Introduction to Management

- The management Process:
  - Planning
  - Organizing
  - Leading
  - Controlling
  - Decision making
  - Motivating
  - Communicating

Planning

- The process of establishing goals and a suitable course of action for achieving those goals
  - Establish Goals for organization
  - Establish goals for sub units, Dept.s
  - Establish programs to achieving goals in a systematic manner

Organizing

- The process of engaging two or more people in working together in a structured way to achieve a specific goal or a set of goals
  - Allocate resources
  - Allocate work authority
  - Allocate teams
  - Allocate deadlines and milestones

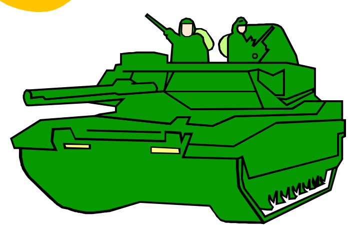
Leading

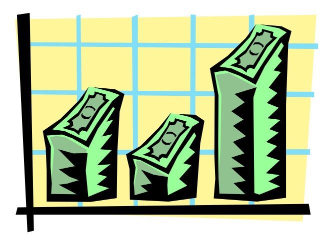
- The process of directing and influencing the task-related activities of group members of an entire organization
  - Establish proper atmosphere
  - Lead and persuade others to join
  - Help employees to do their best
  - Use power and authority appropriately

What is Power?

- Is it Muscle?
- Is it Money?
- Is it Mind?

Or





- Is it Violence?
- Is it Wealth?
- Is it Knowledge?

Controlling

- The process of ensuring that actual activities confirm to planned activities
  - Establishing standards for performance
  - Measuring current performance
  - Comparing these with established standards
  - Taking corrective action if deviations are detected

Decision Making

- The process of identifying and selecting a course of action to solve a specific problem
  - Identifying problems
  - Identifying opportunities
  - Investigate the situation
  - Take decisions minimizing the risk

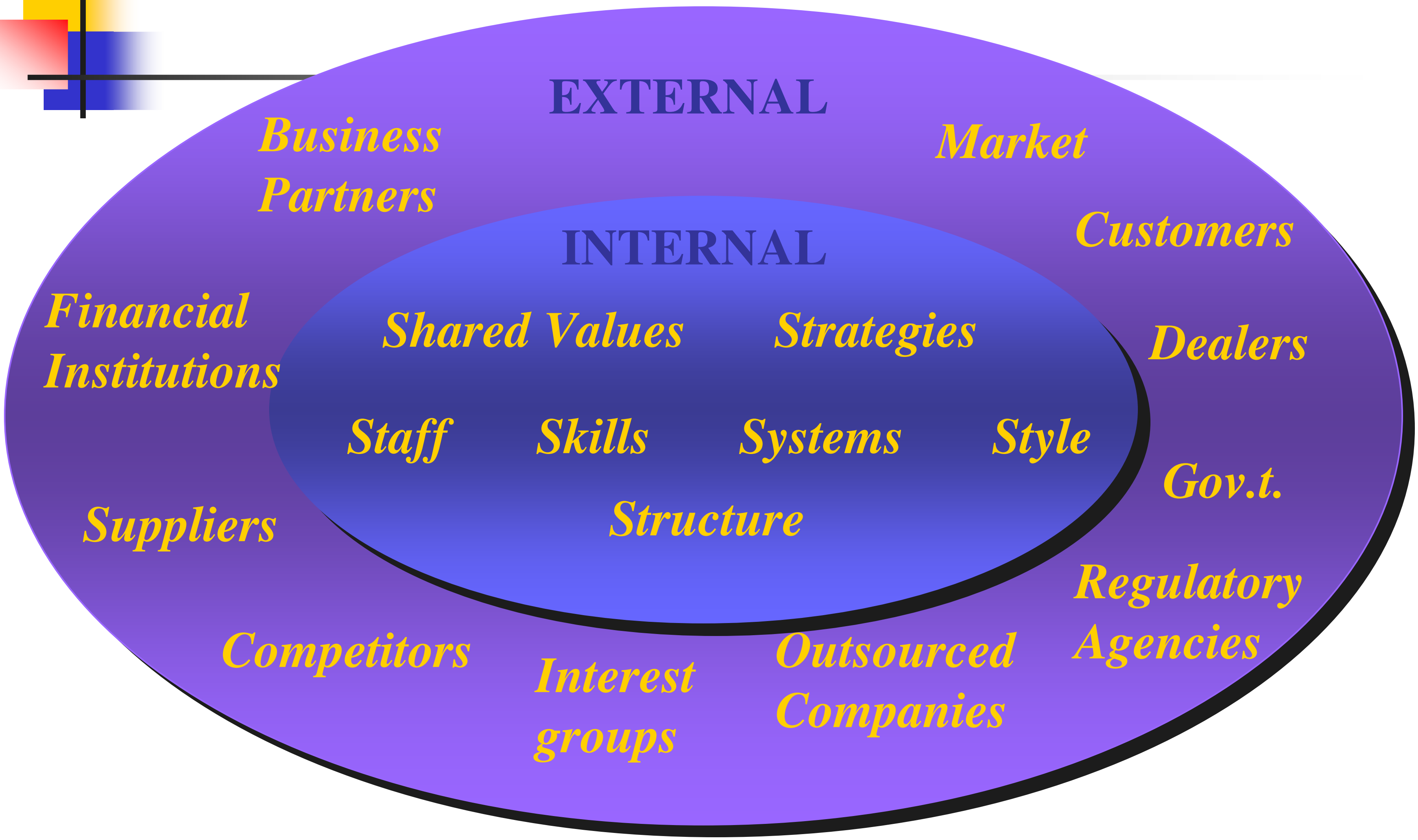
Motivating

- The process of using factors that cause, channel, and sustain an individuals behavior to get work done
  - Satisfying the hierarchy of needs
  - Performance, rewards and incentive schemes
  - Fairness
  - Working environment and culture

