Principles of Management
BBA 102

Managers and Management

What are organisations?

Characteristics:
Goals – distinct purpose
People – working together to achieve goal
Structure – systematic; sets out workings of organisations i.e. rules, policies

Example: Walt Disney Company:
Goal - wants to be world leading entertainment.
People – artists, designers, etc.
Structure - driven by areas of operation – determined by people in organisation

The Operation System:
Creates value by transforming inputs into finished goods or services e.g. manufacturing organisation i.e. cars, hamburgers

Example: Hamburgers
Input – Meat Patty
Transformation Process – people frying patty
Output – hamburger

Non-managerial Employees:
Don't oversee work of others
People who work directly on a job or task and have no responsibility for overseeing the work of others
i.e. Service and sales staff

Managers:
Occupational group that direct and oversee the work of other people within the organisation
What work is done, how work is done and who does it

Management Levels:
Top Managers:
President, Chief Executive, Vice-president
Responsible for making decisions about the direction of the organisation

Middle Managers:
District Manager, Division Manager
Manage the activities of other managers

First-line Managers:
Supervisors, Team Leader
Responsible for directing non-managerial employees

<u>What is Management?</u>
Stakeholder group
Process of getting things done effectively and efficiently

Effectiveness: doing the right things
Efficiency: Means in which you reach these goals i.e. money and people

Efficiency: about of resources used to achieve the goal – how they get done
Effectiveness: doing the things that help organisation achieve the mission - whether or not they get done

Organisations want to maximise both

<u>What do managers do?</u>
Differ but similar elements
Henri Fayol – all managers perform management activities: (POLC) – (the functions approach)
Plan – defining organisational purpose and ways to achieve it - how are we going to organise/achieve our goals
Defining goals
Establishing strategies
Developing plan to organise activities
Organise – arranging and structuring work in order to accomplish goals
Determining what tasks need to be done and by whom
Lead – directing work activities of others
Motivating other
Resolving conflicts
Control – monitoring, correcting and comparing work performance

Monitor work that's been done and make adjustments

What are management roles?

Roles:

Interpersonal:

Figure head – greeting visitors, signing legal documents

Leader – performing virtually all activities that involve subordinates

Liaison – acknowledging mail; doing external board work; performing other activities that involve outsiders

Informational:

Monitor – reading periodicals and reports; maintaining personal contracts

Disseminator – holding informational meetings; making phone calls to relay information

Spokesperson – holding board meetings; giving information to the media

Decisional:

Entrepreneur – organising strategy and review sessions to develop new programs

Disturbance handler – organising strategy and review sessions that involve disturbance and crises

Resource allocator – scheduling; requesting authorisation; performing any activity that involves budgeting and the programming of subordinate work

Negotiator – participating in union contract negotiations

What characteristics do Managers need?

Robert Katz:

Conceptual Skills:

Analyse complex situations

Interpersonal skills:

Communicate, motivate, mentor and delegate

Technical skills:

Based on specialised knowledge required for work

Political skills:

Used to build a power base and establish connections

Managers job is not universal

Level in organisation size of Organisation affect task they perform and how much emphasis they put on each

Size of Organisation:
Small businesses (up to 19 employees) require an emphasis in the management role of spokesperson
In large firms (over 200 employees), managers are mostly resource allocators.

Top level managers do more planning than supervisors

Factors reshaping and redefining management?
Change – dynamic environment
Workplaces
Ethical and trust issues
Global economic uncertainties
Technology
Customers and innovation

Why study management?
Management is about influencing human behaviour
Successfully influence people behaviour, managers must understand

Case Study:
Zappo
Nick - founder
No risk on consumer
Online retailer of shoes
Offered absolute best selection of brands, sizes, shapes, etc.
A billion US revenue in 10 years
Best company to work for
How?
Employee attitude and behaviour play a part in consumer happiness
Managers behaviour can create environment of employees being engages and motivated
Customer focus mission – enabled company to grow successfully

Free shipping, high return policy, persuade or preventing employees to stay
Pay staff to leave company if they haven’t entered into culture by end of training program
Focus on customers and innovation

Managerial Environment

1. Organisations, management and the environment:

The environment has a huge impact
What happens in the environment affects organisation and what they do affects the environment
Constrained and enabled by environment
Environment can change when new competitors enter the market, if laws change, or even with weather change e.g. agricultural farmers
Availability or price of resources may change → this will force organisation to come up with a response

