

Small Business Management

Definition of Management

Management may be defined as the art of work done through **people**, with the satisfaction of the **employer, employees, and the public.**



Guide, Direct, Control

Management is both an art and a science

- Management combines features of both science as well as art.
- It is considered as a science because it has an organized body of knowledge which contains certain universal truth.
- Science provides the knowledge & art deals with the application of knowledge and skills.
- The successful decisions obtain by the manager depends on his/her past experiences, perception and creativity and these areas are mostly discussed in arts.

What is an organization?

- Organization is two or more people to work together in structured way to achieve specific goals – James A.F.Stoner
- A systematic arrangement or people to accomplish some specific purpose – Staphen Robbins

Common Elements of Organizations

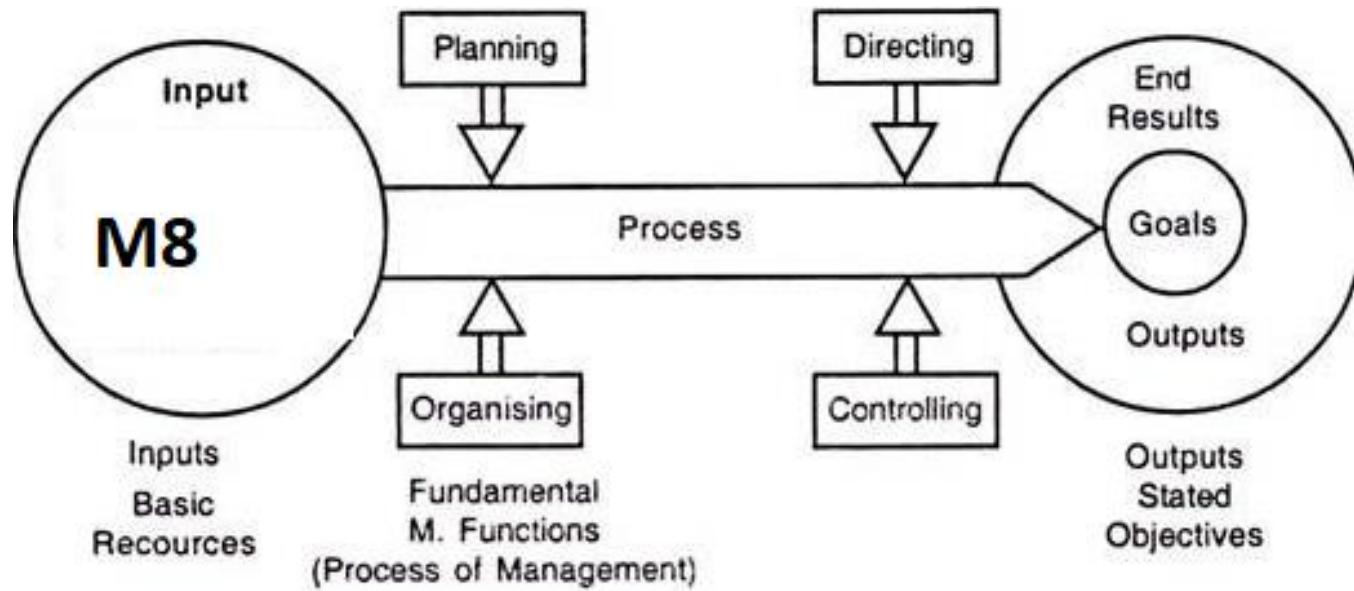
Organizational psychologist Edgar Schein proposes four common elements of an organization's structure:

- Common purpose
- Coordinated effort
- Division of labor
- Hierarchy of authority

What are the types of resources in the organization (M8)

- Men
- Machines
- Materials
- Methods
- Money
- Market
- Means (Information)
- Minutes

Management Process



Achieve goals and objectives Efficiently and Effectively

Productivity, Efficiency and Effectiveness

- Productivity = $\frac{\text{Output}}{\text{Input}}$
- Efficiency = $\frac{\text{Resources used}}{\text{Resources Estimated}} \times 100\%$
- Effectiveness = $\frac{\text{Achieved (Goals)}}{\text{Desired (Goals)}} \times 100\%$

Key Differences Between Efficiency and Effectiveness

- The ability to produce maximum output with limited resources is known as Efficiency. The level of the nearness of the actual result with planned result is Effectiveness.
- Efficiency is ‘to do the things perfect’ while Effectiveness is ‘to do perfect things’.
- Efficiency has a short run perspective. Conversely, the long run is the point of view of Effectiveness.
- Efficiency is yield-oriented. Unlike Effectiveness, which is result oriented.
- Efficiency is to be maintained at the time of strategy implementation, whereas strategy formulation requires Effectiveness.
- Efficiency is measured in operations of the organisation, but Effectiveness of strategies is measured which are made by the organisation.
- Efficiency is the outcome of actual output upon given the number of inputs. On the other hand, Effectiveness has a relationship with means and ends.

THE FIVE PRINCIPAL FUNCTIONS OF MANAGEMENT



PLANNING

Identify goals and determine the best course of action required to achieve those goal.

ORGANIZING

Assign responsibilities to the employees with detailed skill sets needed to complete the task.

STAFFING

Hire the right people, for the right positions to help the organization achieve its objectives

COORDINATING

Coordination involves supervision, communication and direction by the management.

CONTROLLING

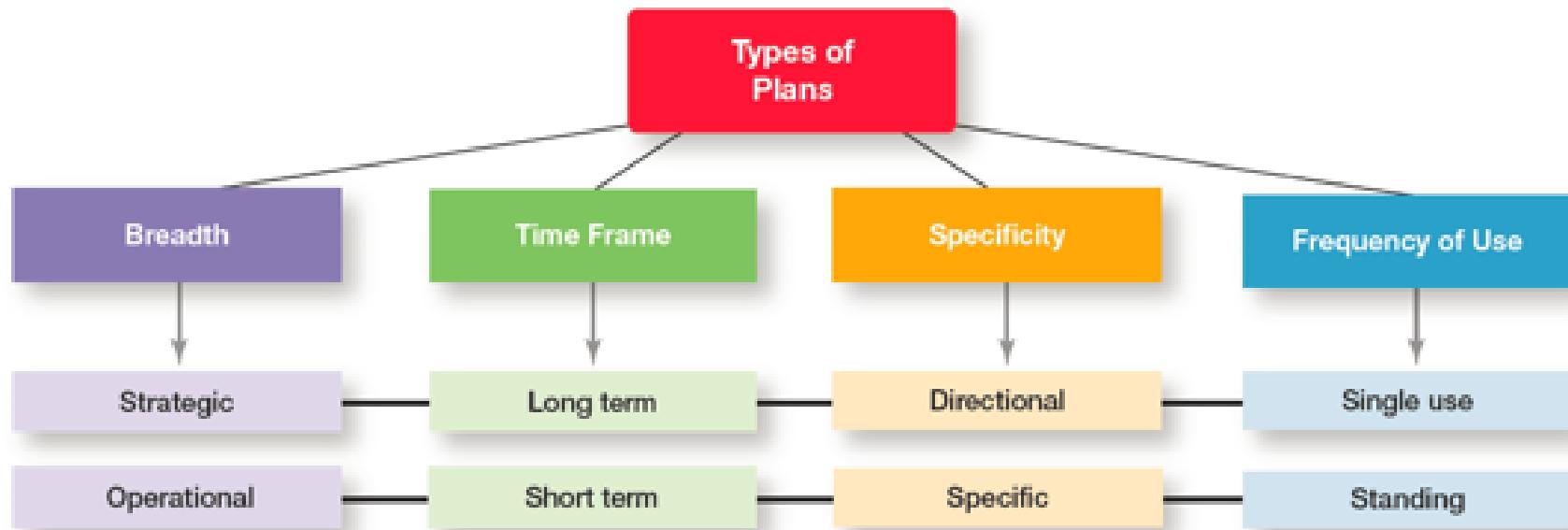
Monitor employees' performance, compare it with the goals, and take corrective action as needed.



Planning Process



Types of Plans



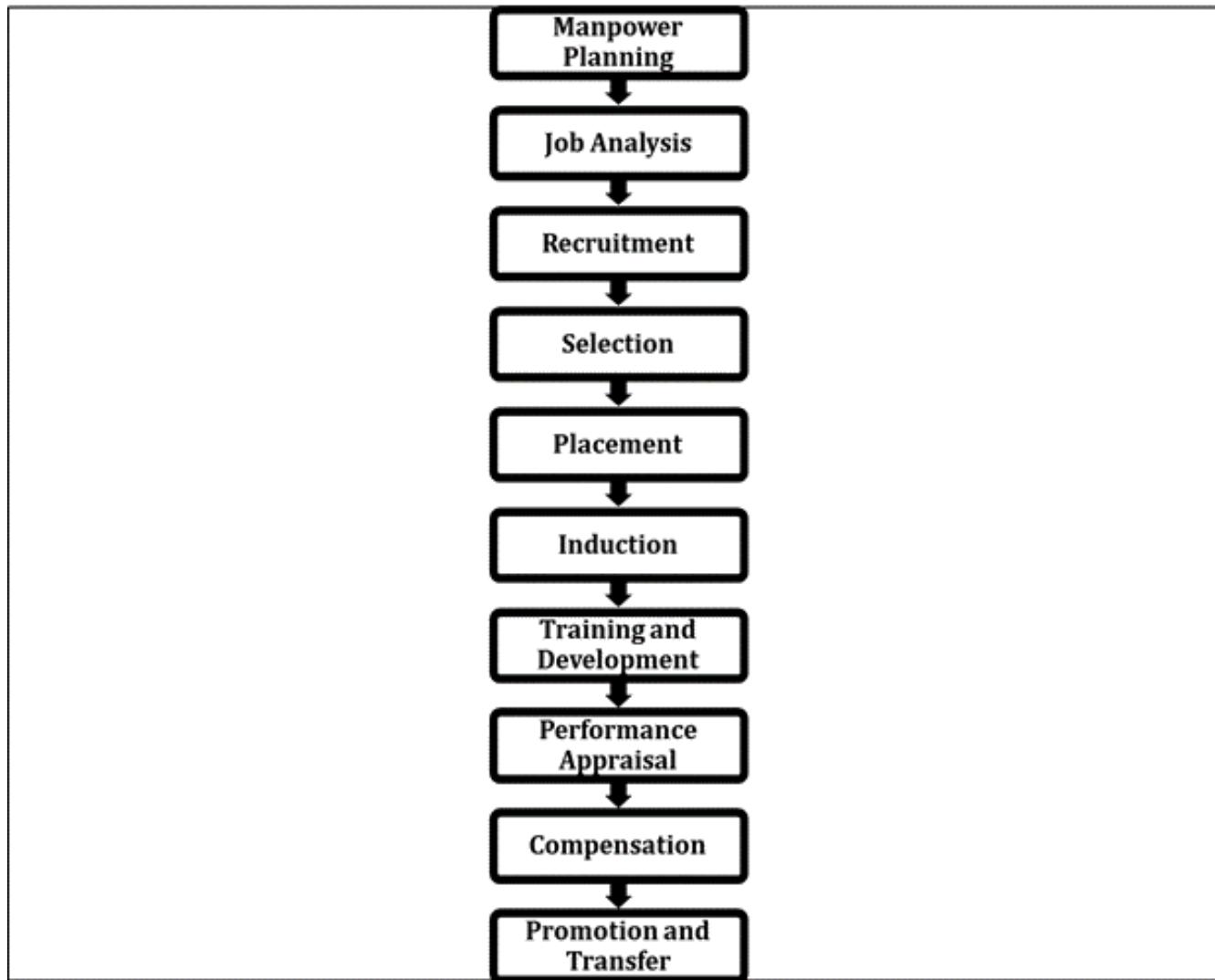
Barriers to Effective planning and methods to overcome

Obstacle	Methods to overcome
Lack of awareness	Inform, Public Relation
“ Do it in my way”	Seek flexibility
Fear	Facts improve comfort
“We’ve never done it before”	Benefits turn people to do it
Concentrate more on present than future	Understand the purpose of planning
Lack of dedication	Include more benefits
Lack of positivism	

Organizing Process



Process of Staffing



Controlling Process



Importance of Management

Maximum utilization of company's resources.

