Chapter 4

Enterprise and Governance

Learning objectives

- The concept and role of governance.

- Functions of corporate governance.

- Governance skills.

- The roles of Administrator.

- Theories of Governance.

- Problem-solving and governance decision-making.

1. The concept and role of governance

What is governance?

"*Governance* is an inevitable activity; It ensures coordination of individual efforts to achieve group (organizational) goals. The goal of management is to enable people to achieve group goals with the least amount of time, money, material, and personal dissatisfaction."

Harold Koontz

"Governance is getting things done through other people."

Mary Parker Follett

What is governance? (Cont.)
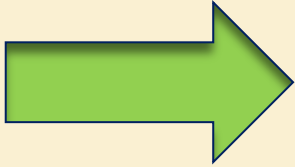
"Governance is the process of regular, continuous, and organized influence of the subject of administration (management system) on the object of administration (managed system) to coordinate activities between departments, individuals, and resources work together in a rhythmic and coordinated manner to achieve the organization's goals with the highest efficiency."

The role and nature of governance

- Governance is a specific type of intellectual labor to organize, control, and coordinate activities that businesses must perform to achieve business goals.

- The role of governance comes from the following reasons:

  ➢ The socialized nature of labor and production.

  ➢ The great creative potential of governance.

  ➢ Factors that increase the role of governance in modern production and economy.

  ➢ From the requirements of construction and economic and social development in the process of transformation to a market economy and industrialization and modernization of the country in Vietnam.

The role and nature of governance (Cont.)

- Governance is not only based on experience but also must have a scientific basis (summarized from management practice and the application of governance rules, principles, methods, and tools).

- On the other hand, governance is also an art of handling diverse situations that cannot be fully anticipated.

"Governance is both a science and an art."

The role and nature of governance (Cont.)

- ***Governance is a science***

  ➢ Governance must ensure compliance with the movement of natural and social laws.

  ➢ Best application of scientific achievements, such as philosophy, economics, mathematics, informatics, cybernetics, technology, etc., and practical experiences into governance practice.

  ➢ Governance must ensure compliance with the conditions and circumstances of each organization in a specific period.

The role and nature of governance (Cont.)

- ***Governance is an art***

    ➢ The art of using people.

    ➢ The art educates people.

    ➢ The art of communication and negotiation in business.

    ➢ The art of making management decisions.

    ➢ Advertising art.

    ➢ The art of selling.

    ➢ Etc.

2. Functions of corporate governance

Functions of corporate governance

- To manage, administrators must perform many different types of work. These types of jobs are called administrative functions. Governance has four functions, such as *planning, organizing, leading, coordinating, and controlling*.

  ❖ *Planning*

  ➢ Managers at different positions in the organizational hierarchy must be planning.

  ➢ Planning is about setting goals and taking necessary actions to achieve them.

Functions of corporate governance (Cont.)

❖ *Organizing*

  ➢ Determine the work to be done, who will do it, and how the work will be managed and linked between departments within the organization.

  ➢ Administrators must organize working groups as well as organize information and allocate resources into tasks reasonably and effectively.

  ➢ Establishing organizational culture and human resource management.

  ➢ The most important part of organizational work is to design an organizational model to suit the strategy and operational goals and meet changes in the business environment.

Functions of corporate governance (Cont.)

❖ *Leading*

➢ Administrators must have the ability to lead members of the group and organization to achieve the organization's goals.

➢ A manager must understand individual abilities, and group behavior, be able to motivate employees, and communicate effectively.

➢ In today's business environment, effective managers must have foresight, and the ability to see into the future.

Functions of corporate governance (Cont.)

❖ *Coordinating*

- ➤ The goal of the coordination function in corporate governance is to encourage, motivate, maintain company discipline, and create a comfortable atmosphere in departments.

- ➤ When all activities are strictly coordinated, an enterprise will operate more efficiently.

- ➤ To perform the coordination function well requires leadership ability as well as honesty and openness in communication and internal communication.

Functions of corporate governance (Cont.)

❖ *Controlling*

➢ The administrator is the initiator in running the organization, as well as implementing strategies and operational plans.

➢ Inspection is necessary to correct deviations between plan and reality. When the organization does not operate according to plan, administrators must be able to adjust operations.

