

University of Dar es Salaam



Department of Mechanical and Industrial Engineering

IE 445: Entrepreneurship for Engineers

Organization & *Management Analysis*

Organization and Management

- **The Organization and Management (O&M)** study aims at drawing up an effective organisation and management plan to achieve the entrepreneur's objectives.
- **O&M** distinguishes the organisation and management activities for the pre-operating period from that for the project operation

Organization & *Management Analysis*

- Business Name and Logo
- Story of the Business
- Legal Personality
- Bio-Data of the Entrepreneur
- My Bio-Data
- The Organization Structure
- Salaries or Indirect Labours
- Office Supplies
- Activities Before Operation
- Indirect Operating Expenses

Types Of Organizations

A. Manufacturing organizations

- Manufacturing organization include all chemical and process organization, engineering, mining, etc.
- Transformation of inputs in terms of form, shape, structures, etc., to obtain final product.

There are three major categories:

- Mass production organizations
- Job shop production organizations
- Batch manufacturing organizations

Comparison of Process Structures and Characteristics

A. Manufacturing organizations

	Project	Job Shop	Batch Process	Assembly Line	Continuous Flow
Flow	None —————> Continuous				
Flexibility	High —————> Low				
No. of Products	High —————> Low				
Capital Investment	Low —————> High				
Variable Cost	High —————> Low				
Labor Content	High —————> Low				
Labor Skill	High —————> Low				
Volume	Low —————> High				

- Project - Example: building construction
- Job shop - Example: print shop
- Batch process - Example: bakery
- Assembly line - Example: automobile production line
- Continuous flow - Example: oil refinery

Cont.... Types of Organizations

B. Service Organizations

- Service organization **changes the state/condition** utility of a customer.
- These include training institutions, hospitals, prisons, hotels, and accommodations, etc.

C. Supply Organizations

- Here there is a **change of ownership of the item**.
- Supply organizations includes; shops fuel station, commercial banks, etc.

Cont.. TYPES OF ORGANIZATIONS

D. Transport organizations

- There is a change in location utility from location A to B
- These includes land transportation, air and sea transportation.

Summary:

- It is possible to find all four features in one organization, but the core feature is the one which underpin the identity of that particular organization.

Business Name and Logo

- **The business name is a very important decision for entrepreneurs.**
- It reflects the image and personality of the business as much as your name or your clothes do.
- Yet, many do not give it the appropriate attention due. Most take the easy way out--use their name or copy others--and then attach the type of business.
- For example, **RUGAIKANGA General Enterprise** and **JIGANGA Multi-Store**.
- There are no hard and fast rules in naming businesses--except that, **THERE SHOULD BE NO OTHER BUSINESS USING IT.**
- **Your business name should be unique**, meaningful to your intended customers and future-oriented.
- **NOTE: What is/will be the name of your proposed business?**

Elements of a Great Business Logo

- 1) It's **simple**. It's easy to fall into the trap of thinking that your logo needs to be complex, but the best logos are often the most simple. **Think of Nike, Apple and Target** — all three brands have incredibly simple logos.
- 2) It's **memorable**. Just because your logo should be simple doesn't mean it should be boring. Most effective logos have one unique feature that makes them memorable and easily stand out to viewers.
- 3) It's **timeless**. You also want your logo to be timeless — it should be relevant to what's going on today but not so trendy that it will quickly become outdated.
- 4) It's **relevant**. Your logo should also be relevant to your business and industry in some way.
- 5) It has **high-quality typography**. The typography you choose communicates a lot about your brand to customers. Choosing the **right font can communicate likeability**, whereas the wrong font could communicate distrust and negative connotations.

Elements of a Great Business Logo

- 6) It contains the **appropriate colors**. Similar to fonts, the colors you use in your logo will send a strong message to your customers.
 - Here are **some colors** you can include in your logo and **what they represent**:
 - a) **Blue**: Communicates honesty, trust and reliability.
 - b) **Green**: Communicates balance, health and knowledge.
 - c) **Red**: Communicates excitement, love and anger.
 - d) **Yellow**: Communicates adventure, happiness and enthusiasm.
 - e) **White**: Communicates order and cleanliness.
- 7) It's **versatile**. Finally, you want your logo to be versatile and capable of being used in many different contexts. You're not just going to slap a logo on your website and forget about it — you'll probably also use it on **social media**, **marketing materials** and **even products you sell**.

Common mistakes in a bad Business Logo

The most common mistakes in bad logo design so you know what to look out for. If you're already guilty of one of them, don't worry—find out the solutions!