Provides new **idea** and **vision**.

Provides **stability** to the company by changing and modifying the resources.

Management helps personality development thereby raising **efficiency** and **productivity**.

Levels of Management



Levels of Management

Who?	Responsibility	Accountable to
Top-level Management <i>(Board of Director, Managing Director, C.E.O)</i>	Planning and Coordinating	Stakeholders and the general public
Middle-level Management <i>(General managers, branch managers, and department managers)</i>	Directional and managerial function and implementation of policies and plans	Top- level Management
Supervisor or Operative-level <i>(Supervisor, foreman, & first-line managers)</i>	Distribute jobs and responsibilities to a variety of workers.	Responsible for the quality and amount of products

Management Skills

- 1. Technical Skills,**
- 2. Conceptual Skills,**
- 3. Human relation skills**

Management Skills

1. Technical Skills

Technical skill is necessary for a manager in handling methods, processes properly.

It is essential for a manager to know which technical skill should be employed in a particular work.

Technical skill is essential for **lower-level management**.

Management Skills

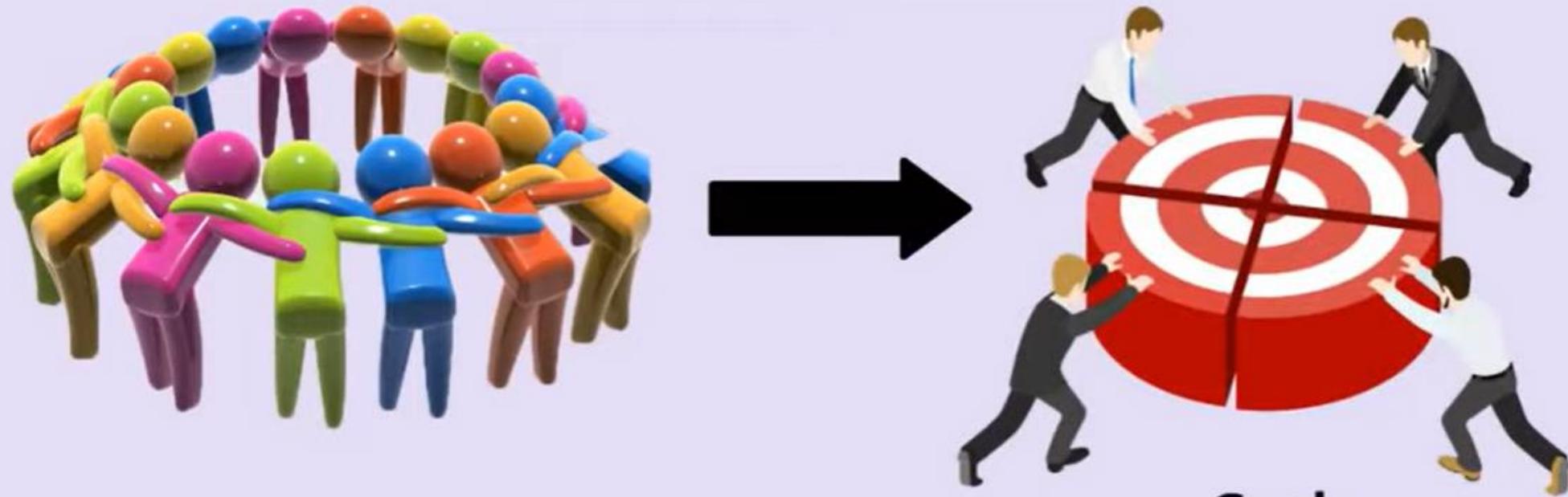
2. Conceptual Skills

Conceptual skills are required to recognize **inter-relationship** among different functions of the business and **external force** and to **guide effectively** the organizational efforts.

Conceptual skill is essential for **higher-level management**. Conceptual skills include **Decision-making** skills and **Organisational skills**.

Management Skills

3. Human relation Skills



Management Skills

3. Human relation Skills

Communication skills



Management Skills

3. Human relation Skills



Rewards



Praise

Or



Punishment, threat

Other skills

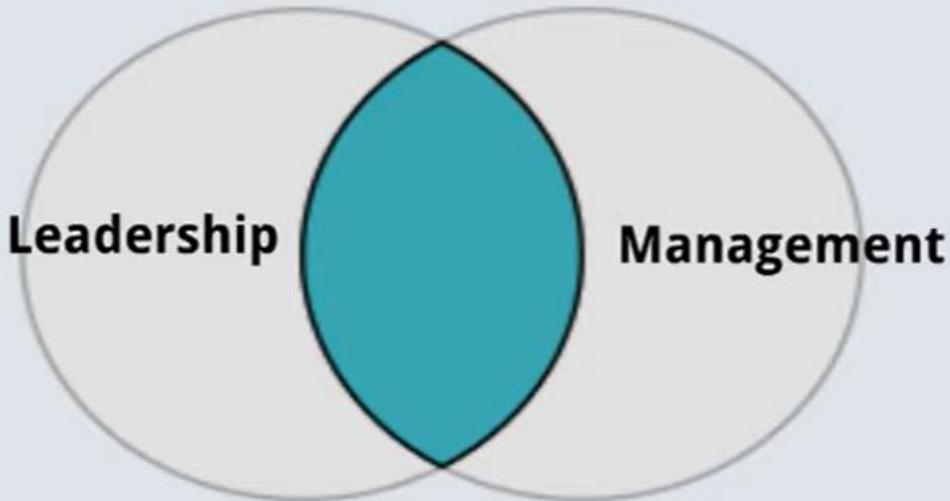
- Diagnostics Skills
- Time Management Skills

Leadership vs Management

Leadership vs Management



Leadership vs Management



**But these two terms have different meaning
they shouldn't be used interchangeably.**

**Both imply a unique set of skills, characteristics
and functions.**

Leadership vs Management

For example:



**Some people lead without a
managerial role**



Do not practice leadership

Leadership vs Management



Social influence



It is the art of motivating a group of people.

Leadership vs Management



**Management is the art of work done through people ,
with the satisfaction of the public, employer and
the employees.**

Leaders Set the Goal, Managers Follow it



Leaders Set the Goal, Managers Follow it



**When it comes to setting and executing a company's vision and aims,
Leaders and managers have different roles.**

Leaders Set the Goal, Managers Follow it

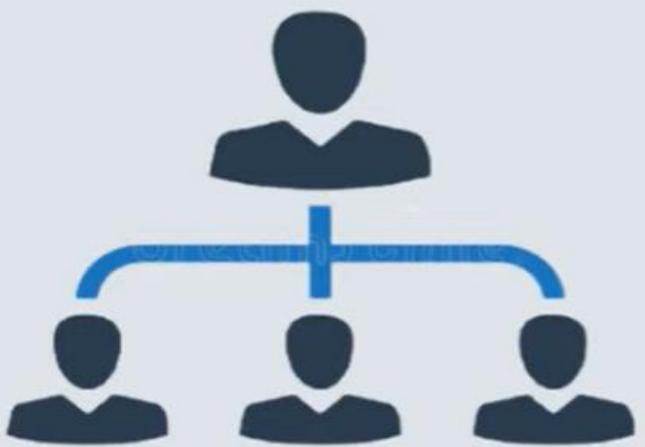


Most Leaders have clear position of their organizations in the future



Leaders Set the Goal, Managers Follow it

Here, managers play a significant role.



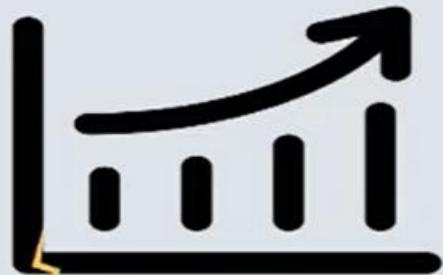
Leaders transfer the company's mission, goal and vision to the entire organization



Managers keeping employees aligned with the core company goals and values.

Leaders think Ideas, Managers think of Execution

Leaders are looking for an improvement in the organization



Leader comes up with new ideas and have forward thinking



Managers do the control



Leaders think Ideas, Managers think of Execution

Leaders look for answers to - "why and what"

Managers look for answers to -"when and how"

**Therefore, the managers' primary responsibility to -
Complete their tasks and reach their goals based on
the leader's vision.**

Leaders think Ideas, Managers think of Execution

**Leaders are concerned with ideas, relate in
more high level**

**While managers relate to people according to the role
they play in a decision-making process.**



What should be done?



How should be done?

SUBSCRIBE
NOW

**Leaders form the culture,
Managers support it**

Leaders form the culture, Managers support it

When it comes to the organizational culture,



Managers lead their employees to live up to the culture, which was shaped by the leaders.



Inspiring leaders have the power to influence employees' behaviors

**Leaders form the culture,
Managers support it**

**So, driving employees to live by the company's
core value and culture is impossible**

**Without the collaboration between management
and leadership.**

**Leaders inspire people,
Managers push them to their success**

Leaders inspire people, Managers push them to their success

**Leaders have the great power
to inspire people,**

**Managers are responsible
for their success and
positive experience.**

**When leaders are unable to
inspire their employees,**

**Managers take the
responsibility to help their
people succeed.**

Leaders inspire people, Managers push them to their success



Employee works effectively



**Open and transparent
communication between the leader,
manager and employees.**

**Leaders peek into the future,
Managers take action in the present**

**Leaders peek into the future,
Managers take action in the present**

**Leaders are basically more future-focused,
While managers are more focused on the present moment.**

Leaders peek into the future, Managers take action in the present

The manager's most important target is -



By utilizing procedures around,



Budgeting



Staffing



Organizational
Structuring

**Leaders peek into the future,
Managers take action in the present**



Think ahead and capitalize on future prospects

In a business, it is important to have both great managers and leaders.

The organization needs a good leader to achieve its mission,

&

Good manager to ensure the things are getting done to reach the company's vision.

Manager's Role (According to Henry Mintzberg)

- Interpersonal Role
 - Figure Head
 - Leader (Handling recruitments, training and motivating employees to obtain high level of performance)
 - Liaison (Coordinate with employees, customers and suppliers)
- Informational Role
 - Monitor (Information Collector)
 - Disseminator (Information distributor)
 - Spoke Person (Provide information to external parties)
- Decisional Role
 - Entrepreneur (Provide profitable opportunities)
 - Resource Allocator
 - Negotiator



Organizational Structures

Organizational Structure.



