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Management Accounting Week 1 Notes

Lecture

- Nature of management: Maximizing human resources – understanding how people work and that not all people work in the same way
- Fayol (Classical), Webber (bureaucracy), Single. (Universalist).
- Follett a personal favourite
- Systems thinking – everything is interrelated.
 - Opposite is reductionist thinking: doesn't account for the way everything reacts with everything else like systems thinking.
 - Reductionist - Something that is the sum of its part
 - Systems thinking – greater than the sum of its parts.
- Efficiency a subset of effectiveness.
- Innovation – the implementation of creativity.
- Assignment: where we've come from, where we are, where we're going:
 - Ethical, environmental, global citizen

Readings – Chapter 1

- Management: the attainment of organisational goals in an effective and efficient manner through planning, organizing, leading and controlling organisational resources.
 1. Managers set goals, organise activities, motivate and communicate, measure performance and develop people.
- Core management functions:
 1. Planning: setting goals and deciding activities.
 - Identifying goals for future organisational performance and deciding on the tasks and use of resources needed to attain them.
 - Good planning involves understanding the enterprise's environment and how it is changing, forecasting changes as best you can, and considering how to position the enterprise to make its market offerings attractive.
 2. Organizing: organizing people and activities.
 - Reflects the way the organisation tries to accomplish the plan. Involves the assignment of tasks, the grouping of tasks into departments and the allocation of resources to departments.
 3. Leading: motivating, communicating.
 - The use of influence to motivate employees to achieve organisational goals.
 - Creating a shared culture and values, communicating goals to people throughout the organisation and infusing employees with the desire to perform at a high level.
 4. Controlling: establishing targets and measuring performance.
 - Monitoring employees' activities, determining whether the organisation is on target towards its goals and making corrections as necessary.
- Organisational performance:
 1. Effectiveness: the degree to which the organisation achieves a stated goal.
 2. Efficiency: the use of minimal resources to produce a desired volume of output.
- Management skills:
 1. Conceptual: the cognitive ability to see the organisation as a whole and the relationship between its parts.
 - Involves the manager's thinking, information processing and planning abilities.
 2. Human skills: the manager's ability to work with and through other people and to work effectively as a group member.

- How the manager relates to other people, their ability to motivate, facilitate, coordinate, lead, communicate and resolve conflicts.
- 3. Technical skills: the understanding of and proficiency in the performance of specific tasks.
 - From individual identity:
 - Specialist; performs specific tasks, gets things done through own efforts, an individual actor, works relatively independently
 - To manager identity:
 - Generalist; coordinates diverse tasks, gets things done through others, a network builder, works in highly interdependent manner.
- Management Roles:
 - Informational Roles:
 - Describe the activities used to maintain and develop an information network.
 - Interpersonal roles:
 - Pertain to relationships with others and are related to the human skills described earlier.
 - Figurehead role: ceremonial and symbolic activities for the department or organisation.
 - Leader role: encompasses relationships with subordinates
 - Liaison role pertains to the development of information sources both inside and outside the organisation.
 - Decisional roles:
 - Pertain to those events about which the manager must make a choice and take action.
 - Conceptual and human skills.
 - Entrepreneur role: involves the initiation of change (thinking about the future and how to get there).
 - Disturbance handler: resolving conflicts
 - Resource allocator: decisions about how to assign people, time, equipment, money, and other resources to attain desired outcomes.
 - The importance of the leader role typically declines while the importance of the liaison role increases as a manager moves up the organisational hierarchy.
 - From controller to enabler; from supervising individuals to leading teams; conflict and competition to conversation and collaboration; autocratic to dispersed and empowering; maintaining stability to mobilizing for change.
- Managing crises and unexpected events:
 - Stay calm, be visible, put people before business, tell the truth, know when to get back to business.
- Strengths:
 - hardworking, egalitarian, open, genuine and direct, honest and ethical, innovative, independent thinkers, flexible, adaptable and resourceful and technically sound
- Weaknesses:
 - Short-term views, lacking strategic perspectives, open-mindedness and showing rigidity towards learning, complacency, poor at teamwork and empowerment, inability to cope with differences, poor people skills, lacking self-confidence.

