



Business Fundamentals – 1: Session 1

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A Brief History of Himanshu Warudkar

- 25 years of multi-disciplinary industry experience
- Experience across MNC Banks, IT Service Companies and Countries
- Experience across multiple techno-functional domains
- Have led multiple digital transformation programs
- M.Tech., MBA and Doctorate in Business Administration

Points of contact

Class Representative: Can we vote for one

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What do you want out of this course?

<https://www.menti.com/al5wtrvuakcf>

Open www.menti.com code 3439 8170

Why should we learn this?

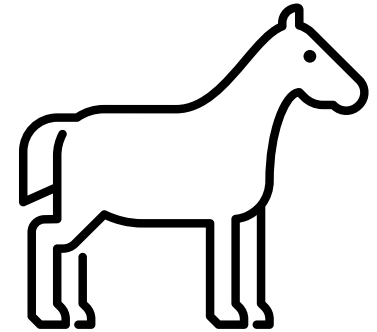
- Demystify jargon in management lingo
- Build a sound theoretical base on key concepts in management
- Understand tools n techniques to be applied in day-2-day management
- Navigate through the major topics within realm of management science
- Understand how to lead teams, management people effectively
- Be able to devise and execute strategy
- Create value for the organization and its stakeholders
- Be a better professional and person!

Grading

Quiz-1	15%
Quiz-2	15%
Case Write-ups	30%
Class Participation	10%
End Semester Exam	30%

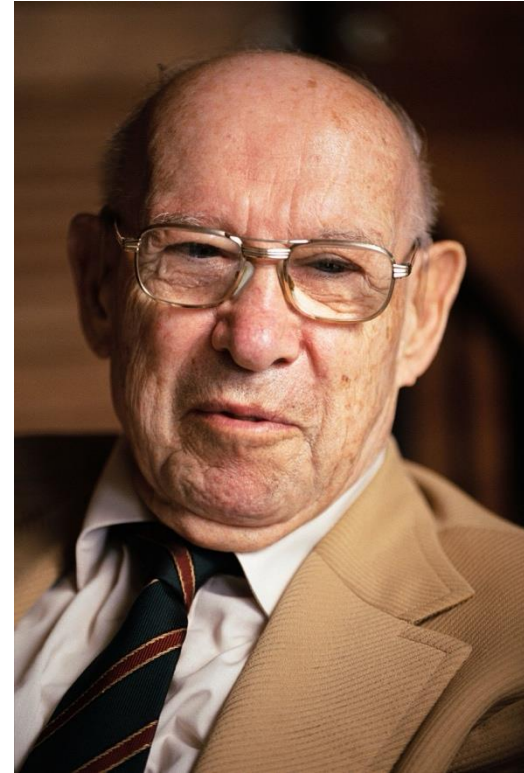
What is management?

- The word manage, according to the Oxford English Dictionary, is derivative of the Latin *manus*, or hand and emerges from the Italian *maneggiare*, which refers to the handling or training of horses.



What is the purpose of firm?

The purpose of a business is to create and keep a customer
– Peter Drucker



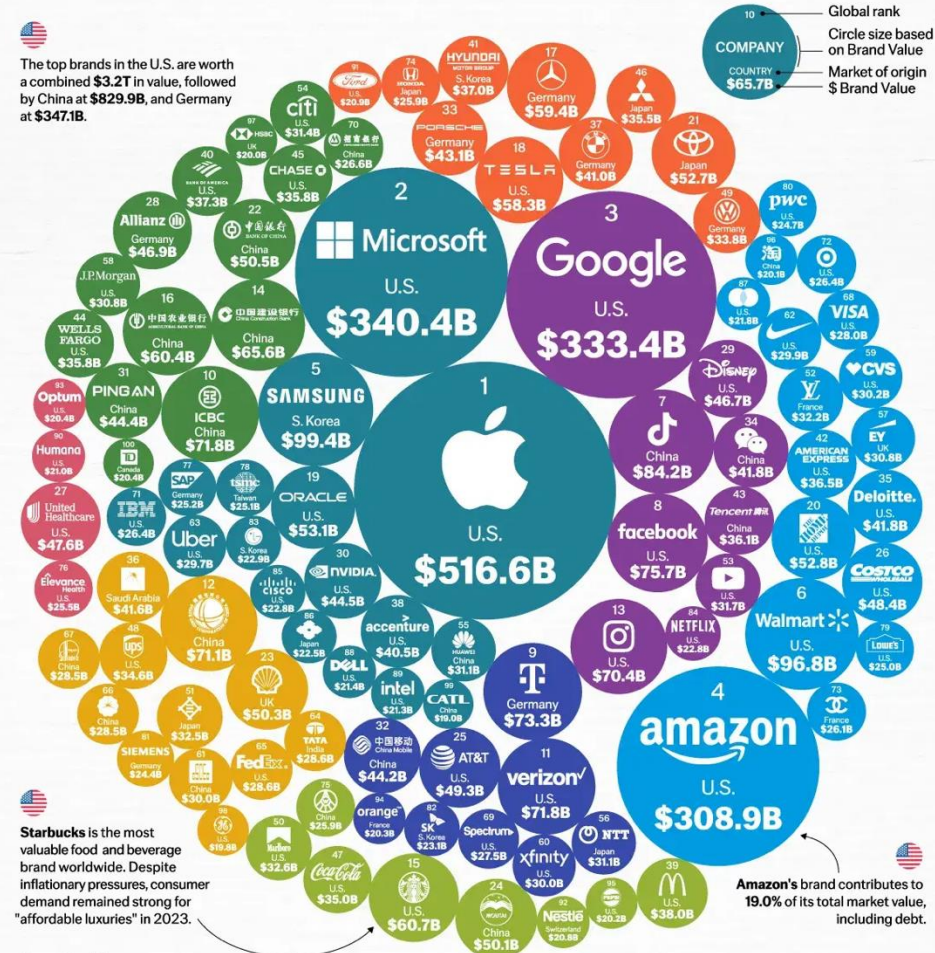
Most recognizable brands

024	Name	Country	Value	Annual Change
1	Apple	us U.S.	\$516.6B	+73.6%
2	Microsoft	us U.S.	\$340.4B	+77.7%
3	Google	us U.S.	\$333.4B	+18.5%
4	Amazon	us U.S.	\$308.9B	+3.2%
5	Samsung Group	KR South Korea	\$99.4B	-0.3%
6	Walmart	us U.S.	\$96.8B	-14.9%
7	TikTok/Douyin	CN China	\$84.2B	+28.2%
8	Facebook	us U.S.	\$75.7B	+28.4%
9	Deutsche Telekom	DE Germany	\$73.3B	+16.5%
10	ICBC	CN China	\$71.8B	+3.3%

THE TOP 100 MOST Valuable Brands 2024

Below, we show the world's most valuable brands based on Brand Finance's Global 500 ranking in 2024.

How is a brand's value determined?



Source: Brand Finance



/visualcapitalist
 @visualcap
 visualcapitalist

COLLABORATORS RESEARCH • WRITING Dorothy Neufeld | ART DIRECTION • DESIGN Sabrina Lam

What do these headlines tell us?