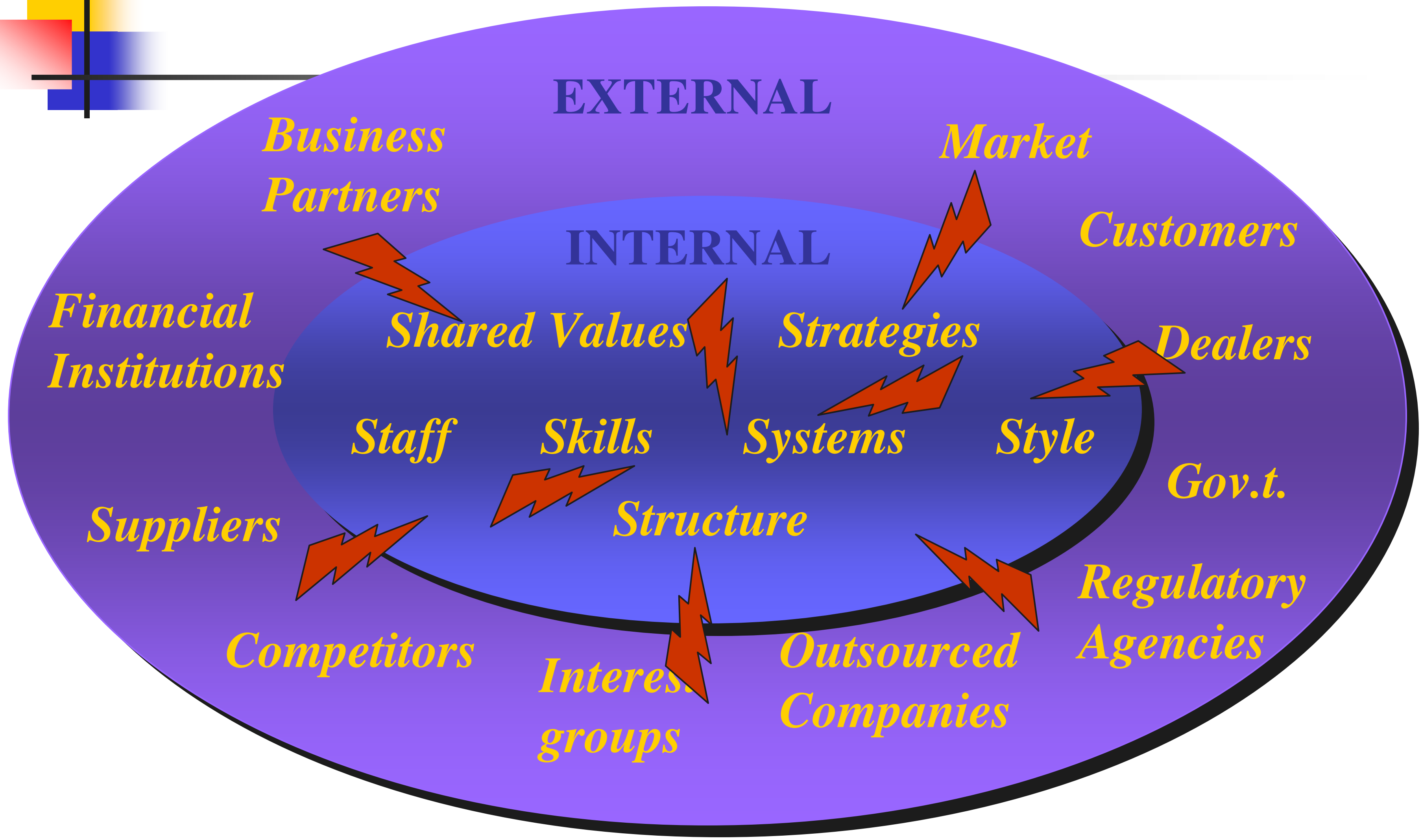
Communicating

- The process by which people share meaning via the transmission of messages
  - Dealing with trust, inconsistent verbal and non verbal communication in negotiations
  - Reacting to emotions & different perceptions
  - Vertical & Horizontal communication
  - Presentations, Business letters, email, web based systems