Example → Nana's Berry's – Hepatitis A – the only common thread – scientific testing supports it wasn't the cause → they had to rethink who their suppliers where, or how to improve their public image → Slaton Gordon law firm was suing for compo – financial issues

Important for organisations to understand, keep in touch and know what's going on in their environment

Organisations are argents – they are not always responding – they could be the one affecting the environment
Example → Qantas – lock out and stopped the planes – people all around the world affected – shows how person in organisation or organisations can affect the environment

2. How changing environments affect organisations:

A systems view of organisations:
Inputs → Transformation → Outputs

Systems theory – an influential attempt to analyse and explain organisations – sees organisations set of interrelated elements that in an ideal world work together towards a common purpose
Systems view → organisations are seen to function as open systems – they don't work as solos – they influence the environment, the environment influences them – they react with their environment

Organisations take their sustenance from the environment, and in turn they affects the environment via their products and services – their output

The relationships and interactions between the elements which explain the behaviour of everything that's happening – the whole thing

Organisational system has 5 components (function together to achieve that common purpose):
They are the inputs (what goes into transformation process)
Raw Materials
Human Resources - people
Capital
Technology
Information

Transformation process (used to transform inputs into outputs):
Employees Work Activities
Management Activities
Technology and Operational Methods

Outputs (product or service):
Products and services
Financial Results
Information
Human Results

Feedback about the output:
Works within the environment that helps start the system again
What's worked
Do we need to change anything
Feeds back through the environment to affect the inputs to start system again
Environment provides feedback for the outputs which can rectify in the inputs when the system happens again

3. Organisations as systems

Environments are certain and uncertain
Uncertainty → determined by:

How dynamic it is – how quickly it is changing – organisations that remains the same is change
It's a continuum – e.g. quite regular change (can keep up), or not a rapid change (can deal with changes by planning)
Complexity – continuum
Can be very simple in terms of very complex
No. of eternal factors that can affect organisation
Few factors (not reliant on for example primary suppliers) = simple environment
Many factors = complex environment (a lot of things affecting organisation)
Availability of resources
How abundant and reliable are the resources in the external environment
Abundant resources = plenty of resources (e.g. plenty of people to hand out flyers)
Scarce resources = few resources (e.g. small business with not many workers but with specific skill)
Human resources,
Skilled Workers
Raw materials
Increase competition e.g. IT skills
Any disruption in the cost of raw materials
Space leased by organisation – e.g. rent can affect affordability
Transportation of goods
Money/finance
Provide operation and support
Savings, availability of cash, credit lines to expand, stock markets, investors
Thin margined – little support to raise capital (uncertain environment

Simple environment + plenty resources + slow change = low environment uncertainty

Complex and dynamic environment + scarce resources + quick change = high environment uncertainty

Example →
Shifting from certain to uncertain

Taco Bell – operated in relatively stable environment – low to high uncertainty change
Stable customers
Stable suppliers
March 2013 → food testing identified horse meat in taco bell restaurant in the UK
Situation increased uncertainty
Things that made it uncertain → bad press - Sydney Morning Herald, suppliers would change

Need to communicate with customers to reassure → invest more resources (suppliers, labour to communicate with media enquires, marketing department) – extra finance
Appropriate message is communicated to employees at all levels
Uncertain environment → the more attention managers need to pay to monitor conditions – spotting emerging trends

4. How does environmental uncertainty impact managers?

Environmental uncertainty determines:
Attention to conditions and trends
High uncertainty requires more attention
Responsiveness to new information and circumstances
High uncertainty requires managers to respond quickly

5. What is the external environment of an organisation

Forces and conditions outside the organisation that can affect it

Two components:
Specific Environment
General Environment

5.1 General Environment:

5.1.1 Sociocultural dimensions

Cultural characteristics: customs values, tastes, attitudes and behaviour in society
E.g. Pay – difficult to standardise around the world
Demographic conditions: physical aspects; age, gender, education, geographical dispersion, income, household consumption

Example: Halal burgers or decline in fertility rate – decrease in market for i.e. nappies (shrinking number of workers)
Changing diversity – aging population; training, carer responsibilities or gender and equal pay. Race or ethnicity. Disability or Ability – anxiety, stress. Sexual orientation or gender identity. Organisations need to be aware of diversity – and have training available.
Affects:
Markets for organisational products and services
Organisational staffing

These characteristics determine what the society is likely to value: E.g. Global warming, flexible working arrangements
How organisations operate

5.1.2. Technology dimension of the general environment
Technological advancement:
Technology changes products:
Can lead to development of entirely new goods or services
Or the refinement of existing products or services
I.e. solar panels on roofing