The results of
organizing

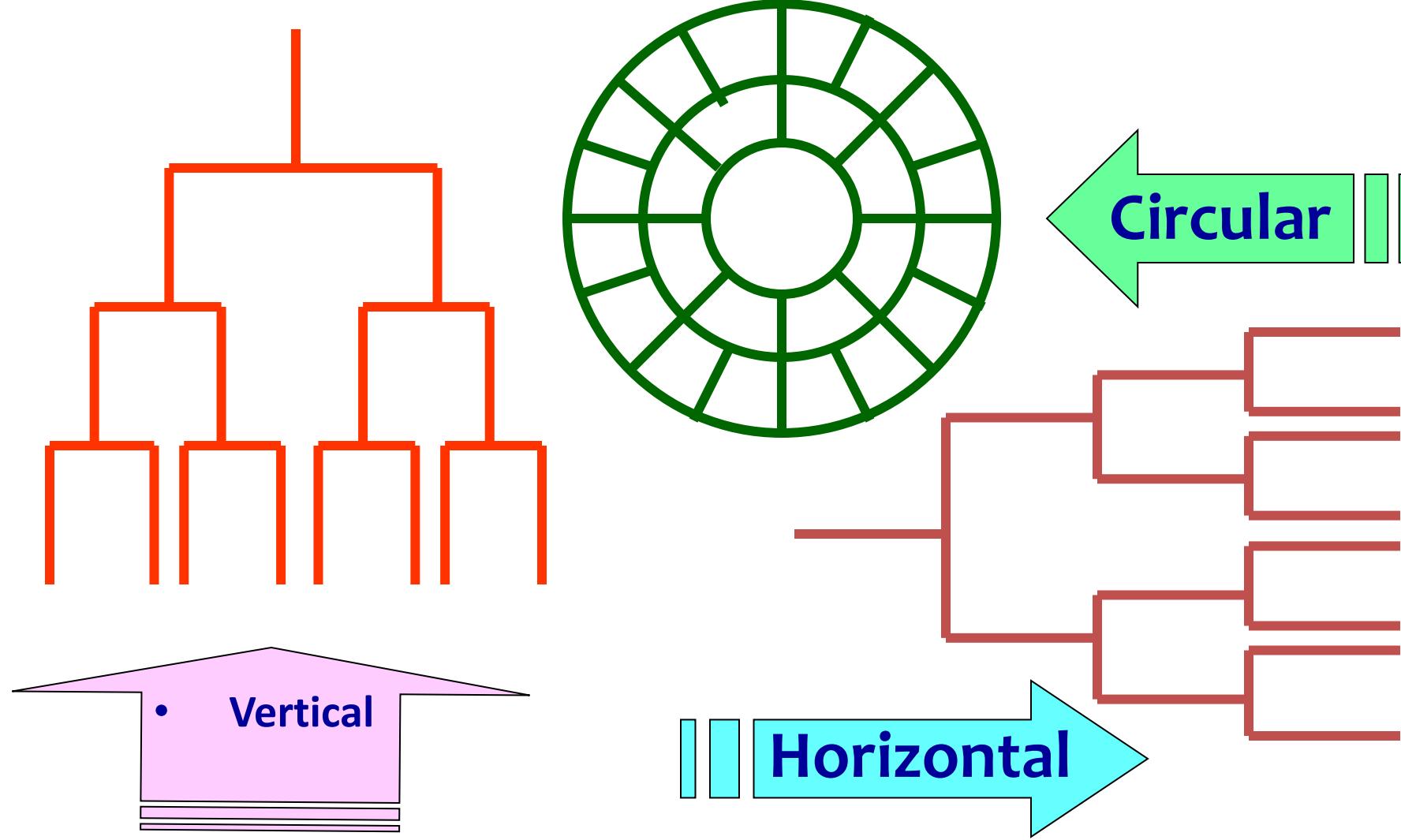
The way in which an organization's activities are divided organized and coordinated.

Elements of an Organizational Structure



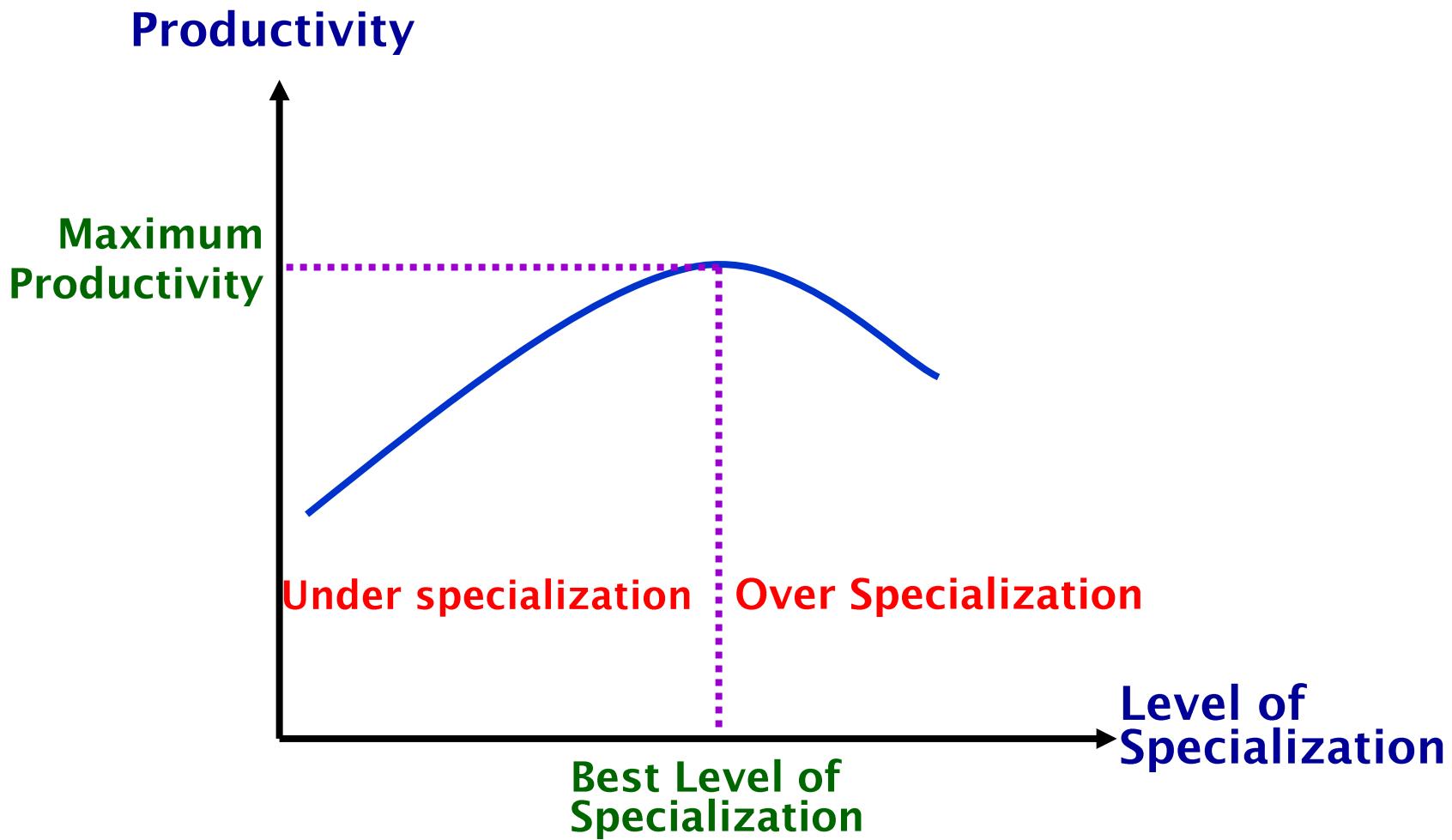
- Work specialization
- Departmentalization
- Chain of command
- Span of Management
- Delegation
- Formalization
- Coordination

Organizational Charts



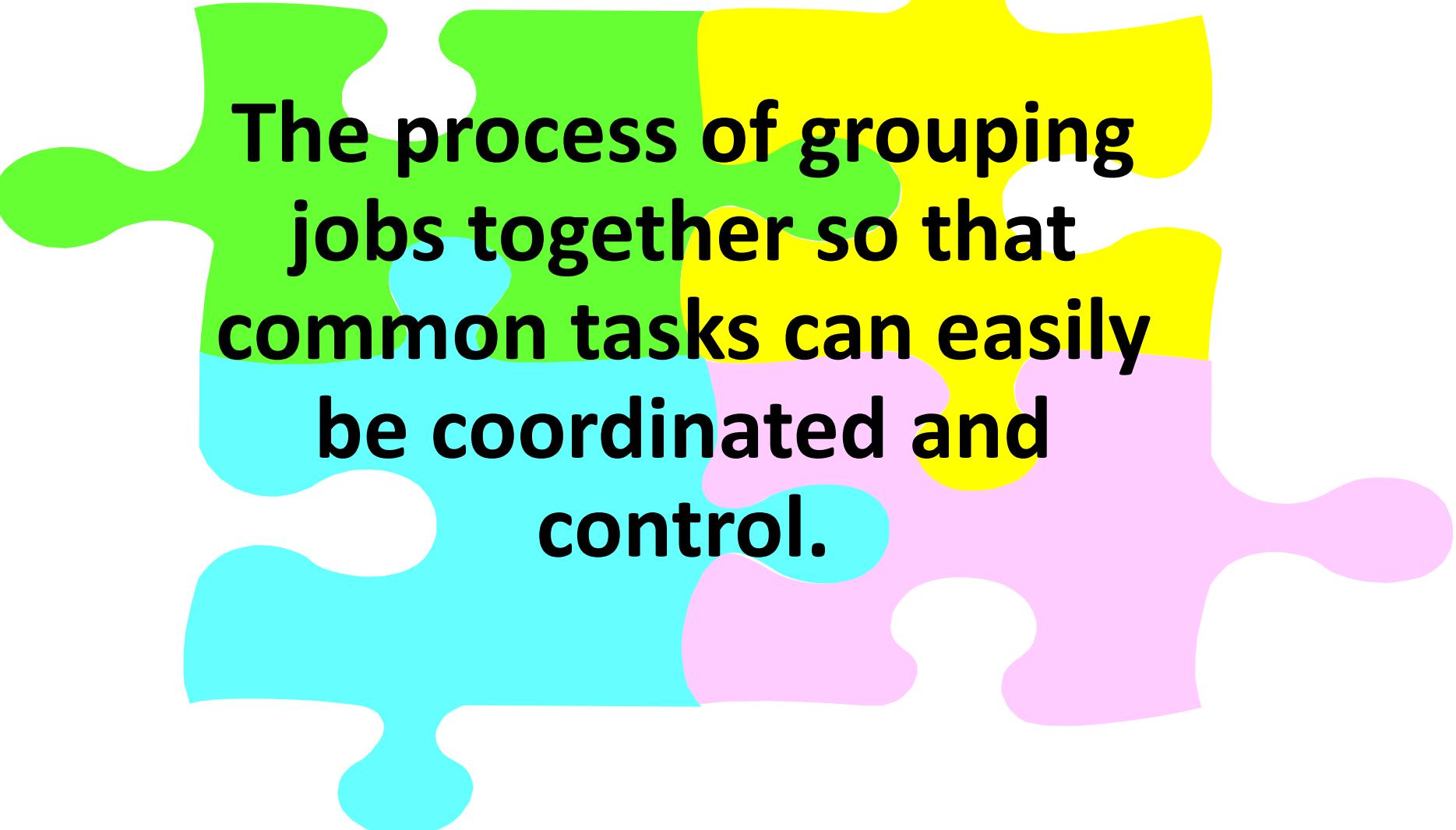
Work Specialization

- **Breaking a complete and a complex work down in to small and simple jobs in which each worker can specialize and having them perform such simplified jobs repetitively and continuously.**



Relationship between Specialization & Productivity

Departmentalization



The process of grouping jobs together so that common tasks can easily be coordinated and control.

