ULTIMATE SUMMARY - PRINCIPLES OF MANAGEMENT EXAM-PREP
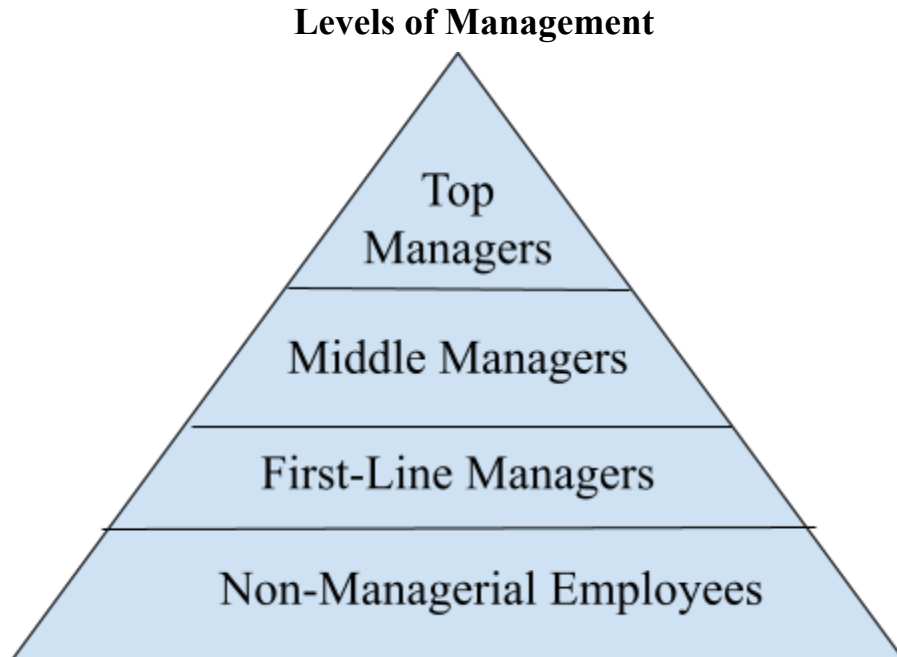
Levels of Management

What Managers Do
- Management involves coordinating and overseeing the work activities of others so that their activities are completed effectively and efficiently.
- Efficiency
  - ☐ "Doing things right"
  - ☐ Not wasting resources
- Effectiveness
  - ☐ "Doing the right things"
  - ☐ Attaining organisational goals

The Four Management Functions
- Planning - Defining goals, establishing strategies to achieve goals and developing plans to integrate and coordinate activities
- Organising - Arranging and structuring work to accomplish organisational goals

- Leading - Working with and through people to accomplish goals
- Controlling - Monitoring, comparing and correcting work.

Skills Managers Need

<u>Robert L Katz</u> proposed that
- Technical Skills - Knowledge and proficiency in a specific field
- Human Skills – The ability to work well with people
- Conceptual Skills - The ability to think and conceptualise about abstract and complex situations concerning the organisation.

Early Management
In 1776, Adam Smith published "The Wealth of A Nation"
He proposed the **Division of Labour**

Classical Approach

This emphasised rationality and making organisations and workers as efficient as possible.

The classical approach has two major theories -
- Scientific Management -

    Frederick Winslow Taylor as the father used scientific approach to find "one's best way" for a job to be done

    Frank and Lilian Gilbreth, as prominent followers of Frederick devised a classification scheme to label 17 basic hand motions called **Therblig** as they were working to eliminate inefficient hand and body motions.

- General Administrative Theory -

    An approach focusing on what managers do and what constitutes good management practice.
    Henri Fayol believed management was an activity common to all business endeavors, government and even the home led him to develop 14 principles of management..

1. Division of work
2. Authority
3. Discipline
4. Unity of command
5. Unity of direction
6. Subordination of individual interests to general interests
7. Remuneration
8. Centralization
9. Scalar chain
10. Order
11. Equity
12. Stability of tenure of personnel
13. Initiative
14. Esprit de corps

Max Weber was a German sociologist studying organisations in 1900s, he came with bureaucracy;
A bureaucracy must have -
☐ Division of labour
☐ Authority hierarchy
☐ Formal Selection
☐ Formal Rules and Regulations
☐ Impersonality
☐ Career orientation

Behavioral Approach

This field studies/researches the behaviours of people at work known as **organisational behaviour**

Early Advocates of OB Approach
☐ Robert Owen - Late 1700s
☐ Hugo Munsterberg - Early 1900s

☐ Mary Parker Follett - Early 1900s
☐ Chester Barnard - 1930

Hawthorne Studies

Elton Mayo concluded <u>Hawthorne studies</u> [1920s and 1930s]
- Concluded people's behaviours and attitudes are closely related. That group factors significantly affect individual behaviours.