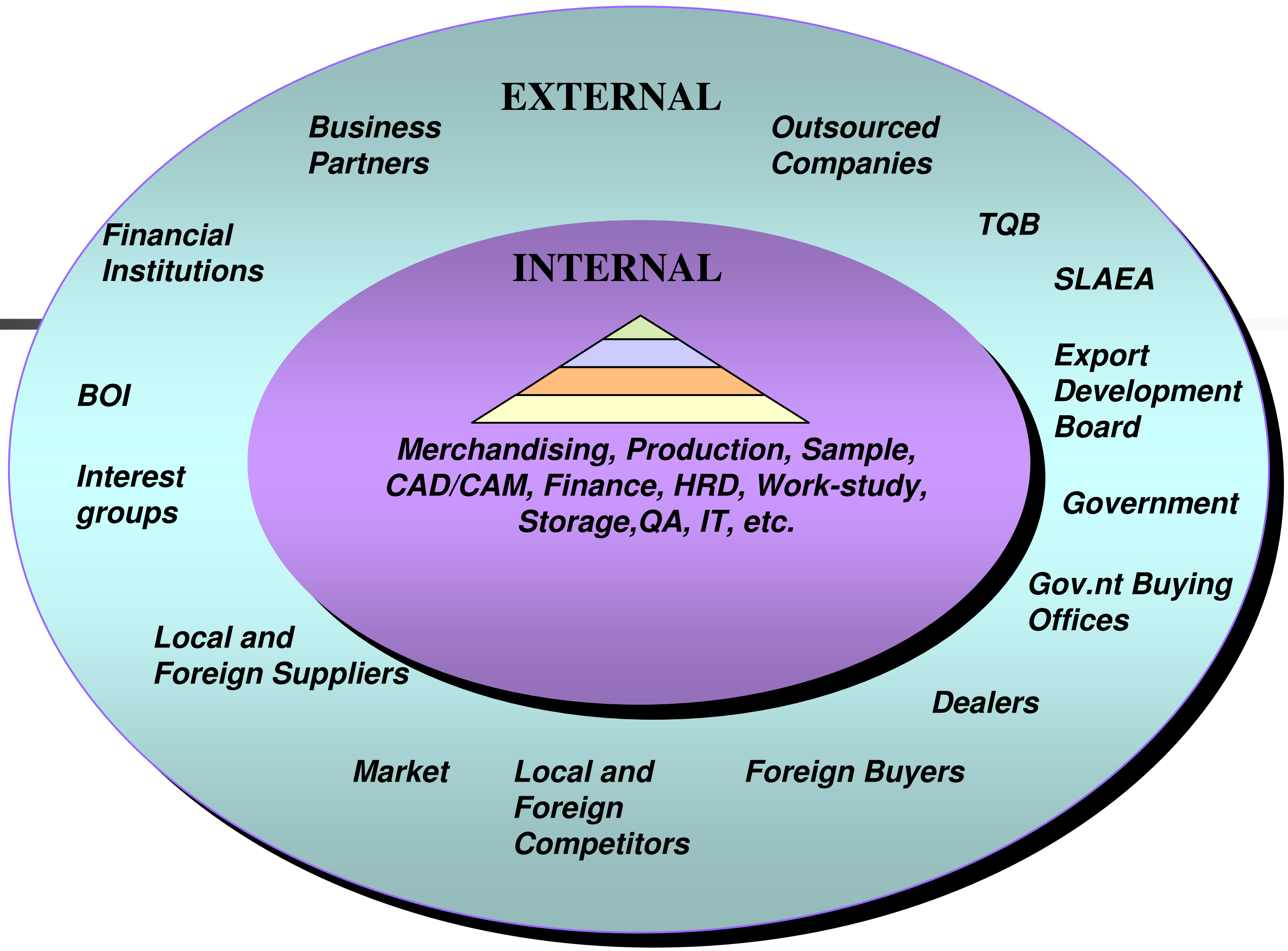
The Business Environment



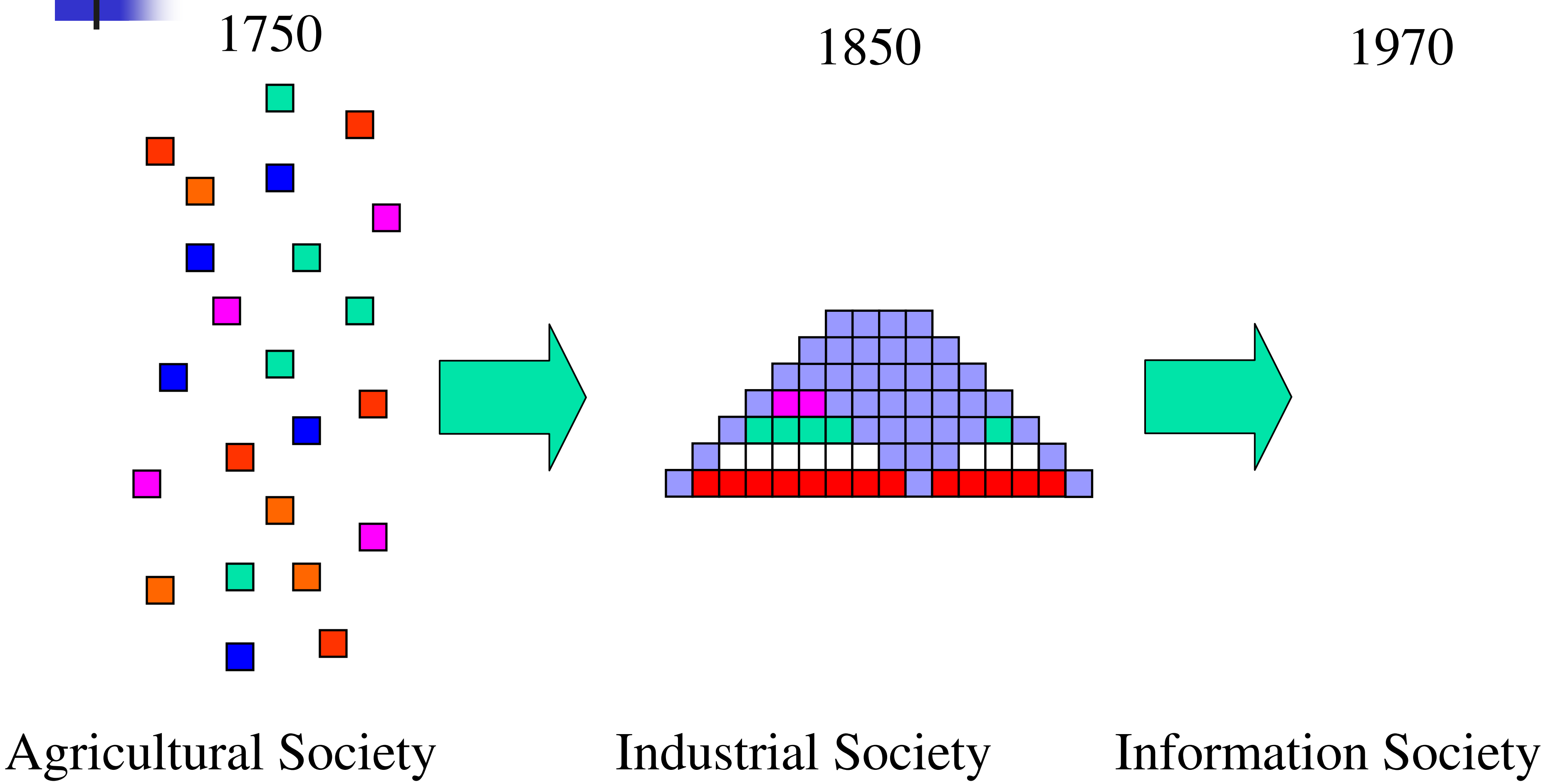
The Business Environment



The Internal/External Business Environment of the Garment Sector



Social Transformation



Augmenting Muscle Power

- Invention of the Steam engine
- Discovery of Electricity and invention of the electric motor
- Internal Combustion Engine
- Assembly Lines
- Automation

Planning

The Planning Process

Planning is the process used by managers to identify and select goals and courses of action for the organization.

- *The organizational plan that results from the planning process details the goals to be attained.*

- *The pattern of decisions managers take to reach these goals is the organization's strategy.*

Goal and Plans

Goal

- A desired future state that the organization attempts to realize.

Plans

- A blueprint specifying resource allocation, schedules and other actions necessary for attaining goals.

Organizational Goals

- *Provides sense of direction*
- *Focus our efforts*
- *Guides plans and actions*
- *Help evaluate the progress – essential part of controlling*

Hierarchy of Plans

- ***Strategic Plans***
  - Broad goals of the organisation
    - e.g.: FedEx- positioning of products and services against UPS
    - Tends to be long term

- ***Operational Plans***
    - Details for carrying out or implementing strategic plans.
      e.g.: modernising package-handling equipment
    - Tool for daily and weekly operations

- ***How the plans differ*** – Time, scope, degree of detail
    time – long term/short term
    scope – wide range/narrow
    degree of detail – simplistic and general/finer detail

Three Stages of the Planning Process

Determining the Organization's mission and goals
(Define the business)

↓

Strategy formulation
(Analyze current situation & develop strategies)

↓

Strategy Implementation
(Allocate resources & responsibilities to achieve strategies)

Strategy – the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the collection of resources necessary for carrying out these goals (Chandler, 1962).

