MGMT1001: MANAGING ORGANIZATIONS AND PEOPLE

CHAPTER 1: INTRODUCTION TO ORGANIZATIONS AND MANAGEMENT

WHY ARE MANAGERS IMPORTANT?

- Orgs need managerial skills & abilities in *uncertain, complex and chaotic times*
    - *Identifying critical issues & crafting responses*
- Critical for *getting things done*, so that the org can achieve its purpose
- They impact *employee productivity & engagement* both positively and negatively
    - Maintains quality of relationship between employees & their supervisors – important for employee productivity & loyalty

CHARACTERISTICS OF AN ORGANISATION

- Org: deliberate arrangement of people to accomplish some specific purpose
- 3 common characteristics: distinct purpose, composed of people, deliberate structure
- Nature of orgs changing – flexible, responsive, flatter, networked and decentralized
    - Changing b/c world is changing - societal, economic, global, technological changes

Old organizations	**New organizations**
- Stable, inflexible, job focused - Work defined by job positions - Individual oriented - Work at org during specific hours - Hierarchical relationships	- Dynamic, flexible, skills focused - Work is defined by tasks to be done - Team oriented - Work anywhere, anytime, no time boundaries - Lateral & networked relationships

WHO ARE MANAGERS?

- One who *coordinates & oversees work of other people* so that org goals be accomplished
- Traditionally structured orgs (pyramid shaped orgs), managers can be classified as:
    - **First-line managers** (supervisors, shift managers, team leaders) – at lowest level of org - manages work of employees directly involved with the creation of products
    - **Middle managers** (regional manager, dept head, project leader) manages first line
    - **Top managers** (managing director, CEO, COO, chairman) – make org-wide decisions and establish goals and plans that affect entire organization
- Non-managerial employees → first-line managers → middle managers → top managers

WHAT DO MANAGERS DO?

- Management: process of coordinating & overseeing work activities of others so that their activities are completed efficiently and effectively (easy to effective but not efficient)
    - Efficiency: doing things right; getting most output from least inputs
    - Effectiveness: doing the right things; completing activities so org goals are attained
- The 2 objectives conflict → better quality product if using more $$ materials

Management functions:

- Planning: setting goals, est. strategies to achieve goals & developing plans to integrate & coordinate activities
- Organizing: arranging & structuring work that employees do to achieve goals – what, how, who
- Leading: working with and through people to achieve goals
- Controlling: monitoring, comparing and correcting work performance

Management roles: specific categories of managerial behave. expected of & exhibited y manger

- Interpersonal: involve people & other duties that are ceremonial & symbolic in nature
    - Figurehead: symbolic; obliged to perform routine duties
    - Leader: motivating subordinates; staffing & training
    - Liaison: expecting external sources to provide info
- Informational: receiving, collecting and disseminating info
    - Monitor: uses internal and external info to develop understanding
    - Disseminator: transmits info to members of the org
    - Spokesperson: transmits info to outsiders about org's plans/policies/actions
- Decisional roles: who makes decisions
    - Entrepreneur: initiate & oversee projects to improve performance
    - Disturbance handler: take corrective action to important, unexpected problems
    - Resource allocator: allocating physical, human and monetary resources
    - Negotiator: discuss and bargain with other groups
- Managers interact with others, the org itself & context outside the org
- Managers reflect (thoughtful thinking) and act (practical doing)

Henry Mintzberg (prominent management researcher) proposed managers' activities include reflection and action

- "Managing is about influencing action. It is about helping orgs & units to get things done, which means action"
- Done by managing actions directly, managing people who take action; or managing info that propels people to take action

Management skills:

- Technical skills: knowledge/proficiency in a certain specialized field
    - More important for lower-level managers (first line managers)
- Human skills: ability to work well with & understand others
    - Know how to communicate, motivate, lead & inspire enthusiasm & trust
- Conceptual skills: able to conceptualize & think about abstract situations (see org as a whole)
    - Essential for effective decision making - important in top management positions

UNIVERSALITY OF MANAGEMENT

All managers, regardless of level, perform the same functions (plan, organize, lead & control)
What makes things different?

