# BA 291 – MANAGEMENT PROCESS

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## Management process

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Management is a process designed to acheive an organization's objectives by using its resources **effectively and effieciently** in a changing environment

**Effectiveness**

- Selecting the proper goal and achieving it
- Satisfy customer needs
- Concerning the business environment

**Efficiency**

- Using minimum resources in order to maximize output
- Reducing waste (waiting time,, unnecessary process or movement, overproduction, defects, inventory)

## Efficiency vs. Effectiveness

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## Efficiency vs. Effectiveness

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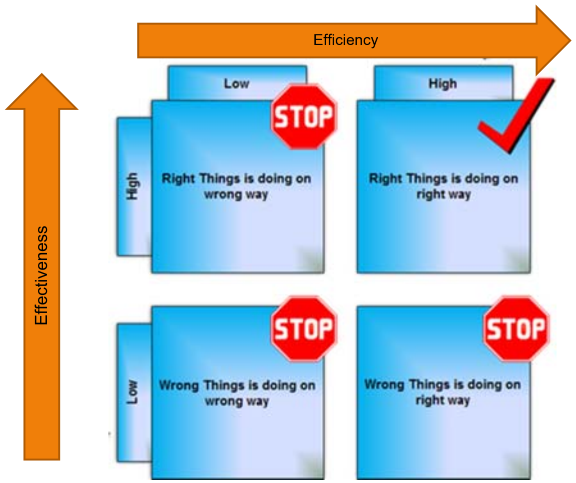


# Level of management

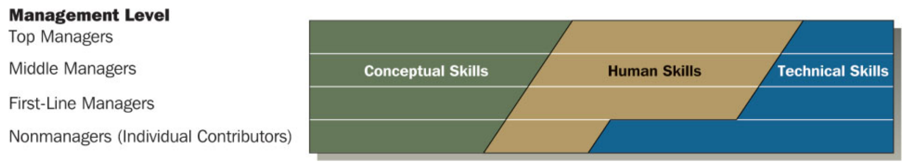



# Managerial skills

*Conceptual Skills* – cognitive ability to see the organization as a whole system, ability to think strategically

*Human Skills* – the ability to work with and through other people

*Technical Skills* – the understanding and proficiency in the performance of specific tasks






# Managerial roles

| Category | Role | Activity |
|---|---|---|
| Informational | Monitor | Seek and receive information, scan periodicals and reports, maintain personal contacts. |
| | Disseminator | Forward information to other organization members; send memos and reports, make phone calls. |
| | Spokesperson | Transmit information to outsiders through speeches, reports, memos. |
| Interpersonal | Figurehead | Perform ceremonial and symbolic duties such as greeting visitors, signing legal documents. |
| | Leader | Direct and motivate subordinates; train, counsel, and communicate with subordinates. |
| | Liaison | Maintain information links both inside and outside organization; use e-mail, phone calls, meetings. |
| Decisional | Entrepreneur | Initiate improvement projects; identify new ideas, delegate idea responsibility to others. |
| | Disturbance handler | Take corrective action during disputes or crises; resolve conflicts among subordinates; adapt to environmental crises. |
| | Resource allocator | Decide who gets resources; schedule, budget, set priorities. |
| | Negotiator | Represent department during negotiation of union contracts, sales, purchases, budgets; represent departmental interests. |

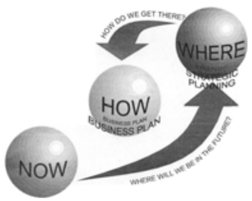


# Management functions

# Planning



Defining the organization's goals, establishing an overall strategy for achieving those goals, and developing plans for organizational work activities.




Planning

- Provides direction (where are the goals and how to get there?)
- Resource allocation (how to use existing resource to achieve goals)
- Reduces uncertainty (scenario analysis, find Plan B)
- Minimizes waste and redundancy
- Used as standard in controlling process

# Goal

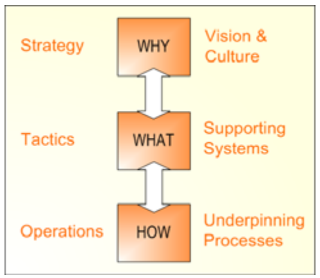


Goals provide a clear, engaging sense of direction and specify what is to be accomplished


# Planning type



- Long-term vs. short-term plans
- Single-use vs. standing plans
- Top-down vs. bottom-up
- Strategic, tactical and operational plan




# Example: Planning type at GM (2007)



Strategic plans

- To get the company back to the track
- To prevent company from bankruptcy

Tactical plans

- Increase the number of advertising and PR activities
- Buying ads on website
- Sponsoring the events