Bases of Departmentalization

Basis	Example
1. Functional	Production, Marketing, Finance etc.
2. Product	Yarn, Textiles, Garments, Dye etc.
3. Geographical	Southern, Western, Eastern etc.
4. Process	Drying, Cutting, Milling, Filtering, Packing
5. Customer	ENT, Cardiology, Maternity, etc.
6. Mixed	<pre>graph TD; Root --- A; Root --- B; Root --- C; A --- P; A --- M; A --- F; P --- 1; P --- 2; P --- 3;</pre> <p>The diagram illustrates a mixed departmentalization structure. At the top level, there are three functional departments labeled A, B, and C. Department A is further divided into three product departments labeled P, M, and F. Department P is then subdivided into three geographical regions labeled 1, 2, and 3. Red arrows on the left side of the chart point from the labels 'Products', 'Functions', and 'Regions' to their respective levels in the organizational hierarchy.</p>

Chain of Command / Hierarchy

Definition:

Unbroken line of authority that extends from top of the organization to the lowest level clarifying who reports to whom

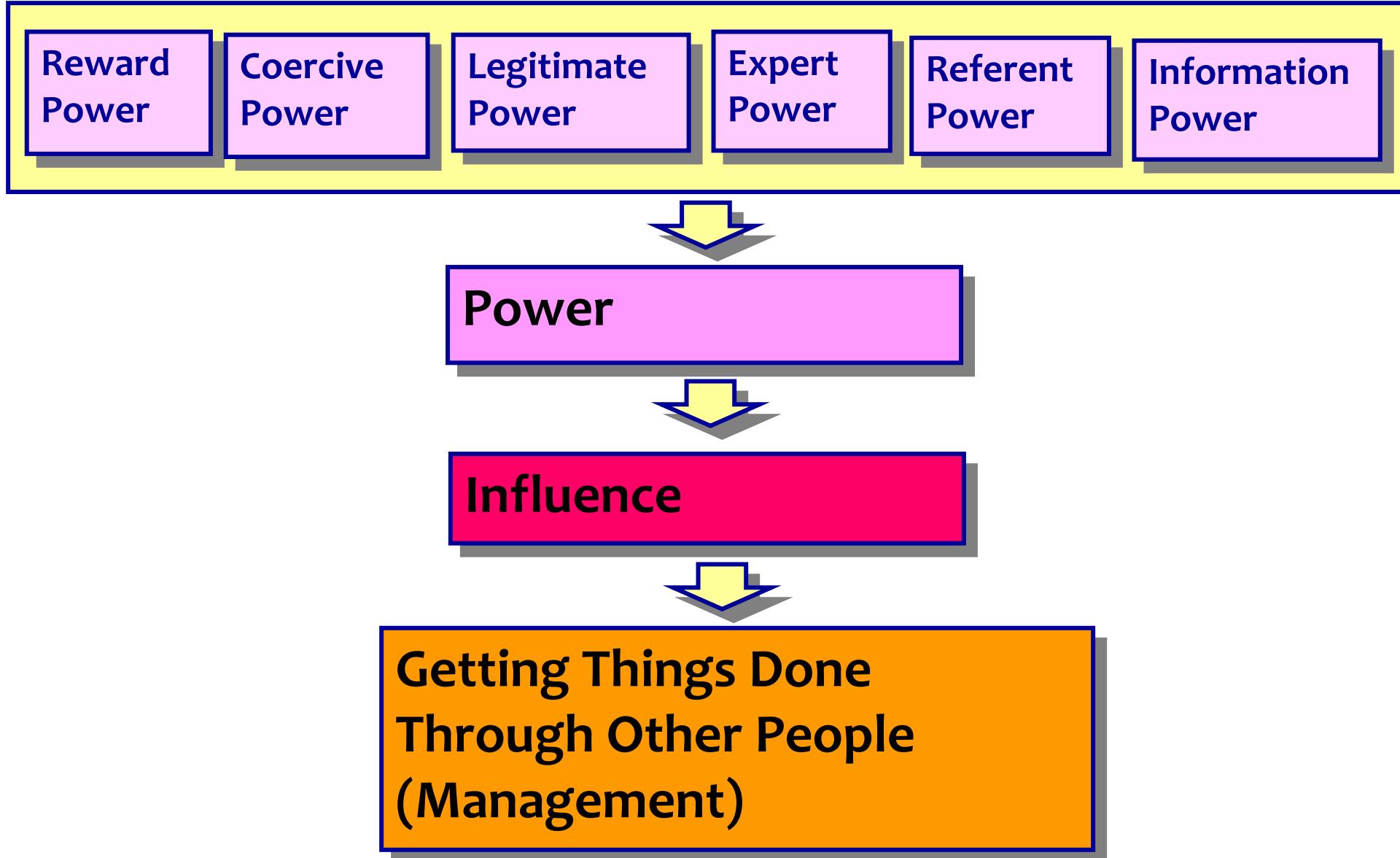


Sequential arrangements of positions on the basis of level of authority

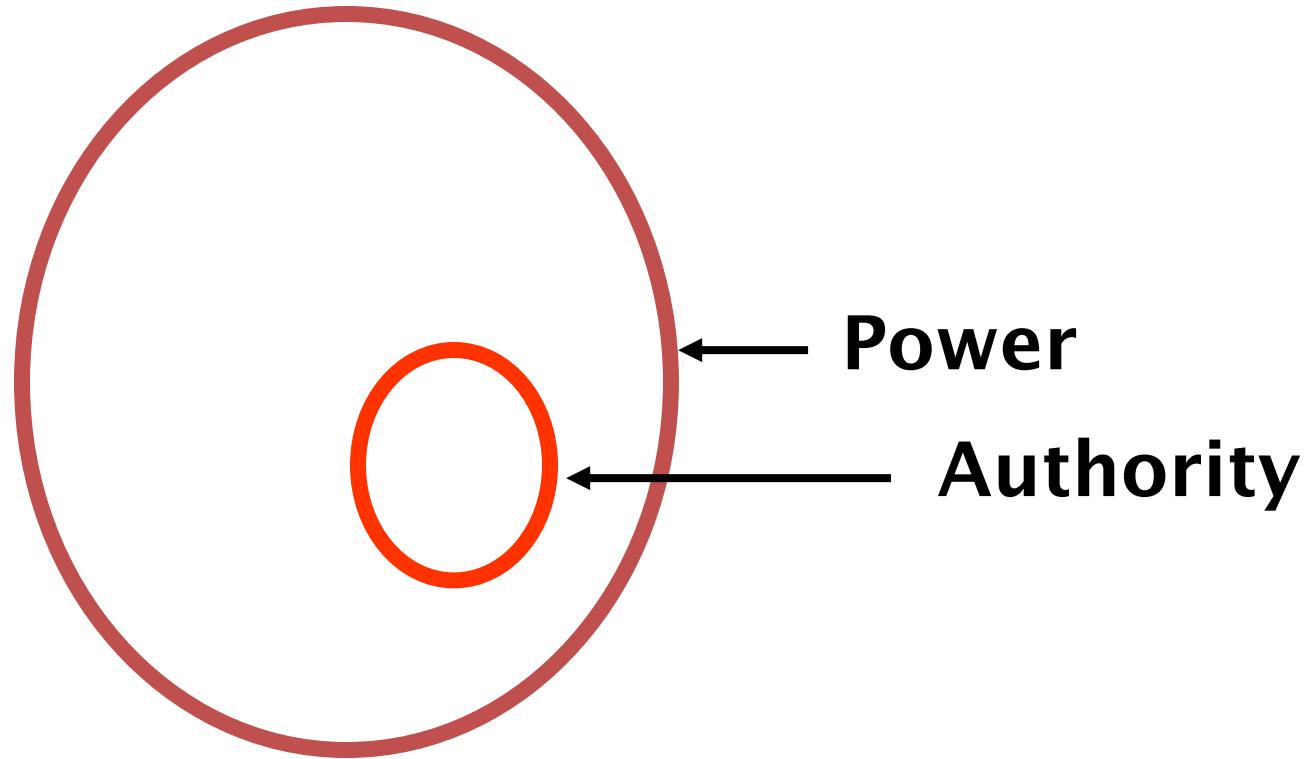
Types of Authority

- **Line Authority:** The legal right of a superior to give orders to subordinates.
- **Staff Authority:** The legal right given to Staff Managers to give advice to other managers regarding specific staff responsibilities
- **Functional Authority:** The legal right given to Staff Managers to give orders to other managers regarding specific staff responsibilities

Management and Power



Power Vs Authority



Power: Ability to exert influence

Authority: Legal right inherent in a position to make job related decision.

Authority Vs Responsibility

Authority: Legal right inherent in a position to make job related decision.

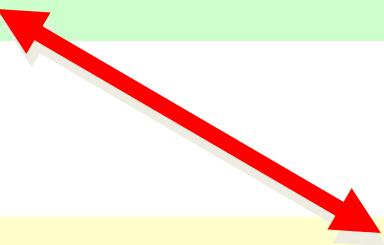
Responsibility: Legal or moral obligation for the proper performance of assigned task

Structural Elements No: 4

Span of Management

Definition: **Number of subordinates reporting directly to a given manager**

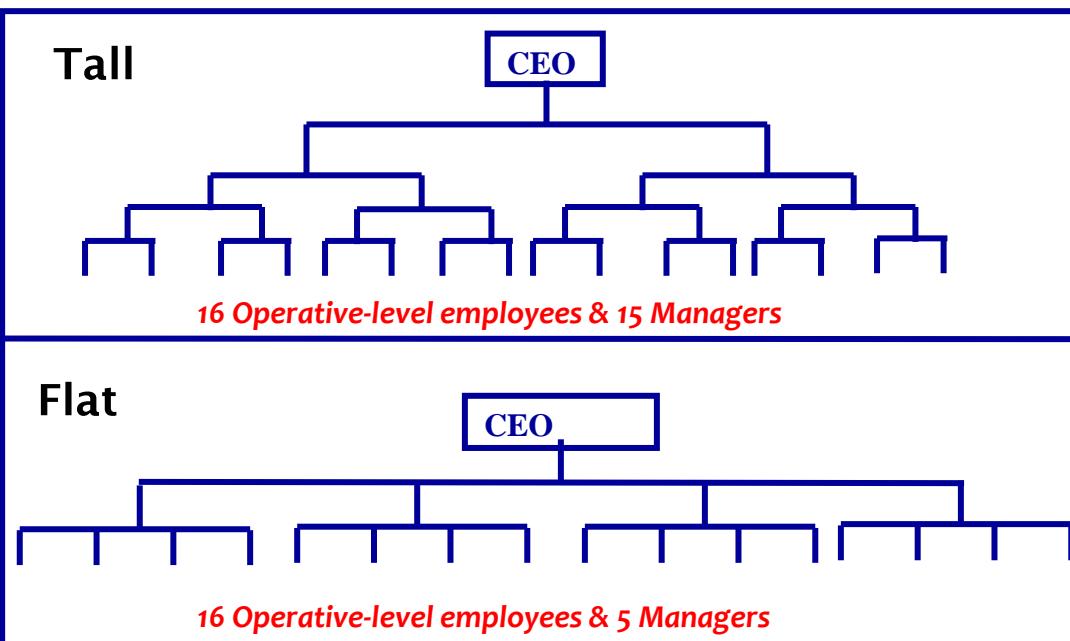
Definition: **Number of immediate subordinates of a manager**



Tall Structures

- One with narrow spans and many hierarchical levels

Flat Structures



- One with wide spans and many hierarchical levels

Advantages & Disadvantages of Tall Structures

Advantages	Disadvantages
<ul style="list-style-type: none">▪ Close supervision▪ Tight control over employees▪ Improve relationships	<ul style="list-style-type: none">▪ High administrative cost.▪ Slow down decision-making.▪ Make vertical communication more complex.▪ Reduce employees' autonomy▪ Discourage employees' initiative

Advantages & Disadvantages of Flat Structures

Advantages	Disadvantages
<ul style="list-style-type: none">• Reduce administrative cost• Speed up decision making• Increase flexibility• Get closer to customers• Empower employees• Improve employees initiative	<ul style="list-style-type: none">• Little control over employees• Little guidance and training for employees• Poor relationships between manager and subordinates• Emergence of informal groups.