Appendix 1A.

- Management and organisation:
 - Social forces: refer to those aspects of a culture that guide and influence relationships among people.
 - The unwritten, common rule sand perceptions about relationships among people, and between employees and management.
 - Political forces: the influence of political and legal institutions on people and organisations.
 - Economic forces: the availability, production and distribution of resources in a society.
- Classical perspective:

- Scientific management:
 - Emphasises scientifically determined jobs and management practices as the way to improve efficiency and labour productivity.
 - Frederick Winslow Taylor: improving productivity meant that management itself would have to change and, further that the manner of change could be determined only by scientific study.
 - Henry Gantt: Gantt chart – bar graph that measures planned and completed work along each stage of production by time elapsed.
- Bureaucratic organisations:
 - Max Weber: organisation managed on an impersonal, rational basis would be more efficient and adaptable to change because continuity is related to formal structure and positions rather than to a particular person who may leave or die.
 - Employment based on competence rather than ‘who you know’.
- Administrative principles:
 - Henri Fayol: focus on the total organisation rather than the individual worker.
- Humanistic perspective:
 - The importance of understanding human behaviours, needs and attitudes in the workplace, as well as social interactions and group processes.
 - The human relations movement:
 - Emphasised satisfaction of employees’ basic needs as the key to increased worker productivity.
 - Human resources perspective:
 - Jobs should be designed to meet higher level needs by allowing workers to use their full potential.
 - Behavioural sciences:
 - Applies social science in an organisational context, drawing from economics, psychology and other disciplines.
 - Management science:
 - Applied mathematics, statistics and other quantitative techniques to managerial problems.
- Systems thinking: describes organisations as open systems that are characterised by entropy synergy and subsystem independence.
 - When managers can see the structures that underlie complex situations, they can facilitate improvement.
- Contingency view:
 - Each case is unique, principles are not universal and different methods will work in different situations.
- Total quality management:
 - A concept that focuses on managing the total organisation to deliver quality to customers. Employee involvement, focus on the customer, benchmarking and continuous improvement.
- Knowledge management:
 - The efforts to systematically find, organise and make available a company’s intellectual capital and to foster a culture of continuous learning and knowledge sharing so that a company’s activities build on what is already known.

Tutorial

Questions

1. How do you feel about having a manager’s responsibility in today’s world, which is characterised by uncertainty, ambiguity and sudden changes or threats from the environment? Describe some skills and qualities that are important to managers under these conditions.
 - a. In such a rapidly changing society, a manager’s responsibility at first glance may appear daunting, but upon further examination may be considered exciting and novel. With such uncertainties and ambiguities comes the demand for adaptation to the most unexpected circumstances. The role of a manager therefore does not appear to be boring and repetitive, but instead frequently requiring detailed attention. In order to deal with such conditions, it is paramount for a manager to have good **human skills**. That is, to be able

to work with other people individually and collaboratively. This allows for managers to effectively plan (as they know that their subordinates are willing to do what is required due to the established rapport), organize (as managers will know their subordinate's strengths and weaknesses and their competencies on a personal level), lead (by motivating, helping and guiding subordinates) and control (monitor performance and adjust plans as necessary) so that they may achieve the organisational goals that have been set. Furthermore, **conceptual skills** are required to see the organisation as a whole and how each part works together in order to plan for the future. These skills are also essential to understand any shifts in the industry and the larger environment that may affect the organisation. Finally, **technical skills** are required so that a manager may dutifully complete any technical task demanded of them in the organisation.