- Org level: amount of time spent on each function differs & content of functions change
    - Top managers focus in organizing & planning, less leading (design overall org)
    - Low level managers focus on designing jobs of indiv & work groups
- Functional area: different areas e.g. marketing, HR, INFS, manufacturing emphasizes on different skills. i.e. marketing more on interpersonal skills
- Organizational type: commonalities to all managerial job but few differences

    - Manager's job irrespective of org type - differs in org goals & measuring effectiveness
    - Profit usually measure of effectiveness but for NFP, more accountability/reliability
- Org size: affects degree & emphasis for each function but mangers perform same activities
    - Small businesses (<20): managers is spokesperson but in larger firm it is usually resource allocator (entrepreneur role is not importance b/c they're already est)
        - Managers roles are more general – more structured & defined in larger orgs
- Mgmt concepts need to be modified for difference eco, political, social or cultural environ

FACTORS CHANGING THE MANAGER'S JOB – THE IMPORTANCE OF….

- Customers: **high quality service is essential for success & survival in competitive enrion**
    - **Managers must create a customer responsive org – accessibility, courteous, friendly**
- Social media: online communities to share ideas, info, personal msgs & other content
    - **CASE STUDY:** Woolies intro'ed iPads to their managers in 2012 as a trial → effective bc the company freed up about 8hrs of their time each week which was previously spent performing tasks on the computer in the back office
- Innovation: doing things differently, exploring new territory + taking risks; managers must establish an innovative culture – responsive to changes
- Sustainability: ability to achieve business goals & increase LT shareholder value by integrating economic, environ & social opportunities into business strategies (corporate sustainability)
    - Managers need to make informed decisions factoring in eco, environ & social aspects
    - Eco efficiency: producing more w/ fewer resources & less waste/pollution
    - Eco-effectiveness: strategy for growth & prosperity that generates ecological, social & economic value e.g. recycling old parts

WHY STUDY MANAGEMENT?

- Universality of management: mgmt. needed in all types & sizes of orgs, at all org levels & areas, and in all countries
    - CASE STUDY: collapse of Ansett Airlines b/c poor mgmt. (flight delays, cancellations etc)
- Reality of work: either manage or be managed → studying mgmt. gives insight to way bosses behave and the internal workings of an org
- Managing yourself: increased emphasis on individual control & responsibility + rapidly developing ideas of working from home & self-managed teams = managerial skills important

Challenges	Rewards
Hard work	Have opportunities to think creatively
Deal with variety of personalities	Support and coach others
Make do with limited resources	Work with a variety of people
Motivate workers	Role in organisations
Success depends on worker's performance	$$$$$$$

CHAPTER 3: DECISION MAKING

DECISION MAKING PROCESS

- A decision is a choice of two or more alternatives – decision making process has 8 steps:
- Identifying a problem→ identifying decision criteria → weighting the criteria → developing, analyzing, selecting, implementing alternatives → evaluating the effectiveness of the decision

MANAGERIAL DECISION MAKING

- Managers make decisions in 3 ways: *using rationality, bounded rationality & intuition*

Rational decision making: choices are consistent and value maximizing within specified constraints

- Would consistently lead to selecting alt maximizing likelihood of achieving specified goal & maximizing org's interest
- Conditions leading to perfectly rational decision making (but these cond aren't realistic)
  - Problem is clear & unambiguous
  - Single, well-defined goal
  - All alternatives and consequences are known
  - Preferences are clear, constant & stable
  - No time or cost constraints exist
  - Final choice maxes payoff → best eco interests of org no indiv

Bounded rationality: make decisions rationally, but are limited by their ability to process info – hence managers must satisfice (accepting solutions are 'good enough')

- Decisions influenced by internal politics, power considerations & escalation of commitment
- Escalation of commitment: increased commitment to a prev decision despite evidence it might be wrong → don't want to admit they messed up

Role of intuition - intuitive decision making: making decisions based on experience, feelings & accumulated judgement (e.g. skills, knowledge & ethical values/culture) – act quick w/ lim. Info

TYPES OF PROBLEMS AND DECISIONS

- Structured problems: straightforward, familiar & easily defined w/ clear goals & complete info
  - E.g. customer returning a product → lower level managers
- Programmed decisions: repetitive decisions handled by routine approach
  - eg. restaurant spills drink // 3 types of programmed decisions
  - **Procedure:** series of interrelated sequential steps → but must identify problem first
  - **Rule:** explicit statement that tells a manager what they can/can't do → simple and ensure consistency
  - **Policy:** guideline that establishes parameters for making decisions
- Unstructured problems and non-programmed decisions
  - Unstructured: new/unusual and info is ambiguous/incomplete e.g. choosing whether to shutdown a money-losing division or invest more → high level managers
  - Non-programmed decisions: unique decisions that require custom-made solutions