- Outdated logos
- Logos that are too detailed
- Logos with irrelevant imagery
- Vague logos
- Logos with conflicting themes
- Generic logos
- Confusing logos
- Just plain ugly
- How to turn over a new leaf



Confusing Logo



Irrelevant imagery

Business Name and Logo

On your right, draw or describe your business logo.	The Business Logo	What does it mean?
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Story of the Business

- ❖ It is important for your readers to know the sequence of events that led you to start the business.
- ❖ This will help them identify your **motivations** and **interests**.
 - ❖ What really attracted you to the business?
 - ❖ Was it the idea?
 - ❖ Was it your past experiences?
 - ❖ Was it the big market?
 - ❖ Was it to do something different?
 - ❖ Was it your partner or your wife who convinced you?
 - ❖ Are you just copying others?
 - ❖ Are you just fulfilling the requirements of the course?
- ❖ Are these important? **Yes**, they indicate your commitment to the business. Are you the type who easily give up? Are you the type who will make the business succeed no matter what? Tell the readers your story!

Story of the Business

Describe the events and factors that led you to start the business.

History of the Business

Story of the Business

- Other Management and Entrepreneurship Training
- The other management and entrepreneurship training attended by the entrepreneurs are listed in the table below:

List the other management courses that you took last year that relate to the business, how much did you spent on them?	Courses	Duration	Cost
		TOTAL	

Bio-Data of the Entrepreneur

- ❖ **Bio-Data:** details of a person's life, education, and career; biographical details.
- ❖ Like applying for a job, you need to convince your readers that you are the **best** and perhaps the only one who can manage the proposed business.
- ❖ Tell them who you are by emphasizing your **competencies**, **your past experiences** (where and when you worked), **your skills**, **your family**, **your associations with other people**, **your friends**, **your travels outside your town**, **the books you read**, and **how you spend your spare time**.

My Bio-Data

*Write your brief
bio-data in your
proposal.*

My Bio-Data

The Organization Structure

The Organization Structure

- Organizational structure is the framework of the relations on jobs, systems, operating process, people and groups making efforts to achieve the goals (Monavarian, Asgari, & Ashna, 2007)
- **An Organizational Structure (Organogram)** shows
 - ✓ The chain of command;
 - ✓ Relationship; and
 - ✓ Positions