Planning Process Stages

- *Organizational mission*: defined in the mission statement which is a broad declaration of the overriding purpose.
  - The mission statement identifies product, customers and how the firm differs from competitors.
- *Formulating strategy:* managers analyze current situation and develop strategies needed to achieve the mission.
- *Implementing strategy*: managers must decide how to allocate resources between groups to ensure the strategy is achieved.

Levels of Planning

	Corporate-level Plan	Business-level Plan	Functional level Plan
Goal Setting	Corporate mission & goals	Divisional goals	Functional goals
Strategy Formulation	Corporate-level strategy	Business-level strategy	Functional-level strategy
Strategy Implementation	Design of Corporate Structure Control	Design of Business-unit Structure Control	Design of functional structure control

Planning at General Electric

Corporate Level

CEO

Corporate Office

Business Level

GE Aircraft | GE Lighting | GE Motors | GE Plastics | NBC

Functional Level

Manufacturing | Marketing | Accounting | R & D

Planning Levels

- *Corporate-level:* decisions by top managers.
  - Considers on which businesses or markets to be in.
  - Provides a framework for all other planning.
- *Business-level:* details divisional long-term goals and structure.
  - Identifies how this business meets corporate goals.
  - Shows how the business will compete in market.
- *Functional-level:* actions taken by managers in departments of manufacturing, marketing, etc.

Characteristics of Plans

- *Time horizon:* refers to how far in the future the plan applies.
  - ***Long-term*** plans are usually 5 years or more.
  - ***Intermediate-term*** plans are 1 to 5 years.
    - Corporate and business level plans specify long and intermediate term.
  - ***Short-term*** plans are less than 1 year.
    - Functional plans focus on short to intermediate term.

Types of Plans

- *Standing plans:* for programmed decisions.
  - Managers develop policies, rules, and standard operating procedures (SOP).
    - Policies are general guides to action.
    - Rules are a specific guide to action.
- *Single-use plans:* developed for a one-time, nonprogrammed issue. Usually consist of programs and projects.
  - ***Programs***: integrated plans achieving specific goals.
  - ***Project:*** specific action plans to complete programs.

Who Plans?

- *Corporate level planning* is done by top managers.
  - Also approve business and functional level plans.
  - Top managers should seek input on corporate level issues from all management levels.
- *Business and functional planning* is done by divisional and functional managers.
  - Both management levels should also seek information from other levels.
  - Responsibility for specific planning may lie at a given level, but all managers should be

Why Planning is Important

Planning determines where the organization is now and where it will be in the future. Good planning provides:

- ***Participation:*** all managers are involved in setting future goals.
- ***Sense of direction & purpose***: Planning sets goals and strategies for all managers.
- ***Coordination:*** Plans provide all parts of the firm with understanding about how their systems fit with the whole.
- ***Control:*** Plans specify who is in charge of accomplishing a goal.

Scenario Planning

- *Scenario Planning:* generates several forecasts of different future conditions and analyzes how to effectively respond to them.
  - Planning seeks to prepare for the future, but the future is unknown.
  - By generating multiple possible "futures" we can see how our plans might work in each.
    - Allows the firm to prepare for possible surprises.
  - Scenario planning is a learning tool to improve planning results.

Determining Mission and Goals

- This is the first step of the planning process and is accomplished by:
  - **A. *Define the business:*** seeks to identify our customer and the needs we can and should satisfy.
    - This also pinpoints competitors.
  - **B. *Establishing major goals:*** states who will compete in the business.
    - Should stretch the organization to new heights.
    - Goals must also be realistic and have a time period in which they are achieved.

Organizational Mission

- *Mission:*
  the organization's reason for existing.

- ***Mission statement;***
  - states the basic business scope and operations
  - may include the market and customers
  - some may describe company values, product quality, attitudes toward employees

Mission Statements

Company	Mission Statement
Compaq	Compaq, along with our partners, will deliver compelling products and services of the highest quality that will transform computing into an intuitive experience that extends human capability on all planes -- communication, education, work, and play.
AT&T	We are dedicated to being the world's best at bringing people together -- giving them easy access to each other and to the information and services they want and need -- anytime, anywhere.

Strategy Formulation

- Managers analyze the current situation to develop strategies achieving the mission.
- *SWOT* analysis: a planning to identify:
  - **Organizational Strengths and Weaknesses.**
    - Strengths: manufacturing ability, marketing skills.
    - Weaknesses: high labor turnover, weak financials.
  - **Environmental Opportunities and Threats.**
    - Opportunities: new markets.
    - Threats: economic recession, competitors

Planning & Strategy Formulation

SWOT analysis identifies strengths & weaknesses inside the firm and opportunities & threats in the environment.