DECISION MAKING CONDITIONS

Managers make decisions under one of 3 conditions:

- Certainty: managers can make accurate decisions b/c outcome of every alternative is known
- Risk: decision maker able to estimate likelihood of certain outcomes
  - $Expected\ revenues \times Probability = Expected\ value\ of\ each\ alternative$
- Uncertainty: situation where decision maker has neither certainty nor reasonable probability estimates available

- Choice between alternatives is influenced by
- Limited amount of info available
- Psychological orientation of decision maker
  - Optimistic manager → maximax choice: maximising the max possible payoff
  - Pessimistic manager → maximin choice: maximising the min possible payoff
  - Manager who desires to minimise their maximum 'regret' → minimax choice
  - Note: regret – refers to $$$ that could have been made if a diff strat been used

EXAMPLE:

PAYOFF MATRIX

VISA	**MASTERCARD**		
	CA1	**CA2**	**CA3**
S1	13	14	11
S2	9	15	18
S3	24	21	15
S4	18	14	28

REGRET MATRIX: maximum possible payoff – possible payoff

VISA	**MASTERCARD**		
	CA1	**CA2**	**CA3**
S1	24 – 13 = 11	21 – 14 = 7	28 – 11 =17
S2	15	6	10
S3	0	0	13
S4	6	7	0

Maximax: choose S4 bc that has largest possible gain (28)
Maximin: choose S3 bc look at the worse outcome for S1 – S4 and choose which strat is best
Minimax: choose S4 bc max regret is 7

DECISION MAKING STYLES

Thinking style reflects:

- Source of info you tend to use – external data/facts or internal feelings/intuition
- How you process info – linear/rational/logical or non-linear/intuitive/creative

Non-linear thinking style: preference for internal data and insights, feelings and hunches
Linear thinking style**:** preference for external data & rational, logical thinking

DECISION-MAKING BIASES & ERRORS

- **Heuristics:** ruleS of thumb that managers sue to simplify thinking → not always reliable
- **Overconfidence bias:** think they know more than they do or hold unrealistically pos views
- **Immediate gratification bias:** one who wants immediate rewards & avoids immediate costs
- **Anchoring effect:** fixate on initial info & doesn't adjust adequately for subsequent info → results in **selective perception bias** (selectively organize & interpret events i.e. 1st impressions)
- **Confirmation bias:** seek info that reaffirms their past choices/views & discounts info that contradicts them
- **Framing bias:** selects & highlights specific aspects of a situation while excl others – distort
- **Availability bias: remember events most vivid in their memory -** can't recall events in an objective manner hence distorted judgements
- **Representation bias:** assess the likelihood of an event based on how closely it resembles other events → see identical situations where they don't exist
- **Randomness bias:** try and create meaning from random events
- **Sunk costs error:** forgetting that current choices can't correct the past, and not focusing on future consequences
- **Self-serving bias:** take credit for success and blame failures on outside factors
- **Hindsight bias:** falsely believing that they would have accurately predicted the outcome, after its happened
- Managers should *identify and evaluate* heuristics they typically use and try not to exhibit these errors and biases

EFFECTIVE DECISION-MAKING TECHNIQUES:

- To be a better decision maker:
  - Understand cultural differences

    - Create standards for good decision making - be forward looking, use all available info, consider all available and viable options & don't create conflicts of interest
    - To when to pull out/call it quits when it's evident decision isn't working
    - Use an effective decision-making process – focuses on what's important, logical & consistent, blends analytical & intuitive thinking, gather & use relevant info //ADAPT

CHAPTER 4: SOCIAL RESPONSIBILITY AND ETHICS

- **Classical view** of social responsibility: mgmt's only social responsibility is to maximize profit
    - Max profit → best interests of shareholders → managers responsible to shareholders
- **Socioeconomic view:** making profit & *protecting and improving society's welfare*
    - Manager are responsible to any group affected by the org's decisions & actions
    - Social responsibility goes beyond making profits; incl protecting & improving welfare
    - Argue that organisations should be concerned about maximising financial return in the LONG RUN → must accept some social obligations and costs in short run
    - Classical view shit bc society expects orgs to be involved in social, political & legal issues