Riju Raveendran has raised ₹158 crore to repay BCCI, Byju's tells appeals tribunal – The Mint, 31st Jul, 2024



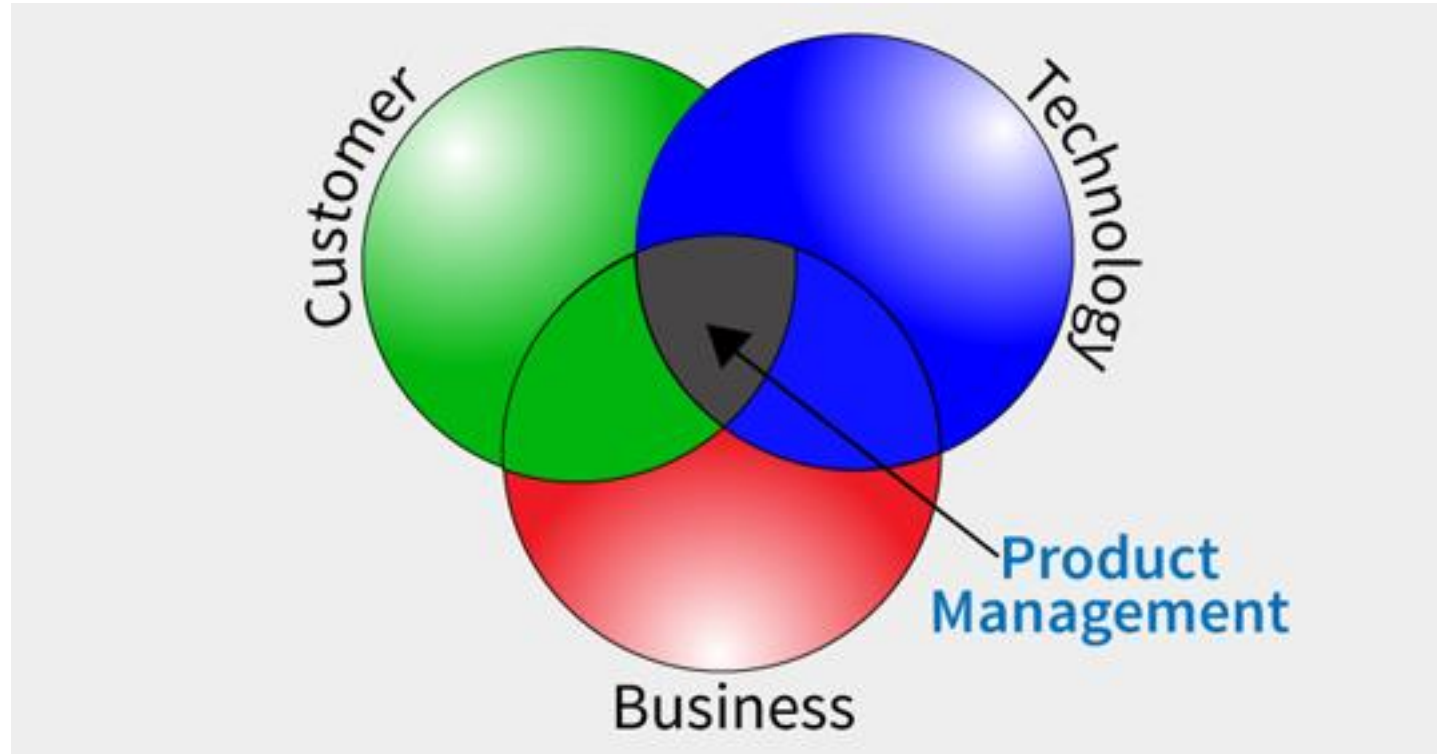
Indian aviation's turbulent past: Tracking the rise and fall of major airlines – Financial Express, April 4, 2024



How Zoho is embracing the Apple ecosystem to drive innovation in workflows – Indian Express, July 14, 2024



Product Management



What questions do we want to answer?

- What is/should be the nature of management and management thought?
- How do you manage people's personalities and perceptions?
- How do you manage people's motivations?
- How do you manage interpersonal interactions involving communication, power and politics, and conflict?
- How do you manage group composition, development, and teamwork?
- How do you manage organizational structure, culture, and systems?
- How do you manage environmental contingencies, networks, and institutions?
- How do you manage strategic resources, frameworks, and processes?
- How do you manage human resources practices, functions, and employee careers?
- How do you raise capital and manage capital?
- How does one value the company?
- How do you decide debt vs. equity when raising capital?

What questions do we want to answer?

- How do you manage human resources practices, functions, and employee careers?
- How do you manage within and across international cultures, climates, and other dimensions of diversity?
- How do you manage decision-making rationality, ethics, and creativity?
- How do you manage operational quality, logistics, and information systems?
- How do you manage entrepreneurial thinking, creation, and engagement?
- How do you manage learning, adaptation, and change?
- How do you manage technology, knowledge, and innovation?
- How do you manage leadership attributes, behaviors, and styles?
- How do you manage social issues such as those concerning stakeholders, society, and the environment?
- How do you finance your organization / team?
- How do you sell your product?
- How do you decide what to invest in for R&D vs. Strategic Change vs. routine maintenance?

What is management?

Management is an art of getting things done through and with the people in formally organized group – Harold Koontz



History of Management

The principles behind scientific management included emphasizing the system rather than the employee and placing the role of managers above the role of non-managerial staff.

Frederick Taylor

Late 1800s

Elton Mayo concluded that human factors were more critical to motivating employees to greater levels of productivity

Hawthorne Experiments

1930s

Learning within organizations has the best chance of occurring when there is conflict between experience and analysis

Kurt Lewin

1930s

Categorised human needs into a pyramid, with the idea that employees must satisfy lower-level needs before they are motivated to fulfil higher-level needs.

Abraham Maslow

1954

History of Management

Five fundamental roles: planning and determining goals, group organization, motivating and communicating, performance measurement, and people development

Peter Drucker

1950s

$L = P + Q$, where “L” represents learning, “P” represents programmed knowledge, and “Q” represents insightful questions. Learning happens with a combination of knowledge and the asking of insightful questions.

Theory X and Theory Y

1960s

Performance standards should be developed based on specifying accomplishments

Thomas Gilbert

1978

Organization as an organism that could direct its future and improve its capabilities. Learning organizations have vision and purpose, use feedback mechanisms, and value teams. Five disciplines are present in learning organizations, including systems thinking, personal mastery, mental models, shared vision, and team learning

Peter Senge

1990s

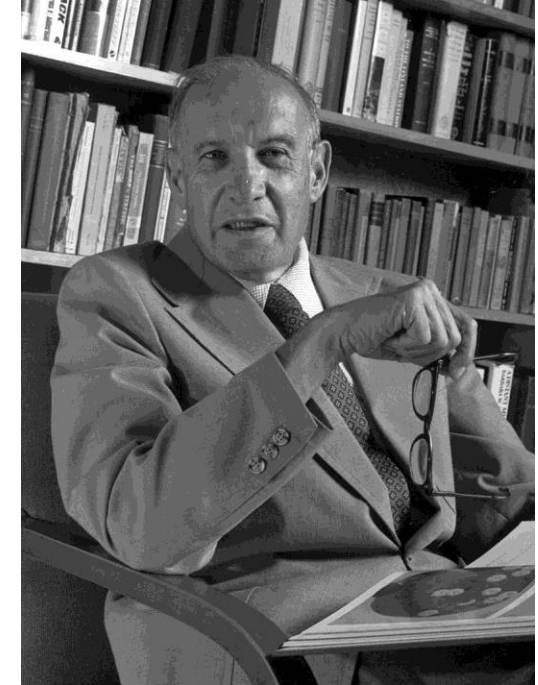
What does great sound like?