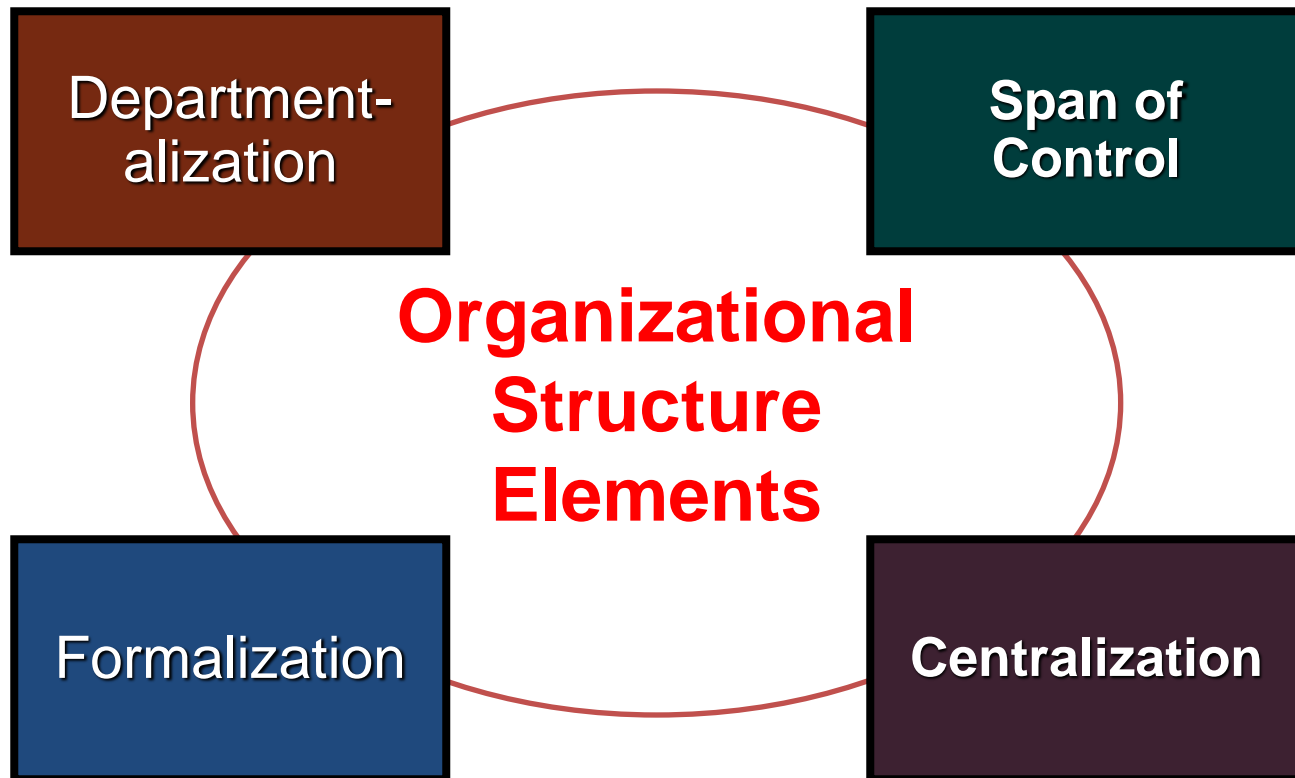
The Organization Structure

- Let us now consider your organization.
- Many entrepreneurs fail to organize properly. They assume that they can do everything themselves. **Becoming the worker and manager simultaneously. They don't even hire assistants.**
- **It is important to organize your work properly.**
- Consider the daily tasks.
 - Who will do the selling (for example; making cold calls, promoting, delivery, collecting, servicing, etc.)?
 - Who will produce (for example; buying materials, manufacturing, checking quality; supervising workers; controlling electricity, etc.)?
 - Who will manage the funds (for example, paying workers, bank, creditors, updating and keeping financial records, etc.)?

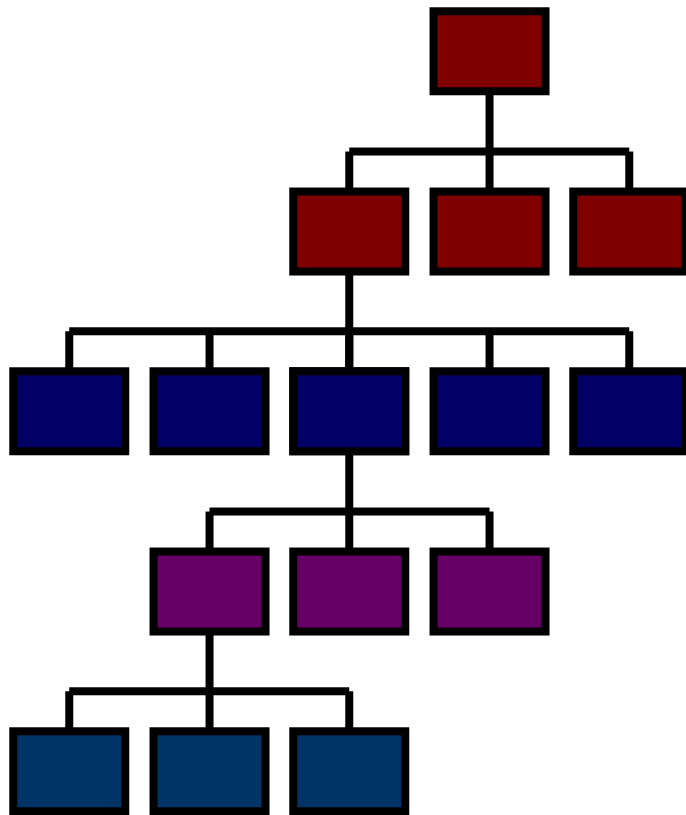
The Organization Structure cont...

- How you deal with these questions will help you organize your work.
- Do you need indirect workers?
- Can you assign someone to do the production, marketing and finance functions?
- **Maybe your wife/husband/relative** can do the finance or selling bits.
- Perhaps another jobless friend or relative can do other tasks better than you can?
- **Remember, any unattended task means that you have to do the function--everyday! Can you?**

Elements of Organizational Structure



Span of Control



- Number of people directly reporting to the next level
 - Assumes coordination through direct supervision
- Wider span of control possible:
 - with other coordinating methods
 - employees perform similar tasks
 - employee skills are standardized
 - tasks are routine
- Moving to flatter structures

Centralization and Decentralization

Centralization

Formal decision making authority is held by a few people, usually at the top

Decision making authority is dispersed throughout the organization

Decentralization

Formalization

- Causes
 - As firms get older, larger, and more regulated
 - Necessary for Clerks due to quantity of statutes, rules, ordinances, administrative orders, etc.
- Problems
 - Reduces organizational flexibility
 - Work rules can undermine productivity
 - Employee alienation, powerlessness
 - Rules become focus of attention