Comparing the two views

- Classicists say shareholders/owners are the only legitimate concern

Lesser ← **Social Responsibility** → **Greater**

Stage 1	**Stage 2**	**Stage 3**	**Stage 4**
Owners & Management	Employees	Constituents in the specific environment	Broader society

Arguments for/against social responsibility

For	Against
Public expectations → public opinion supports businesses pursing economic and social goals	Violation of profit maximisation/ costs
Ethical obligation	Dilution of purpose
Long-run profits → socially responsible companies tend to secure long-run profits	Lack of accountability → no direct line of accountability for social actions
Less governmental regulation	
Prevention over cure → should address social problems before they become serious and costly to correct	

- Stage 3 manager: stakeholders in specific environment e.g. customers & suppliers, fair prices, safe products, high-quality products etc
- Stage 4 manager: society as a whole, promoting social justice, preserving the environment, supporting social and cultural activates

BEING SOCIALLY RESPONSIBLE

CHAPTER 9: STRATEGIC MANAGEMENT

- **Strategic management:** what managers do to develop the organisation's strategies
  - **Strategies:** plans for what the organization will do, how to compete successfully and attract/satisfy its customers in order to achieve its goals
- **Business model:** strategic design for how a company intends to profit from its strategies, work processes and work activities
- Strategic mgmt. is important b/c can make a difference in how well an org performs
  - Org cont. face changing situations & this examines relevant factors & decides what actions to take
  - Also helps each part of the org to coord, focus & work towards achieving org goals

THE STRATEGIC MANAGEMENT PROCESS

6 step process that encompasses strategic planning, implementation and evaluation

1. Identify organizational mission (statement of org's purpose), goals & strategies – planning
   a. Managers need to decide whether goals & strategies need to be changed
2. Doing an external analysis – planning
   a. Analyzing the external environment e.g. competition, legislation etc trends & changes
   b. Should examine both the specific and general environments to see what trends and changes are occurring → Pinpoint threats and opportunities
3. Doing an internal analysis – planning
   a. Provides info about an org's specific resources & capabilities
      i. Resources: an org's assets to develop, manufacture & deliver G&S
      ii. Capabilities: skills & abilities in doing business work activities
      iii. Core competencies: org's major value creating capabilities & skills
   b. Managers need to identify the above as well as org's strengths & weaknesses
      i. Strengths: things that is done well, or resources it has
   c. SWOT analysis: analyses strengths, weaknesses, opportunities & threats
      i. Combined external and internal analysis!
4. Formulating strategies – planning
   a. Strategies need to exploit strengths & ext opp + protect from ext threats/weaknesses
   b. Consider the realities of the external environ & their available resources/capabilities
   c. Types of strategies: corporate, functional, competitive
5. Implementing strategies (strategy is only as good as its implementation)
   a. E.g. need to hire new people, transfer people, build effective teams, motivate mgmt.
6. Evaluating results - did strategies help reach goals? What adjustments necessary?

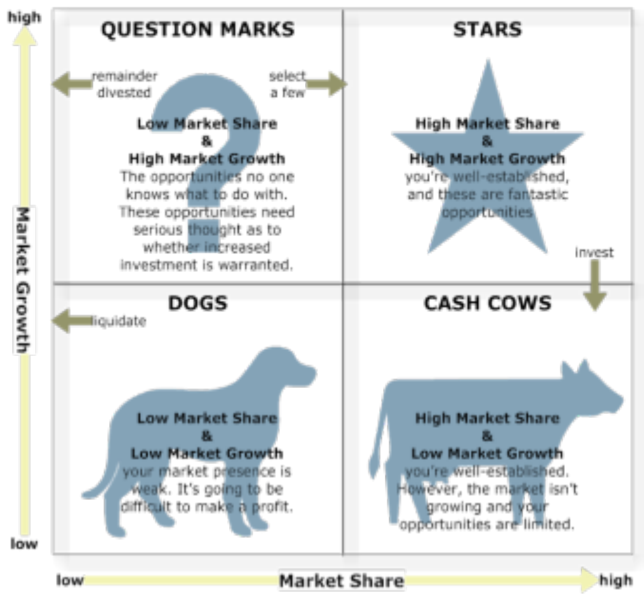
THE STRATEGIC MANAGEMENT PROCESS

Corporate strategy: determines what business a company is in or wants

Corporate strategy: determines what business a company is in/wants to be in and what it wants to do with those businesses → based on the mission and goals