➢ Controlling is an extremely important function in the management process because it provides a method of ensuring that the organization is on track in its efforts to achieve its goals.

3. Governance skills

The importance of governance skills

- Administrators' skills are the qualities that help them complete tasks efficiently and in quality.

- Robert L. Katz identifies three important skill sets for a successful administrator, as follows:

  ❖ Technical skills.

  ❖ Human resource skills.

  ❖ Cognitive and thinking skills.

Technical skills

• This skill is not a soft skill, this is an ability that an individual acquires through study, practice, and experimentation.

　❖ For example:

　　➢ Factory managers need expertise, knowledge of machinery, operations, management skills, coordination of work shifts, etc.

　　➢ Managing technology products requires a person to have computer technical skills, understanding and updating trends in new technologies, etc.

Conceptual Skills

- Conceptual Skills are an administrator's ability to form ideas, creativity, and multi-dimensional insight into complex situations to create unique strategies, solutions, and differences for businesses.

  ❖ For example:

    ➢ The COVID-19 epidemic struck and seriously affected the t-shirt manufacturing industry of enterprise A.

    ➢ The administrator was aware of the challenges and opportunities at that time when the company shifted to production.

    ➢ Made diverse fabric mask products that were suitable for each customer group: young, old, middle-aged, etc.

Human or Interpersonal Managerial Skills

- They are also known as human resources skills, and people skills, are essential and almost mandatory skills for any administrator, such as assign work to the right person at the right time; coordinate personnel to the right position; encourage, promote, and motivate employees, etc.

  ❖ For example:

    ➢ The current wave of layoffs from leading technology companies. They must have human resources skills to evaluate and identify groups of employees with poor performance and ineffective work to fire or cut.

Other skills for an administrator

- Planning and strategic thinking skills.

- Communication skills.

- Training skills.

- Problem-solving skills.

- Presentation skills.

- Time management skills.

- Market analysis skills.

- etc.

4. The Roles of Administrator

The Roles of Administrator

- Administrators have three main roles: human resource communication, information, and decision-making.

  ❖ ***HR communication role:*** Three roles of human resource communication are that the administrator must be *a representative, a leader, and a creator of relationships*.

  ➢ ***A representative***
    - ❑ Administrators must carry out the responsibility of relevant stakeholders to seek market opportunities to promote the future success of the organization.
    - ❑ Therefore, administrators must be representatives of the organization, they can participate in social activities and social events.

The Roles of Administrator (Cont.)

- Administrators have three main roles: human resource communication, information, and decision-making.

  ❖ *HR communication role*

  ➤ *A leader*

  ❑ Administrators must be able to work with and through others to achieve organizational goals.

  ❑ Administrators have great responsibility for the success or failure of departments and organizations, they have the role of leaders in the work of the group.

The Roles of Administrator (Cont.)

- Administrators have three main roles: human resource communication, information, and decision-making.

  ❖ *HR communication role*

  ➢ *A creator of relationships*

  ❑ Administrators must be the ones to resolve relationships that arise within the organization.

  ❑ They act as a bridge between individuals and groups within the organization, as well as in developing close relationships outside the company.

  ❑ Administrators must be people with strong opinions and interested in resolving relationships inside and outside the organization.

The Roles of Administrator (Cont.)

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5. Theories of Governance

Theories of Governance

- Typical governance theories, as follows:
  - ❖ Classical governance theory.
    - ➢ Scientific governance theory.
    - ➢ Administrative governance theory.
  - ❖ Behavioral theory group - social psychology in business administration.
    - ➢ Theory of human relations in organizations.
    - ➢ Perspectives on human behavior.
  - ❖ Quantitative theory in governance.
    - ➢ Scientific, operational, and information system governance.
  - ❖ Modern governance theory.

Theories of Governance (Cont.)

- **Classical governance theory**
  - ❖ **Scientific governance theory**
    - ➢ *Frederich Winslow Taylor (1856 – 1915):* The basic principles of Taylor's theory include

      - ❑ Develop scientific methods to perform the work and tasks of each worker.

      - ❑ Select workers scientifically and train and supervise them in scientific methods to perform work.

      - ❑ Build and strengthen relationships between employees and administrators.