<https://www.youtube.com/embed/f60dhe14ARg>

Grand Daddy of Management

- That there is only one right way to organize a business.
- That the principles of management apply only to business organizations.
- That there is a single right way to manage people.
- That technologies, markets and end-uses are fixed and rarely overlap. That is, each industry has a specific technology and a specific market.
- That management's scope is legally defined as applying only to an organization's assets and employees.
- That management's job is to 'run the business' rather than to concentrate on what is happening outside the business. That is, management is internally, not externally, focused.
- That national boundaries define the ecology of enterprise and management.



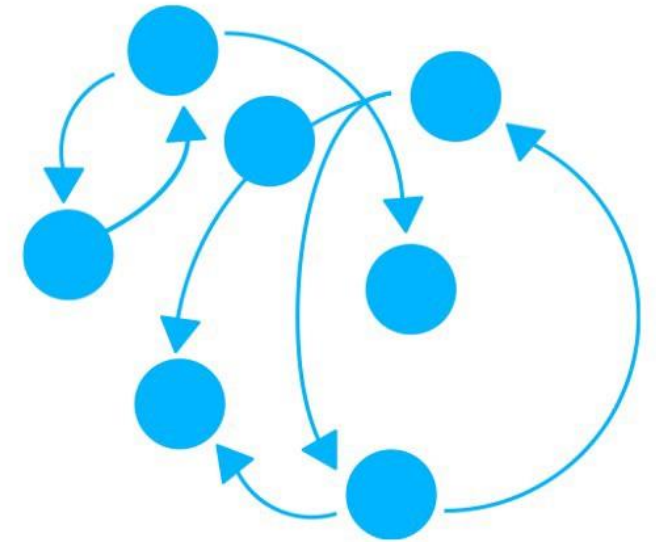
Systems Thinking

We tend to blame outside circumstances for our problems. 'Someone else' – the competitors, the press, the changing mood of the marketplace, the government – did it to us. Systems thinking shows us that there is no outside; that you and the cause of your problems are part of a single system. The cure lies in your relationship with your 'enemy' (Senge, 1990)