Determinants of Size of Span

- **Nature of the organization**
- **Nature of the task.**
- **Capabilities of employees.**
- **Capabilities of managers.**
- **Nature of the business environment.**
- **Degree of delegation.**
- **Organizational Objectives & Strategies**

Delegation of Authority

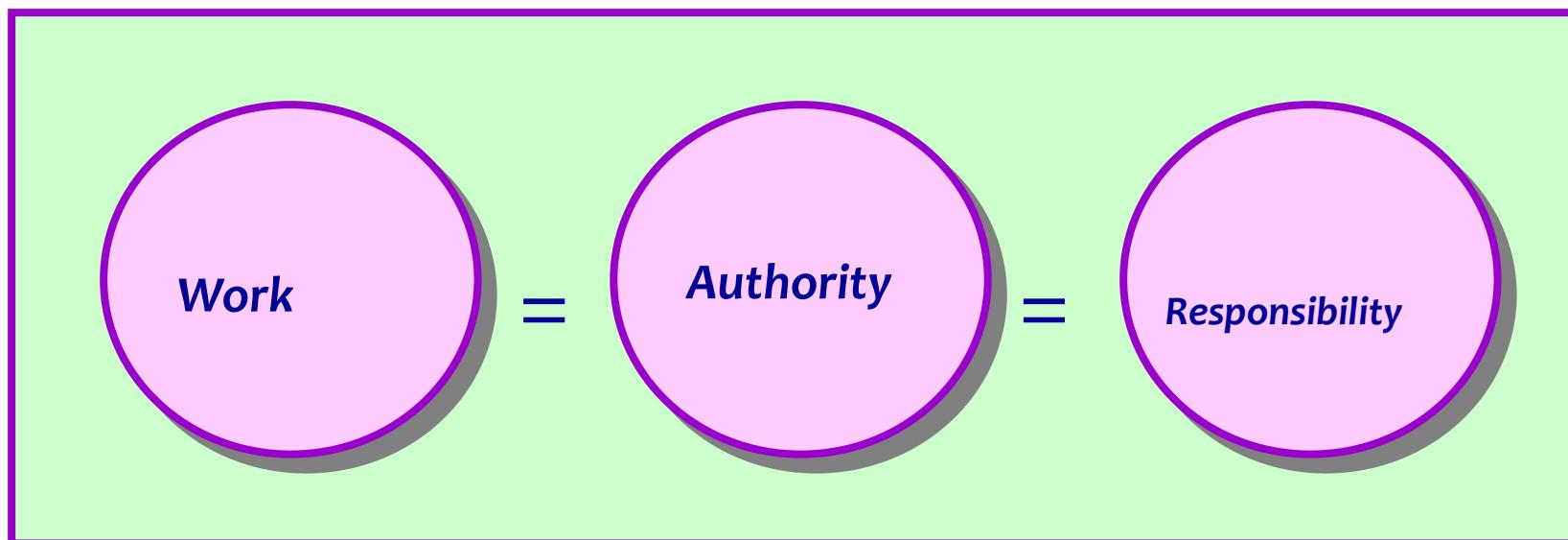
Definition: The act of assigning formal authority and responsibility for completion of specific activities to a subordinate



Passing authority to a lower level

The Process of Delegation

- 1. Assign the work**
- 2. Delegate Authority**
- 3. Create a Responsibility**



Factors Affecting Delegation

- Costliness of the decision.
- Need for uniformity of policies.
- Size of the business.
- History and culture of the organization.
- Philosophy of top management.
- Subordinates' willingness to accept the responsibility.
- Capabilities of subordinates.
- Effectiveness of the controlling mechanisms.
- Rate of change of the organization.
- Nature of the business environment.

Centralization and Decentralization

Centralization: The degree to which decision-making is concentrated at the top of the organization.

Decentralization: The extent to which decision discretion is pushed down to lower level employees.

Advantages and Disadvantages of Delegation

Advantages	Disadvantages
<ul style="list-style-type: none">▪ Reduces the workload of top managers,▪ Speed up decision-making.▪ Increases the quality of decisions.▪ Encourages the initiative of subordinates.▪ Motivates subordinates.▪ Trains lower level managers for higher-level responsibilities.	<ul style="list-style-type: none">▪ Difficulties in maintaining uniformity and consistency of organizational policies and procedures▪ Difficulties in communication.▪ Coordination problems.▪ High administrative cost.

Formalization

Definition: The degree to which jobs within organization are standardized.

Advantages and Disadvantages of Formalization

Advantages	Disadvantages
<ul style="list-style-type: none">▪ Ability to perform standardized activities in highly efficient manner▪ Minimum responsibility and burden on employee▪ Can avoid frauds▪ Uniformity & consistency of work	<ul style="list-style-type: none">▪ Little need for innovative and experienced decision making below the level of senior executives.▪ Dysfunctional conflicts▪ Hinders employees' initiative▪ Slow decision Making▪ Inflexibility

Structural Elements No: 7

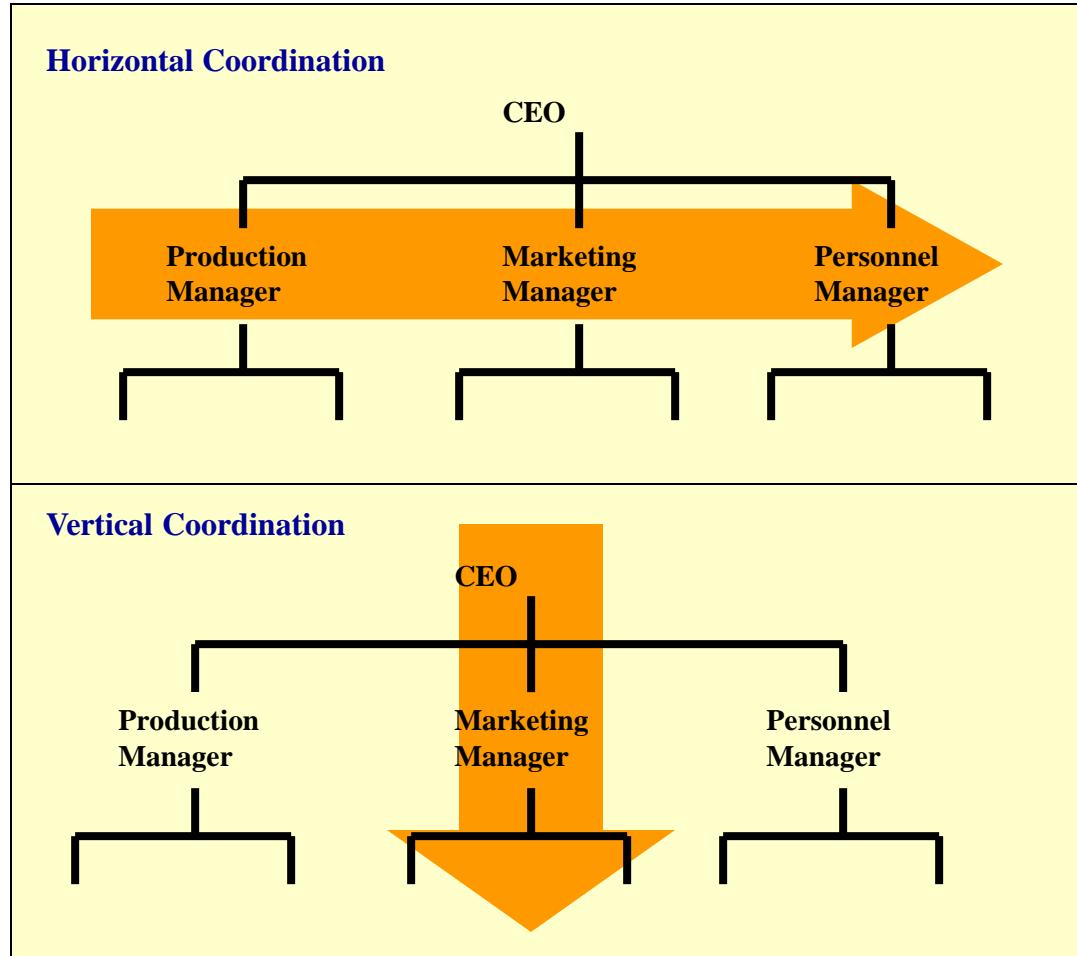
Coordination

Definition: The process of integrating the different work and objectives of different people and departments so that the common objective can be achieved.

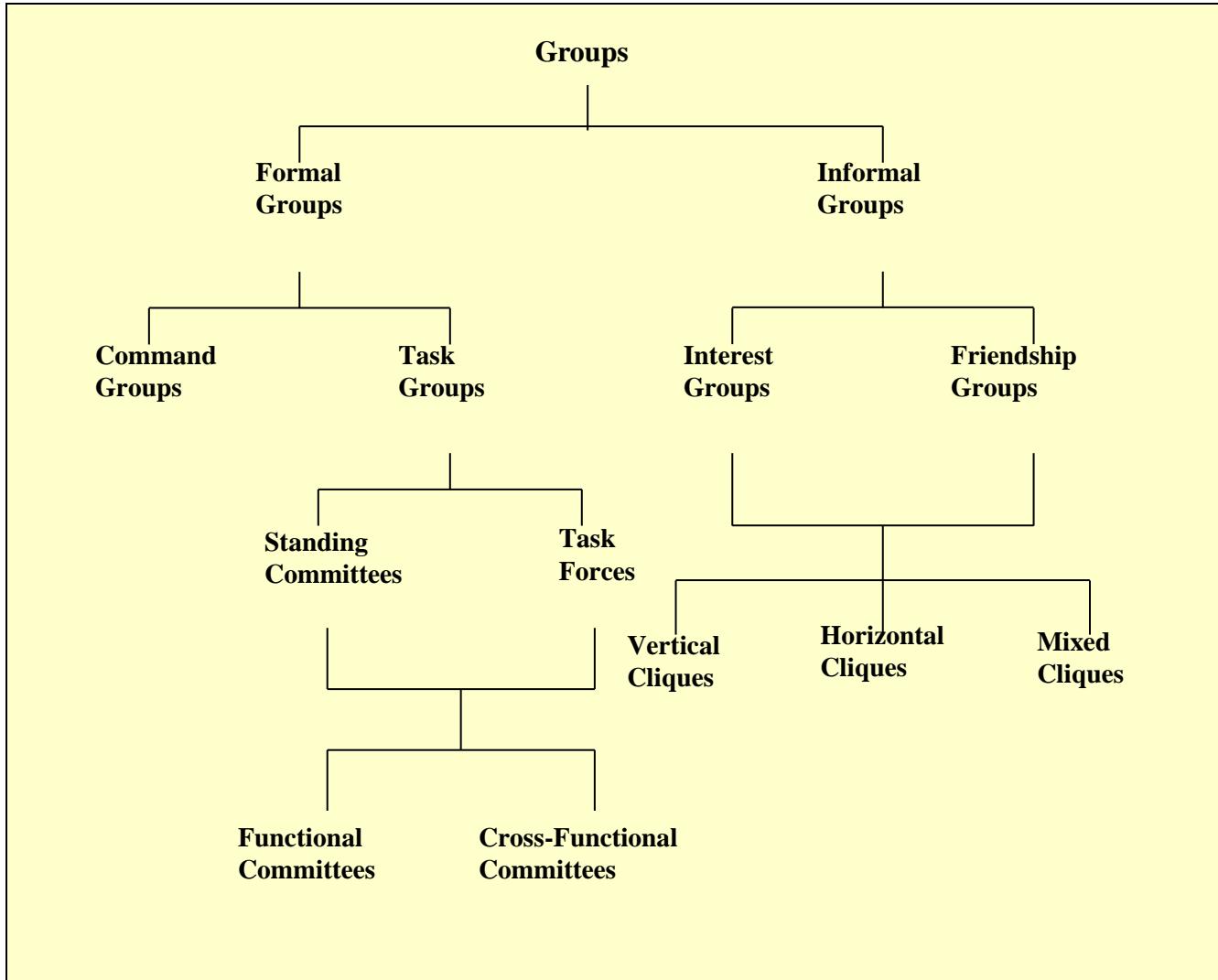
Coordination Devices

- Managerial hierarchy.
- Rules and procedures.
- Plans and goals.
- Liaison officers
- Lateral relationships.
- Task forces and teams.
- Independent units.