Theories of Governance (Cont.)

- **Classical governance theory**
  - ❖ **Scientific governance theory**
    - ➤ *Frederich Winslow Taylor (1856 – 1915):* To implement his principles, Taylor conducted:

      ❑ Research the types of working hours of workers according to each job.

      ❑ Divide each worker's work into small parts for improvement and optimization.

      ❑ Build a system to encourage employees to work and pay according to labor.

Theories of Governance (Cont.)

- **Classical governance theory**
  - ❖ **Scientific governance theory**
    - ➢ *Henry L. Gantt (1861 – 1919):* Based on Taylor's theories, Gantt developed and gave out his theory.

      - ❑ Encourage workers after a day's work if they did a good job.

      - ❑ Encourage foremen to rely on the work results of workers under their direct supervision to motivate them in governance work.

      - ❑ Also on this basis, new implementation progress management methods have been introduced into management, such as the Critical Path Method (CPM) and the Network Diagram Method (PERT - Program Evaluation and Revie Technique).

Theories of Governance (Cont.)

- **Classical governance theory**
  - ❖ **Scientific governance theory**
    - ➢ *Lilian Gilbreth (1878 – 1972) and Frank Gilbreth (1868 – 1924):*
      - ❑ They studied the performance process and the relationship between operations and movements with workers' fatigue during work.
      - ❑ These methods made valuable contributions to the development of management thought, developing management skills through the division of work, specialization of the labor process, using incentives to increase labor productivity, etc.

Theories of Governance (Cont.)

- **Classical governance theory**

  ❖ **Administrative governance theory**

  ➤ *Henri Fayol (1841 – 1925)*

    ❑ Fayol's perspective is to focus on building an overall organization to manage the work process.

    ❑ Fayol proposes 14 principles of governance, as follows:

      ✓ Division of work.
      ✓ Correlation between authority and responsibility.
      ✓ Discipline.
      ✓ Command Unified.
      ✓ Control Unified.
      ✓ Individuals are subject to the common good.
      ✓ Adequate remuneration.

      ✓ Concentration and dispersion.
      ✓ Level.
      ✓ Order.
      ✓ Fair.
      ✓ Stabilize the mission.
      ✓ Initiative.
      ✓ Unite.

Theories of Governance (Cont.)

- ***Classical governance theory***
  - ❖ ***Administrative governance theory***
    - ➢ *Max Weber (1864 – 1920)*
      - ❑ Weber's management theory was to develop a rational organization which he named Bureaucracy. This theory allows an organization to arrange a strict hierarchical governance system, acting according to a clearly defined position of authority.

        - ✓ Build a strict organizational structure.

        - ✓ Clearly defined regulations, laws, and policies in management activities.

        - ✓ Clearly defined power and authority in management.

Theories of Governance (Cont.)

- **Classical governance theory**

  ❖ **Administrative governance theory**

  ➢ *Chester Barnard (1886 – 1961)*

    ❑ The author believes that an organization is a legal system of many people with three basic elements.

      ✓ Willingness to cooperate.

      ✓ Have a common goal.

      ✓ There is a communication.

    ❑ If one of those three elements is missing, the organization will break up. Therefore, it is necessary to satisfy the following conditions.

      ✓ Subordinates clearly understand orders.

      ✓ The content of the orders must be consistent with the organization's goals and the personal interests of subordinates.

      ✓ Subordinates can carry out that order.

Theories of Governance (Cont.)

- *Behavioral theory group - social psychology in business administration.*

  ❖ *Parker Pollet (1868 - 1933) - The theory of human relations in organizations.*

  ➢ These theories emphasize the role of people in organizations. It points out that labor productivity is determined by material factors and people's psychosocial demands.

  ➢ "The organizational problem is a human problem" and they indicated that the classical governance theory has many limitations because it ignores the human factor in the working process.

    ❑ Relations between workers and workers.