Mechanistic vs. Organic Structures

Mechanistic

- Narrow span of control
- High formalization
- High centralization

Organic

- Wide span of control
- Little formalization
- Decentralized decisions

Effects of Departmentalization

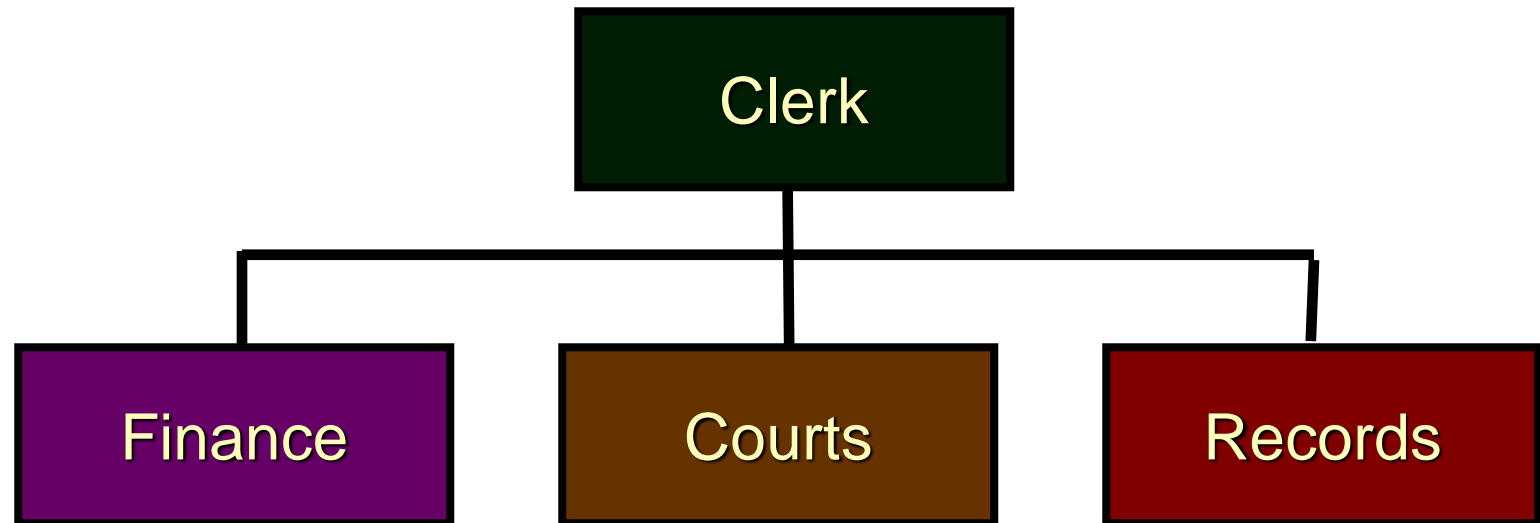
1. Establishes work teams and supervision structure
2. Creates common resources, measures of performance, etc
3. Coordination through informal communication

Features of Simple Structures

- Minimal hierarchy -- staff reports directly to owner
- Roles are fairly loosely defined for flexibility
- Informal communication for coordination
- Centralized structure -- owner makes most decisions

Functional Organizational Structure

Organizes employees around specific knowledge or other resources (marketing, production)

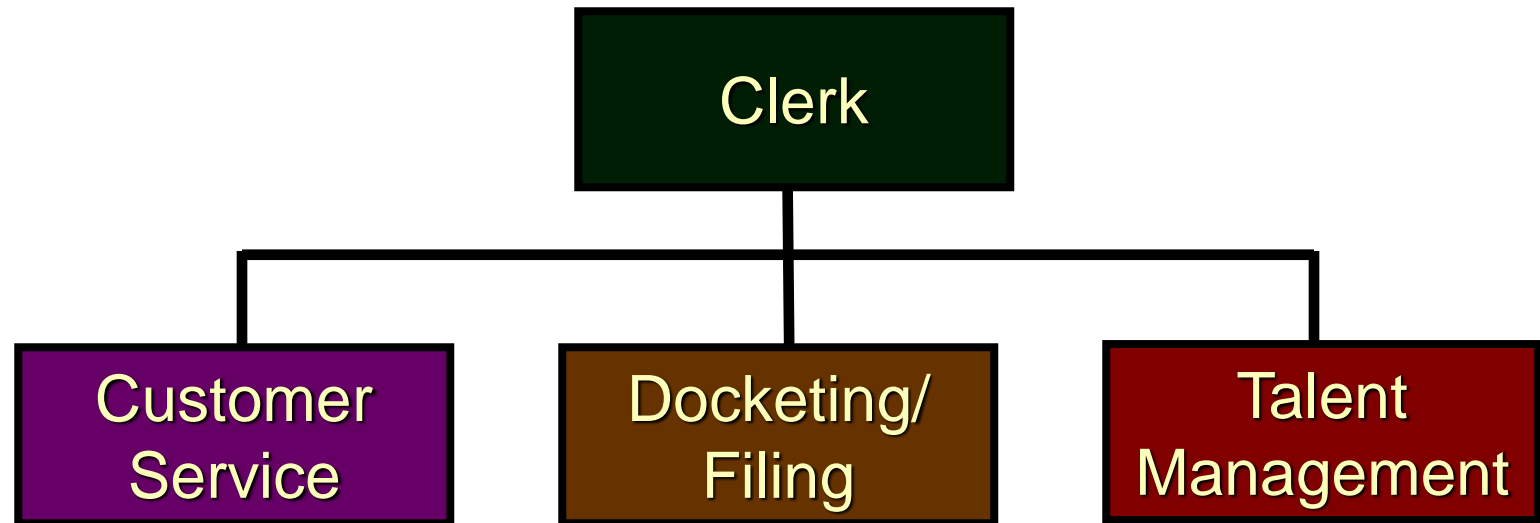


Evaluating Functional Structures

- Benefits
 - Supports professional identity and career paths
 - Permits greater specialization
 - Easier supervision --similar issues
 - Creates an economy of scale --common pool of talent
- Limitations
 - More emphasis on subunit than organizational goals
 - Higher dysfunctional conflict
 - Poorer coordination -- requires more controls