Traditional thinking



Systems thinking



The Learning Organization

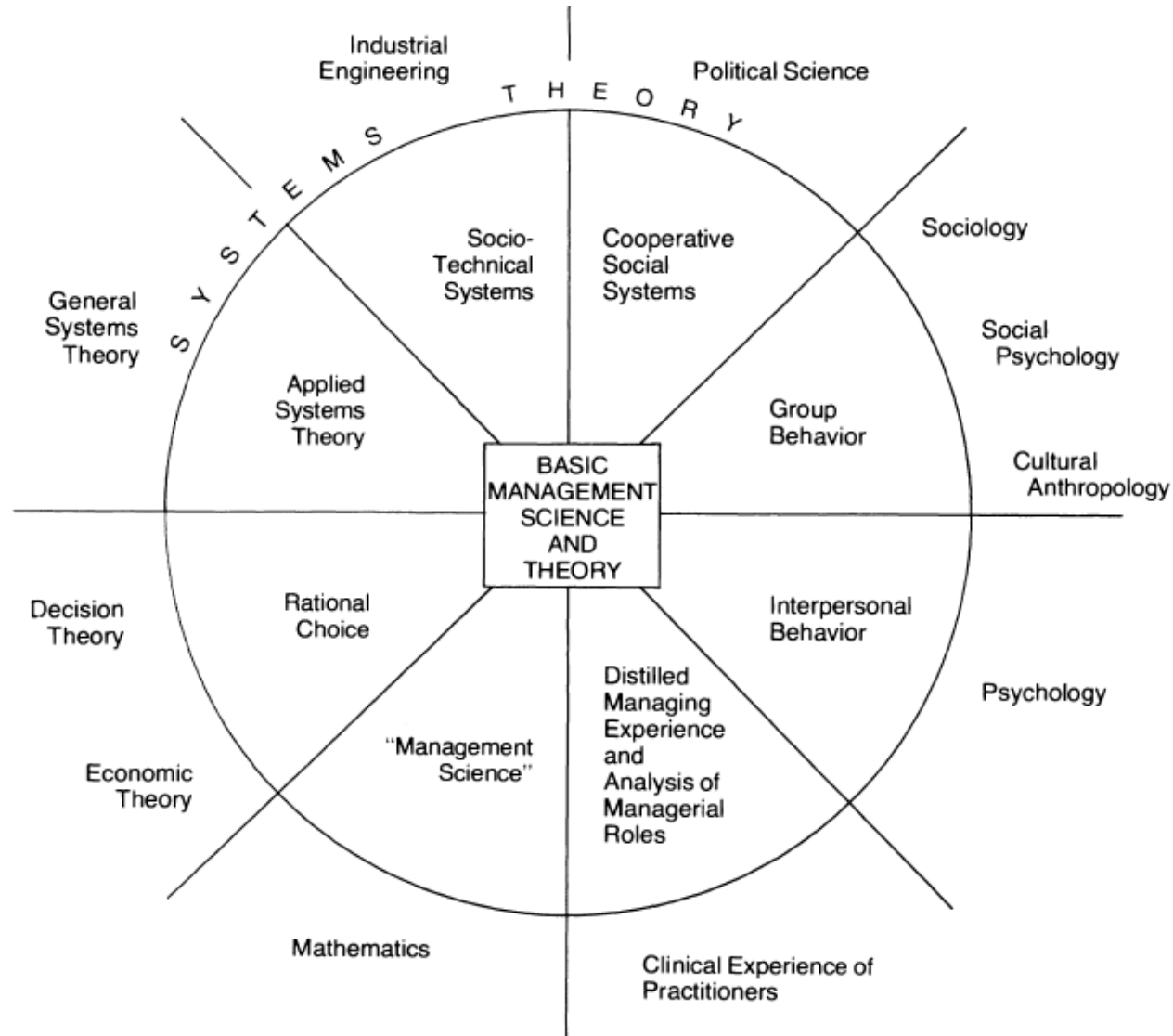


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The Management Jungle

Management Science



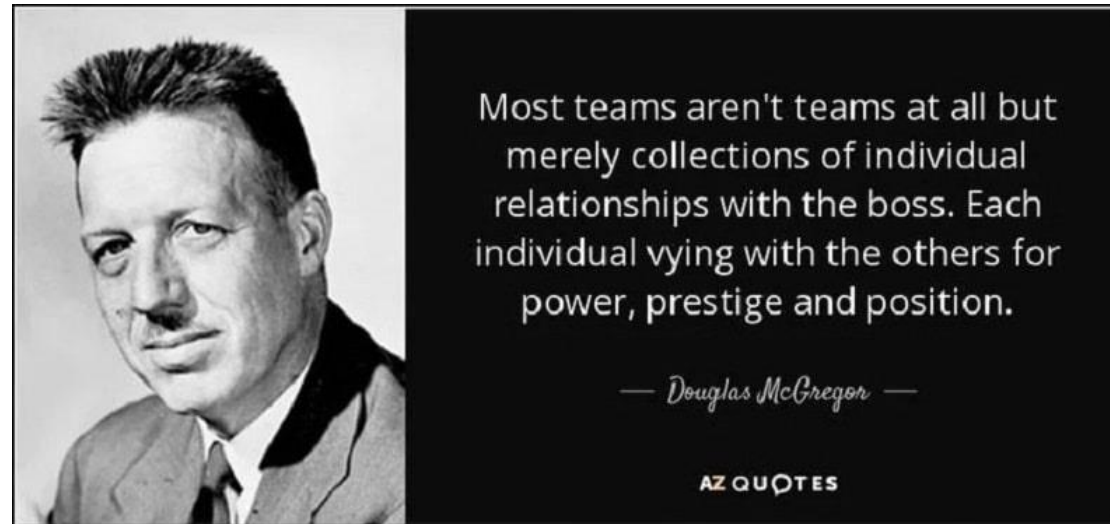
Theory of Motivation

Theory X

Assumes that people dislike work and must be coerced, controlled, and directed toward organizational goals. Furthermore, most people prefer to be treated this way, so they can avoid responsibility.

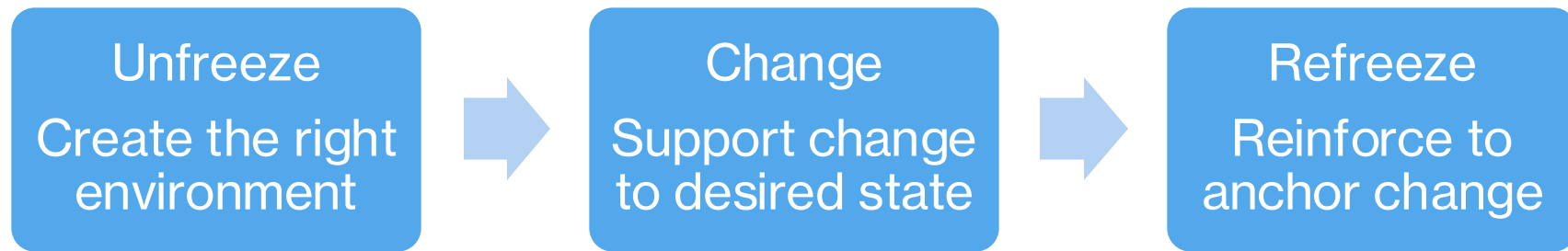
Theory Y

The integration of goals emphasizes the average person's intrinsic interest in his work, his desire to be self-directing and to seek responsibility, and his capacity to be creative in solving business problems.



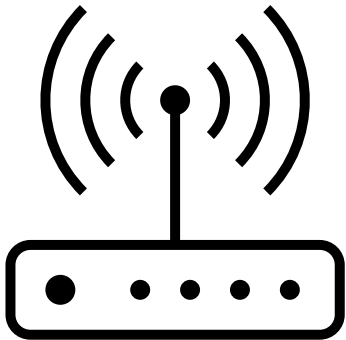
McGregor, D. (1960). Theory X and theory Y. *Organization theory*, 358(374), 5.

Lewin's Theory of Change



There is Nothing So Practical as a Good Theory – Kurt Lewin

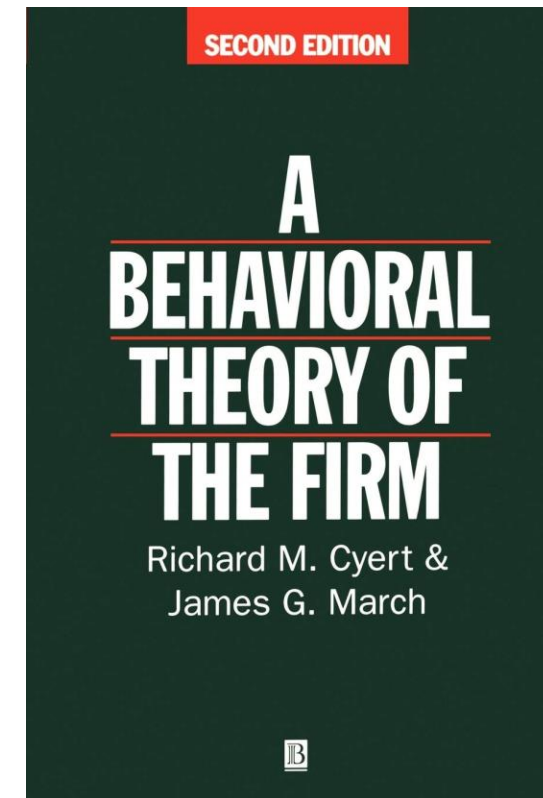
Maslow's Hierarchy of Needs



A Behavioral Theory of the Firm

A Behavioural Theory of the Firm begins with four commitments that are worth quoting because they explain its impact well and are important for current research:

- Focus on a small number of key economic decisions made by the firm. In the first instance, these were price and output decisions; subsequently they included internal allocation and market strategy decisions.
- Develop process-oriented models of the firm. That is, we viewed decisions of the firm as the result of a well-defined sequence of behaviours in that firm; we wished to study the decisions by studying the process.
- Link models of the firm as closely as possible to empirical observations of both the decision output and the process structure of actual business organizations. The models were to be both explicitly based on observations of firms and subject to empirical test against the actual behaviour of identifiable firms.
- Develop a theory with generality beyond the specific firms studied. We wanted a set of summary concepts and relations that could be used to understand the behaviour of a variety of organizations in a variety of decision situations.



Cyert, R. M., & James, G. (1963). March: "Behavioral Theory" A Behavioral Theory of the Firm. Englewood Cliffs.

Resource Based View of the Firm

For the firm, resources and products are two sides of the same coin. Most products require the services of several resources and most resources can be used in several products. By specifying the size of the firm's activity in different product markets, it is possible to infer the minimum necessary resource commitments. Conversely, by specifying a resource profile for a firm, it is possible to find the optimal product-market activities.

A firm's resources at a given time could be defined as those (tangible and intangible) assets which are tied semi permanently to the firm (see Caves, 1980). Examples of resources are brand names, in-house knowledge of technology, employment of skilled personnel, trade contacts, machinery, efficient procedures, capital, etc.

Resource Market	Production Skills	International Contacts	III	IV	Domestic Contacts
Domestic	X				X
International	X	X			
C		X		X	
D			X		X

Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic management journal*, 5(2), 171-180.

What are these resources?