Technology changes the process:
Affect how organisations operate
I.e. barcode readers – self serve – changing systems – sped up the process but also changed inventory management

5.1.3. Economic dimension:
Type of economy: (important on how general environment operates)
Capitalist society – corporations/individual people own the means of production and market forces operate in our society particularly in our liberal society
Socialist economy's - central government owns means of production and plans all economic activity, thus having affect on how organisations operate

Current economic condition influence organisations
Influencing costs and prices and demand for product and services

E.g. when inflation is high companies pay more for their inputs
E.g. when employment is low, organisations have to pay higher salaries to attract workers and retain staff
Both raise prices of goods and service – if they have to pay more they need to cover their cost of production through their products

Economic Cycles:
Speed and strength of growth/decline cycles

It is important for organisations to understand which stage the current cycle reflects and when and how quickly that might change if they're going to plan effectively

5.1.4. Political and legal dimensions of the general environment:
General conditions and stable
Elections are regular and orderly
Accurate political productions
More certain about planning
You do see uncertainty with lead up to elections – customers spending less
Federal state and local government regulate the behaviour of organisation:
Passing legislation how to handle particular behaviour e.g. unfair dismissal – provide warning (cant just sack people on the spot for no reason)
Government spending:
Influences opportunity and threats for organisations
E.g. if government decreases spending on pensions this means people who are reliant on pensions are going to have less money to spend – if they increase spending on pensions, retailers would actually benefit as they pensioner would have more money to spend on things
If federal spending does increase the federal deficit – interest rates tend to go up, money becomes more expensive to borrow – therefore businesses borrow less – affect planning and strategies of organisations.

5.1.5. Global dimension of the general environment:
International forces that may affect international organisation directly

Or may exert an indirect influence by affecting sociocultural or economic trends
E.g. advances in technology – i.e. transport technology or communication technology – have eliminated geographic borders to organisational activities
Organisations can become a global player
Information technology and transportation have reduced impediment that space and time can impose – advances in technology can present challenges for organisation e.g. communication
Distance from production – working from home – control?

6. Case Study:
<u>Global Financial Crisis: 2007</u>
Which aspects of the general organisation environment were affected by the GFC?
Political and legal – government – recession
Economic conditions – capital, interest rates, economic cycle
Sociocultural impacts – values and norms, beliefs in banking

Which aspects of the specific organisational environment were affected by the GFC

How has the GFC affected organisation?

<u>7. What is a global organisation?</u>
An organisation is considered global if it:
Exchange goods and service with consumers in other countries
Uses managerial and technical employee talent from other countries
Uses financial sources and resources outside their home country (financial globalisation)
Examples: Avon, McDonald's, Law enforcement, Medical services (Doctor's without borders)

Need to adapt to each country – changing cultures
Understand how global forces impact geographical environments – implications for it

Need to adapt to changed environment – need to be aware of different laws and customs

8. Specific Environment:
the organisations' stakeholders – anyone who affects or is affected by the achievement of the organisations objectives – are the organisations specific environment
Including:
Organisations, Groups and Individuals
With whom it interacts as it conducts its business
Government, suppliers, government agencies, customers, industry regulators, interest groups (community groups), strategic partners, unions, custodians of the land

8.1 Customers affect organisations:
Customers: people and organisations that acquire goods or services form the organisation, usually in exchange for money
Customers that buy a lot of a company's outputs may demand for cheaper prices, more attractive financing terms, customised products and services – organisations would concede to their request than lose you as a customer in order to keep you as a customer
i.e. Qantas for business class with politicians
More power than suppliers → large supermarkets (Coles) see themselves as customers of transport companies → supply chain shows different stages → issues raise such as truckies speeding to meet targets – Coles are the main player in the supply chain → pressure being placed on truck drivers to get to you at a certain time → but they're only customers but as customers they are in the powerful position

What customers want and need influences:
Product type
Product quality
Product prices

8.2 Competitors affect organisations:
Individuals or organisations competing for resource with the organisations

Same industry that offer products which customers see acceptable substitutes
Substitutes are alternative products or services which customers see as providing the same value
Example → Sweet and low is a substitute for sugar

Competitors in different sectors:
Public sectors: government agencies and departments compete for funding from tax revenues
Departments competing with each other for funding
Not for profit organisations: competing for donations, volunteer, clients
Private sector employees: best staff, most advanced technology, strategic partners
Competitors compete for customer dollars