Operational plans

- Process 150 sales each week
- Achieve 90% of deliveries on time. Reduce takt-time
- Increase customers show room visit
- Train the sales personnel and improve dealer service quality

# Organizing



The deployment of resources to achieve strategic goals by dividing labor into specific departments and job, formal lines and authority and mechanisms for coordinating diverse organizational tasks

Organization structure

- defines how set of formal tasks are assigned
- defines formal reporting relationships
- ensures effective coordination of employees across department

# Designing organizational structure



- Choosing the right organization structure is one of the most important decisions in the company
- There is no "one right way" to design organizational structure
- There are no universal organization principles which are good for all cases
- Organizational structure is dynamic, not static, because of the constant change in the organizational environment. Therefore, companies may change its structure when it's necessary.

# Designing organizational structure



## Microsoft overhauls organizational chart to compete with Google and Apple

Microsoft announced a sweeping corporate reorganization last week that attempts to pull the firm into a better position to compete more fiercely with Apple and Google.

Under the new structure, called "One Microsoft," Microsoft will have half as many major divisions — four instead of eight. Instead of having separate teams in charge of developing software for tablets, laptops and smartphones, all of those developers will now report to the same person.

The realignment "will enable us to innovate with greater speed, efficiency and capability in a fast changing world," chief executive Steve Ballmer said in a company-wide memo Thursday. "We are rallying behind a single strategy as one company — not a collection of divisional strategies."

# Designing organizational structure



SIEMENS

Siemens will start off fiscal 2012 on October 1, 2011 with a further developed structure. The newly founded Infrastructure & Cities Sector begins operation on that day, as planned. In the future, the operating businesses of Siemens will be organized in the Industry, Infrastructure & Cities, Energy, and Healthcare Sectors. By forming the new Sector, the company plans to be a leading participant in the dynamic growth of cities and infrastructure investments. "We are rigorously focusing our business on growth. Our new setup will put us even closer to our customers. The Infrastructure & Cities Sector will open up additional business opportunities in the growth market of cities," said Peter Löscher, President and CEO of Siemens AG. "Cities face the enormous challenge of reconciling urban growth with a good quality of life. We can offer them comprehensive solutions from one hand to achieve this. In order to better serve the needs of cities, we are focusing the new Sector specifically on cities and infrastructure," stated Roland Busch, CEO of the Infrastructure & Cities Sector.

# Siemens

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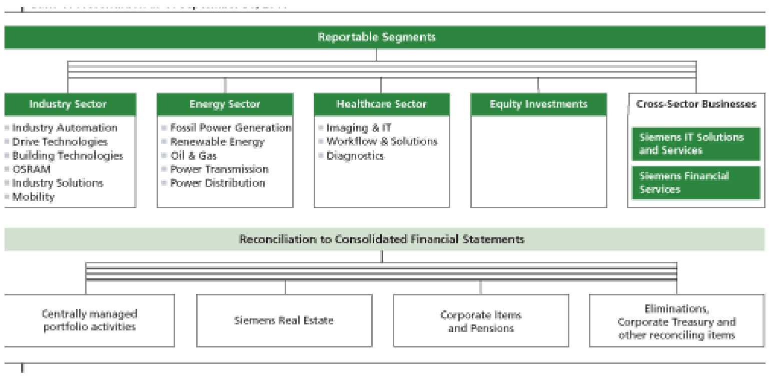


# Organization Chart

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Organization chart is a diagram that shows the structure of an organization and the relationships and relative ranks of its parts and positions/jobs

Visual representation of org structure

Set of formal tasks/ Departmentalization

Framework for vertical control

Formal reporting relationships

Communication

# Organizational Structure – vertical structure

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Work specialization

- Sometimes called „division of labor“
- The degree to which organizational task are subdivided into individual jobs so employees within each department perform only the tasks relevant to their specialize function
- Jobs tend to be small, but they can be performed efficiently

Pro
Efficiency
Learning effect
Productivity

Contra
Isolation
Lack of creativity and motivation
Boredom, stress
Poor quality

# Chain of Command

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The line of authority extending from upper organizational levels to the lowest levels, which clarifies who reports to whom

Associated with two underlying principles

➢Unity of Command: each employee is held accountable to only one supervisor

➢Scalar Principle: a clearly defined line of authority in the organization that includes all employees

All persons in the organization should know to whom they report as well as the successive management levels all the way to the top

# Authority, Responsibility, and Accountability



**Responsibility**: The duty to perform the task or activity an employee has been assigned. Typically, managers are assigned authority commensurate with responsibility

**Authority**: The power to make committment, to use resource and take actions.

**Accountability**: The people with authority and responsibility are subjected to reporting and justifying task outcomes to those above them in the chain of command.

