	Percentage %	Step 1	Step 2	Step 3	Step 4	Step 5
i	50	1	2	3	4	5
ii	10	1	2	3	4	5
iii	10	1	2	3	4	5
iv	20	1	2	3	4	5
v	10	1	2	3	4	5

Note that the left part of the scale signifies a simulated forecasting, and imitated, and in the right or at level 5, strict, effective status.

The proposed percentages are based on realities of the organizations studied in Romania, but they can be "adjusted" in relation to the realities of each organization.

b) Measuring the organizing function

There is also developed a five steps scale. The elements (activities) are:

i) the management processes establish and separate the labor and intellectual activities, and at an upper level, they ensure their dependence and interdependence (see the posts, formations, compartments) grouped according to economic, technical and social criteria;

ii) the activities allow permanently to know who and how to contribute to achieving the organization' s objectives;

iii) the activities effectively combine the resources of all kinds (human, material, financial and information ones) at each structural sub-unit of the organization;
iv) the activities are separate units or segments of a process that creates value.

Percentage and steps of the presented criteria are listed in Table 2:

Table 2

Criteria (activities)	Percentage %	Step 1	Step 2	Step 3	Step 4	Step 5
i	15	1	2	3	4	5
ii	15	1	2	3	4	5
iii	30	1	2	3	4	5
iv	40	1	2	3	4	5

c) Measuring the value of the coordination function may be based, according to its own concepts, criteria, and activities such as:

i) Harmonizing the management decisions with the organization staff actions in terms of time and space;

ii) Updating of forecast and organizing operations in relation to the influences of organizational environment (internal, external and mega-environment);

iii) the measurement and use of feedback of organizational activities and of the external environment;

iv) design and conduct of bilateral relations between chief and subordinate or multi-dimensional relations between chief and all subordinates, including the existence of "loop" in which the decision maker is included.

The proposed percentages and the steps are presented in Table 3:

Table 3:

Criterion (activity)	Percentage %	Step 1	Step 2	Step 3	Step 4	Step 5
i	35	1	2	3	4	5
ii	25	1	2	3	4	5
iii	20	1	2	3	4	5
iv	20	1	2	3	4	5

The superior efficacy is also given by the stairs to the right of Table 3, which recorded a desirable coordination process of any manager.

d) Measuring the staffing function:

The criteria of assessment scale are:

i)   the determining of the organization's staff in terms of quantity and quality is rigorous;

ii)   knowledge of the staff's contribution to achieving the goals based on the factors that motivate them;

iii) knowledge of the causes that permanently generate and activate the participation of management personnel at each hierarchical level, and implementation stuff, to achieve the objectives;

iv)   it is analyzed and developed, including institutionalized, the correlation between needs and interests-assigned tasks.

Summary, the measurement elements are presented in Table 4:

Table 4

Criterion (activity)	Percentage %	Step 1	Step 2	Step 3	Step 4	Step 5
i	40	1	2	3	4	5
ii	30	1	2	3	4	5
iii	15	1	2	3	4	5
iv	15	1	2	3	4	5

e) Measuring the control-evaluation function

Items, in the report of that the level of the control-evaluation function is identified, are:

i)   design and the existence of standards for measuring progress in achieving the objectives [6];

ii)   design and the existence of the warning, response information systems;

iii) comparison of the pre-established standard with the performances (achievements);

iv)   determining the deviations and their significance;

v)   design and existence of a control loop for updating the objectives and the rational use of the organization's resources [5].

The proposed percentages and ladder steps of the control evaluation function are presented in Table 5:

Table 5

Criterion (activity)	Percentage %	Step 1	Step 2	Step 3	Step 4	Step 5
I	20	1	2	3	4	5
Ii	15	1	2	3	4	5
Iii	20	1	2	3	4	5
Iv	15	1	2	3	4	5
V	30	1	2	3	4	5

Based on the presented methodology, for each "managerial capability node", using practical investigations, it was determined a value resulting from the previous tables. For example, at forecasting function the criterion *i* has the step 2, the criterion *ii* has step 3, *iii* has step 3, *iv* has step 2 and *v* has step 4.