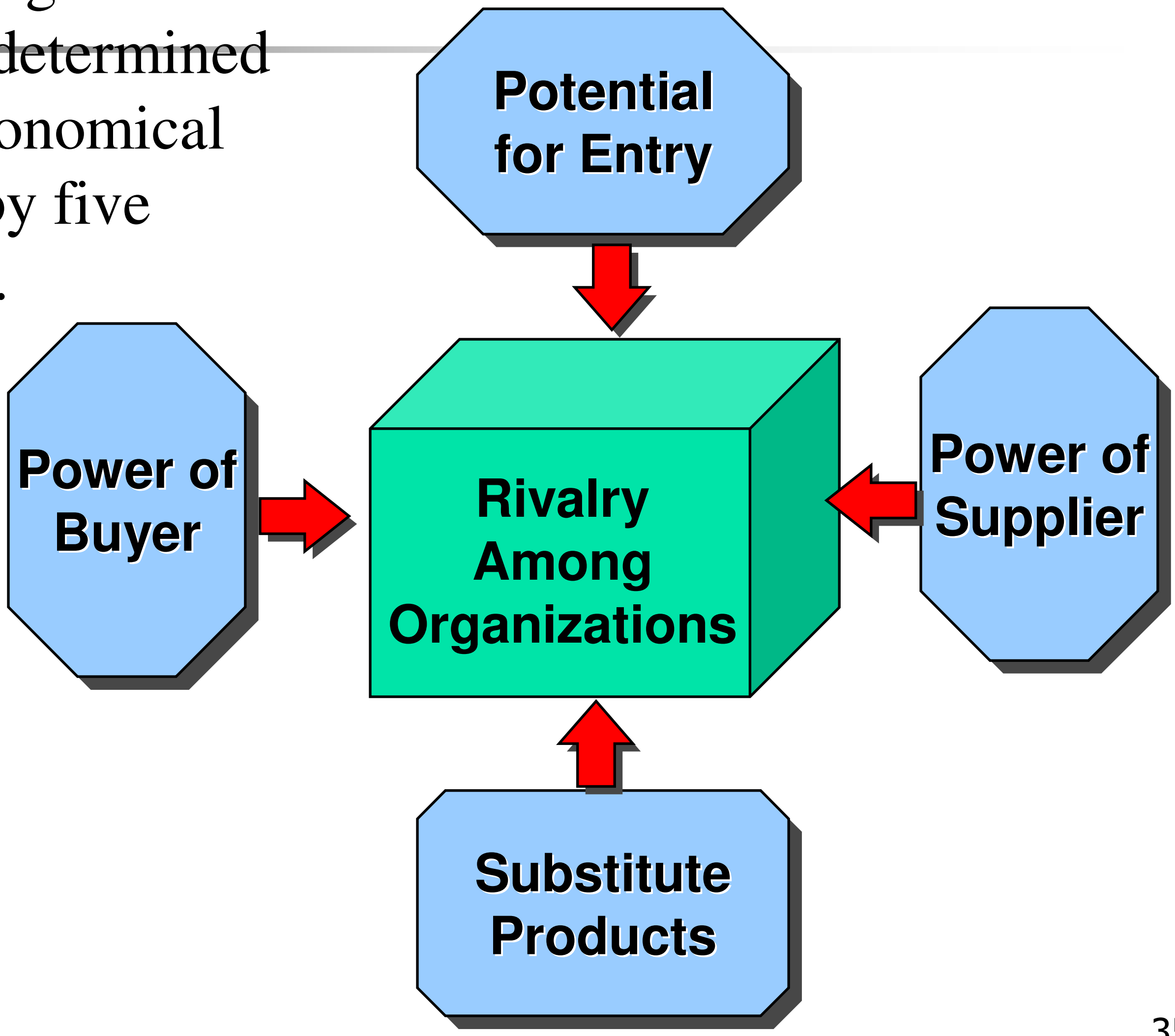
Corporate-level strategy
develop a plan of action maximizing long-run value

Business-level strategy
a plan of action to take advantage of opportunities and minimize threats

Functional-level strategy
a plan of action improving department's ability to create value

The Five Forces Model

In Porter's view, an organizations ability to compete is determined by – technical and economical resources as well as by five environmental forces.



The Five Forces

1. ***Level of Rivalry in an industry:*** how intense is the current competition with competitors?

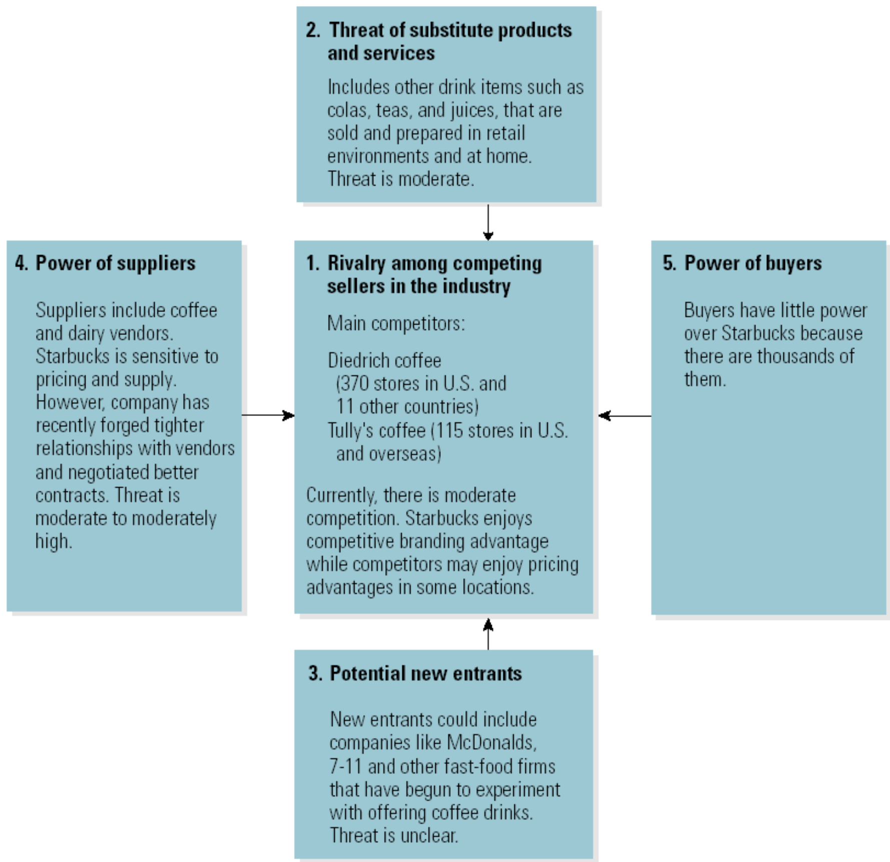
   Increased competition results in lower profits.

2. ***Potential for entry:*** how easy is it for new firms to enter the industry?

   Easy entry leads to lower prices and profits.

3. ***Power of Suppliers:*** If there are only a few suppliers of important items, supply costs rise.
4. ***Power of Buyers:*** If there are only a few, large buyers, they can bargain down prices.
5. ***Substitutes:*** More available substitutes tend to drive down prices and profits.

Industry Level Analysis



Corporate-Level Strategies

- Formulated by top management to oversee the interests and operations of organisations made up of more than one line of business.

  e.g. John Keels (hotels, financial, property development, plantation)

  any other???

Questions:

What kind of business?

Goals and expectations for each business?

How should the resources be allocated?

Corporate-Level Strategies

- *Concentrate in single business:* McDonalds focuses in the fast food business.
  - Can become very strong, but can be risky.
- *Diversification:* Organization moves into new businesses and services.
  - ***Related diversification****:* firm diversifies in similar areas to build upon existing divisions.
    - Synergy: two divisions work together to obtain more than the sum of each separately.
  - ***Unrelated diversification****:* buy business in new areas.
    - Build a *portfolio* of unrelated firms to reduce risk or trouble in one industry. Very hard to manage.