For organization to function well, everyone needs to know what they are accountable for and accept the responsibility and authority to performing it.

# Work Delegation



**Delegation**: The process managers use to transfer authority and responsibility to positions below them in the hierarchy

Most of the organizations today encourage managers to delegate authority to the lowest possible level to provide flexibility to meet customer needs and adapt to the environment

How to delegate:

- Delegate the whole task
- Select the right person
- Delegate both authority & responsibility
- Give thorough instruction
- Maintain feedback, evaluate and reward performance

# Span of Management



The number of employees reporting to a supervisor

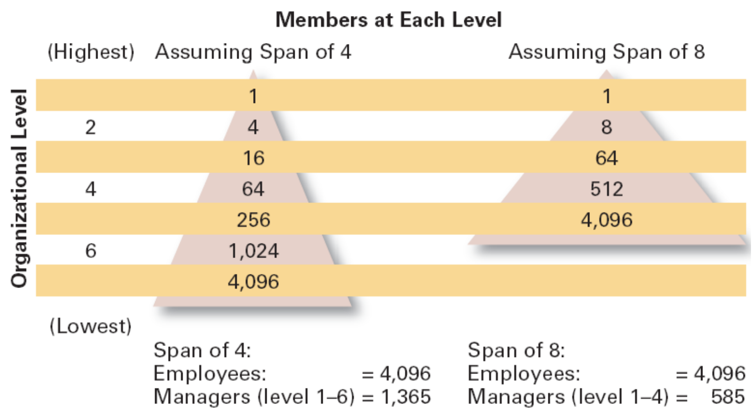
Traditionally: 7 subordinates per manager, Today: 30-40 subordinates

Supervisor Involvement

- must be closely involved with subordinates, the span should be <u>small</u>
- need little involvement with subordinates, it can be <u>large</u>

# Span of Management





## Span of Management – small or large?



- Work is stable and routine
- Subordinates perform similar work tasks
- Subordinates are not concentrated in a single location
- Subordinates are highly trained
- Rules and procedure defining task activities are not available
- Support systems and personnel are not available for the manager
- Little time is required in nonsupervisory activities
- Managers' preferences and styles favor a large span

## Centralization vs. Decentralization



- Centralization: the location of decision authority near top organizational levels
- Decentralization: Decision making authority is dispersed throughout the organization

## Centralization vs. Decentralization



**Centralization**

Environment is stable.

Lower-level managers are not as capable or experienced at making decisions as upper-level managers.

Lower-level managers do not want to have a say in decisions.

Organization is facing a crisis or the risk of company failure.

Company is large and want to maintain unity.

Effective implementation of company strategies depends on managers retaining say over what happens.

**Decentralization**

Environment is complex, uncertain.

Lower-level managers are capable and experienced at making decisions.

Lower-level managers want a voice in decisions.

Corporate culture is open to allowing managers to have a say in what happens.

Company is geographically dispersed.

Effective implementation of company strategies depends on managers having involvement and flexibility to make decisions.

## Departmentalization – Horizontal structure



The basis for grouping positions into departments and departments into the total organization

**Traditional approaches:**

- Functional structure
- Division structure
- Matrix structure

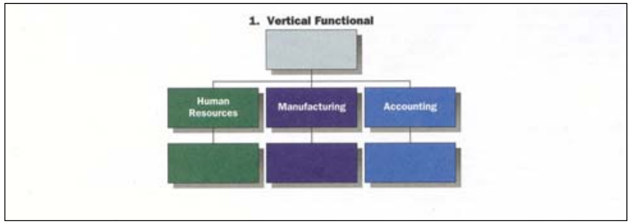
**Contemporary approaches:**

-Team-based structure
- Network structure
- Virtual structure

# Functional Structure



Grouping of positions into departments based on similar skills, expertise, work activities, and resource use




Strengths: Cost-saving advantages from specialization, minimal duplication of people and equipment

Weakness: Functional specialist become insulted and have little understanding of what other units are doing, slow response to external changes