Types of corporate strategies

- **Growth strategies:** expands the number of markets served or products offered though its current businesses or new businesses; can grow through:
    - **Concentration:** focusing on its primary line of business and increases the number of products offered or markets served
    - **Vertical integration:** either backward (suppliers), forward (distributors) or both
    - **Horizontal integration:** combining with other organisations in the same industry
        - May dec comp so this approach must be approved by 'watchdog' orgs i.e ACCC
    - **Diversification:** merging/acquiring firms that are diff but in related/unrelated industries
- **Stability strategies:** organisation continues to do what its currently doing
    - When business reaches a level that provides a good or adequate income
    - No growth as limited by resources, capabilities & core competencies, or drastically changing, uncertain market conditions, or slow/no growth opportunities
- **Renewal strategies:** designed to address declining performance
    - **Retrenchment strategy:** short-run renewal strategy – for minor perf problems – helps stabilise operations, revitalise org resources & capabilities
    - **Turn-around strategy:** when performance problems are more serious
    - Managers can either aim to cut costs or restructure organisational operations
- **BCG matrix:** used to manage strategies – guide resource allocation decisions on basis of market share and growth rate of strategic business units
    - For when org's corp strategy invols numerous businesses – identifies which ones offer high portential & which were a drain on org's resources
    - Cash cows (low growth, high market share)
        - produce cash but limited new investments
    - Stars (high G, high MS): contribution to CF Depends on their need for resources
    - Question marks (high G, low MS): attractive industry, but low maket share (MS) %
        - Need more careful analysis – sold off or nurtured into stars
    - Dogs (Low G, low MS): businesses don't produce/consume much cash – should be sold off or liquidated



COMPETITIVE STRATEGY

- Organizational strategy for how business will compete
- <u>Strategic business units (SBUs)</u>: single businesses of an org that are independent & formulate own strategies
- Developing an effective competitive strategy requires understanding of competitive advantage – which is what sets an org apart i.e competencies – it distinctive edge

- Quality can be a competitive advantage and attract a loyal customer base
- Sustainable competitive advantage enables the org to keep its edge despite competitor's actions or evolutionary changes in the industry – difficult bc new tech, market instabilities
- **Five forces model (Miachel Porter)**
  - How manger can create and sustain a competitive advantage
  - Five forces that determine industry attractiveness and profitability**:** threat of new entrants, threat of substitutes, bargaining power of buyers & suppliers + existing rivalry
- **Porter's competitive strategies** – either from lower costs or being significantly difference
  - Cost leadership strategy: lowest-cost producer – efficiency in production, marketing etc
    - Overhead is kept to a minimum
  - Differentiation strategy: offering unique products widely valued by customers
    - Differentiation can be in quality, service, design, tech or brand image
  - Focus strategy: focus on either cost or differentiation adv in a narrow industry segment
    - Segments can be based on product variety, consumter type, distribution channel or geographic location
  - **Stuck in the middle:** when neither low-cost nor differentiation strategy can be developed
- **Functional strategies:** seek to determine how to support the competitive strategy

CURRENT STRATEGIC MANAGEMENT ISSUES

Need for strategic leadership

- **Strategic leadership:** ability to anticipate, envision, maintain flexibility, think strategically and work with others to initiate changes that will benefit the organisation
- Done by:
  - Determining the organisation's purpose or vision
  - Creating and sustaining a strong organisational culture
  - Emphasising ethical organisational decisions and practices
  - Developing the organisation's human capital
  - Exploiting and maintaining the organisation's core competencies

Need for strategic flexibility

- **Strategic flexibility:** ability to recognise major external environmental changes to quickly commit resources and to recognise when a strategy decision is not working
- Done by: Encouraging leadership unity – making sure everyone is on the same page, keeping resources fluid, monitoring and measuring results, get new ideas and POVs from outside the org + having multiple alternatives when making strategic decisions