Types of Coordination



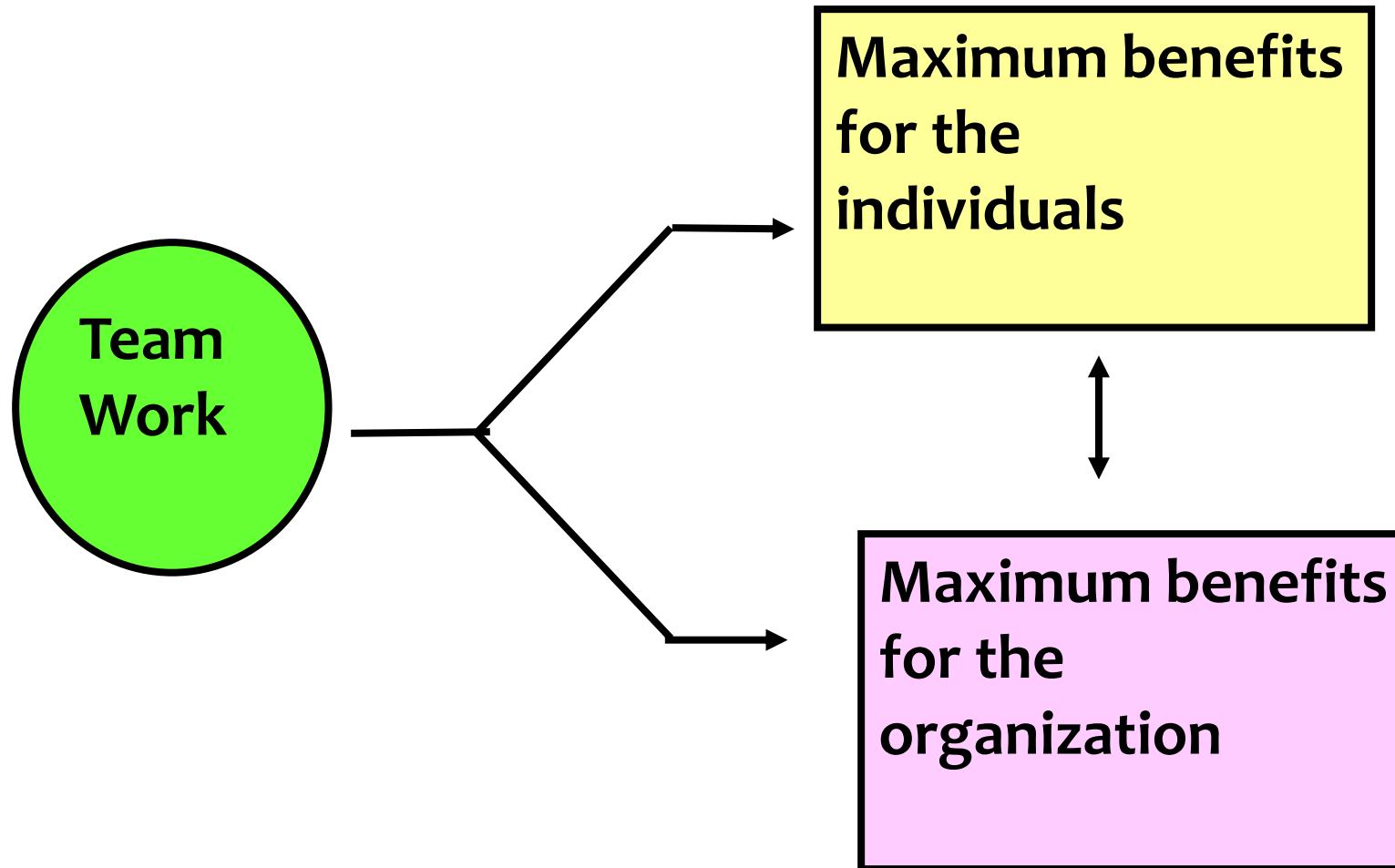
Groups, Teams & Committees: The Basic Building Blocks of the Structure



Groups And Teams

Characteristic	Work Group	Work Team
Leadership	A strong, clearly focused leader	Shared leadership roles
Accountability	Individual accountability	Individual and mutual accountability
Purpose	Same as the broader organizational mission	Very specific purpose
Work Product	Individual work products	Collective work products
Meetings	Runs efficient meetings	Encourages open-ended active problem solving meetings
Measuring Performance	Measures effectiveness indirectly by its influence on others	Measures performance directly by assessing collective work products
Way of Working	Discuss, decided and delegates	Discuss, decides and does real work together
Objective	Sharing information	Collective performance
Skills	Random, varied	Positive
Synergy	Neutral, Sometimes negative	Complementary

Benefits of Team Work



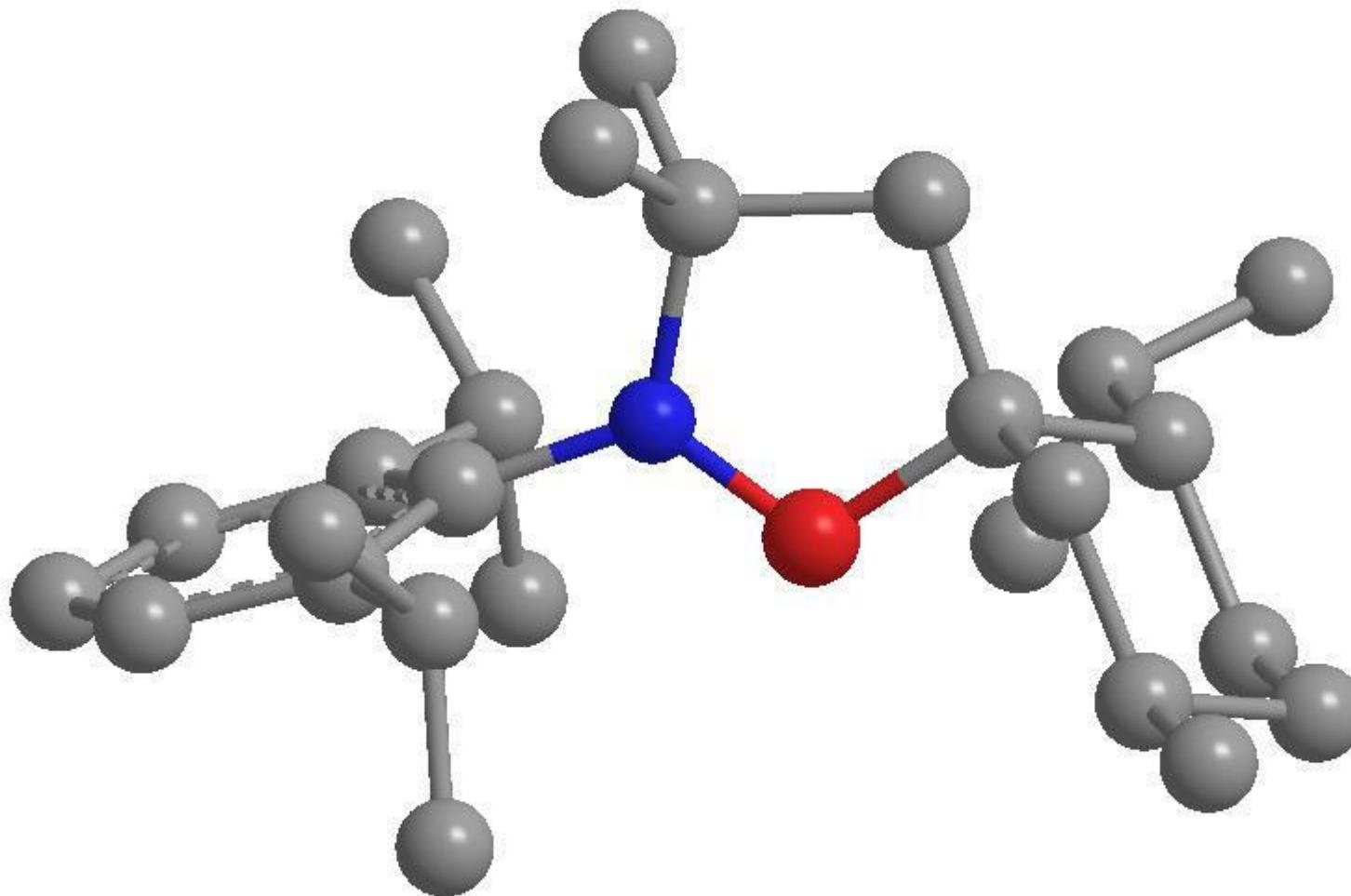
Plus & Minus points of Committees

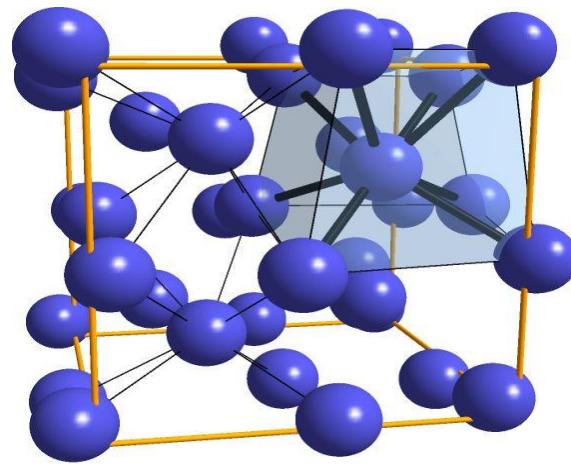
Plus points	Negative points
Diversity of knowledge and skills	Time consuming and costly
Integrated and combined judgment	Divided responsibility
Work as a training technique and facilitate individual development	Can be used by the members as a escape goat to avoid the personal responsibility arising from their poor decisions
Promote coordination due to improved communication	Danger of group thinking and a such effect due to member influences
Increased motivation and commitment due to participative decision making	
Easy implementation of decision	
Help reduce conflicts	
Easy to make risky decision as no one is individually responsible	

Types of Structures

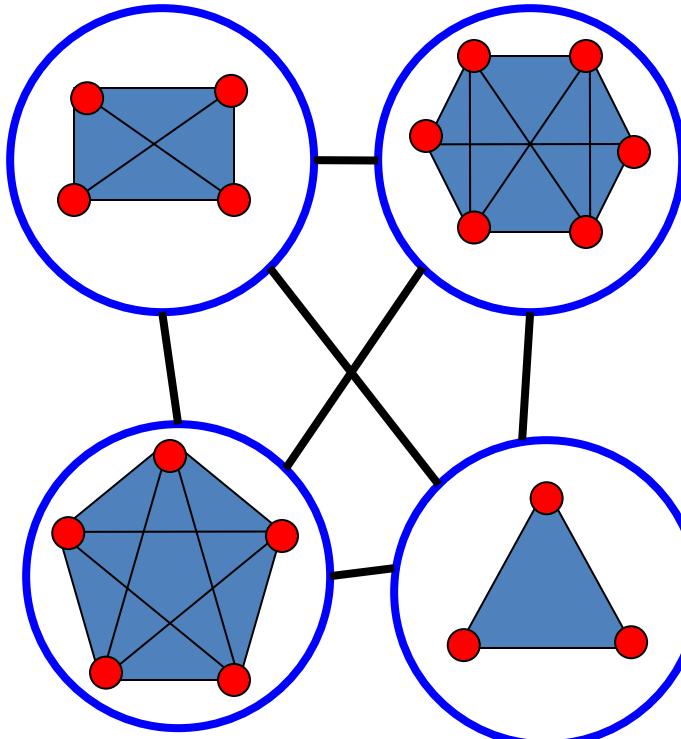
- **Simple Structures**
- **Functional Structures**
- **Product Structures**
- **Customer Structures**
- **Geographical Structures**
- **Hybrid Structures**
- **Matrix Structures**
- **Team Structures**
- **Virtual Structures**

