Introduction to Business

TOPIC 6. The Management Function

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The management of the company

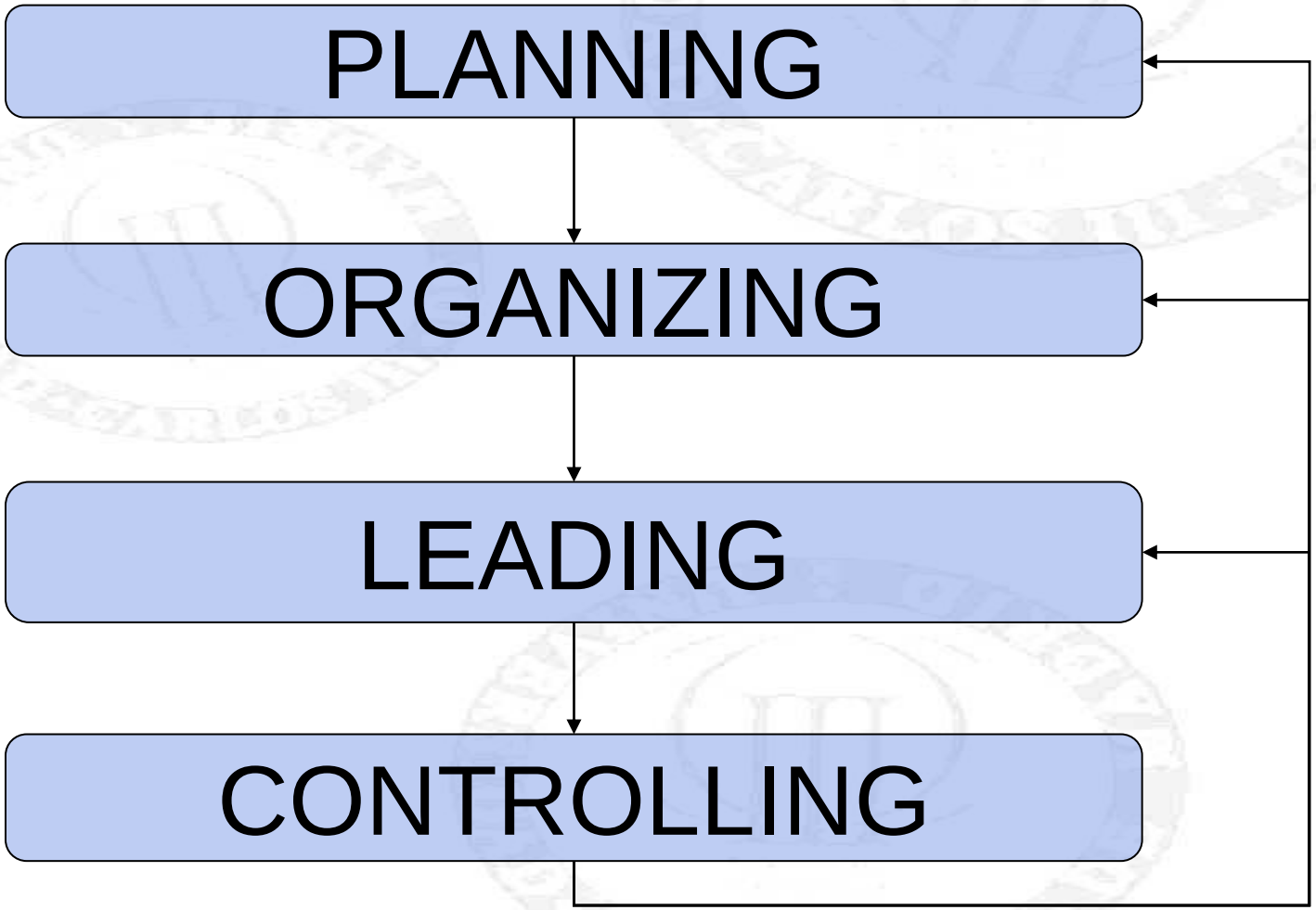
- Managerial functions
  - Decisions and types of decisions
  - Decision-making process
  - Management levels
  - The nature of managerial work (skills and roles)
- Planning
- Organizing (Organizational structure)
  - Formal and informal structures
  - Types of formal structures
- Leading (HR Management)
- Controlling

What is management?

Management is the process of setting and achieving goals through the execution of four basic managerial functions that utilize human, financial and material resources.