Excellent leadership



Brand portfolio



Partnerships



Teamwork

What makes your business unique?



Strong financial
position



Global presence

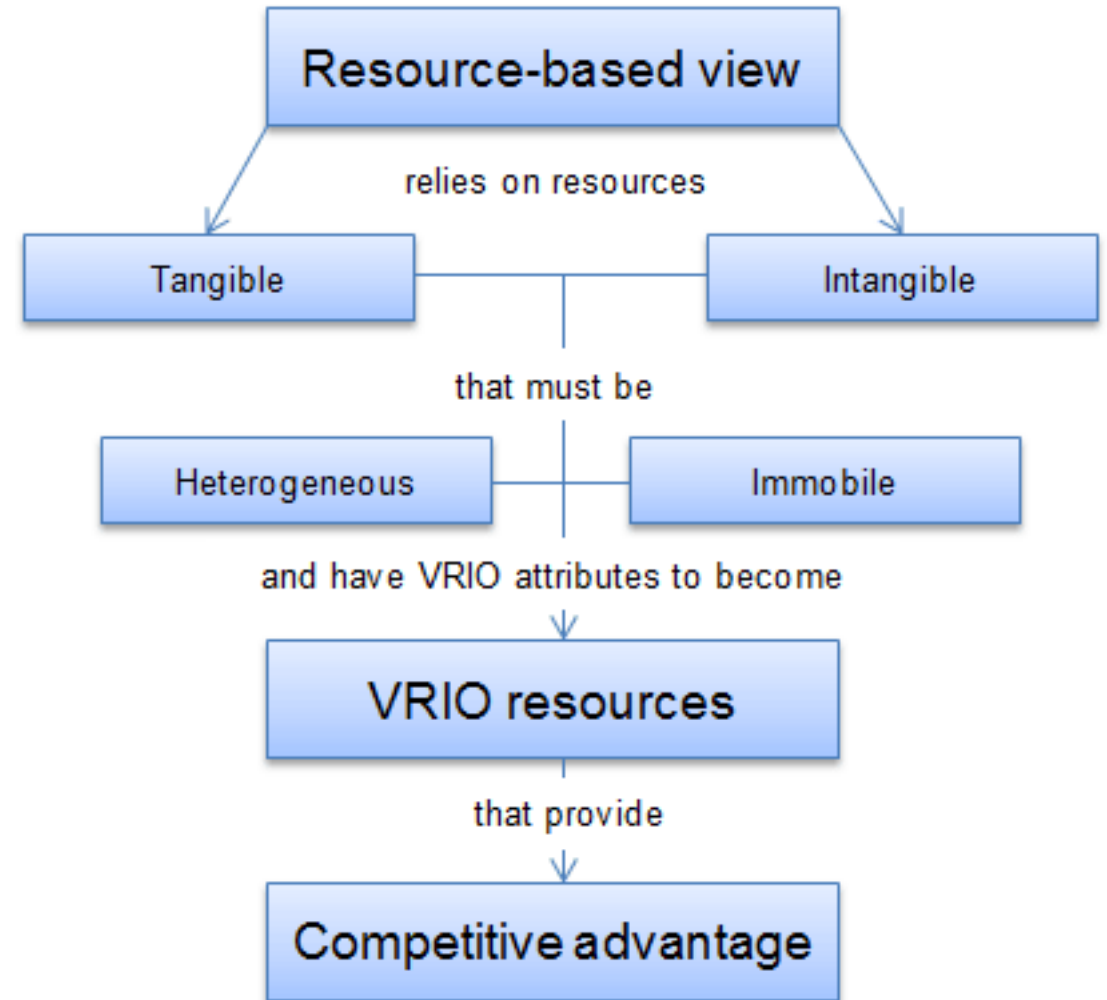


Well-managed
processes



Innovative ideas

A Tale of Two Companies



VRIO

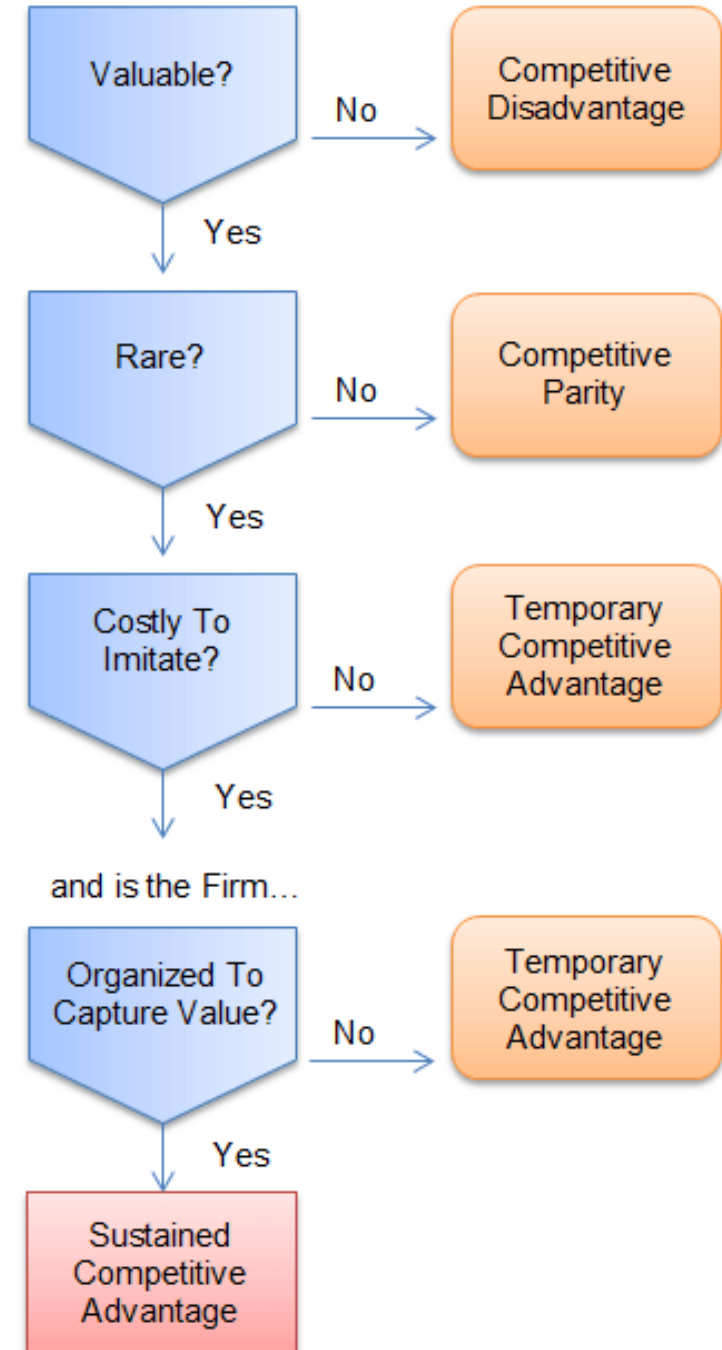
Valuable - Resources are valuable if they help organizations to increase the value offered to the customers. This is done by increasing differentiation or/and decreasing the costs of production. The resources that cannot meet this condition lead to competitive disadvantage.