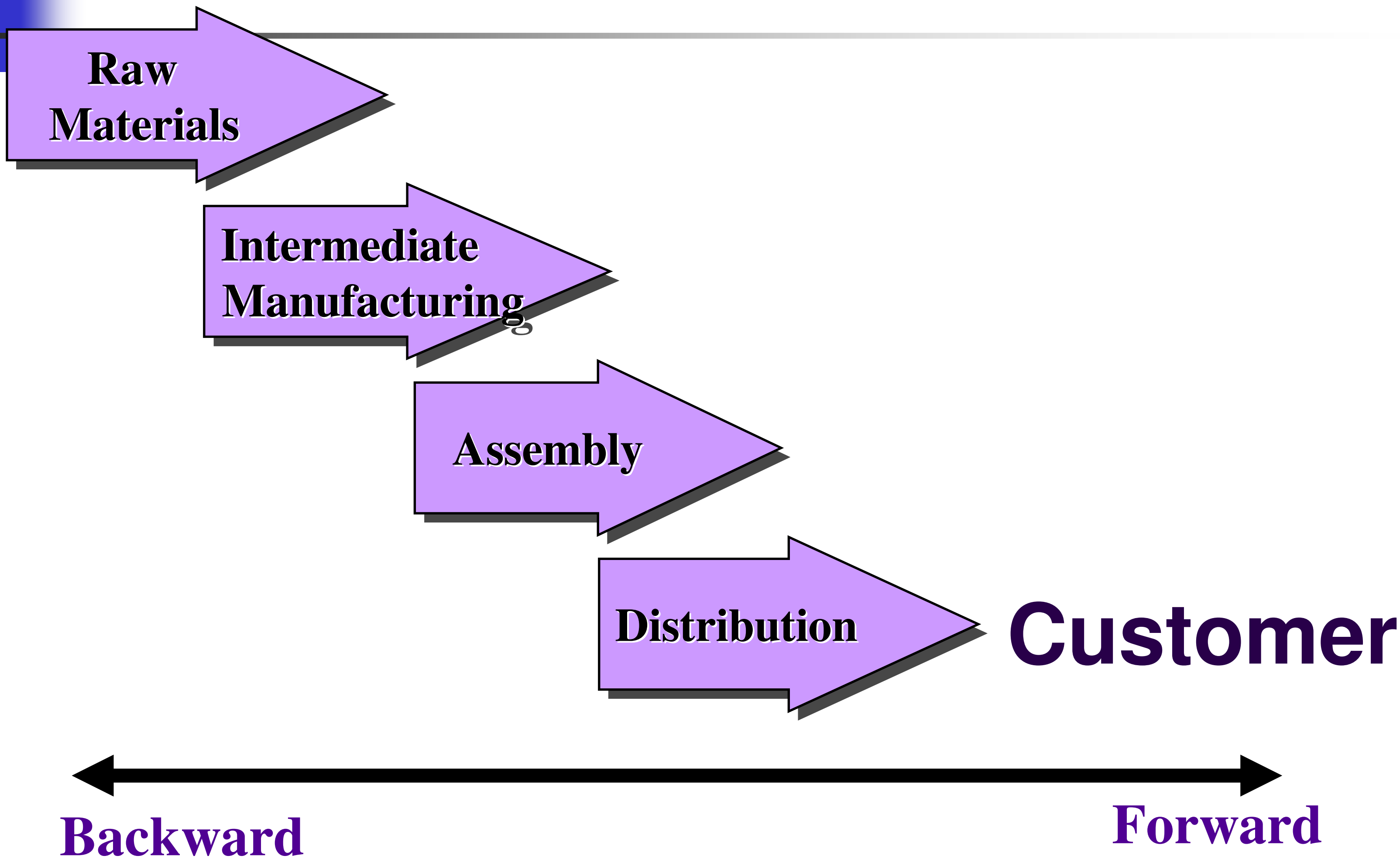
International Strategy

- To what extent do we customize products and marketing for different national conditions?
  - ***Global strategy:*** a single, standard product and marketing approach is used in all countries.
    - Standardization provides for lower cost.
    - Ignore national differences that others can address.
  - ***Mulitdomestic strategy:*** products and marketing are customized for each country of operation.
    - Customization provides for higher costs.
    - Embraces national differences and depends on

Vertical Integration

- When the firm is doing well, managers can add more value by producing its own inputs or distributing its products.
  - ***Backward vertical integration:*** the firm produces its own inputs.
    - McDonalds grows its own potatoes.
    - Can lower the cost of supplies.
  - ***Backward vertical integration:*** the firm distributes its outputs or products.
    - McDonalds owns the final restaurant.
    - Firm can lower costs and ensure final quality.

Vertical Value Chain



Business Level Strategies

- Attempts to determine what approach to its market the business should take and how it should conduct itself, given its resources and the conditions of the market.

- How will business compete within its market?
- What products/services should it offer?
- Customers?
- Resource allocation?

- Strategic Business Unit (SBU)

  serves a defined external market where management can conduct strategic planning in relation to its products and markets.

Competitive Strategies

(1) Cost Leadership – lowest cost producer in the industry (manufacturing strategy).

- **Compete on price and earn highest unit profits.**
- **Cost Leadership requires the following;**

  - **economies of scale via mass production (eg. Vauxhall's multi-million cars a year output**
  - **using latest technology (eg. EPOS systems)**
  - **concentration on productivity objectives (eg. Tesco's sales per square metre)**
  - **cost minimisation in variable costs such as distribution and marketing budgets**
  - **low labour costs**

Risk – competition from cost based countries, vulnerability to a priced based attack.

Competitive Strategies

(2) **Differentiation –** marketing strategy based on raising the quality of the product and thus its costs and sales price.

McDonald's. – differentiation based on consistent quality and service. Staff is always quick and clean, food meets the quality criteria.

- **Organisations must continually innovate to stay ahead of competitors in quality. This requires larger R&D and promotional budgets.**
- **Competitive advantage can be achieved through quality of products, service, technology and brand image.**
- **Risks – customers not willing to pay higher prices (eg. Sony and Betamax) and competitors will innovate faster and successfully.**

Competitive Strategies

(3) **Focus –** strategy is based on dividing the market into a number of market segments and concentrating attention on one or more particular segments.