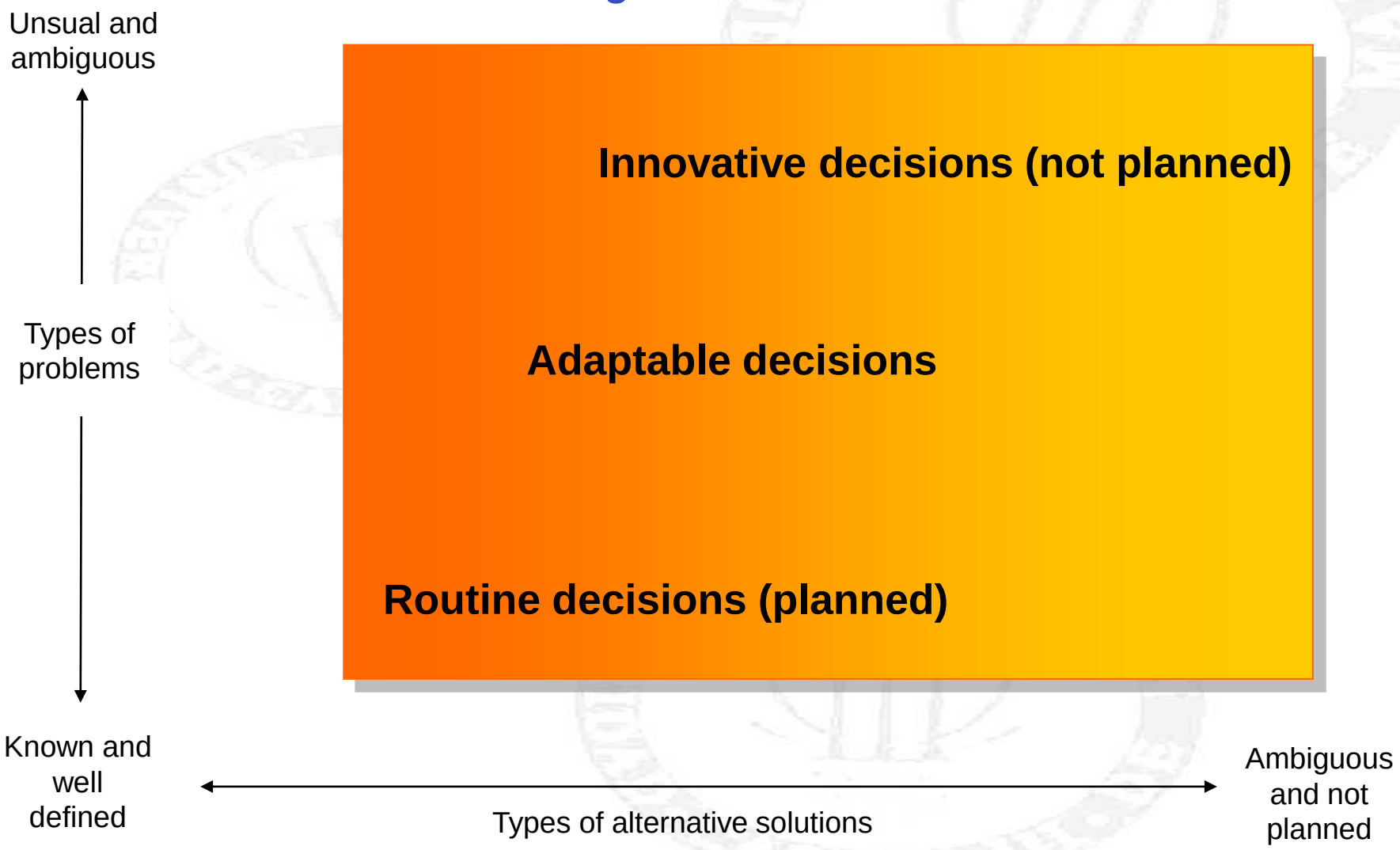
The **management functions** are the four broad activities that managers perform to achieve organizational goals: **planning**, **organizing**, **leading** and **controlling**.

