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# Management First Partial

## 1°BEMACS

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## Management 1st Partial

→ **Management:** the range of decisions associated with the acquisition, allocation and integration of resources required to perform a certain economic activity (which is the production and consumption of economic goods)

### Maslow's Hierarchy of needs

1. **Self-actualization:** achieving one's full potential
2. **Esteem needs:** prestige and feeling of accomplishment
3. **Belongingness and love needs:** relationships, friendships
4. **Safety needs:** security, safety
5. **Physiological needs:** food, water, warmth, rest

→ 1 is a self-fulfilment need

→ 2 + 3 are psychological needs

→ 4 + 5 are basic needs

### Primary activities

- **Management:** planning, organising, leading, controlling
- **Marketing:** research, analysis → 4P's: Price, Product, Place, Promotion
- **Finance:** using money for business operations

### Types of goods

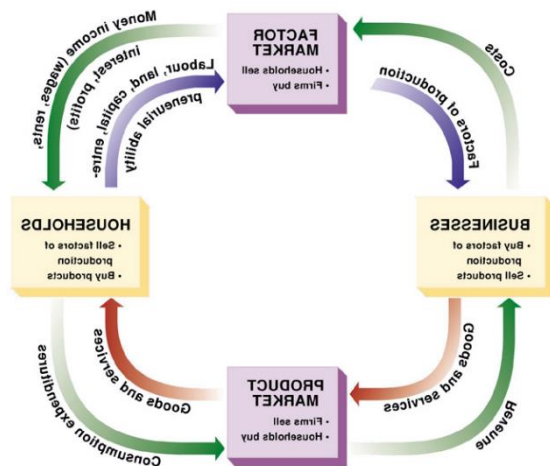
- **Essential**
- **Differentiable:** goods perceived as different, USP, brand
- **Consumer:** products bought by individuals for personal use
- **Disposable:** goods intended for single/short-term use
- **Private:** goods consumed exclusively by individuals, no simultaneous consumption
- **Non-essential**
- **Commodities:** goods perceived as identical, interchangeable
- **Industrial:** products purchased by organization for use in producing other products
- **Durable:** goods designed for an extended use, lasting for years
- **Public:** non-excludable, non-rivalrous goods such as infrastructure

### Economics activity and the circular flow model

- **Technical transformation:** physical, spatial, logical
- **Transactions:** buying input and selling output



- **Complementary activities:** institutional structure design, HR Management, accounting



→ **The circular flow model** demonstrates how money moves from producers to households and then back again. Money moves from producers to workers as wages and then back from workers to producers as workers spend money on products and services.

## Roles

- **Entrepreneur:** an individual who risks his/her wealth, time, effort, to develop an innovative product/service for profit
- **Government:**
  - preserves competition and protects consumers, employees, and the environment
  - minimizes disruptive effects of economic fluctuations
  - reduces unemployment
  - spurs growth so consumers spend more money and businesses hire new employees
- **Non-profit organizations:**
  - private
  - no shareholders
  - employees and/or volunteers
  - pursue private interests of the participants
  - not allowed to distribute profits or assets

## Views of the firm

### Milton Friedman's Shareholder Theory

- property of owners
- purpose is to make profits
- owner's interests have the priority

### Edward Freeman's Stakeholder Theory

- corporations create value for society
- main purpose is to satisfy a need
- accountability is towards key stakeholders



### The core arguments of stakeholder theory

- **Descriptive:** energies are directed towards all stakeholders
- **Instrumental:** good relationships are a source of value for the firm
- **Normative:** anyone who makes a contribution or takes a risk, has a moral right to some claim on the firm's rewards

### Kinds of Stakeholders

- **Market:** engage in economic transactions with the company (shareholders, creditors, customers, employees)
- **Non-market:** people and groups affected by or that can affect its actions (government, community, competitors)
- **Internal:** employed by the firm, they contribute their effort and skill to the company
- **External:** aren't directly employed by the firm, although they may have important transactions

### Partnerships vs Corporations

- |  |   |
|--|---|
| • unlimited liability of members                       | • limited liability of its members (shareholders)                   |
| • partners matter                                      | • legal personality of a company                                    |
| • difficult to transfer ownership                      | • easy to transfer ownership through shares                         |
| • decisions taken by majority or consensus of partners | • a minority of shareholders can hold the power, one share one vote |
| • ends when partners die or quit                       | • go on after shareholders quit or die                              |

### Coalitions

→ multi-stakeholder action

- form among stakeholders that have similar interests in a certain situation
- NOT STATIC: can change due to changes in interests

### Shareholders

→ investors who own a corporation through purchase of company stock. They are a company's most important market stakeholders

- Individual investors: purchased by a stockbroker
- Institutional investors: pension funds, banks, ...