By using the proposed percentages it produces the following value of the forecast function:

$$V_p = \frac{2 \cdot 50 + 3 \cdot 10 + 3 \cdot 10 + 2 \cdot 20 + 4 \cdot 10}{100} = 2,4$$

Similarly the values of other ways have been determined.

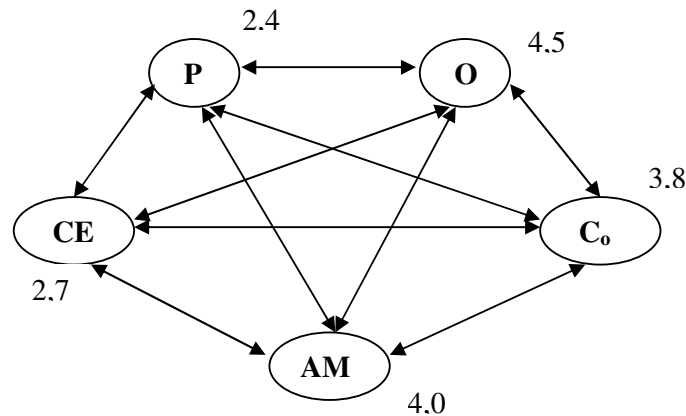The result is the graph in Figure 2.

Figure 2. The nodes' values in the graph of managerial functions

The managerial capability, determined by the above graph, is:

$$C_m = 2,4 \cdot 4,5 \cdot 3,8 \cdot 4 \cdot 2,7 = 443,23$$

Representing 14, 18% from the maximum value of 3125.

Note that reducing the value of a node in the above graph involves a dramatic limitation of the total value of the graph, which shows the law of decreasing yields.

2. The functional capability (C_f) from the permanent articulation of the organizational functions

$$C_f = f(M_k, CD, P, C_{om}, FC, P_s)$$

where:
M_k is the marketing function;
CD – research-development functioning;
P – processing function;
C_{om} – commercial function;
FC – financial accounting function;
P_s – staff function.

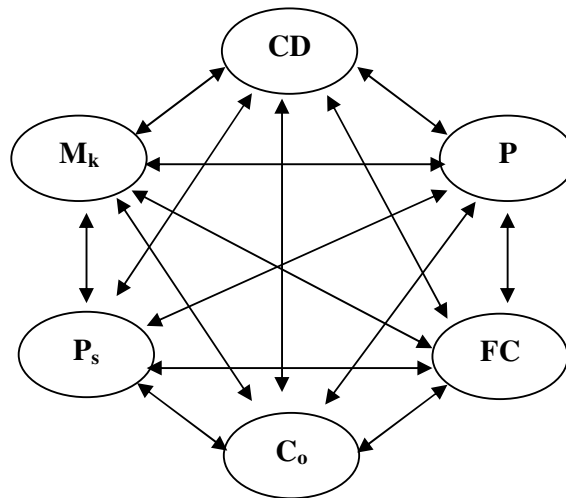The complete and symmetric graph of organizational functions is in Figure 3:

Figure 3. Organizational functions' graph

The number of links between the organizational functions $(6!) = 720$.

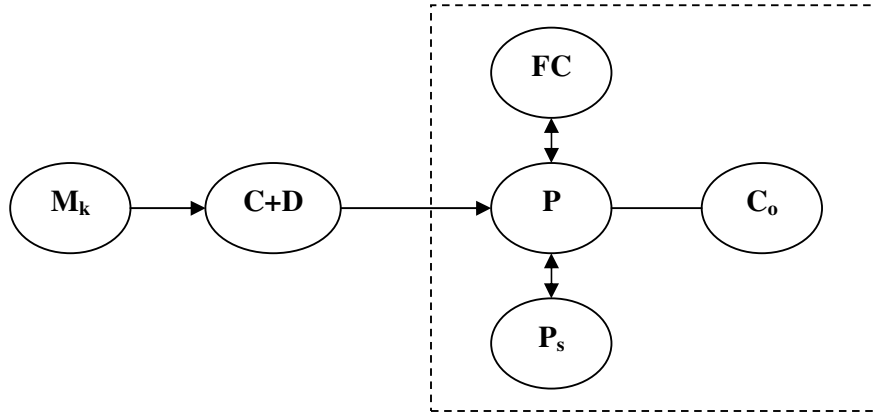The proposed graph replaces the empirical links between functions of the type described in Figure 4:

Figure 4. The empirical links between organizational functions

In the following lines we suggest the measuring of functional capability by using a methodology similar to the determination of managerial capability.

f) Measuring the marketing function value

The criteria of the scale with 5 steps are:

i) identify the needs of consumers / customers and the characteristics of goods and services required by them;

ii) the triggering of organizational planning entirely based on external information;

iii) integration of organization's components around a single factor, namely the desires and needs of consumers; the consumer / customer becomes the center of the organization;

iv) Align the organization objectives with the consumers / customers' ones;

v) Treatment of consumers / customers as the organization's assets

Note: The criteria i÷v are consistent with the Integrated Marketing Communication (IMC).

Table 6

Criterion	%	Step 1	Step 2	Step 3	Step 4	Step 5
i	25	1	2	3	4	5
ii	25	1	2	3	4	5
iii	25	1	2	3	4	5
iv	15	1	2	3	4	5
v	10	1	2	3	4	5

Note: Step 5 means the favorable status, superior for the whole organizational system, in all the tables that follow.

g) Measuring the research and development function

The criteria of the ladder with five steps are:

i) formulation of the organization's future in line with the needs of consumers of goods, services, etc. and the development of processing systems from a technical, technological and economic point of view;

ii) working with institutionalized mechanisms in order to "see" the future of the organization and its environment;

iii) technologic engineering and introducing technical progress;

iv) scientific research on all organizational areas (technical, economic, informational, etc.).

v) the pace of investment and construction.

Table 7

Criterion	%	Step 1	Step 2	Step 3	Step 4	Step 5
i	40	1	2	3	4	5
ii	15	1	2	3	4	5
iii	15	1	2	3	4	5
iv	15	1	2	3	4	5
v	15	1	2	3	4	5

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h) Measuring the production (processing) function

i)   the focusing on the process, on its fluidity and not of each activity as a separate entity;

ii) the processing costs;

iii) the quality of goods, of processed services;

iv) the flexibility level of the processing system;

v)   timing of products delivery, processed services, in the context of the requirements set by consumers / customers.

Note: Criteria i ÷ v are expressed in relation to "world class competitors.

Table 8

Criterion	%	Step 1	Step 2	Step 3	Step 4	Step 5
i	30	1	2	3	4	5
ii	20	1	2	3	4	5
iii	20	1	2	3	4	5
iv	15	1	2	3	4	5
v	15	1	2	3	4	5

i) Measuring the financial- accounting function

i)   obtaining and using the financial means necessary for the operation of the organization;

ii) record and track the value of all the organizational phenomena;

iii) use financial-accounting information to support any type of activity within the organization;

iv) preparing and making strategic investment decisions;

v)   forecasting and mitigating the risks of the demand, the inputs of organizational resources or of the financial pure ones.

Table 9

Criterion	Percentage	Step 1	Step 2	Step 3	Step 4	Step 5
i	40	1	2	3	4	5
ii	20	1	2	3	4	5
iii	20	1	2	3	4	5
iv	10	1	2	3	4	5
v	10	1	2	3	4	5

j) Measuring commercial function's value

i)   the link with the organizational environment for purchasing the needed means for processing goods / services, etc.

ii)   the link with the external environment in order to sale goods, services, processed works;

iii)   negotiations with the organization's suppliers and consumers / customers of goods / services;

iv)   achieving a co-markership in the upstream and downstream of processing system itself;

v)   setting up "a win-win game " with the organization's suppliers and customers.

