

THE ROLE OF THE MANAGEMENT FUNCTION IN IMPROVING THE BUSINESS OPERATIONS OF THE COMPANY

Vuk Bevanda²⁶⁹
Aleksandra Živaljević²⁷⁰
Marina Gajić Glamočlija²⁷¹

<https://doi.org/10.31410/itema.2018.742>

Abstract: *Management function is the most important business function (hierarchically highest) in an enterprise. Management defines and sets goals, strategies and policies of the company. Within the management function, business relationships of the company with the environment are designed; it forms a system of internal interconnections and determines the global distribution of the achieved results of the company. The paper will analyze the role and importance of the management function in modern business.*

Keywords: *management, function, company, business operations.*

1. CONDITION AND CLASSIFICATION OF FUNCTIONS

Realizing any task in the enterprise is impossible without the functional alignment of all of its components. In this sense, the function is a set of related tasks and procedures that make the most of the tasks of the company.

In the theory and practice of enterprise economics and other related economic and organizational disciplines, there are a greater number of classifications of functions in an enterprise, depending on the concept and goal of their posting. Functions and jobs in the company can be successfully performed only by a harmonized and connected, complementary operation of people and material components. Therefore, their connection within the enterprise is an important condition for its operation, functioning and survival.

The technical division of labor, on the one hand, and the process of work and business operations in the company, on the other, are the basis for the classification and organization of business functions in a particular company. The reproduction and development of the company is facilitated and accomplished through the various functions and activities of their holders.

The functions of the company are classified according to the vertical and horizontal dimension:
[1]

1. Vertical division of the function follows the hierarchy of setting and realizing the goals and tasks of the enterprise and the competence of the bearers of these functions. According to this criterion, three vertical levels of the basic functions of the company appear: management, administration (operational management), and execution of tasks.

²⁶⁹ Faculty of Business Studies, Bulevar Maršala Tolbuhina 8, Belgrade, Serbia

²⁷⁰ Higher Colleges of Technology in United Arab Emirates, and Faculty of Strategic and Operational Management in Belgrade, Serbia

²⁷¹ Executive Director for Economic, Legal and Commercial Affairs, JKP "Beograd put", Belgrade, Serbia

According to the vertical dimension, management is the hierarchically highest function - which sets and defines the goals and strategy of the company.

Concretization and elaboration of goals is done through the administration function, and within the organization of the company. This is the second level of vertical functions, on which the objectives set in the form of tasks and orders for execution of tasks are concretized.

The third level of classification is the execution of specific tasks and orders. It includes the activities of performing various stages and operations of the work process, that is, the realization of specific tasks and the creation of results in the form of products and services.

2. The horizontal division of functions follows their natural course and development in the technological (work) process and performing the business of the company. Through horizontal tasks and functions, a technical division of work and a process of business is realized in the chain of all activities in a single rounded reproduction process. In this classification, the function encompasses a set of interrelated jobs that perform the most specific, specific task or part of the task of the company most salient.

According to the horizontal dimension and conditionality, the functions can be divided into: [1]

- Research & development,
- Technical functions,
- Finance and Accounting,
- Commercial,
- Plan-Analytical,
- Human resources,
- Administrative,
- Control functions and the like.

Regardless of the type and level of classification, business functions in the company must always be coordinated and linked. Performing and executing tasks and orders of one function is an assumption for the realization of others. Individually, functions represent links in the chain of operation, that is, business operations.

2. MANAGEMENT FUNCTION

Management is the hierarchically highest and most important business function in an enterprise. Management defines and sets goals, strategies and policies of the company. Within the management function, business relationships of the company with the environment are designed; it forms a system of internal interconnections and determines the global distribution of the achieved results of the company.

Management has been described as a social process involving responsibility for economical and effective planning & regulation of operation of an enterprise in the fulfillment of given purposes. [2]

The control function is the owner's business function. It determines the company's business philosophy and business policy, as a set of behaviors and relationships in the enterprise as a whole and its business subsystems.

Management also regulates all other functions of the company. It sets out the administration and execution frameworks, defines and organizes the company's management towards the set goals. The management function should be organized to ensure the efficiency of making and executing management decisions.



Picture 1: Management functions
Source: [3]

As we can see from the picture 1, management functions consist of: planning, controlling, organizing, directing and staffing. The structure and size of the management function depends on the activity, size and complexity of a particular company. The complexity of the relationship in the management function is reflected not only in a number of managerial levels, but also in the complexity and diversity of their interrelations. These interrelations are conditioned by the overall tasks and objectives of the company, as well as the degree of interconnection of organizational parts within the company.