The Quantitative Approach

- The use of quantitative techniques to improve decision making (management science)

- Total Quality Management (TQM) - a philosophy of management that is driven by continuous improvement and responsibilities to customer needs and expectations.

What Is Quality Management

- Intense focus on the customer
- Concern for continual improvement
- Process focused
- Improvement in the quality of everything the organization does
- Accurate measurement
- Empowerment of employees

Contemporary Approaches

- System is a set of interrelated and interdependent parts arranged in a manner that produces a unified whole
- Closed Systems are not influenced or do not interact with their environment
- Open Systems do the opposite

- Inputs —> System —>Output

The Contingency Approach

- Sometimes called the situational approach says that organisations are different, face different situations (contingencies) and require different ways of managing.

Popular Contingency Variables
- Organisation Size
- Routineness of Task Technology
- Environment uncertainty
- Individual Differences

Ethnocentric Attitude is the parochialistic belief that the best work approaches that practices are those of the home country

Polycentric Attitude is the view that the managers in the host country know the best work approaches and practices for running their business

Geocentric Attitude is a world-oriented view that focuses on using the best approaches and people from around the globe.

Understanding The Global Environment Trading Alliances
- Global competition and the global economy are shaped by the regional trading agreements, including the European Union (EU), North American Free Trade Agreement (NAFTA), the Association of Southern Asian Nations (ASEAN) and others,

- The European Union (EU) is an economic and political partnership of 27 democratic European countries.

Trading Alliances
- North American Free Trade Agreement (NAFTA)
  - An agreement among **Mexican, Canadian and US Government** in which certain barriers to trade have been eliminated

- Association of SouthEast Asian Nations (ASEAN)
  - 10 southeast asian nations

- World Trade Organisation (WTO)
  - 153 countries

- International and Monetary Fund (IMF)
  - 185 countries

Global Trade Mechanisms

- World Bank Group
  - 5 closely associated institutions

- Organisation For Economic Cooperation and Development
  - Development
    An international economic organisation that helps its 30 member countries achieve sustainable economic growth and employment

Types of International Organisations

- Multinational Corporation (MNC)
  - A broad term that refers to any and all types of international companies that maintain operations in multiple countries

- MultiDomestic Corporation
  - Decentralises management and other decisions to the local country

- Global Company
  - An MNC that centralises management and other decisions in the home country

- Transactional or Borderless Organisations
  - An MNC which artificial geographic barriers are eliminated

Global Management of Today's World
Global Leadership and Organisation Behaviours Effectiveness (GLOBE)
- Research program that studies cross-cultural leadership behaviours

Designing Organisational Structure
- Organising is the arranging and structuring work to accomplish an organization's goals

- Organisational Structure is the Formal arrangement of jobs within and organisation

- Organisational chart is the visual representation of an organization's structure

- Organisational Design is a process involving decisions about 6 key element
  - ☐ Work Specialisation
  - ☐ Departmentalisation
  - ☐ Chain of command
  - ☐ Span of control
  - ☐ Centralisation and Decentralisation
  - ☐ Formalisation

Purposes of Organising
- Divides work to be done into specific jobs and departments
- Assigns tasks associated with individual jobs
- Coordinates diverse organisation tasks

Organisational Structure
- Work Specialisation - dividing work activities into separate job tasks

Departmentalisation
- The basis by which jobs are grouped together

☐ Functional
☐ Process
☐ Product
☐ Customer
☐ Geographical

Cross-Functional Team
- Is composed of individuals from various functional specialties

Chain of Command
- The continuous line of authority that extends from upper levels of an organization

AUTHORITY

- **Authority** is the right inherent to managerial position
- **Acceptance Theory of Authority** is the view that authority comes from the willingness of subordinates
- **Line of Authority** entitles a manager to direct the work of an employee
- **Staff Authority** positions with some authority that have been created to support, assist and advise these holding line authority.

RESPONSIBILITY AND UNITY COMMAND

- **Responsibility** is the obligation/expectation to perform
- **Unity of Command** is the management principle that each person should report to only one manager
- **Span of Control** is the number of employees who can be effectively and efficiently supervised by a manager

TYPES OF POWER

Leaders derive power from 5 key sources
- Legitimate Power comes from leader's formal position
- Coercive Power comes from ability to punish or control
- Reward Power comes from control over desirable rewards
- Expert Power comes from influence from specialised skills or knowledge
- Referent Power comes from admiration due to personal traits charisma.

Behavioural Approach

University of IOWA
- Autocratic - Centralised Decision Making
- Democratic - Collaborative
- Laissez-Faire - Hands-off

OHIO State
- Initiating structure - Task Focused
- Consideration - Relationship Focused

University of MICHIGAN
- Employee oriented
- Production oriented

MOTIVATION

Motivation is the process by which a Person's efforts are energized, directed and sustained toward attaining a goal.