Rare - Resources that can only be acquired by one or a few companies are considered rare. When more than a few companies have the same resource or capability, it results in competitive parity.

Imitable - A company that has valuable and rare resources can achieve at least temporary competitive advantage. However, the resource must also be costly to imitate or to substitute for a rival if a company wants to achieve sustained competitive advantage.

Organized - The resources itself do not confer any advantage for a company if it's not organized to capture the value from them. Only the firm that is capable to exploit the valuable, rare and imitable resources can achieve sustained competitive advantage.

Is the Resource or Capability...



The Story of ISRO

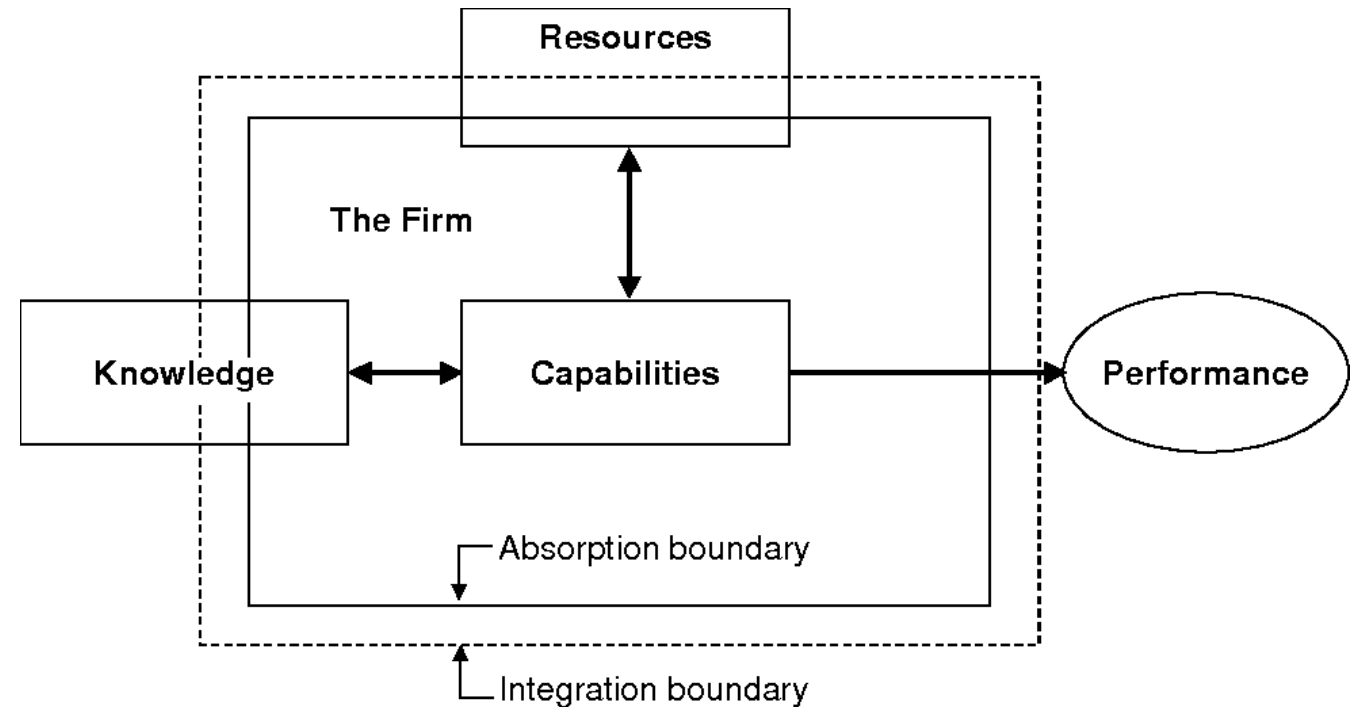


Knowledge Based View of the Firm

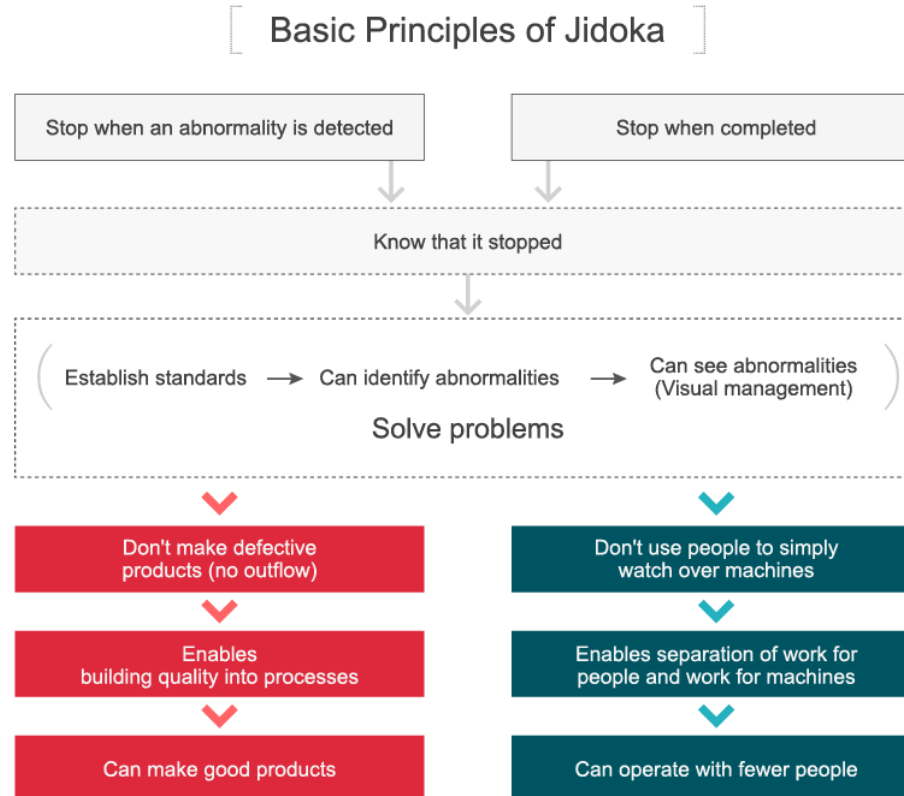
Given assumptions about the characteristics of knowledge and the knowledge requirements of production, the firm is conceptualized as an institution for integrating knowledge. This theory examines the coordination mechanisms through which firms integrate the specialist knowledge of their members.

Knowledge is viewed as residing within the individual, and the primary role of the organization is knowledge application rather than knowledge creation.

Knowledge-based approach sheds new light upon current organizational innovations and trends and has far-reaching implications for management practice.