### Objectives of stock ownership

- making money through the rise and fall of stock prices



- some companies may give out dividends
- stock prices are affected by both the company's overall performance and the market
- varied shareholder interests

### Shareholder's rights

- receive dividends if approved
- vote on: members of BoD, mergers and acquisitions, charter and bylaw changes, proposals by shareholders
- receive annual financial reports
- bring shareholder suits against the company and officers
- sell their own shares to others

### Public limited company vs Private limited company

- |  |   |
|--|---|
| • listed on a stock exchange                         | • not listed in any stock exchange                  |
| • offers shares to the general public                | • does not offer shares to the public               |
| • private and institutional investors and free float | • limited number of owners                          |
| • managers with discretionary power                  | • owners control managers                           |
| • demanding document filing requirements             | • document filing requirements are not as demanding |

### Board of Directors (BoD)

→ shareholders appoint the **BoD** (representatives of shareholders, controls managers) which appoints **Top Management** (manage every day activities and operations)

### Role of BoD

→ group of people in charge of pursuing the interest of the company and of shareholders

- establish corporate objectives
- develop strategy and broad policies
- select top-level personnel to carry out these objectives
- protect stakeholder interests
- monitor managers
- report on financial performance and take care of investor relations

### Board Activities

→ regular board meetings and committees (compensation, nominating, audit, specialized) with their own separate meetings



## One tier vs Two tier

- E.g. Amazon
- Common in US
- One board (executive)
- executive and supervisory combined
- E.g. Volkswagen
- common in some EU
- 2 boards
  - Supervisory (outsiders + chairperson)
  - executive (CEO + Managers)
  - supervisory appoints executive

## Effective BoD

- select outside directors to fill most positions
- hold open elections for members of the board
- hold elections for all directors regularly
- make sure outside directors are independent
- split roles between CEO and board chairperson

## Managers

→ make decisions about the use of the organization's resources and are with planning, organizing, directing and controlling the organization's activities to reach its objectives

## Planning

Specifications	Goals	Measurable objectives
<ul style="list-style-type: none"><li>• what</li><li>• by whom</li><li>• when</li><li>• how</li></ul>	<ul style="list-style-type: none"><li>• target and time frame</li><li>• profit</li><li>• product quality</li><li>• volume of sales</li></ul>	<ul style="list-style-type: none"><li>• sales</li><li>• market share</li><li>• efficiency</li><li>• growth</li></ul>

## Levels of Management

### Top Management

→ planning, strategic decisions

- President
- CEO
- VPs

### Middle Management

→ operational planning, implement guidelines

- Plant managers
- Dept. managers
- Division managers

### First-line Management

→ supervise daily operations on site

- Foremen
- Supervision
- Office managers



## Manager skills

- **Technical skills:** specialized knowledge
- **Conceptual skills:** think creatively
- **Analytical skills:** identify issues
- **Human relation skills:** dealing with people

## Homo economicus vs Human beings

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• perfectly rational</li><li>• isolation</li><li>• maximization of income/wealth</li><li>• opportunistic</li></ul> | <ul style="list-style-type: none"><li>• bounded rationality</li><li>• members of groups, which shape their behaviours and preferences</li><li>• pursue well-being</li><li>• prosperity to cooperative behaviour</li></ul> |
|--|---|

## How do they make decisions ?

1. recognize and define the decision situation
2. develop options
3. analyse options
4. select the best option
5. implement the decision
6. monitor the consequences

## Leadership

→ the ability to influence employees to work toward organizational goals

- related to power
- no the same as a manager

## Leadership styles

→ good leaders adapt to the task, the type of employees and time

- **Autocratic:** leaders choose everything, economic rewards and authority are used to influence employees
- **Democratic:** involve employees in decisions. This involvement is used to motivate employees
- **Free-rein:** let employees work without much interference. Motivate by setting standards and expressing trust
- **Authentic:** show passion, demonstrate personal values and establish healthy long-term relationships



## Organizational culture

→ A firm's shared values, beliefs, attitudes, practices and role models for behaviours

→ innovation, stability, respect for people, outcomes, attention to detail, teamwork, aggressiveness

- **Artefacts:** visible, tangible, audible aspects of a company's organizational culture, reflecting its norms values and beliefs. Such as physical environment (office layout, decorations) and dress codes
- **Values:** a definition of what's right and what's wrong for the firm
- **Assumptions:** deeply held, take-for-granted beliefs