- **This strategy rests on the premise that the firm is able to serve narrow strategic target more effectively or efficiently than competitors who are competing more broadly.**
- **Therefore, achieves differentiation from better meeting the needs of the particular target, or lower costs in serving this target, or both. Eg. Apple Computers**
- **For example, costs can be reduced by focusing on a small geographical area or increasing quality to a small group.**
- **Risks – segment might not be big enough to provide a profitable basis of operations, especially in recessions.**

Competitive Strategies

Without a specific generic strategy, a firm becomes 'stuck in the middle' which is a recipe for failure

– Micheal Porter

Against this view many firms compete on a combination of these principles. Example Marks and Spencer (low costs due to retail experience but high quality and service)

Business-level Strategies

Number of market segments	Low Cost	Differentiation
Many	Low-Cost	Differentiation
Few	Focused Low-Cost	Focused Differentiated

Strategy

Business Strategies

- ***Low-cost:*** gain a competitive advantage by driving down organizational costs.
  - Managers manufacture at lower cost, reduce waste.
  - Lower costs than competition mean lower prices.
- ***Differentiation:*** gain a competitive advantage by making your products different from competitors.
  - Differentiation must be valued by the customer.
  - Successful differentiation allows you to charge more for a product.
- ***Stuck in the middle:*** It is difficult to simultaneously become differentiated and low cost.

Business Strategies

- Firms also choose to serve the entire market or focus on a few segments.
  - ***Focused low-cost:*** try to serve one segment of the market but be the lowest cost in that segment.
    - Cott Company seeks to achieve this in large retail chains.
  - ***Focused differentiated:*** Firm again seeks to focus on one market segment but is the most differentiated in that segment.
    - BMW provides a good example.

Functional-level Strategies

- Seeks to have each department *add value* to a good or service.
- Marketing, service, production all add value to a good or service.
  - Value is added in two ways:
    1. lower the operational costs of providing the value in products.
    2. add new value to the product by differentiating.
  - Functional strategies must fit with business level strategies.

Goals for successful functional strategies:

1. ***Attain superior efficiency:*** the measure of outputs for a given unit of input.

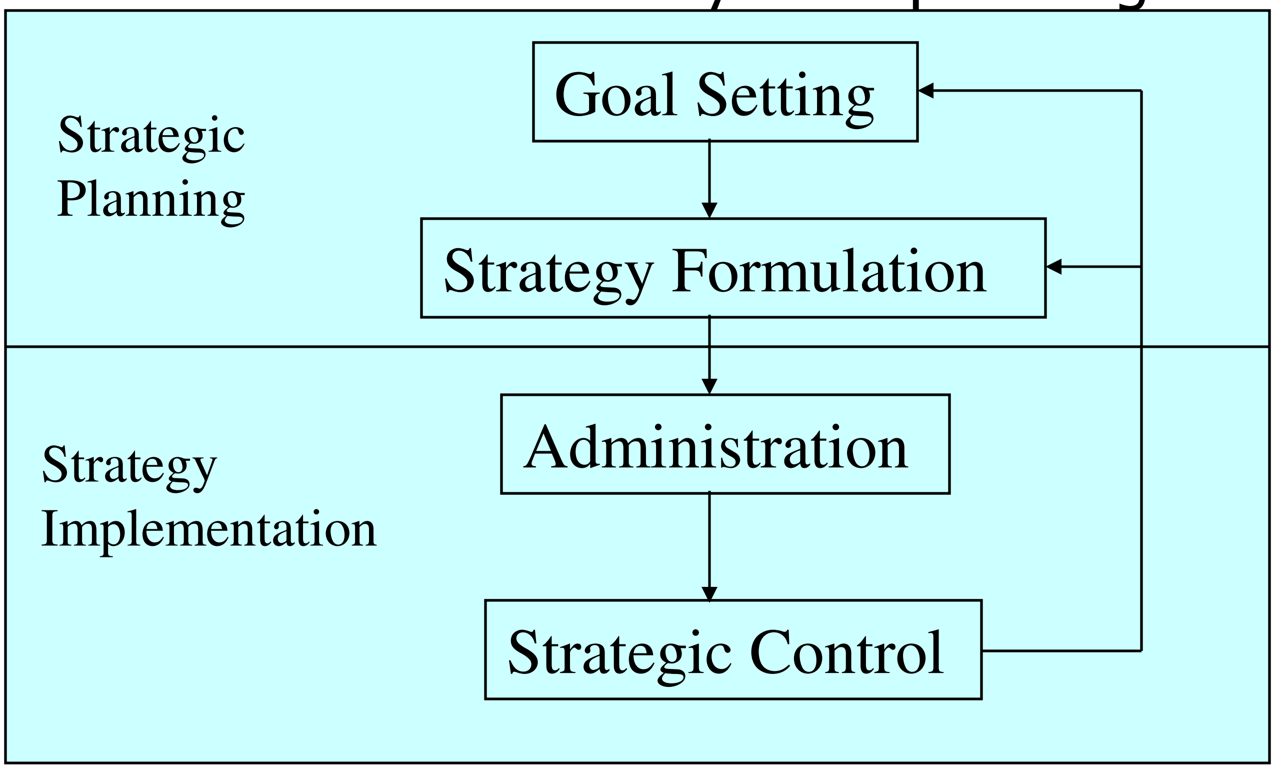
2. ***Attain superior quality:*** products that reliably do the job they were designed for.

3. ***Attain superior innovation:*** new, novel features about the product or process.

4. ***Attain superior responsiveness to customers:*** Know the customer needs and fill them.

Strategy Implementation

- Shift from analysis to administration.
- Revision of strategy possible due to internal politics and individual reactions.
- Strategic Control gives feedback on progress. Negative feedback can lead to a new cycle of planning.



Implementation

Implementation of the Corporate or Marketing Plan

- **Converting strategic plans into action plans ie operations plans and budgets.**
- **Allocating responsibilities and giving authority to individual managers to use resources, for example spend sufficient money to allow them to achieve their individual targets.**
- **Establishing checkpoints to monitor activities, such as;**

  (i) have deadlines been met and future deadlines going to be met.