3. OWNERSHIP COMPONENT OF THE MANAGEMENT FUNCTION

Each company has a capital owner. Capital, as a condition and one of the components necessary for the operation and functioning of the company, is also owned by legal entities and individuals. The company, as a form of organizing the business and activities, and the form of investment and use of capital, also implies certain relations and obligations towards the owner of the capital.

Capital and company management involve the decision-making process for its placement, movement and use. The owner of capital in market conditions is in a position to choose a place and a company where he will place his capital. If it does not bring the appropriate or desired profit or dividend rate to it, it will withdraw it from one company and invest in other businesses or other companies through the appropriate market and financial mechanism (stock exchange), purchase and sale of shares and stocks on the market.

Within the framework of the corporate management function, that is, deciding on the essential dimensions and aspects of its functioning, the owner of the company has its own economic interests. One of these most important interests is maximizing the profits of your own company, i.e. achieving maximum return on invested capital.

The owner of the capital has an autonomous and undisputed right to decide on where to invest his capital. Moving capital from an enterprise to an enterprise, as well as from a branch in a branch, is a business, or interest-oriented activity of the owner of the capital or their representatives.

The management function of the owner, in addition to making key, strategic decisions, is reflected in the control of the work and efficiency of the management. Management function includes operational management of enterprises and management of capital invested in the enterprise. Financial and other business results are parameters that control the work of management, not people, because management has the sovereign right of operational decision-making in the company, or the function of running a company. [1]

The ownership function also involves taking over the risk of invested capital. The owner is the one who appropriates the positive results of the work of the company (e.g. dividends, name, image, brand, etc.), but also losses and other damaging consequences if the business is doing bad.

The managerial role of the owner of the company is also reflected in the fact that he uses his capital and property as a guarantor to satisfy the needs of creditors of the company. These are banks and other creditors, financial and other institutions. The management function, in addition to the interests of the owner of the capital, includes the interests of the employees in the company and the interests of the wider community.

By its management decisions, conduct and business, the company is obliged to respect the interests of the society, by respecting legal regulations, norms and behavior, material obligations to the state, and moral norms and codes of business conduct.

The interests of employees relate to the right to appropriate a part of the total result, that is, the created values (profit) of the company, in the name of compensation for their work contribution and performance. The management decisions and business policy of the company must also respect these interests, in accordance with the market norms of evaluating individual and collective contributions in the work. This is a very important motive factor for employees in the performance of their individual and collective tasks from the point of view of a particular company.

4. CONTENT OF THE MANAGEMENT FUNCTION

According to the degree of comprehensiveness of powers and competencies in relation to other functions in the enterprise - management takes the highest place. Based on management and managerial decisions, the will, interests and orders of the owners, the state, the collective and the individual employees in the company are reflected.

The established role of management in the system of functional competencies of the company requires quality decision making, which represent the basic content of the management function

of the company. Management decisions are the most common expression of collective decision making.

The content of the management function can be defined through the following activities: [1]

1. Setting goals, strategies and business policies of the company,
2. Setting up the organization of the company and its reorganization,
3. Setting out external and inter-company relationships,
4. Managing the functioning of the company and its organizational units,
5. Management and disposal of assets - company's capital,
6. Managing results and distributing business results,
7. Controlling the business of the company and its parts,
8. Control of the holders of all functions in the enterprise,
9. Deciding on all status changes of the company.

Setting goals and strategies implies the adoption of plans and programs, measures and decisions of developmental and current business policy. Plan-setting and elaboration of goals (long-term, mid-term and operational plans) determine the areas of business and behavior of the company in the long run.

By influencing the business environment, technology, markets and other external factors, strategies and plans are changing and adapting to new conditions and requirements. The goals of the company, as well as its business policy, cannot be realized without appropriate, normatively organized, organizational forms in which the company operates. Modern practice introduces and builds flexible organizational forms of the company, which can successfully follow the requirements and intensity of environmental changes and demands of modern technological processes.

Establishing relationships within a company is the normative and organizational regulation of the interdependence of parts within the company, as well as the rights, obligations and responsibilities of the holders of functions in an enterprise and its parts.

It is the duty of the company to comply with the norms and rules governing economic, national and international legislation. Status issues, changes and regulation of institutional relations with state and other bodies - also require continuous management activities in the company.

Relations with financial and market institutions are part of the activities of managing bodies of companies. Disposing of funds means their acquisition, maintenance, use, protection and replacement.