Organic Structure



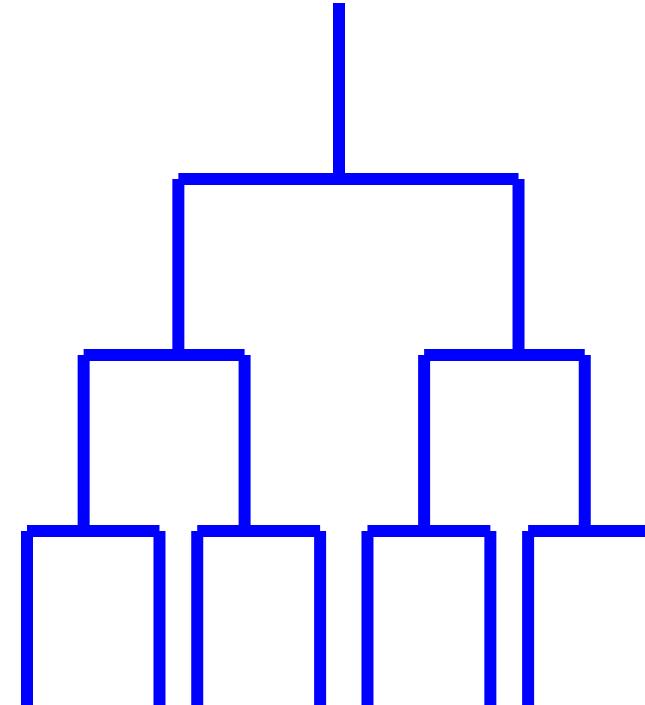


- **Cross Functional Teams**
- **Cross Hierarchical Teams**
- **Free Flow of Information**
- **Wide Spans of Control**
- **Decentralization**
- **Low Formalization**
- **High Coordination**



Mechanistic Structure

- High Specialization
- Rigid Departmentalization
- Clear Chain of Command
- Narrow Spans of Control
- Centralization
- High Formalization
- Poor Coordination



The Entrepreneurial Process

- **Entrepreneurship is a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balanced**
- **At the heart of the process is the creation or/and recognition of opportunities, followed by the will and initiative to seize these opportunities**



- It requires willingness to take risks – both personal and financial – but in a very calculated fashion
- Entrepreneurial leaders inject imagination, motivation, commitment, passion, tenacity, integrity, and vision into their companies
- They face dilemmas and must make decisions despite ambiguity and contradictions

Value Creation: The Driving Forces

- Central themes or driving forces dominating the highly dynamic entrepreneurial process are:
 - It is **opportunity** driven
 - It is driven by a **lead entrepreneur** and an **entrepreneurial team**
 - It is **resource parsimonious** and **creative**
 - It depends on the **Fit and balance** among these
 - It is **integrated** and **holistic**
 - It is **sustainable**

Pitfalls in Selecting New Ventures

- Lack of objective evaluation
- No real insight in to the market
- Inadequate understanding of technical requirements
- Poor financial understanding
- Lack of venture uniqueness
- Ignorance of legal issues

Marketing Research



Definition



- **Marketing Research is the systematic design, collection, analysis and reporting of data relevant to a specific marketing situation facing an organization.**

Types of Marketing Research

- Primary
- Secondary



Primary Research

- First hand information
- Expensive to collect, analyse and evaluate
- Can be highly focussed and relevant
- Care needs to be taken with the approach and methodology to ensure accuracy
- Types of question – closed – limited information gained; open – useful information but difficult to analyse

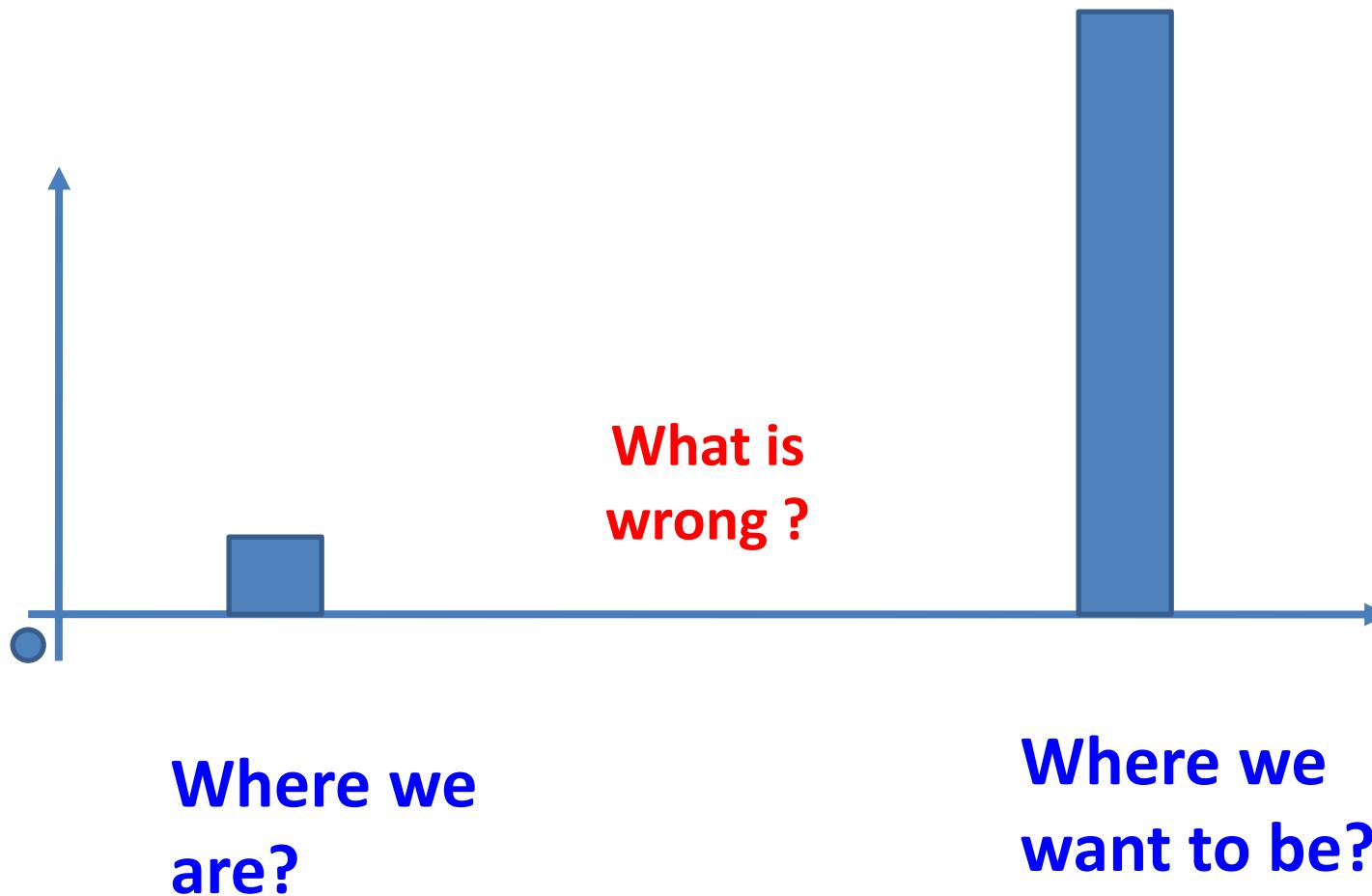
Steps of Marketing Research

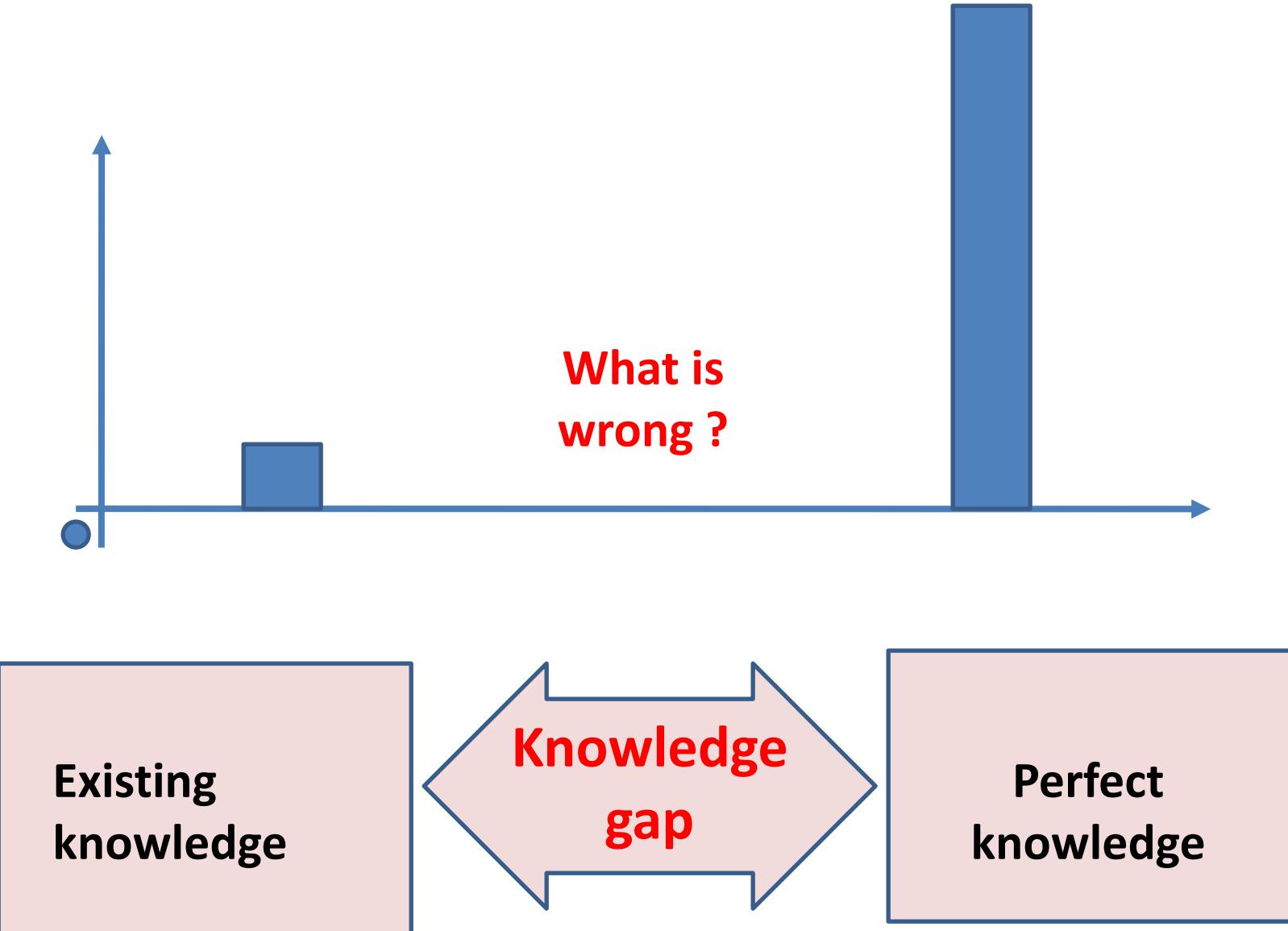


- **Marketing Research process consists of 04 steps:**
 - Defining the problem and research objectives
 - Developing the research plan for collecting information
 - Implementing the research plan - collecting & analyzing the data
 - Interpreting and reporting the findings

Defining the problem and research objectives

- Research Problem focuses the knowledge gap





A good research problem statement...

