

chapter 1

MANAGEMENT

Management is defined in many different ways. Malayu S.P. Hasibuan dalam Badrudin (2015:3) suggested

“Manajemen adalah ilmu dan seni mengatur proses pemanfaatan sumber daya manusia dan sumber-sumber lainnya secara efektif dan efisien untuk mencapai suatu tujuan tertentu”

Translation:

“Management is a science and an art to regulate the utilization process of human resources and other resources effectively and efficiently to achieve certain goals.”

M.Manullang dalam Badrudin (2015:3) suggested

“Manajemen adalah seni dan ilmu perencanaan, pengorganisasian, penyusunan, pengarahan, dan pengawasan sumber daya untuk mencapai tujuan yang sudah ditetapkan”

Translation:

"Management is an art and a science of resources planning, organizing, staffing, directing and controlling to achieve pre-determined goals"

S. George said management consists of getting things done through others and manager is one who accomplishes the objectives by directing the efforts of others.

According to George R Terry, management is a distinct process consisting of planning, organising, actuating and controlling performed to determine and accomplish the objectives by the use of people and resources.

James L Lundy stated that management is principally the task of planning, coordinating, motivating and controlling the efforts of others towards a specific objective.

Henry Fayol believed to manage is to forecast, to plan, to organise, to comand, to coordinate and to control.

Peter F Drucker explained management as a multi purpose organ that manages a business, manages managers, manages workers and work.

Koontz and O'Donnel described management as the creation and maintenance of an internal environment in an enterprise where individuals working together in groups can perform efficiently and effectively towards the attainment of group goals.

Stanley Vance conveyed management is simply the process of decision making and control over the actions of human beings for the express purpose of attaining predetermined goals.

According to Keith and Gubellini, management is the force that integrates men and physical plant into an effective operating unit.

Words mentioned in most definitions above are: objective, men, other resources, and functions (planning - controlling). These are the keywords you need to mention at the time you are asked about the definition of management.

Besides the word "management", the word "manager" must be heard many times. A person who performs management is called a manager. Hence, a person is a manager if he has subordinates below him who assist him to achieve his goals. The term "manager" is used in relation to all levels of management in the company: Upper level management, Middle level management, and Lower level management. General Manager is a

manager. Production manager, marketing manager, purchasing manager, financial manager are all managers. Is the front-line supervisor a manager? The answer is "yes". The term "manager" is used to describe someone who supervises others such as: Team leader, supervisor, department head, vice president, president, managing director.

Examples of manager:

- a. **Tanri Abeng** was very famous during my time in university. He was the man behind the success of PT. Multi Bintang Indonesia. In 1991 he worked for Bakrie & Brothers. Annual sale was \$50 million at that year. With some reforms, he made the annual sale escalating to \$700 million in 1996. He was dubbed and known at that time as "one billion manager" because he was paid that big by Bakrie & Brothers.
- b. **Ignasius Jonan** turned PT. KAI from a company that lost 83,5 billion rupiahs in 2008 to a company that gained 560,4 billion rupiahs profit in 2013. He increased the assets 270% in 5 years from 2008 to 2013. Trains are totally different under his management: Ticket is sold via retail stores and on line application and boarding pass system is used. All the wagons from executive to economy are air conditioned. Smoking is prohibited totally

in the train.

- c. **Dwi Soetjipto** worked for PT. Semen Indonesia since 2012. In 2 year time, PT. Semen Indonesia brought together Semen Padang, Semen Gresik and Semen Tonasa. He is the first CEO in history to bring Indonesia state-owned company into multinational companies. PT. Semen Indonesia is the first multinational state-owned company after the purchase of the Thang Long plant in Hanoi Vietnam. .
- d. **Hendrisman Rahim** turned PT. Asuransi JiwasRaya from a company with a debt burden 6,7 trillion Rupiahs in 2008 to an independent and healthy company in 4 year time in 2013.
- e. **Rusdi Rosman** joined PT. Kimia Farma in 2012. He managed to increase the number of pharmacies from 390 units in 2011 to 725 units in 2015; 85% of them belong to investors. He created work culture 5 AS (*ikhlas, cerdas, kerja keras, kerja antusias, kerja tuntas*) to support the company culture ICARE (Innovative, customer first, accountability, responsibility, eco-friendly).
- f. **Richard Joost Lino** was elected to lead PT Pelindo II since 2009. He increased PT Pelindo's net profit to 1.26 trillion rupiahs, an increase of 32.92 percent compared to the previous year

- g. **Jahja Setiaatmadja** had worked for BCA 21 years (1999 appointed as director and 2005 appointed as vice president director) before he was appointed as the president director in 2011. During Jahja's leadership period, BCA becomes a private bank with the largest assets and profits.