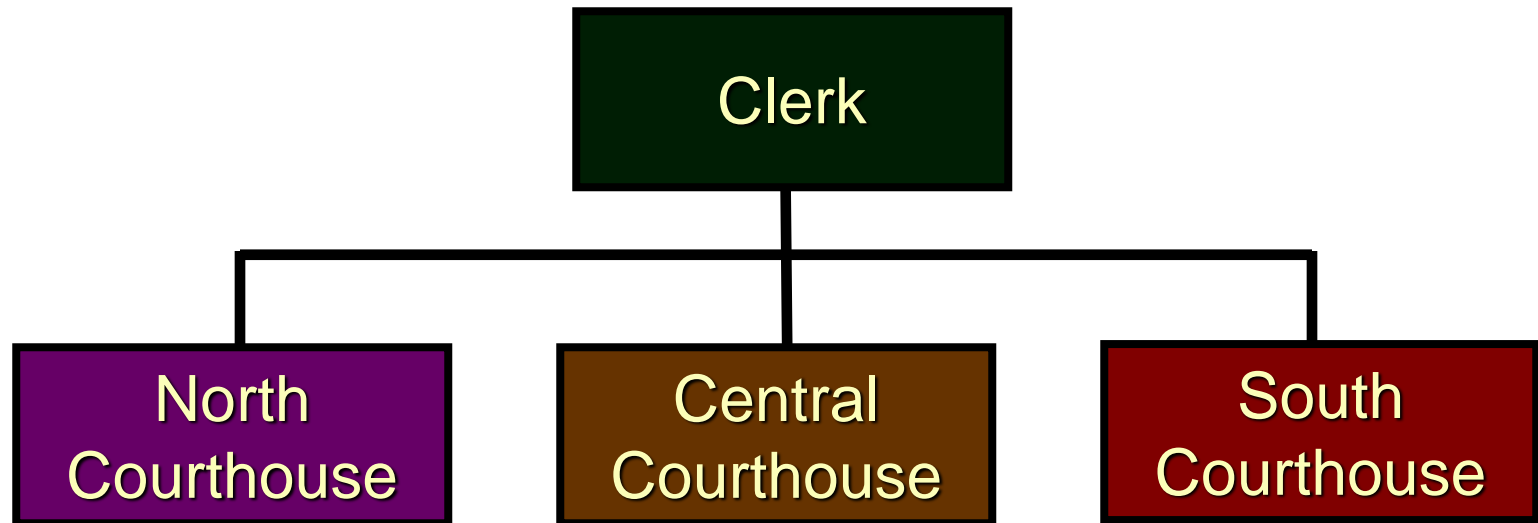
Divisional Structure (Example I)

Organizes employees around **outputs**, clients, or geographic areas



Divisional Structure (Example II)