- Energy is a measure of intensity
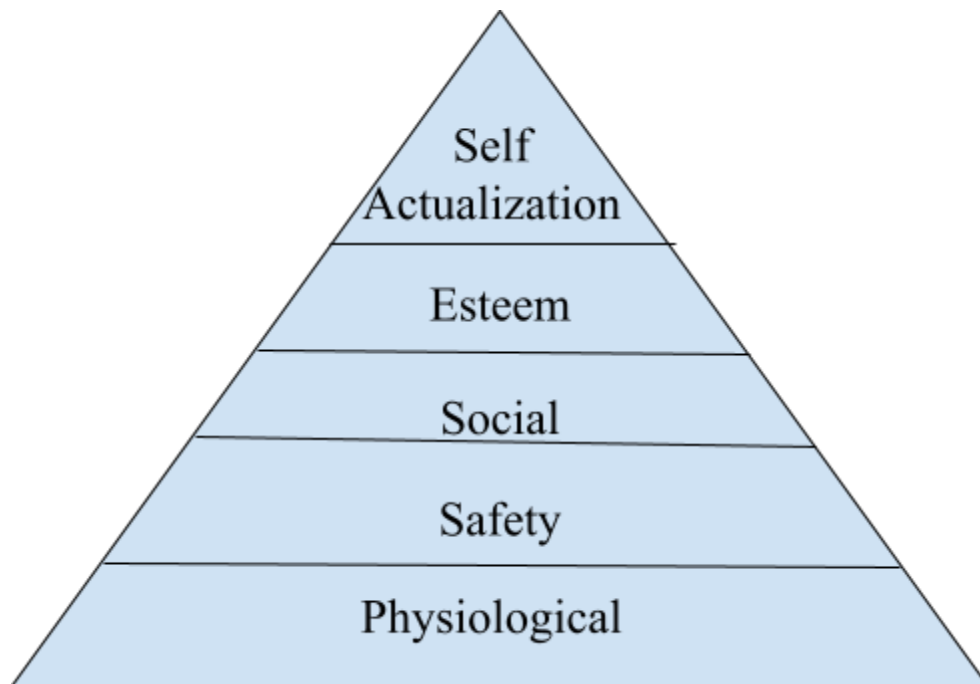- Effort is channeled in a direction that benefits organisations

Early Theories Include
- Maslow's Hierarchy of needs

- McGregor's Theories of X and Y
- Hezberg's Two-Factor Theory
- McClelland's Three Needs Theory

MASLOW'S HIERARCHY OF NEEDS THEORY

That Human needs Physiological, Safety, Social, Esteem and Self Actualisation

Contemporary Theories Of Motivation

- Goal setting theory
  Idea that setting particular goals increase performance and difficult goals
  result result in higher performance

- Self efficacy
  Individuals belief in capability of doing a task

Reinforcement Theory

- This says a behavior is a function of its consequences

- Reinforces are consequences immediately following a behavior which increases the probability that a behavior will be replaced

Designing Motivating Jobs
- Job Design - The way tasks are combined in jobs
- Job Scope - The number of different tasks in a job
- Job Enlargement - The horizontal expansion of a job after increasing scope
- Job Enrichment - The vertical expansion of a job after planning and evaluation
- Job Depth - The degree of control employees have over their jobs
- Job Characterisation Model (JCM) - is a framework for analysing and designing jobs that identifies 5 primary core job dimensions, their interrelationships and their impact on outcomes

5 Core Job Dimensions
- Skill variety - Degree to which a job requires different skills form an employee
- Task Identity - Degree to which a job needs completion of a whole process
- Task Significance - How a specific job impacts lives of the employees
- Autonomy - How much freedom/independence and discretion a job provides
- Feedback- How much effective a job activity is for individuals

Equity Theory
- The theory that an employee compares his/her job's input-outcome ratio with that of relevant others and then corrects any inequity

- Referents - The person, systems or selves against which individuals compare themselves to assess equity

- Distributive justice - perceived fairness of the amount and allocation of rewards among individuals

- Procedural Justice - perceived fairness of the process used to determine the distribution of rewards.

Expectancy theory
Theory that an individual acts in a certain way in expectation of an outcome that will follow

Relationships
- **Expectancy**
  Probability that an individual effort will result in a certain level of performance

- **Instrumentality**
  The perception that a particular level of performance will result in attaining a desired outcome (reward)

- **Valence**
  The attractiveness/importance of the performance reward (outcome) to the individual

Current Issues In Motivation
- Motivating In Tough Economies
  - ☐ Address Layoffs, Pay Cuts

- Cross-cultural Challenges
  - ☐ Adapt strategies to cultural differences

- Motivating Unique Groups

☐ Professionals - Autonomy, skill development
☐ Contingent Workers - Training Permanent role opportunities
☐ Low Skilled Employees - Recognition programs , sincere praise

- Reward Program
    ☐ Open Book Management - Share financial Data
    ☐ Pay For Performance - link rewards to measurable outcomes

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