    ❑ Relations between workers and administrators.
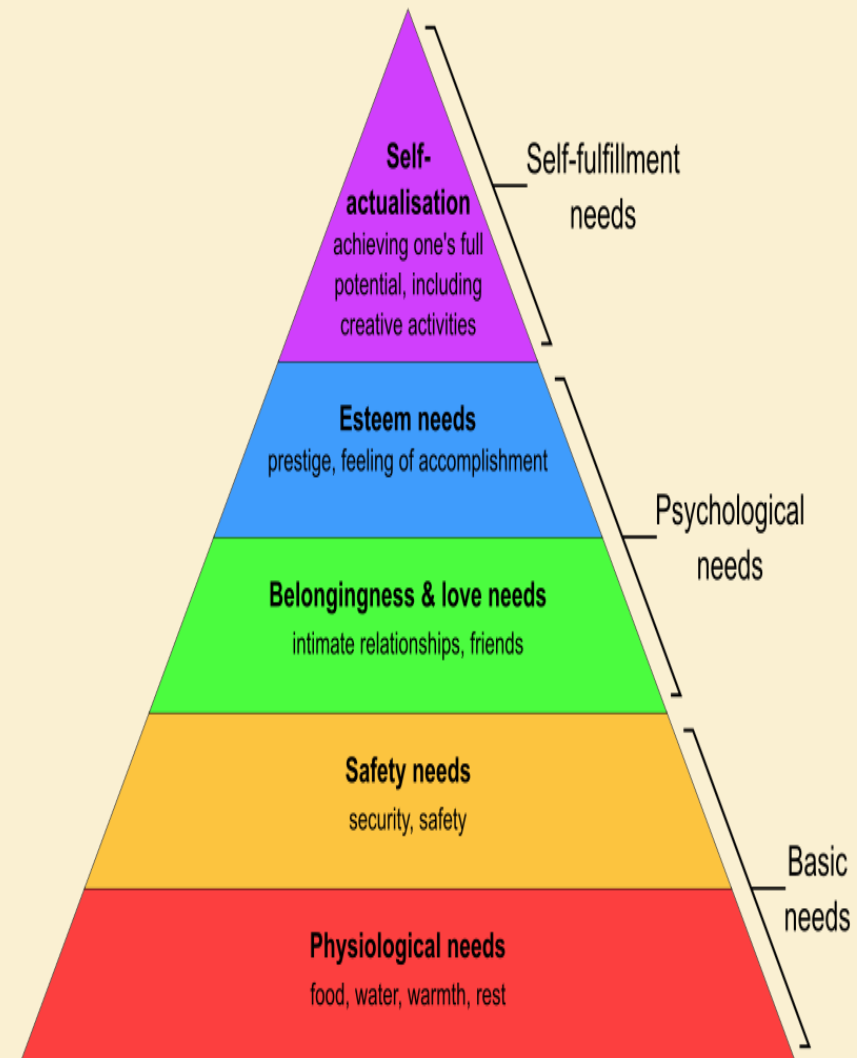
Theories of Governance (Cont.)

- *Behavioral theory group - social psychology in business administration.*
  - ❖ *Perspectives on human behavior.*
    - ➢ Authors in these perspectives believe that human activities depend heavily on socio-psychological factors. These factors create good relationships in the labor process, from which we can achieve high efficiency in the work process.
    - ➢ *Abraham Maslow (1908 – 1970)*

Self-fulfillment needs

Self-actualisation
achieving one's full potential, including creative activities

Psychological needs

Esteem needs
prestige, feeling of accomplishment

Belongingness & love needs
intimate relationships, friends

Basic needs

Safety needs
security, safety

Physiological needs
food, water, warmth, rest

Theories of Governance (Cont.)

- *Behavioral theory group - social psychology in business administration.*
  - ❖ *Perspectives on human behavior.*
    - ➢ *Doughlas Mc Gregor (1906 – 1964)*
      - ❑ He believes that previous administrators conducted management based on false assumptions about human behavior.
      - ❑ Those theories assume that most people do not like to work, prefer to be commanded rather than take responsibility, and most work for material gain.
      - ❑ Gregor called these hypotheses X and proposed another set of hypotheses called hypotheses Y.
      - ❑ Theory Y believes that people will enjoy their work. if there are advantages and they can contribute more to the organization.

Theories of Governance (Cont.)