# Division Structure

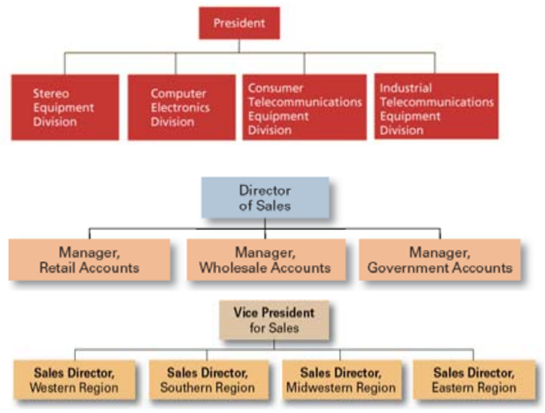


An organizational structure in which departments are grouped based on similar organizational outputs, namely

Product

Customer

Geographic




# Division Structure



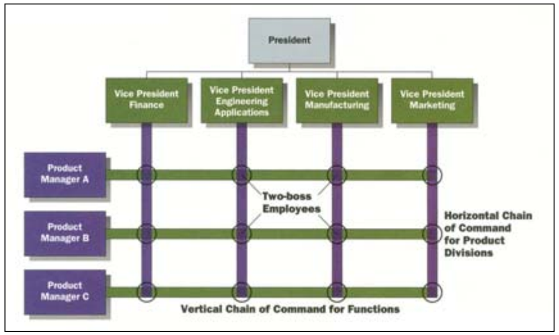
| Strengths | Weakness |
|---|---|
| - Allows for focus on specific customers/ markets/ products | -Duplication of activities and resources increases cost and reduces efficiency |
| - Good structure for growth along geographical/ product lines | - Coordinating and integration are difficult |
| - Easy pinpointing responsibility (division managers are responsible for what happens to their products and service) | - May be difficult to manage diverse product lines |
| - Fast response and flexible to local needs | |

# Matrix Structure



A structure in which the tasks of the organization are grouped along two organizational dimensions simultaneously (vertical and horizontal).

Matrix structure has dual lines of authority (2 supervisors)



# Matrix structure



**Strengths**

- Fluid and flexible design that can respond to environmental changes
- Faster decision making
- Interdisciplinary cooperation
- Development of both generalist and specialist
- Do not have to create new department to perform specific task

**Weakness**

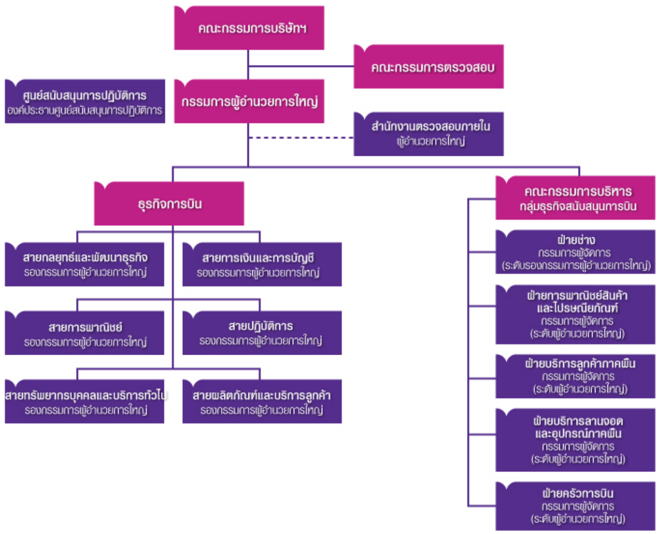
- Lack of control
- “two bosses” may lead to conflict
- Communication difficulties

# Mixed organization structure

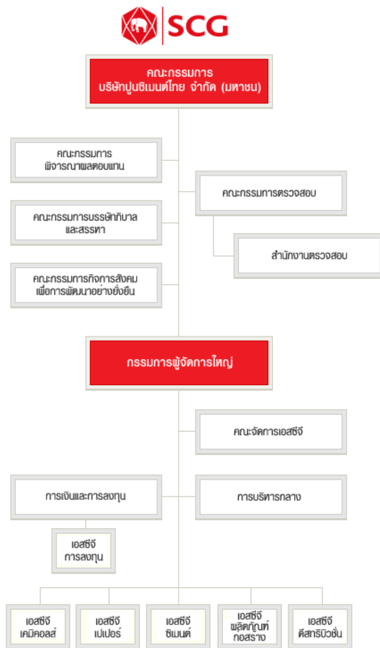


- It is also called conglomerate organization
- Type of organization structure where at every organization level dominates some other type of organization structure
- In practice that is most common situation