1.1 CHARACTERISTICS

Characteristics of management are described as the following below:

- a. Management needs not to be founder or owners. Gandi Sulistiyanto is the managing director and the president office of Sinar Mas. He is not one of the founders or one of the owners or the owner's family. In 1992, he was offered to join Sinar Mas by Indra Widjaja and he agreed. In 1998, during the monetary crisis, he and Franky Widjaja had a task to come to more than 100 creditors in 11 countries for its US\$ 13.5 billion debt restructuring – a process that allows a company facing cash flow problems and financial distress to renegotiate its delinquent debts to improve liquidity so that it can continue its operations. Gandi Sulistianto's another contribution was reorganizing Sinar Mas by eliminating holding company and changing it to president office. He facilitates and coordinates corporate forum that involves 6 business pillars of Sinar Mas: Pulp and

Paper (by Teguh Ganda Widjaja), Agrobusiness and Food (by Franky Widjaja), Property and Real Estate (by Muktar Widjaja), Financial Service (by Indra Widjaja), Energy and Infrastructure, and Telecommunication.

- b. Management is a continuous process till the objectives set in advanced are achieved.
- c. Management has purposes and it is goal oriented. It is not needed if there are no goals.
- d. Management is needed at different levels of organization from top level to lower level. All levels in organizations are doing management.
- e. Management is universal and applicable not only to business organization but also to religion, educational, social and political institutions. Wherever you are working after graduation you will see management process; you will testify that management is needed in all organizations.

Program accreditation and institution accreditation by BAN-PT toward educational institution in Indonesia is the proof that management is needed in educational institution. BAN-PT was established in 1994 and began disseminating its new accreditation system in 2008 and 2009 for undergraduate programs. The 7 point quality assurance system is modelled on the European Foundation of Quality Management and Malcolm Balridge's Model. BAN-PT's seven

accreditation standards includes:

- 1) Vision, mission, goals and objectives, and strategies to achieve
 - 2) Governance, leadership, management system, and internal quality assurance
 - 3) Students and graduates
 - 4) Human resources
 - 5) Curriculum, instruction, and academic atmosphere
 - 6) Finances, facilities and infrastructure, and information system
 - 7) Research, community service, and partnership
- f. Management is a science but also an art. It is considered a science because it uses scientific methods to conclude research and analysis results. It is considered an art because it puts principle into practice and gets improvement through continuous practices.
- g. Management is dynamic because it adopts itself in accordance to the situation and condition.
- h. Management is a profession since it involves specialized training and is governed by ethical code.
- i. Management is a group activity instead of individual activity. It is always concerned with group efforts and not individual efforts.
- j. Management is a system of authority; it

- determines the objectives, rules, and procedures that have to be followed by subordinates.
- k. Management is an interdisciplinary study because it draws ideas and concepts from various disciplines like economics, statistics, mathematics, psychology, law, sociology, etc. You will see in chapter II and chapter III how various knowledge disciplines help managers in managing mills and business.
 - l. Management implies making decisions. Decisions are the key to the manager's working performance.
 - m. Management performance is intangible, proved by the results i.e., profitability, productivity, market share, etc.

1.2 FUNCTIONS

Managers are involved in 4 main functions:

- a. **Planning (chapter III)**
In planning, managers determine the goals and the ways to reach them. This is the first step. This step must be done before they go to the other functions.
- b. **Organizing (chapter IV)**
Activities are classified, job description is made, job specification is made, amount of people

TABLE 1.1
MANAGEMENT FUNCTIONS

G.R. Terry	Planning, organizing, actuating and controlling.
John F. Mee	Planning, organizing, motivating and controlling
Louis A. Allen	Leading, planning, organizing and controlling
Mc Namara	Planning, programming, budgeting, system
Henry Fayol	Planning, organizing, commanding, coordinating and controlling
Koonts & O'donnel	Planning, organizing, staffing, directing and controlling
S.P. Siagian	Planning, organizing, motivating, controlling and evaluating
Oey Liang Lee	Planning, organizing, directing, coordinating, controlling
W.H. Newman	Planning, organizing, assembling resources, directing and controlling
Luther Gullick	Planning, organizing, staffing, directing, coordinating, reporting, budgeting
Lyndal F. Urwick	Forecasting, planning, organizing, commanding, coordinating and controlling
John D. Millet	Directing and facilitating