Understanding the substitutes for products allows organisation to identify who their competitors actually are
E.g. Motorola – first mobile phone introduction
Other companies wanted to get into the market
No competitors originally – misperception
Competitors: companies trying to develop new technology and wherever customers were buying other phones e.g. public phones, home phones – anywhere they could make a call not on a Motorola

Competitors influence:
Products and prices the organisations can offer
Costs and availability of supplies
Access to distribution channels
Profitability

Examples:
Coke and Pepsi – compete to bottle suppliers and distribution channels
Fugi and Kodak – Fugi used cheap price to gain Kodak's customers then put prices up to profitable prices

8.3 Suppliers affect organisations:
Companies and individuals who provide organisation with inputs

Inputs – material or physical resources, human resources, financial resources, informational resource and business services
Supplier determine the **quality, availability and cost** of input
Suppliers influence organisations product and service quality, production capacity, competitiveness and profitability

Up string companies that sell necessary raw materials for inputs

Suppliers influence:
Depends on supplier dependence – the extent to which an organisation relies on a particular supplier
Input importance – high importance means high dependence
Supplier availability – few suppliers means high dependence
High supplies dependence means suppliers can essentially set their own business terms
Suppliers can also be integrated into organisations business and information systems

Example: OPEX – stabilises petrol prices – control 75% of the oil reserves – OPEX effectively control on world petrol prices – people rely on them

Supply dependence is the reason why companies have tried to avoid dealing exclusively with one supplier
If they raise their price you have to follow
If their workers go on strike – you don't have supply – no competition

Some suppliers go as far as allowing supplies to access inventory systems:
Suppliers can monitor sales and ensure product components and restocked in timely manner
Supplier can take over ordering

Big corporations can have a lot of power over suppliers
Example → Coles
Small suppliers getting their stock on shelves, need to tell Coles how much their going to sell to be sold at X price so you earn Y
If one of the items are stolen from Coles, it's the supplier who has to pay the difference

If Coles wants to discount – it's the supplier who needs to pay the difference – put on supplier
Can ask their suppliers for X amount of product (milk) – then they start taking more of their products until their producing more of their product to go to them and then they loose other market – Coles can pay them as much as they want

Supplier can be dependent on organisation – problematic for small businesses

8.4 Employees, Unions and labour markets affect organisations:
Employees – individuals who labour on behalf of the organisation in exchange for payment
Employees provide the knowledge, skills, effort and creativity that support organisational operations
Thus, they are critical for organisational performance
The labour market or labour supply – the pool of people employable by the organisation
The balance between supply and demand for labour affects organisational performance by influencing costs and organisational capacity

Demand for particular employees/skills → market price for skilled employees goes up → wages go up → therefore increases labour costs for organisations that employ them
Knowledge and skill of those workers are critical for organisational products and services – availability of those workers will determine production
Union activities can affect employee supply to organisations both directly and indirectly i.e. strike, wages

Unions: strike can affect organisation – unions can work with management to approve efficiency – union implement change more effectively – union give workers a voice – they have a say over change alternatives to implementing change – workers are less likely to be suspicious of managers and adapt to changes easier

8.5 Strategic Partners affect organisations:

Competitors, suppliers or customers
Organisations that work together for mutual benefit
They provide
Opportunities
Combine resources
Share ideas
Learn from each other
Spread risks
Threats
Strategic partners can use the knowledge gained in collaboration to become competitive rivals

Example: bio-tech industry – quicker and more affordable
Risk that partner can learn about secrets of other organisations
Collaborations can work but remember they can potentially be their competitors

Manage relationships with strategic partners to work closely enough to get benefits but to also know they are still their competitors

8.6 Regulators affect organisations:
Regulators: create and enforce regulations to protect consumers, workers and society
Government agencies – provide services and enforce compliance with laws and regulations at local, state and federal levels
Regulatory commissions
Regulators affect organisations by enforcing 'the rules of the game'

Police – investigate breaches of Australian law
ATO – advice to individuals and enforce compliance

Organisation specific environment can require interaction with a number of regulations – work place standard boards, police, occupational health and safety – requires a lot of energy

8.7 Interest groups affect organisations:
Interest group: organised to serve the interests of their members by influencing business activities in specific areas (Ethics, environment)

Interest groups are general organised:
Around a geographic locality
Specific social issue
Industry profession
They attempt to influence organisational behaviour by:
Negotiating directly with organisations
Lobbying government and local residents to exert pressure

Example:
Get-up → campaigns about fair super, protect great barrier reef
Universities Australia 2007 → representing university sector → wanted funding cuts of budget to be cut