Important organizational strategies for today's environment

- <u>E-business strategies</u>: reduce cost i.e. online processing & selling // Differentiator e.g. fast online services & response, automate purchasing & payment systems
  - Clicks-and-bricks strategies: combining both online & traditional standalone locations
- <u>Customer service strategies</u>: giving customer what they want, communicating effectively & providing employees with customer service training
- <u>Innovation strategies</u>:
  - Innovation emphasis – org focusing on basic scientific research (heaviest resource commitment), product development & process improvement
  - Innovation timing – first mover: first to bring a product innovation to the market or to use a new process innovation – can be a first mover or mimic other innovations
- Sustainability strategies: can add unique value to range of org acitivties & adv their rep

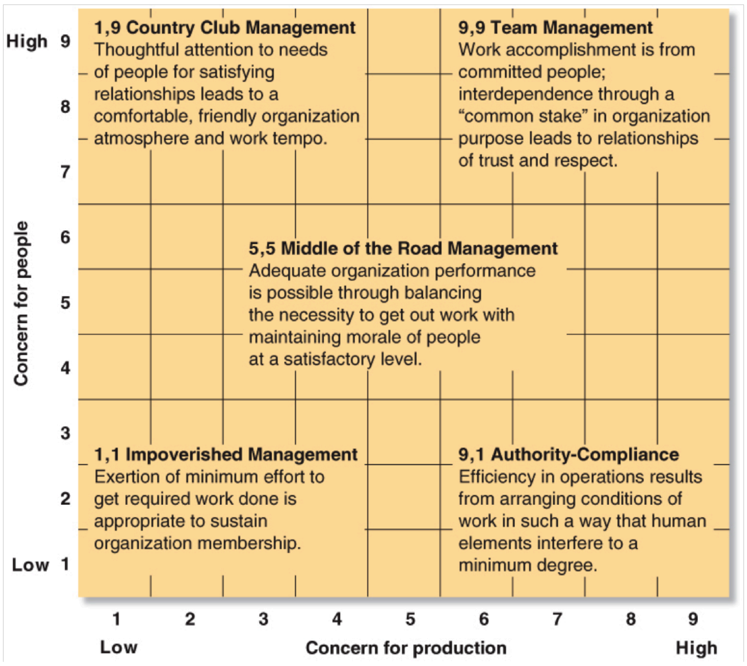
CHAPTER 10: LEADERSHIP

- **Leader:** someone who can influence others and who has managerial authority
- **Leadership:** the process of influencing a group to achieve goals
- **Trait theories:** isolate characteristics that differentiated leaders from non-leaders (7 traits)
  - Drive (ambition), desire to lead/influence, honesty & integrity, self-confident, intelligence, job-relevant knowledge, extraversion
  - Using trait theory, it's about selecting the right people to be leaders

BEHAVIOURAL THEORIES

- Identified behaviours that differentiated effective leaders from ineffective leaders
  - Using behavioral theory, it's about training people to be leaders – there are 4 theories:
- **University of Iowa studies**
  - **Autocratic style:** centralises authority, dictates work methods, makes unilateral decisions and limits employee participation
  - **Democratic style:** involve employees in decision marking, delegate authority, encourage participation and uses feedback
  - **Laissez-faire:** gave group compete freedom to make decisions and complete the work in a way they saw fit
  - Thought democratic was most effective but later studies showed mixed results
- **The Ohio State studies -** Identified two important dimensions of leader behaviour
  - **Initiating structure:** extent to which a leader defines and structures their role and roles of group members in the search for goal attainment
  - **Consideration:** extent to which a leader had job relations characterised by mutual trust and respect for group member's ideas and feelings
  - **High-high leader:** has both initiating structure and consideration → doesn't always end in high performance tho
- **The University of Michigan studies -** Also identified two dimensions of leader behaviour
  - **Employee oriented:** emphasised interpersonal relations – took personal interests in the needs of their followers & accepted individual diff between group members
  - **Production-oriented:** emphasise the task aspects of the job, concerned mainly w/ accomplishing tasks, and regarded the group members as a means to that end

- **The managerial grid -** Grid of two leadership behaviours – concern for people and concern for production which resulted in five different leadership styles



  - Doesn't say what makes an effective leader, only provides framework for conceptualising leadership

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And much more can be found in the full document ☺