Organizes employees around outputs, clients, or
geographic areas

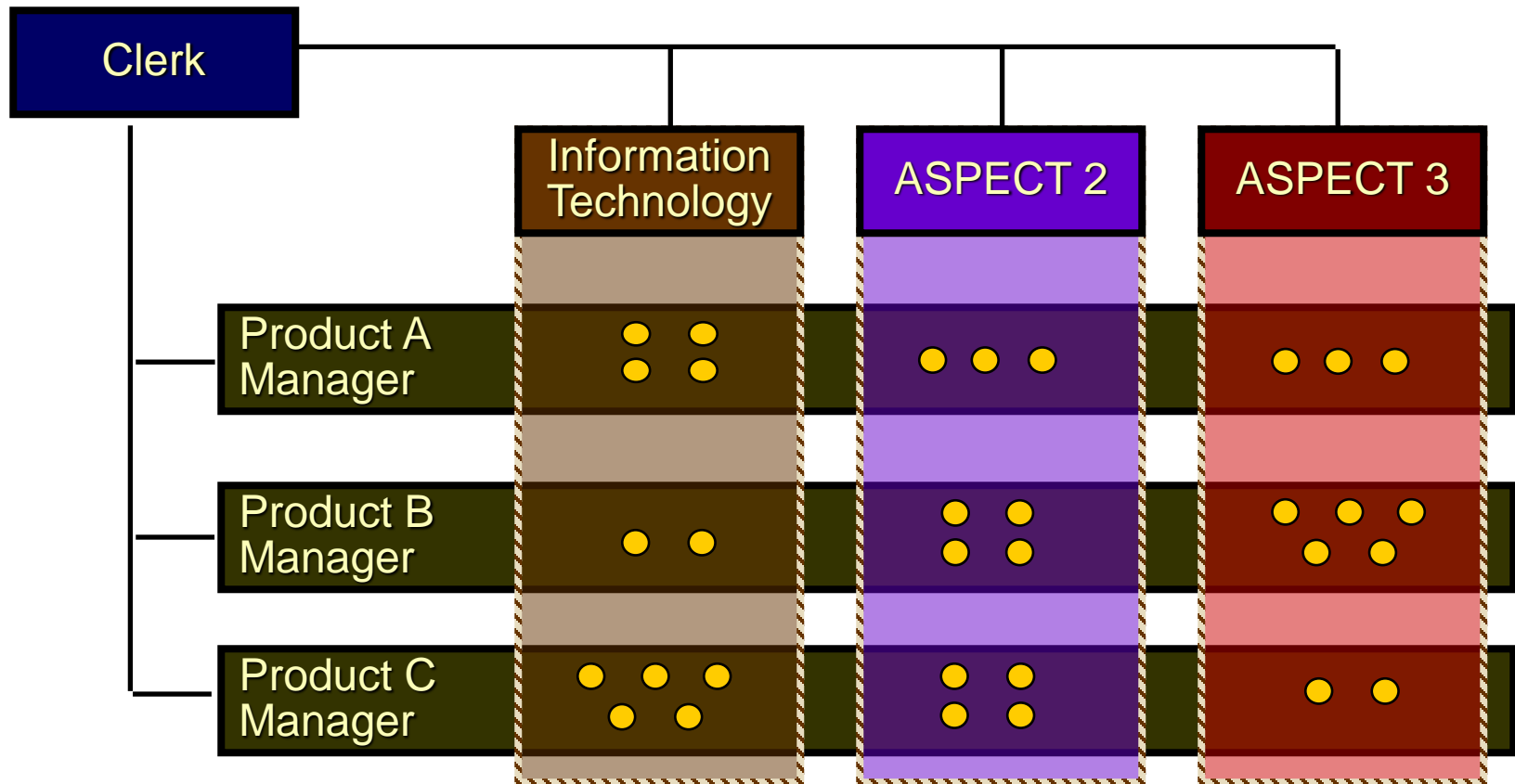


Evaluating Divisional Structures

- Benefits
 - Building block structure -- accommodates growth
 - Better coordination in diverse markets
- Limitations
 - Duplication, inefficient use of resources
 - Specializations are dispersed, creating silos of knowledge

Matrix Structure (Project-based)

Employees (●) are temporarily assigned to a specific project team and have a permanent functional unit



Evaluating Matrix Structures

- Benefits
 - Uses resources and expertise effectively
 - Improves communication, flexibility, innovation
 - Focuses specialists on clients and products
 - Allows interaction within specialty across groups
- Limitations
 - More coordination required within group
 - Two bosses dilutes accountability
 - More conflict, organizational politics, and stress

Team-Based Structure Features

- Self-directed work teams
- Teams organized around work processes
- Very flat span of control
- Very little formalization
- Usually found within divisionalized structure

Network Organizational Structure



Key Points to Take Away: Organizational structure

- There is no right or wrong way to organize your office.
- What works today may not be the best structure a year from now.
- A mixed organizational structure may be used.
- Projects/company may require temporary adjustments to the organizational structure.

Form of Organizations

Legal Personality

- The choice of the legal personality for the proposed business is yet another very important management decision.
- Select either sole proprietorship, partnership, or limited liability.
- Your choice will significantly affect the management style, operations, decision making, future tax payments, and ease in raising capital.
- In fact, even the start-up process can either become either easy or difficult and short or long.
- **Consider your legal personality carefully!**

Form of Organizations

1. Single (sole) proprietorship
2. Partnership (general, limited, & Limited Liability Partnership - LLP)
3. Private Limited Company or close corporation or Public Limited Company

Single (sole) proprietorship is characterised by:

- One person is sole owner;
- Less government control;
- Generally, no income tax on business, only on owner;
- Unlimited personal liability for business debts; - **Owner is 100% responsible for the business**
- Termination upon death of owner;
- Owner is mostly the entrepreneur and general manager.

Partnership characterised by:

- Two or more persons as owners;
- Some owners may be active in management, others only as financiers;
- **Partnership Agreement and duties- Legal Document that defines the details of each partner**
- Unlimited personal liability for business debts;
- Termination upon death of any one of the partners;

Company or close corporation (cc) characterised by:

- A legal entity where the owners are shareholders (stock ownership);
Example: Apple, Wal-Mart, etc.
- Corporation has separate and legal personality distinct from owners (stockholders or shareholders);
- Continuity unaffected by debt or transfer of ownership;
- Subject to more government control than a sole proprietorship or partnership;
- Income tax on profits and dividends;
- Corporation mostly managed by professional managers as distinct from the shareholders;
- Close corporations have mostly family members and/or friends as stockholders;
- A corporation which issues stocks to the public is also called a public company.
- **Articles of Incorporation- Legal documents that defines the details of the corporation.**
- **Stock- shares of ownership in a corporation**
- **Limited Liability- The risk is limited to your investment.**