Table 10

Criterion	Percentage	Step 1	Step 2	Step 3	Step 4	Step 5
I	40	1	2	3	4	5
Ii	40	1	2	3	4	5
Iii	10	1	2	3	4	5
Iv	0,50	1	2	3	4	5
V	0,50	1	2	3	4	5

k) Measuring of human resources' function

i)   management, personnel record, applying the legal decisions, payments administration, social expenditures, etc.;

ii)   personnel management (determination of requirements, recruitment, classification, job evaluation, performance, transfer, etc.).

iii)   calculating the cost of personnel;

iv)   the training and the career flying;

v)   social development (job definition, work organization, etc.). and improve working conditions

Table 11

Criterion	Percentage	Step 1	Step 2	Step 3	Step 4	Step 5
I	20	1	2	3	4	5
Ii	20	1	2	3	4	5
Iii	20	1	2	3	4	5
Iv	20	1	2	3	4	5
V	20	1	2	3	4	5

In the graph of the organizational functions, based on the analysis of the presented criteria, there were identified the following values: $M_k = 3,75$; $CD = 3,55$; $P = 3$; $CF = 3,1$; $C = 4,6$ și $P = 3,4$.

Resulting the following graph value: $V = 1936,32$, which represents only a percentage of 12,39 from a maximum of 15625.

Note a convergent and complementary underscore with the one to the end of the graph of the managerial functions, namely: failure of the function generates unfavorable conditions amplified at the organizational level, or again put into action the law of decreasing yields.

If we compare this assessment with the biologic rational model that we have argued [8] we see the viability of a thesis according to which extremely low area of the artificial potential but also the biological neuronal one are used in practice [8].

3. The capability of building the organizational culture

The organizational culture, especially the strong one, with a network between all its components, supports and amplifies the first two capabilities, although it involves elements of performance.

The organizational excellence, as a concept often circulating with the organizational culture, or the top of it, involves the focusing on consumers / customers, entrepreneurship, flexibility, involvement of the executive, simple and effective structures etc. The authentic manager is only the one who builds, maintains and develops an organizational culture. Otherwise he is an "actor".

The links between managerial/ functional capability, performance and organizational culture, as a factor of potentiating the variables analyzed above, is presented in Figure 5.
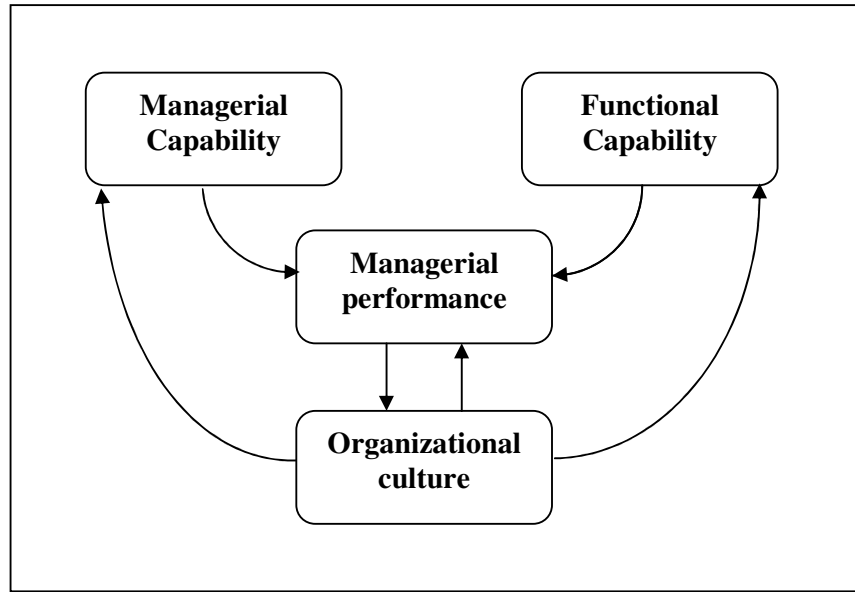

Figure 5 The organizational culture, as a support of the managerial and operational capability

4. The capability for managerial change

Capability for managerial change (S_m) - in the wider organizational framework is dimension of the managerial potential, particularly in the current turbulent environments, with new variables, which constantly change the objectives and also the means of achieving them.