- Clarify exactly what you want to determine or solve
- Scope limited to a specific question; sub-questions
- Operationally defines key terms

Research Objectives



- It explain the reason for carrying out the research.
- In other words “what do we want to achieve”

- The **general objective** of a study states what researchers expect to achieve by the study in general terms.
- It is possible (and advisable) to break down a general objective into smaller, logically connected parts. These are normally referred to as **specific objectives**.

Types of objectives

- **Exploratory**– To gain a deeper understanding of something. (**To gather preliminary information**)
- **Descriptive**– To describe things (**describes data and characteristics about the population or phenomenon being studied**)
- **Causal**– To find cause and effect relationship

Why should research objectives be developed?

- **The formulation of objectives will help you to:**
 - Focus the study (narrowing it down to essentials);
 - Avoid the collection of data which are not strictly necessary for understanding and solving the problem you have identified; and
 - Organize the study in clearly defined parts or phases.

Research Questions



- A Research Question is a statement that identifies the phenomenon to be studied.
- It should facilitate achieving the research objectives

Typical problems in wording questions

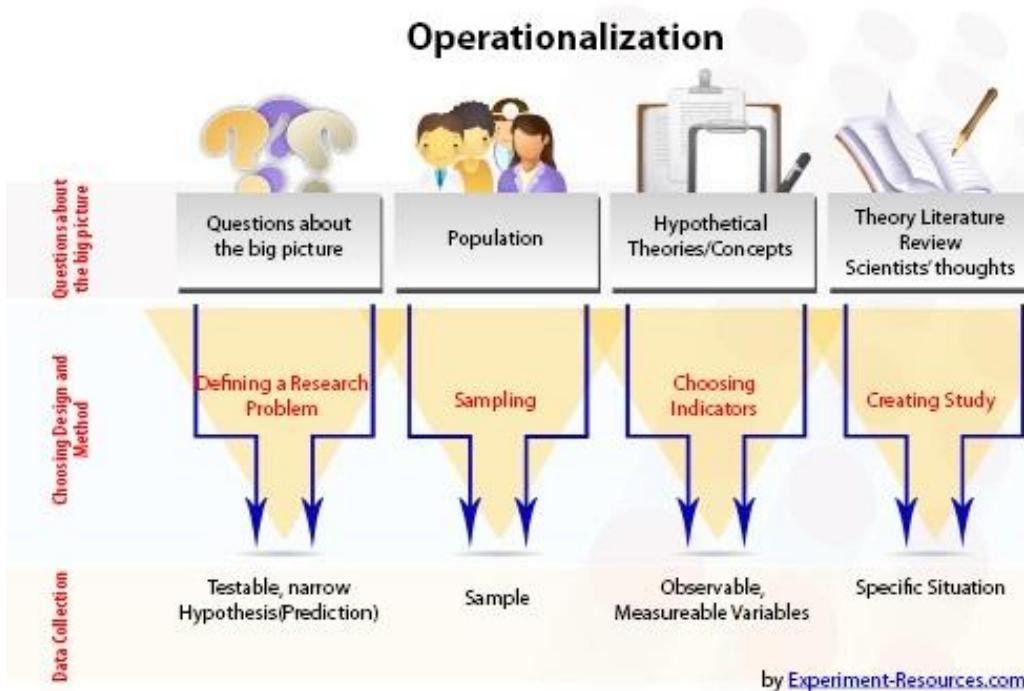
PROBLEM	SAMPLE QUESTION	EXPLANATION OF PROBLEM
Leading question	Why do you like Wendy's fresh meat hamburgers better than those of competitors?	Consumer is led to make statement favoring Wendy's hamburgers.
Ambiguous question	Do you eat at fast-food restaurants regularly? <input type="checkbox"/> Yes <input type="checkbox"/> No	What is meant by word <i>regularly</i> —once a day, once a month, or what?
Unanswerable question	What was the occasion for eating your first hamburger?	Who can remember the answer? Does it matter?
Two questions in one	Do you eat Wendy's hamburgers and chili? <input type="checkbox"/> Yes <input type="checkbox"/> No	How do you answer if you eat Wendy's hamburgers but not chili?
Nonexhaustive question	Where do you live? <input type="checkbox"/> At home <input type="checkbox"/> In dormitory	What do you check if you live in an apartment?
Nonmutually exclusive answers	What is your age? <input type="checkbox"/> Under 20 <input type="checkbox"/> 20–40 <input type="checkbox"/> 40 and over	What answer does a 40-year-old check?



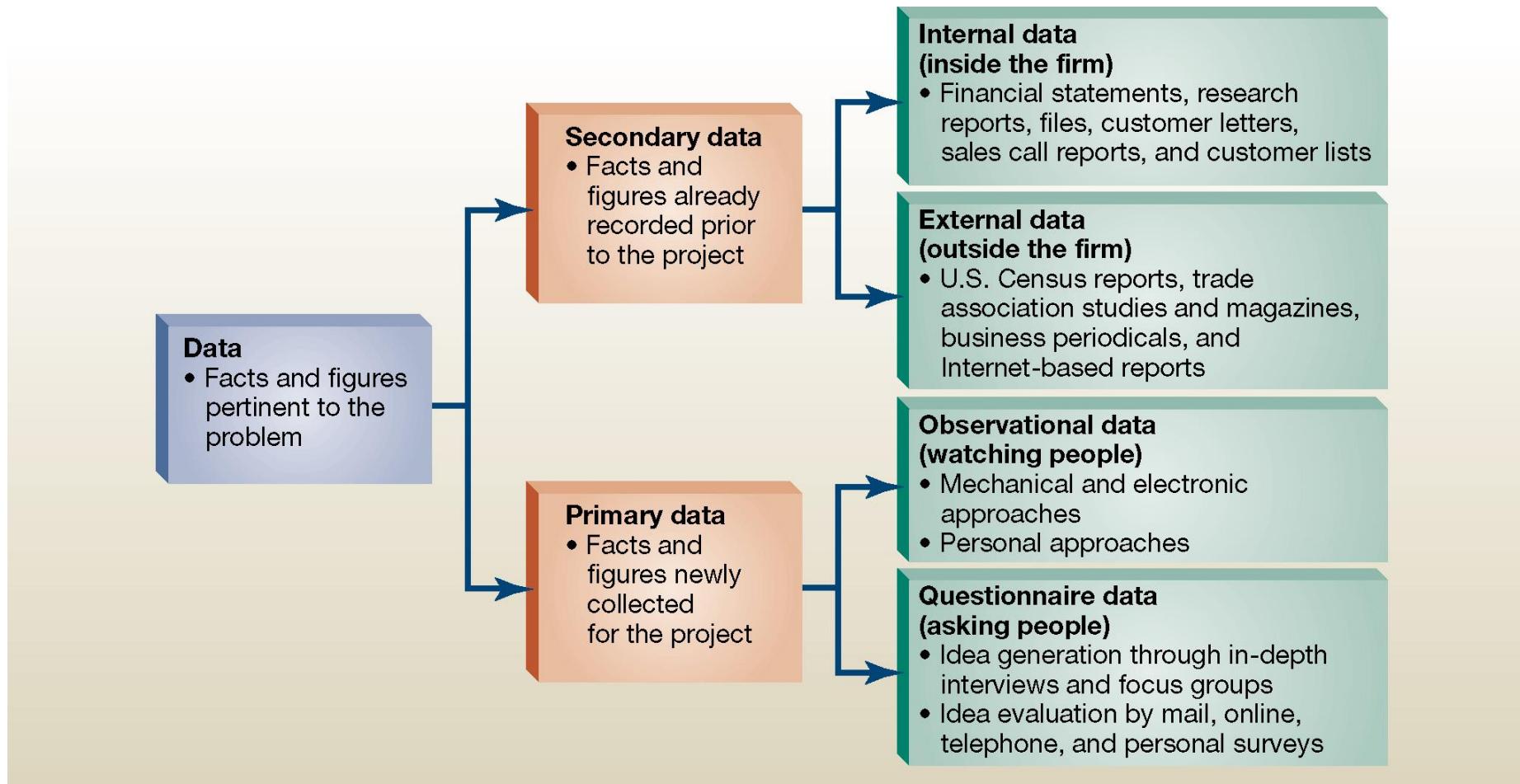
Research Methodology

- **It identifies and explains:**
 - **What data we need to achieve the objectives**
 - **How to collect this data**
 - **How to analyze the data**
 - **How to interpret the findings**
 - **etc**

- This includes:
 - Operationalization
 - Variables
 - Population
 - Sample
 - Data collection techniques
 - Data processing
 - Data analysis tools



Type of Data to be Collected



Quantitative and Qualitative Information:

- **Quantitative** – based on numbers – e.g: 56% of 18 year olds drink alcohol at least four times a week - **doesn't tell you why, when, how**
- **Qualitative** – more detail – tells you why, when and how!



Protecting Your Business

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Copyrightable works

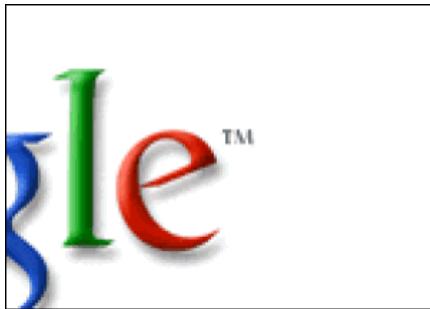
- **Literary works**
- **Musical works**
- **Dramatic works**
- **Pictorial, graphic and sculptural works**
- **Motion pictures and audio visual works**
- **Sound recordings**
- **Architectural works**
- **Electronic media**

Visually perceptible copies should contain all of the following three elements

- 1.The copy right symbol “©” or the word “copyright” or abbreviation “copr”**
- 2.The year of first publication of the work**
- 3.The name of the owner of the copyright**

e.g. © 2006 Shyaman Udayanga

Trademark



- A trademark is a distinctive word, phrase, logo, graphic symbol, slogan, or other device to identify the source of a product and distinguish a manufacturer's or merchant's product from others

Patent

The State grants to the inventor, by means of a patent, **the right to exclude others from making, using and selling the qualified invention for a period of 20 years from the date of application** for patent. The owner of the patent can use, sell or license the patented technology and derive financial benefits.

GEOGRAPHICAL INDICATIONS (GI)

- It is a name or sign that is used on goods and that indicates that the goods have special quality, character or reputation because they are originating from specific place (country or a place of a country). (like Ceylon Tea, Ceylon Cinnamon, Ceylon Sapphire, Nuwaraeliya Tea and Ruhunu Curd.)

- **Why protected:**

As they carry the symbol of quality , character or reputation of the particular goods help greatly commercialize the goods. The abuse or misrepresentation are harmful to both the owners of GI and the consumers.

- **Trademark v. GI:**

A mark is a sign serving to distinguish the goods or services of different enterprises. GI indicates and informs the consumers and traders that a product is originating from a place and has some special quality, character or reputation.

Procedure

National Intellectual Property Office of Sri Lanka.

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Thanks