The distribution of results is one of the key activities of the management function. The results, based on the scope and quality of those results and the adopted business policy, determine the place of the individual in the distribution. On the other hand, the allocation determines which part of the results will be directed towards the development and investments of the company, which will be shared with shareholders and directed to other obligations.

Control is an inseparable part of the management function and it is given to certain authorities for supervision and enforcement. Managers retain certain control tasks and conduct them themselves through committees, commissions and the like, or by analyzing the periodic business and annual accounts. Part of the control function in the company are independent auditors.

5. HOLDERS OF THE MANAGEMENT FUNCTION

Holders of the management function are individuals or collective bodies delegated by the owner. They have the authority and bear the responsibility for performing the management function.

The company's management bodies are: [1]

- Assembly of owners (shareholders),
- Board of directors (The Steering Committee),
- Supervisor Committee.

We will monitor the functions and scope of these management bodies through the current normative regulations.

Assembly of owners - shareholders

The Assembly, as the body of the owner, has the most important strategic functions in the company. The scope of competence of the Assembly includes:

- Passing and changing the basic rules - company statute,
- Adoption of business policy,
- Adoption of annual accounts and business reports,
- Deciding on the distribution of annual profits and deciding on covering losses of the company,
- Deciding on all status changes, as well as the cessation of the company's operations.

The competence of the assembly includes the election and recall of the board of directors and the supervisory board in the company, as well as the selection of auditors. The competence of the shareholder assembly is regulated and specified by the company's Articles of Association, regulations and the rules of procedure.

Board of Directors (The Steering Committee)

The Steering Committee is the most important operational management body in the company. It is selected by the Assembly of the company and corresponds to the Assembly, i.e. the owners or representatives of the company's owners, for its work.

The basic functions of the Board of Directors or the Board of Directors are:

- Prepares all proposed decisions for the Assembly and executes the decisions of the Assembly,
- Adopts normative acts and rules on business operations and business policy (internal rules),
- Prepares and adopts the calculation of the achieved results of work (periodical and annual calculations),
- Reports to the assembly and shareholders on business operations and implementation of business policy,
- Proposes distribution of profits and coverage of company losses,
- Appoints and dismisses the Director,
- Decides on business cooperation and business connection with other enterprises,
- Makes investment decisions,
- Decides on the establishment of new enterprises and parts of the company.

The Board of Directors is responsible for the work to the Assembly that can replace it (in whole or in particular) if it is not satisfied with its work. The competencies of the Management Board are defined in the company's statute and other legal acts (regulations, etc.).

Supervisor Committee

The supervisory board is the body that performs the control function in the company. Its basic functions are:

- Performs supervision and control over the legality of work of all bodies and holders of functions in the company,
- Controls periodical and annual reports and calculations of results of work and business,
- Gives an opinion on proposals for the distribution of company results and coverage of losses.

The Supervisory Board determines whether the books, contracts and other acts and documents of the company are in accordance with the law and regulations. It reports to the Assembly about the results of the supervision and control undertaken by the company.

6. CONCLUSION

Based on the presented data and facts, it can be concluded that the management function has an extremely important role in the business operations of a modern enterprise. Performance and business results of the company largely depend on the management decisions. Also, this function creates and directs the remaining functions in the vertical division of jobs: administration, and execution. In this sense, the management function sets the framework for the strategic directions of the development of the company, which is further, through the administration function (operational management), translated into the corresponding work orders and assignments, which are assigned to the executors. If the goals and tasks set at the management level are in line with all other factors, the holders of functions, the interests of individuals and groups both in and out of the company, as well as the company's capabilities and resources, then successful business results can be expected.

REFERENCES

- [1] Živković, M., Ilić, S., Bevanda, V. (2014), *Ekonomika poslovanja*, sedmo izmenjeno i dopununjeno izdanje, Megatrend, Beograd
- [2] www.managementstudyguide.com/management_functions.htm, accessed: 17.10.2018.
- [3] www.managementstudyhq.com/functions-of-management.html, accessed: 19.10.2018.
- [4] Jovanović, P. (2013), *Upravljanje investicijama*, VŠPM, Beograd
- [5] Jovetić, S. (2015), *Merenje performansi preduzeća*, Ekonomski fakultet, Kragujevac
- [6] Milisavljević, M. (2007), *Savremeni strategijski menadžment*, VI izmenjeno i dopunjeno izdanje, Megatrend univerzitet, Beograd
- [7] Jovanović Božinov, M., Živkovic, M., Cvetovski, T. (2007), *Organizaciono ponašanje*, drugo izmenjeno i dopunjeno izdanje, Megatrend univerzitet, Beograd