- *Behavioral theory group - social psychology in business administration.*
  - ❖ *Perspectives on human behavior*
    - ➢ *Herzberg's two-factor theory*
      - ❑ Factors that create job satisfaction do not directly conflict with factors that create job dissatisfaction.
        - ✓ Motivating factors at work include job completion, recognition, nature of work, responsibility, and development opportunities.
        - ✓ Factors related to the working environment include working conditions, management and corporate policies, supervision, interpersonal relationships, salary, status, and job stability.

Theories of Governance (Cont.)

- *Behavioral theory group - social psychology in business administration.*
  - ❖ *Perspectives on human behavior*
    - ➢ *Chris Argyris' theory*
      - ❑ Argyris believes that human nature always wants independence in action, diversity of interests, and autonomy.
      - ❑ An effective administrator knows how to create conditions for employees to behave like adults, and that only benefits the organization.

Theories of Governance (Cont.)

- ***Quantitative theory in governance.***
  - ❖ ***Scientific governance***
    - ❑ Governance science is a governance approach that uses mathematical analysis in decisions, using statistical tools and econometric models to solve problems in production and business.
  - ❖ ***Operational governance***
    - ❑ It is to apply quantitative methods to the organization and control of activities. Operations governance uses quantitative techniques such as forecasting, inventory control, linear programming, consequence theory, and systems theory.
  - ❖ ***Information system governance***
    - ❑ These are integrated programs that collect and process information to help make decisions.

Theories of Governance (Cont.)

- ***Modern governance theory***

  ❖ ***Scientific governance***

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Theories of Governance (Cont.)

- **Modern governance theory**

  ❖ This school of theory indicates that an organization is considered a unified direct system of parts that are organically related to each other. The following concepts are used to describe organizational relationships in governance activities.

  ➢ **School of systems approach**

  ❑ Governance subsystems: they are parts of an organization linked together in a unified organizational system.

  ❑ Synergy or promoting the advantages of cooperation: it is a state in which the common is considered greater than the individual.

Theories of Governance (Cont.)

- ***Modern governance theory***

   ❖ This school of theory indicates that an organization is considered a unified direct system of parts that are organically related to each other. The following concepts are used to describe organizational relationships in governance activities.

   ➢ ***Random survey***

   ❑ According to this argument, the way to achieve an organization's goals can be very different, depending on the specific conditions and circumstances.

   ❑ In each different environment, management methods and techniques are different, there cannot be a general theory that applies to all conditions and circumstances, because each problem is separate and unique.

Theories of Governance (Cont.)

- ***Modern governance theory***

  ❖ This school of theory indicates that an organization is considered a unified direct system of parts that are organically related to each other. The following concepts are used to describe organizational relationships in governance activities.

  ➢ ***Process orientation***

  ❑ Due to the changes in scale, nature, and speed of the business environment inside and outside enterprises, it is necessary to innovate thinking in management process.

  ❑ In governance, it is necessary to flexibly apply theories to each specific situation, and governance is always associated with business environment factors, ethics and social responsibility in business, creativity in business, management and synchronization responsibilities, etc.

6. Problem-solving and governance decision-making

What is an issue?

- An issue is a difficult or unstable situation in work or life that requires resolution or handling to achieve a goal or a stable state.

- Issues can appear in many areas of life, from individuals to communities and the whole of society.

  ❖ For example: issues of work, finances, health, the environment, human relationships, or ethical issues and social prejudices.

- Some issues can be solved more easily, while others require long-term solutions and community decisions.

What is an issue? (Cont.)

- Issues can be classified based on many different criteria, but the most common is to classify them according to areas and level of impact of the problem.

  - ❖ Fields: Financial, health, environmental, ethical, human relationship, and social prejudice issues, etc.

  - ❖ Level of influence: Personal, family, community, national, global issues, etc.

  - ❖ Time: Short-term problems, medium-term problems, long-term problems.

  - ❖ The nature of the problem: Technical, scientific, social, political, cultural, educational problems, etc.

What is problem solving?

- Problem-solving is the process of understanding, identifying, and finding solutions to a difficult, problematic, or challenging situation that we are facing.

- This is a creative process and requires thinking, analytical ability, and patience.

- When solving problems, we need to take basic steps as follows:

1. Identify the problem.
2. Collect information.
3. Analyze and evaluate.
4. Find solutions.

5. Implement the solution.
6. Test and evaluate.
7. Learn from experience.

What is governance decision?