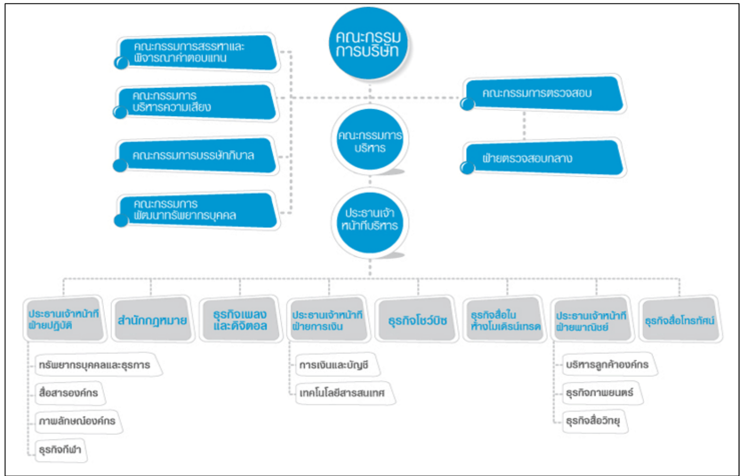





# RS promotion






# PepsiCo




# Team Approach



Most widespread trend in departmentalization in recent years

Gives managers a way to delegate authority, push responsibility to lower levels and be more flexible to responsive to changes


Team-based structure: Structure in which the entire organization is made up of teams that coordinate their work and work directly with customers to accomplish the organization's goals

# Team-based Structure



**Advantages**

- Reduce barriers among departments, increased compromise
- Shorter response time, quicker decisions
- Employee are more involved and empowered – high motivation
- Reduced administrative overhead

**Disadvantages**

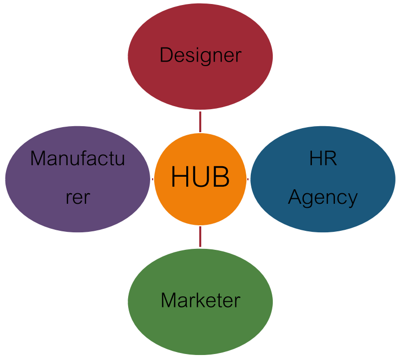
- No clear chain of command, Dual loyalties and conflict
- Time and resources spent on meeting

# Network Approach



An organizational structure that disaggregates major functions to separate companies that are brokered by a small headquarters organization

- Operating an “outsource” mode




# Network approach



**Advantages**

- Global competitiveness
- Workforce flexibility challenge
- Reduced administrative overhead

**Disadvantages**

- Fragmentation make it difficult to develop control system
- Can lose organization part
- Difficult to develop employee loyalty

# Virtual Network Structure



- A contemporary organizational structure that is founded on a set of alliances with other organizations what serve a wide variety of functions
- Cooperation decisively relying on information technology

| Advantages | Disadvantages |
| --- | --- |
| Worldwide pool of expertise | Lack of control, weak boundaries |
| High flexibility and response | Greater demands on managers |
| Reduced administrative overhead | Communication difficulties and potential for misunderstanding |

# Leading



Leadership: The ability to influence a group toward the achievement of goals

# Major roles of leaders



**Vision** — Positive image of what the firm could become

**Inspiration** — The ability to move people to action

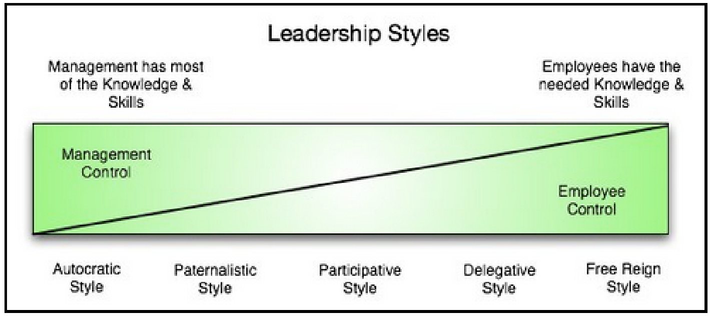
**Momentum** — The ability to earn people people's trust and respect

# Leadership styles



A leadership style is a leader's style of providing direction, implementing plans, and motivating people.

No one style of leadership fits all situations.




# Controlling



The systematic process through which managers regulate organizational activities to make them consistent with expectations established in plans

Managers control:

- ✓Work processes
- ✓Employee behavior
- ✓Financial resources
- ✓Profitability

# The control process



1. Setting standard and measurung: what we measure, how we measure
2. Comparing: determines the degree of variation between actual performance and the standard
3. Taking action: Action taken when the performance variation is unsatisfactory. Corrective action can be change in strategy, structure, redesign job or process, training program, fire employees

# Type of control