  (ii) will the required resources be available to make the products/services?
- **Exerting pressure for control action where necessary**
- **Modifying the plan in the light of changing**

Control

Feedback	*Standards*	*Control actions*
complaints	number, frequency	corrective action
Costs/profitability exercises	ratios	cost cutting

Control measures and analytical techniques that might be relevant for control at a strategic level are;

Type of Analysis	***Used to Control***
Financial analysis - Ratio analysis	**Elements of profitability**
Market/sales analysis - Sales targets	**Sales effectiveness**

Effective Strategy Implementation

- Environmental Constraints

  - PEST (Political, Environmental, Social, Technological)

  - actions of competitors, suppliers, customers

- Internal Constraints

  - weak support from top management (leadership)

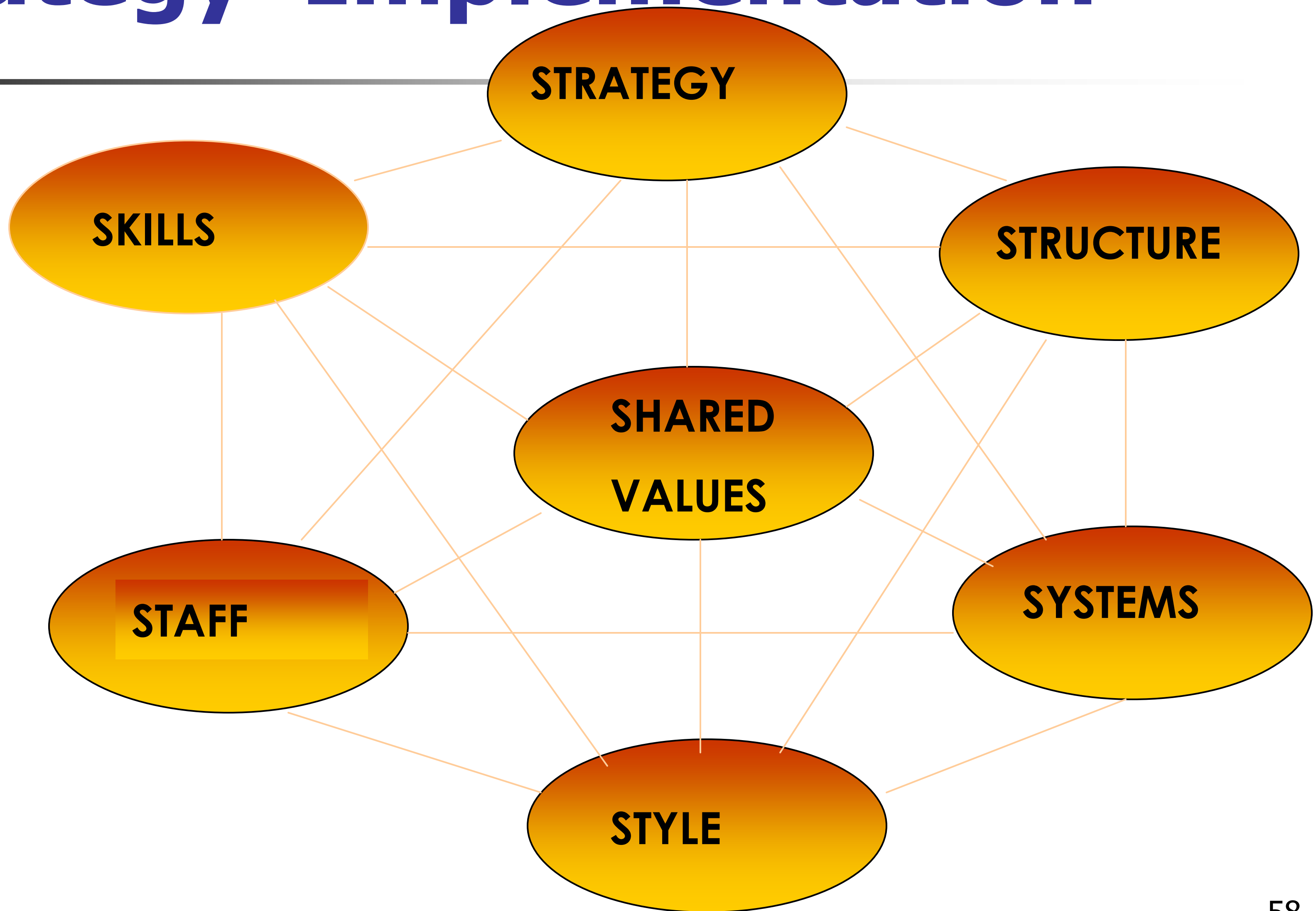
  - lack of line management support (skills, information, inadequate organisational structure)

  - resources

Contingency Planning

- Preparation of alternative courses of action that may be used if the primary plan don't achieve company objectives.
- Identify uncontrollable factors;
  - recession
  - technological developments
- Minimizing impact of uncontrollable factors
  - prepare for worst-case scenarios

Seven S Model for successful strategy Implementation



Seven S Model

Each factors is equally important. McKinsey's consultants found that neglecting any one of the seven factors could make the effort to change a slow, painful process.

1. ***Strategy*** – Plan or course of action leading to the allocation of firm's resources to reach identified goals.
2. ***Structure*** – The ways people and tasks relate to each other. The basic grouping of reporting relationships and activities. The way separate entities of an organization are linked. Successful organisations take temporary structural changes.
3. ***Shared Values*** – The significant meanings or guiding concepts that give purpose and meaning to the organization.
4. ***Systems*** – Formal processes and procedures, including management control systems, performance measurement and reward systems, and planning and budgeting systems, and the ways people relate to them.

Seven S Model

5. ***Skills*** – Organizational competencies, including the abilities of individuals as well as management practices, technological abilities, and other capabilities that reside in the organization.

6. ***Style*** – The leadership style of management and the overall operating style of the organization. A reflection of the norms people act upon and how they work and interact with each other, vendors, and customers.

7. ***Staff*** – Recruitment, selection, development, socialization, and advancement of people in the organization.

Seven S Model

Structure, strategy, systems are relatively ‘hard’ in that they are easy to define and quantify. The other Ss – shared values, skills, style and staff – are harder to quantify.

Implementing a new information system may involve restructuring an organization, improving staff skills etc.

SWOT Analysis

- To assist decision making the information should give some indication of the relative importance of the different factors presented.
- ***Strengths and Weaknesses*** – internal to company (strong cash base, internal conflict)
- ***Opportunities and threats*** – external (potential new market segment or development of a substitute product)
- The matrix can assist strategy formulation through – conversion and matching.
- Conversion strategies – convert weaknesses into strengths and be able to take advantage of an existing opportunity.

  converting threats into opportunities, which can be taken advantage of through existing strengths.
- Matching strategies – match company strengths with market opportunities.

SWOT Analysis