- A governance decision is understood as the creative behavior of the governance subject to be able to determine the goals, programs, and nature of the organization's activities.

- Each governance decision aims to respond to one or more of the following questions:

  ❖ What does the organization need to do?

  ❖ When to do it?

  ❖ How long does it take?

  ❖ Who do it?

  ❖ And how?

Characteristics of governance decisions

- Governance decisions directly and comprehensively impact the collective of workers.

- Governance decisions are only made when the issues are ripe.

- Governance decisions are associated with analyzing and processing information about issues that need to be solved.

- Governance decisions contain elements of scientific, creative, and artistic knowledge.

- Making new governance decisions only indicates capabilities; if we want to turn the capabilities into reality, we must organize the implementation of the decisions.

Forms of decisions and classification of governance decisions

- Due to the complex nature of organizations' operations, decision making is very diverse.

- Governance decisions can be classified according to the following forms and classifications.

  ❖ The nature of the decisions.

  ❖ Implementation time.

  ❖ The scope of implementation.

  ❖ The field of the organization activity.

  ❖ By the way of reaction.

Forms of decisions and classification of governance decisions (Cont.)

- Governance decisions can be classified according to the following forms and classifications.

  ❖ ***The nature of the decisions***: There are 3 types of governance decisions.

    ➢ *Strategic decisions*: They are decisions on the main development path over a relatively long period.

    ➢ *Tactical decisions (regular)*: To achieve local goals, ensure the implementation of immediate goals, and immediately change the development direction of the system.

    ➢ *Daily operational decisions*: Most of which are adjustment decisions.

Forms of decisions and classification of governance decisions (Cont.)

- Governance decisions can be classified according to the following forms and classifications.

  ❖ ***Implementation time***

  ➢ Governance decisions can be Long-term, medium-term, and short-term.

  ❑ More than 5 years are called long-term.

  ❑ 3 years is called a medium-term decision.

  ❑ Within 1 year, it is called a short-term decision.

Forms of decisions and classification of governance decisions (Cont.)

- Governance decisions can be classified according to the following forms and classifications.

  ❖ ***The scope of implementation***

    ➢ Decisions are divided into global decisions, partial decisions, and thematic decisions.

      ❑ Global decisions cover the entire socio-economic development of the system.

      ❑ Partial decisions are related to one or several parts of the system.

      ❑ Thematic decisions are related to a certain group of issues or certain administrative functions.

Forms of decisions and classification of governance decisions (Cont.)

- Governance decisions can be classified according to the following forms and classifications.

  ❖ ***The field of the organization activity***

  ➢ Decisions are divided into following parts.

  ❑ Human resource management decisions.

  ❑ Financial management decisions.

  ❑ Technology management decisions.

  ❑ Production management.

  ❑ Marketing management.

  ❑ Foreign affairs management, etc.

Forms of decisions and classification of governance decisions (Cont.)

• Governance decisions can be classified according to the following forms and classifications.

❖ ***By the way of reaction***: It can be divided into intuitive decisions and reasoned decisions.

➢ *Intuitive decisions*

❑ These are decisions that come from human intuition, the decision maker does not need any reason or analysis intervention.

➢ *Reasoned decisions*

❑ These are decisions based on systematic research and analysis of problems. Facts are stated, solutions are calculated and compared to come to the most perfect decisions.

Requirements for decisions

- Objectivity and science.

- Flexibility.

- Systematic.

- Optimization.

- Legal.

- Be specific about time and implementer.

Organization of the management decision-making process

- Step 1: Preliminary set out the task.

- Step 2: Choose criteria to evaluate the effectiveness of options.

- Step 3: Collect information to clarify the proposed task.

- Step 4: Officially set out the mission.

- Step 5: Estimate possible options.

- Step 6: Build the model.

- Step 7: Compare decision options.

- Step 8: Make a decision.

In conclusion

- The concept and role of management.

- Functions of corporate governance.

- Governance skills.

- The Roles of Administrator.

- Theories of Governance.   **Understand**

- Problem-solving and management decision making.

THANK YOU
FOR YOUR ATTENTION

Q&A