Legal Personality

Sole Proprietorship	Partnership	Limited Liability
Advantages <ul style="list-style-type: none"> • <i>Low start-up costs</i> • <i>Owner has direct control and makes all decisions</i> • <i>All profits go to the owner</i> 	Advantages <ul style="list-style-type: none"> • <i>Divided start-up costs</i> • <i>Shared managerial and leadership responsibilities between partners</i> • <i>Easier access to capital</i> 	Advantages <ul style="list-style-type: none"> • <i>Liability is limited to the business</i> • <i>Easier to raise capital</i> • <i>Management is more accountable</i> • <i>Has a board of directors</i>
Disadvantages <ul style="list-style-type: none"> • <i>Owner is personally liable for all losses</i> • <i>Difficult to raise additional capital</i> • <i>Management is limited</i> 	Disadvantages <ul style="list-style-type: none"> • <i>Partners are personally liable for losses</i> • <i>Profits are divided</i> • <i>Confusion in managerial roles</i> • <i>Partners disputes</i> 	Disadvantages <ul style="list-style-type: none"> • <i>Closely regulated by Government</i> • <i>Extensive record-keeping</i> • <i>Most expensive to start</i> • <i>Taxes are charged twice</i>

Other Forms Of Ownership

- What are the other specialized forms of business ownership?

The choice of organization depends on:

- The objectives of the entrepreneur;
- Capabilities of the entrepreneur, such as his/her managerial and technical expertise, size of investment, desire for financial and management control, ability to attract financing, protection of confidential information;
- Entrepreneur's view of the liabilities associated with each type of organisation.

Factors for Choosing an Organizational Type

- Taxation – Taxes on profits are paid through personal tax returns except for corporations
- Liability and Risk – Responsibility for harm to another person or property, or contract disputes
- Management – Decision-making authority
- Continuity and Transferability – How a business persists and how it is sold
- Expense and Formality – Costs, legal responsibility, degree of complexity

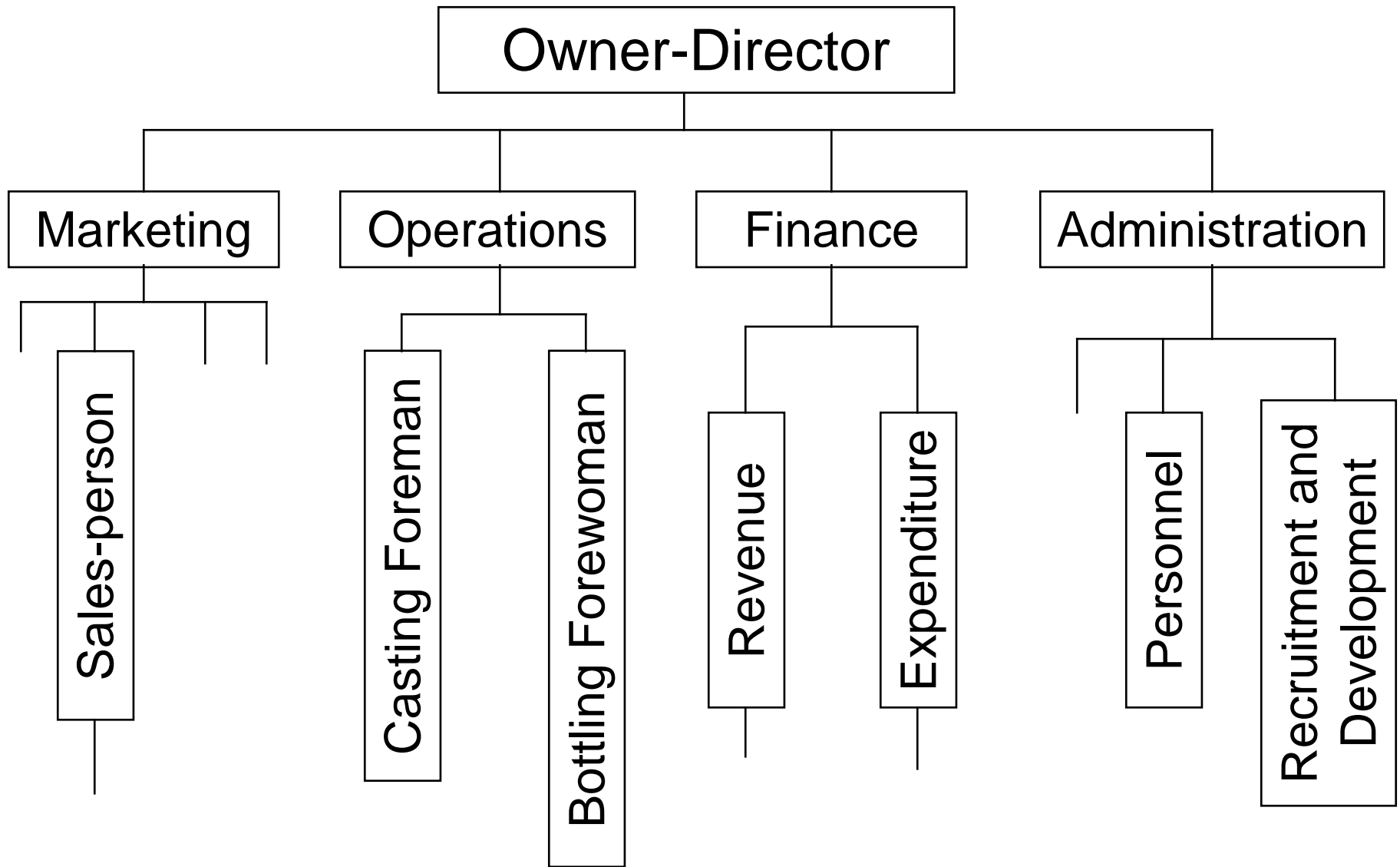
Which organizational factors have the most impact on your business?