The managerial change is fulfilled by the energy for change, expressed by the costs, which is able to overcome resistance to change (R):

$S_m > R$, and

$$R = \frac{\Delta C}{d}$$

where:

ΔC is the difference between the desired capability in managing in the effective and efficient environments (C_1) and the existing one (C_0): $\Delta C = C_1 - C_0$

The difficult problem is to measure the costs of change for which we propose an extension of the concept of K. Lewin, with his own vision:

$$TCR = \sum_K (\sum_i C_i^k + \sum_J P_j^k R_j^k)$$

where:

TCR represent total cost and risk

C_i^k - the cost of change for a managerial type k activity, such as inefficient / dissatisfaction, disseminating of unfavorable states, ignorance of the steps to be followed in the process of change, etc.

P_j^k – the probability of the risk j, in a k managerial activity

R_j^k – The cost generated by risk j, in a k managerial activity

5. Equity, like the proximate social responsibility through fair treatment to all consumers / clients, is a powerful competitive weapon often ignored by managers / owners / stakeholders.

The economic model promotes the idea that the society will benefit more if the businesses are directed to production, marketing, profit, in a broad sense.

The core of the economic model is the profit. The dimensions of this model are excessive corporatism, a centralization which doesn't work unlimited globalization etc. An abstract of this model can be:

$$\pi = 0{,}5 \cdot 2 \cdot 3$$

where:

π is profit

0,5 – reducing to the half of employment, according to companies' interests;

2 – increasing twice the productivity, of the staff requirements;

3 – increasing three times of the goods, services, managers' "expectations", including the "profit".

C. Handy states that "the capitalism thrives under the first definition of distributive justice - those who produce more should receive more. But soon cease to be credible or tolerable if it also ignores the opposite concept, those who have the greatest needs, should see them

satisfied. In other words, the capitalism is based on the principle of inequality - some may work better than others, but remains acceptable in the long term, in a democracy only if it is provided to the majority of people an equal chance to aspire to the respective inequality [2].

The levels of equity and responsibility within an organization are:

a) the discretional responsibility, based on the simple desire of the organization and that doesn't make reference to the rules;

b) the ethical responsibility, which adopts rules of conduct, which the company expects;

c) legal responsibility, including compliance with legal obligations, which are covered;

d) economic responsibility which involves the production of goods and services and obtaining profit.

Conclusion

We believe that the relationship between the five main components of managerial potential, which we sustain in our own view, is a holistic and not reductionist type, the theses affirmed in the entire work, according to Figure 6:
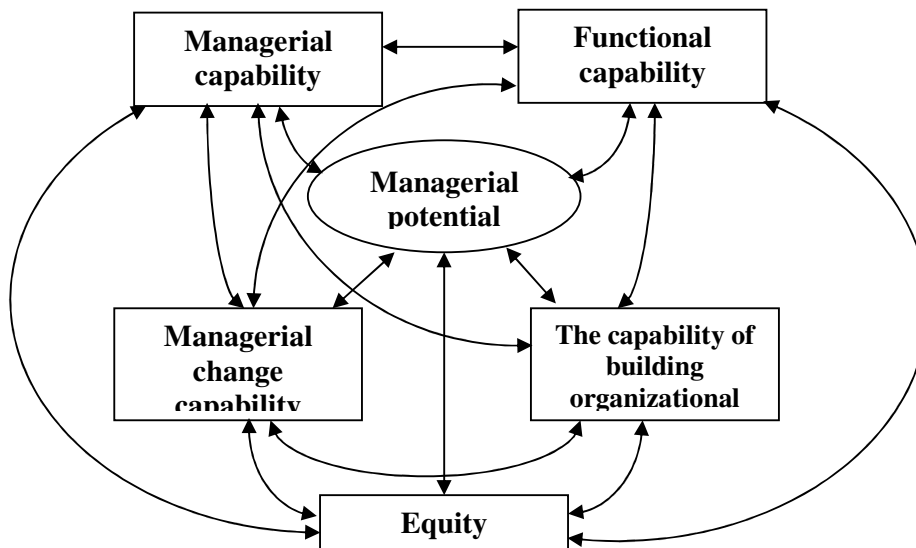

Figure 6 Correlations between the managerial potential components

We believe that the managerial potential that we have sustained in a classic concept with some own elements, is the managerial performance base, the dimension which designates the objective results of a managerial process [7].

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