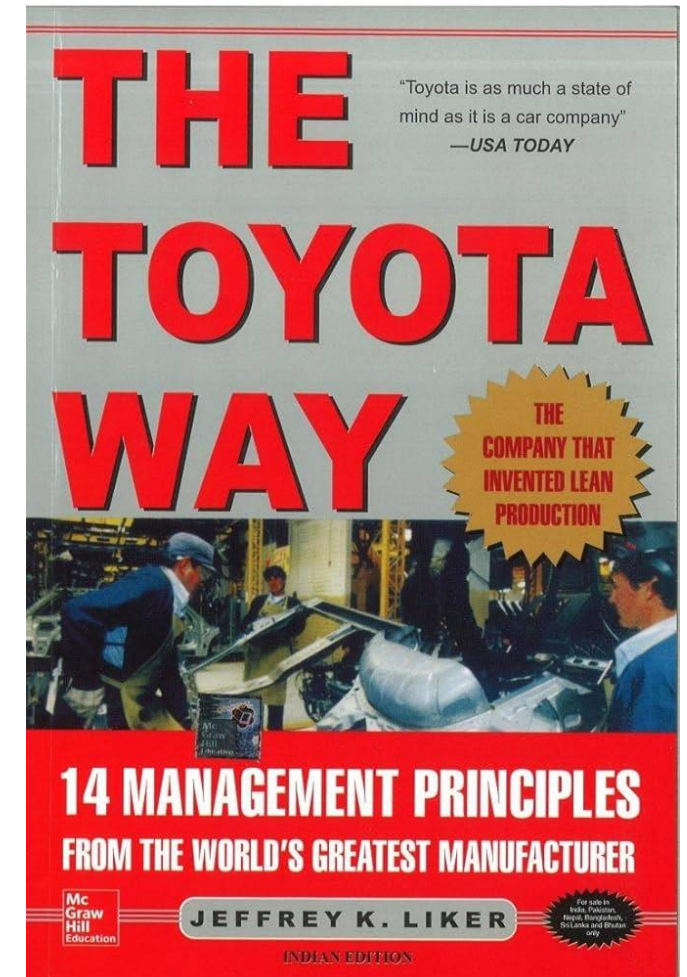


The Toyota Way



Good products at **lower prices**

(human resource development and strengthening of corporate structure)



https://www.youtube.com/watch?v=cY_Old9bLhY

Shareholder or Stakeholder?

IN a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. **That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom.**

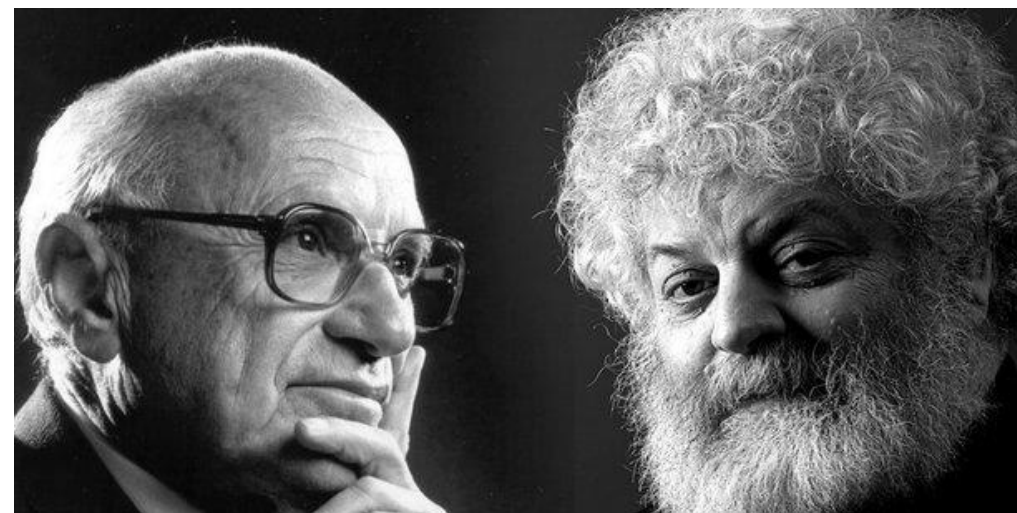
1. The problem of value creation and trade
2. The problem of the ethics of capitalism
3. The problem of managerial mindset

Stakeholder theory suggests that if we adopt as a unit of analysis the relationships between a business and the groups and individuals who can affect or are affected by it, then we have a better chance to deal effectively with these three problems. First, from a stakeholder perspective, business can be understood as a set of relationships among groups that have a stake in the activities that make up the business.

It is about how customers, suppliers, employees, financiers (stockholders, bondholders, banks, etc.), communities and managers interact to jointly create and trade value. To understand a business is to know how these relationships work and change over time. **It is the executive's job to manage and shape these relationships to create as much value as possible for stakeholders and to manage the distribution of that value**

Parmar, B. L., Freeman, R. E., Harrison, J. S., Wicks, A. C., Purnell, L., & De Colle, S. (2010). Stakeholder theory: The state of the art. *Academy of Management Annals*, 4(1), 403-445.

Which is correct?

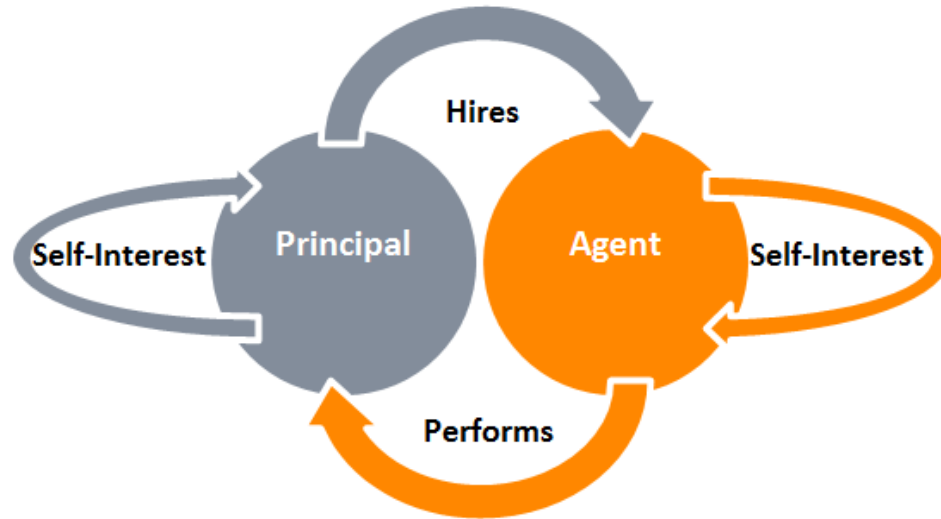


https://www.youtube.com/watch?v=_sNKIEzYM7M

Safety or Profits



Owner vs. Owned



In very general terms, an agent is a being with the capacity to act, and 'agency' denotes the exercise or manifestation of this capacity. The philosophy of action provides us with a standard conception and a standard theory of action.

Agency theory provides a parsimonious framework for analyzing transactions or relationships between two parties, the principal and the agent, in which the principal engages the agent to provide a good or service. The theory shows such transactions and relationships as implicit contracts. There are two forces affecting the dyadic contract between the principal and agent: the agent's contractual obligation to the principal and the agent's self-interest, which is assumed to differ from the contractual obligation. The agent is often hired based on expertise or knowledge and is trusted to use this expertise on behalf of the principal.

Issue of Incomplete Contracts



Million Dollar Question...