- b. General qualities that are important to managers are that they are hardworking, egalitarian, open, genuine and direct, honest and ethical, innovative, independent thinkers, flexible, adaptable and resourceful and technically sound. Additional skills required of management during times of crises or unexpected events are the ability to remain calm, put people before business, know when to get back to business, be truthful and honest and be visible for support.
2. Is efficiency or effectiveness more important to organisational performance? Can managers improve both simultaneously?
 - a. Both effectiveness and efficiency are important to organisational performance. **Effectiveness** is the degree to which the organisation achieves a stated goal, whereas **efficiency** is the use of minimal resources to produce a desired volume of output. However, I believe that effectiveness is more important as fundamentally, an organisation needs to achieve its goals if it wishes to succeed. The organisation may be the most efficient business in its industry, but if it is not effective in its operation and therefore cannot meet its goals (such as, becoming cash flow positive, or turning a profit) it may fail. With proper planning, organizing, leading and control, organisations may be able to improve both simultaneously. However, I think it is more prudent that as effectiveness is obtained, further efficiencies may then be sought and implemented. It may be considered that efficiency is a subset of effectiveness.
 3. Suppose your performance evaluation gives you high marks for your technical skills but low marks when it comes to people skills. How would you go about learning people skills?
 - a. In order to learn good people skills, things can be done outside the working environment. For example, one can visit employees of those industries in which people skills are fundamental to the execution of their work, such as in hospitality, or those people involved in community activities. From these places, managers can gain valuable insight as how to be a good coach, empower teams, expressing interest in team members' success and personal well-being and being a good communicator and listener. Other ways may be to borrow or buy leading management and people skills books or similarly researching these topics online.
 4. How does sustainable development as a concept guide managers to do more than just maximise financial outcomes in the short term? What is the fit between the concepts of sustainable development and innovation?
 - a. Sustainable development encourages managers to 'do well by doing good'. That is, organisations balance the short term need to be profitable with the long term opportunities to invest in initiatives that drive efficiency and marketplace advantages. Sustainable development sets up organisations for a more environmentally sound future by driving efficiency and effectiveness while also considering the needs of the community. Innovation and sustainable development go hand in hand as often attempting to be sustainable will result in less waste, thus resulting in a reduction in costs (that is, using materials that can be effectively recycled may create savings on the use of resources, or conducting energy and water audits to reduce or more efficiently use energy can save money and the creation of unnecessary greenhouse gasses).
 5. Do you think management theory will ever be as precise as theories in the fields of finance, accounting or experimental psychology?

- a. As management is as much about people as it is about organisations, I do think that management theory will become more precise as we discover more about human nature, but perhaps not as precise as those other fields. As new technologies are developed and society continues to evolve, both people and the organisational landscape are likely to be vastly different to what we have come to expect today (consider, for example, the current work place to that of 100 years ago). Thus it may become increasingly difficult for management theory to become more precise. However, as new theories are put forth, executed and reviewed, managers will be able to make mistakes, learn from them, and then make better decisions having made those mistakes. The continuation of this cycle will facilitate the development of management theory and hopefully aid those attempts to make it as precise as those other fields.

Personal Reflection

Discuss whether '...The purpose of a management course is to teach students about management, not to teach them to be managers...'

I believe that the purpose of a management course is largely to teach students about management rather than to be managers (considering this course in particular) although such courses will incidentally teach students how to be managers to a small extent. As university is largely theory based with lectures, set readings and hypothetical questions to be answered for tutorials, a management course does not teach students how to be managers as effectively as real life, practical experience would. This course, for example, is grounded in theory, whereas the role of a manager requires a lot of practical, human interaction. I believe that management courses attempt to give students a strong understanding of the history of management theory and its development, and contemporary management theories. This seems more to aid students' knowledge of the theory of management more so than how to be a manager. However, this knowledge can help ensure that when students enter the workforce as managers, they have a solid theoretical base from which they may draw knowledge and tackle any task that may be thrown their way. Having said that, I think that practical experience, in addition to the cultivation of those people skills that allow for managers to effectively work individually and collaboratively, will teach students how to be managers more than a management course may.

In conclusion, I believe that the purpose of a management course is largely to teach students about management rather than to teach them to be managers, although that is not to say that such students do not receive valuable information about how to be a manager in the process.