Designing an organization structure

Requires an understanding of the following elements:

- Identification of the major and key activities to be done to meet business (project) objectives;
- Grouping of these activities into related functions;
- Assigning of various functions to specific positions;
- Determination of relationships of the various activities to achieve co-ordination and unity of effort;
- Fixing of responsibility and authority for each task.

Organizational Structure (Organogram)



Staffing Pattern

- Staffing pattern indicates the personnel requirement by function (marketing, production, administration, finance) and an estimate of compensation for work input.
- **Personnel requirement include:**
 - Position titles;
 - Necessary qualification, and
 - Number of personnel for each position

Lending institutions normally require:

- Bio-data of the entrepreneur and his key staff;
- Management's experience, **character and capability** are crucial factors in loan approval, even in determining collateral requirements and other loan conditions.

How will the business be managed and operated?

- Some structure of authority and responsibility (chain of command),
- Division of labour (job distribution), and
- Definition of what each one must do in the business (job description).
- And therefore, the business needs an organisational structure. This is mostly depicted through an organisation chart.

What pre-operating activities must be undertaken before the business can operate?

- Attendance at a training programme (whether skill-related, management or entrepreneurship),
- Preparing a business plan, doing a market survey, making trips to machinery and raw materials suppliers,
- Registering the business,
- Hiring a consultant,
- Trial operation, etc.

Usefulness of a Gantt chart

- Helps an entrepreneur to list and document all pre-operating activities and decides:
 - When each activity will take place and
 - How long it will be, and
 - Who does it,
 - How much it will cost (determines pre-operating expenses)

Salaries for Top Management Staff

Salaries for Top Management Staff

- After organizing, calculate the **salaries** of those who will be working with you.
- Begin by calculating **salary** of the **owner-manager**.
- This is not an easy one for most entrepreneurs. There is a simple guide to help arriving at the right numbers.
- The salaries of others are relatively easy to calculate.
- Finally, **identify all office supplies needs and how much to spend on them.**

Salaries of Top Management Staff cont....

- **Owner's Salary**
- The owner's salary is calculated in the table below:

<i>Calculate your salary by looking at your monthly expenses. Then decide your salary. Don't forget, you may have other incomes too.</i>	Estimated Expenditure	Monthly
	House Rent/ Payments	
	Electricity	
	Water	
	Communications and Telephones	
	Food, general housekeeping expenses	
	Clothing	
	Personal insurance	
	Schooling of children	
	Sub-total - Expenditure	

Salaries for Top Management Staff

cont..

<i>Calculate your salary by looking at your monthly expenses. Then decide your salary. Don't forget, you may have other incomes too.</i>	Estimated Expenditure	Monthly
	Children's expenditure and presents	
	Entertainment and videos	
	Servants	
	Transports	
	Subscriptions to newspapers, etc.	
	Medical Expenses	
	Savings plans	
	Other Recurring Payments:	
	Sub-total - Expenditure	

Other Salaries

Other Salaries

- The other salaries are calculated in the table below:

<i>Calculate other's salary.</i>	Positions	Number	Monthly
	Marketing		
	Production		
	Finance		
	Others:		
		TOTAL	

Office Supplies

- The proposed business will require office supplies particularly during the early start-up period.
- The office supplies include calling cards, letterheads, receipts, journals, cash book, memo pads, check books, etc.
- These supplies must be properly selected and preferably designed to suit the personality of the proposed business.

Office Supplies

- [illegible]

Activities Before Operation

- Finally, list and plan the activities that need to be done prior to the normal operation of the proposed business.
- Some of these are:
 - organizing the business,
 - registering,
 - applying for a loan,
 - waiting for loan releases,
 - buying machinery and equipment,
 - recruiting and training workers, etc.

Activities Before Operation

Activities Before the Operation

- The activities before the operation are listed and arranged in the table below:

[illegible]

Indirect Operating Expenses

- Indirect costs or expenses include the following;
 - Indirect labours costs
 - Office supplies costs
 - Rentals: m/c, office, warehouses, stores, etc.
 - Selling & Marketing Costs

IE 445 TEST

- **VENUE:** YOMBO 4 & 5
- **DATE:** XX MAY 2023
- **DAY:** SUNDAY
- **TIME:** 1200 -1400