Financing

\$\$

Investment

Financial Structure of the Firm

Assets		Liabilities	
<div>Existing investments Generate cash flows today Includes long-lived (fixed) and short-lived (working capital) assets</div>	Assets in Place	Debt	<div>Fixed claim on cash flows Little or no role in management <i>Fixed maturity</i> <i>Tax-deductible</i></div>
<div>Expected value that will be created by future investments</div>	Growth Assets	Equity	<div>Residual claim on cash flows Significant role in management <i>Perpetual lives</i></div>

Key Principles for Corporate Finance

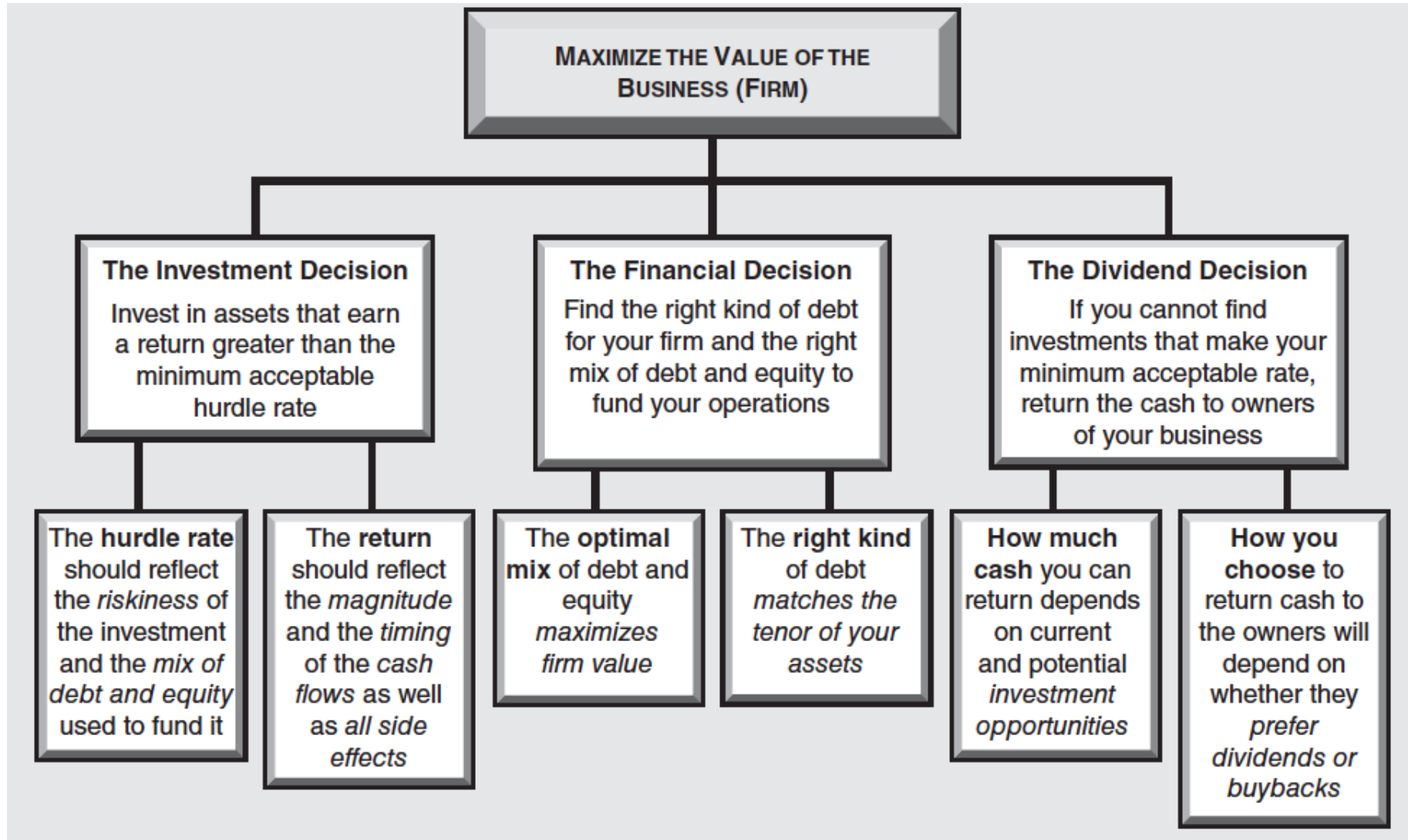
- The **Investment Principle**: Invest in assets and projects that yield a return greater than the minimum acceptable hurdle rate. The hurdle rate should be higher for riskier projects and should reflect the financing mix used—owners' funds (equity) or borrowed money (debt). Returns on projects should be measured based on cash flows generated and the timing of these cash flows; they should also consider both positive and negative side effects of these projects.
- The **Financing Principle**: Choose a financing mix (debt and equity) that maximizes the value of the investments made and match the financing to the nature of the assets being financed.
- The **Dividend Principle**: If there are not enough investments that earn the hurdle rate, return the cash to the owners of the business. In the case of a publicly traded firm, the form of the return—dividends or stock buybacks—will depend on what stockholders prefer.

Exercise

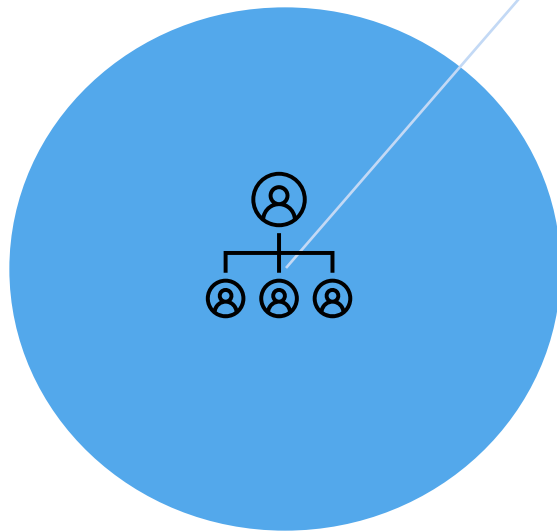
Objective: To pick a company to analyze, collect background information and start thinking about the narrative for the company.

- Choose a company that you want to work at, understand, or own, rather than one that you think will be easy to analyze or widely followed. Consequently, the company can be of any size, in any sector, or any market. In fact, it can be a privately owned (by you, your family, or a friend) business.
- Collect information, both financial and nonfinancial, about your company and the sector that it operates in. While you may have to return to this step later in the analysis, it is good to get the basic information.
- Establish your prior views of this company. Put differently, given what you know now about the company (which may be based on limited information or even hearsay), evaluate whether you think that this company is a well-managed, good company or a poorly managed mess.

Goal of a Manager / Leader



What is the role of a manager?



Role of Manager Manager

- People, Personality, Perception
- Motivation
- Interactions
- Groups
- Organizations
- Environment
- Strategy
- Human Resources
- Decision Making, Ethics
- Operations & Quality
- Innovation
- Learning
- Leadership
- Social Issues

How do the best do it?

THE DIFFERENCE IS *SUBTLE*

Harvard
Business
Review