## Functional areas

### R&D

→ establish product features and production methods

- research
- product development
- quality check
- evaluation of customer needs

### Purchasing

→ buying equipment/facilities, raw materials, services

- recognition of needs
- spending analysis
- placing orders
- supplier identification/evaluation/selection

### Manufacturing

→ turning physical input into output by using equipment, work, energy and services

- processing and assembling raw materials
- planning
- quality control
- maintenance

### Sales and Marketing

→ marketing gets customers interested in the goods and services being sold

→ sales consist of activities that lead to the selling of good and services

- 4P's: Product, Price, Promotion, Place



- understand customers, competitor's offering
- advertising and communicating

### Logistics

→ the process of managing how resources are acquired, stored and transported to their destination

- transport, store and move raw materials, products
- multidisciplinary skills

### Finance

→ set of activities undertaken by firms to collect money to cover their financial needs

- forecasting and analysing financial needs
- planning and executing transactions involving capital

### HR

→ implementation of organizational systems pertaining to personnel

- recruitment
- employee relations
- promotion, training and development

### Organizational structure

→ a structure is the arrangement of the relationship of position within an organization

→ it develops when managers assign tasks and activities to individuals or group and then must coordinate them

### Specialization

→ the division of labour into specific tasks and the assignment of employees to do a single task

- the goal is efficiency
- demotivation can result from overspecialization

### Elements of organizational structure

- **Departmentalization:** the grouping of jobs units usually called departments, units, groups or divisions
  - functional departmentalization: jobs that perform similar functional activities (functional areas)
  - product departmentalization: grouping of jobs in relation to the products of the firm
  - geographical departmentalization: grouping according to region



- customer departmentalization: grouping around the needs of various types of customers
- **Centralization:**
  - delegation: giving tasks to employees to empower them → they are responsible and accountable
  - degree of centralisation: when centralised there is more decision-making on higher levels, when decentralised the decision making power is spread out
- **Span of control:** number of subordinates that report to a particular manager, this is related to the number of organizational layers
  - wide: routine tasks, coordination is not needed as much
- **Formalization:** degree to which the firm standardizes work through rules, procedure,.... It increases as firms get older and larger
  - less organizational flexibility
  - discourages organizational learning
  - increases dissatisfaction

## Forms of structure

### Line structure

- simplest
- direct lines of authority extend from top management to employees

✓ clear chain of command, enables managers to make decisions quickly

✗ needs very skilled managers

### Line and staff structure

- traditional line relationship between superiors and subordinates
- specialized (staff) managers assist line managers → they do not have authority over them

✓ line managers can focus

✓ staff managers provide advice and support

✗ ambiguous lines of communication

✗ staff managers lack authority

### Multidivisional structure

- departments organized into larger divisions
- first level are grouped by outputs, accountable for their profits

✓ delegation of decision-making authority

✓ quicker decisions



✓ each division is more likely to deliver products that meet the needs of customers

✗ creates work duplication

✗ possible internal competition and conflict

### Matrix structure

- sets up teams from different departments
- two or more intersecting lines of authority

✓ flexibility, cooperation

✓ quick reactions

✗ expensive and complex

✗ which authority has priority ?

### Teams

#### Groups

→ two or more individuals who communicate about a common goal, they have:

- norms, standard behaviour
- roles
- have/develop leaders
- **Informal:** arise spontaneously, they have goals of self-defence, work assistance and social interaction. They exist in the shadow, develop leaders, source of productivity and satisfaction
- **Formal:** formally created and are designed to accomplish an organizational objective
  - Committees: permanent groups
  - Task forces: temporary groups
  - Teams: small groups responsible for certain permanent tasks

#### Benefits of Teams

- coordination, motivation
- benchmarking
- information sharing
- better for complex tasks

#### Costs of Teams

- process losses
- time and effort to integrate



## Internal communication

### Informal

→ face-to-face, DMs, calls,...

→ do not serve any immediate organizational goals

- less reliable as it is not supposed to happen
- quick as there is very little process time
- not time-consuming as people have to absorb the required information
- moves freely
- hard to maintain as it relies on individuals

### Formal

→ flows through intentionally defined channels

→ serves immediate organizational goals

- more reliable as there is an information trail
- slow because of process time
- time-consuming because people have to absorb the required information
- must moves through preferred channels
- easy to maintain as it relies on roles and processes

➔ For more resources or information check out michelesnotes.



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