Managerial functions



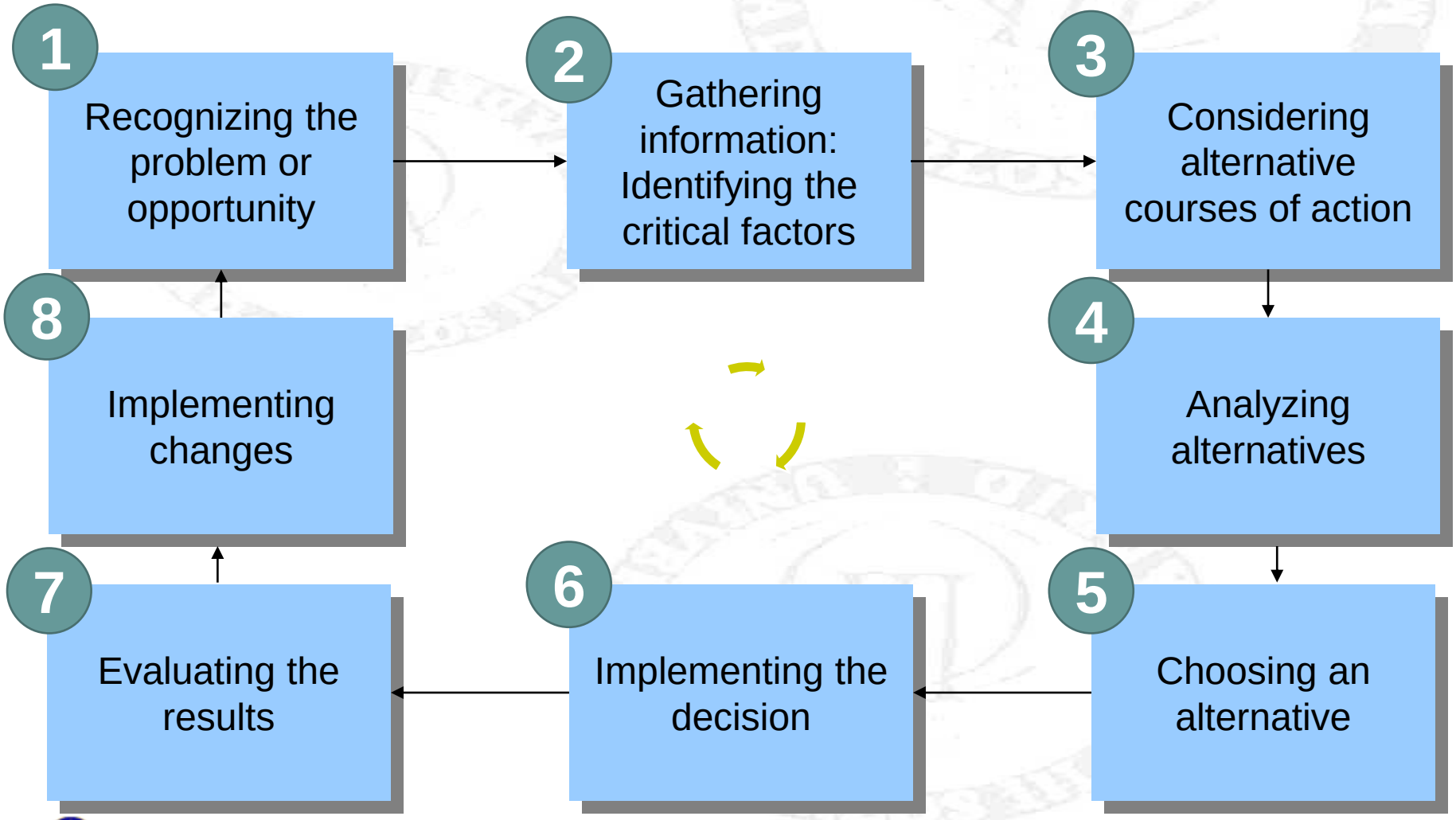
Decisions and types of decisions

Managerial decisions



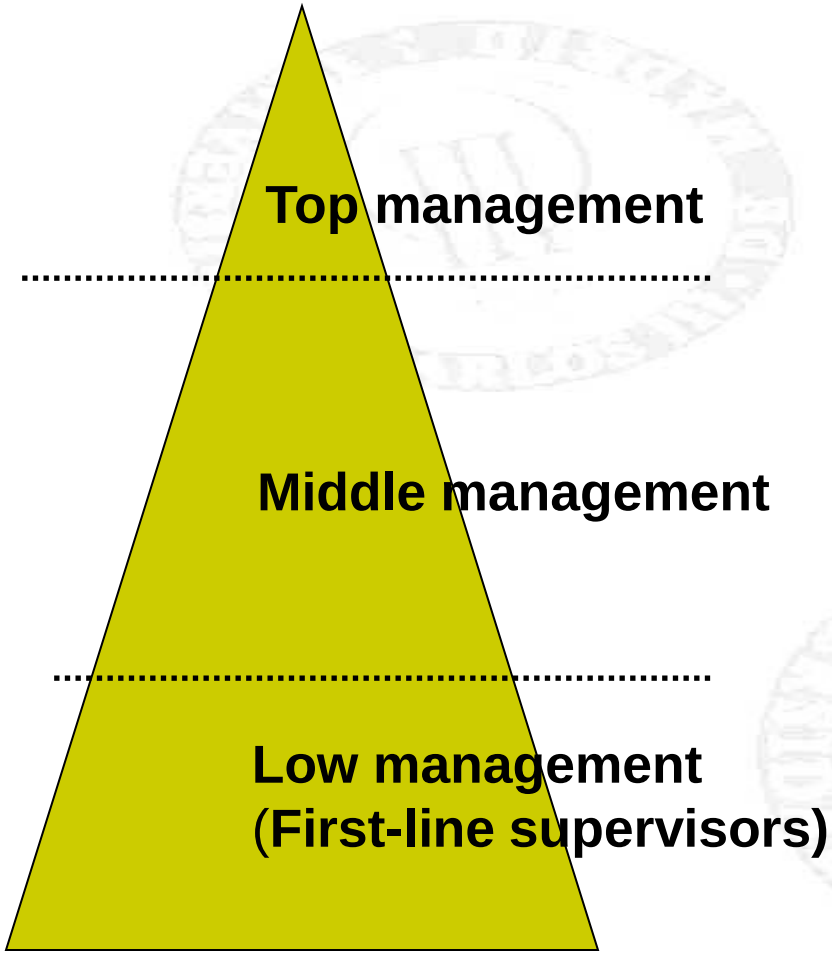
The decision-making process

It is the eight steps that one goes to make a decision



Management levels

"The management pyramid"

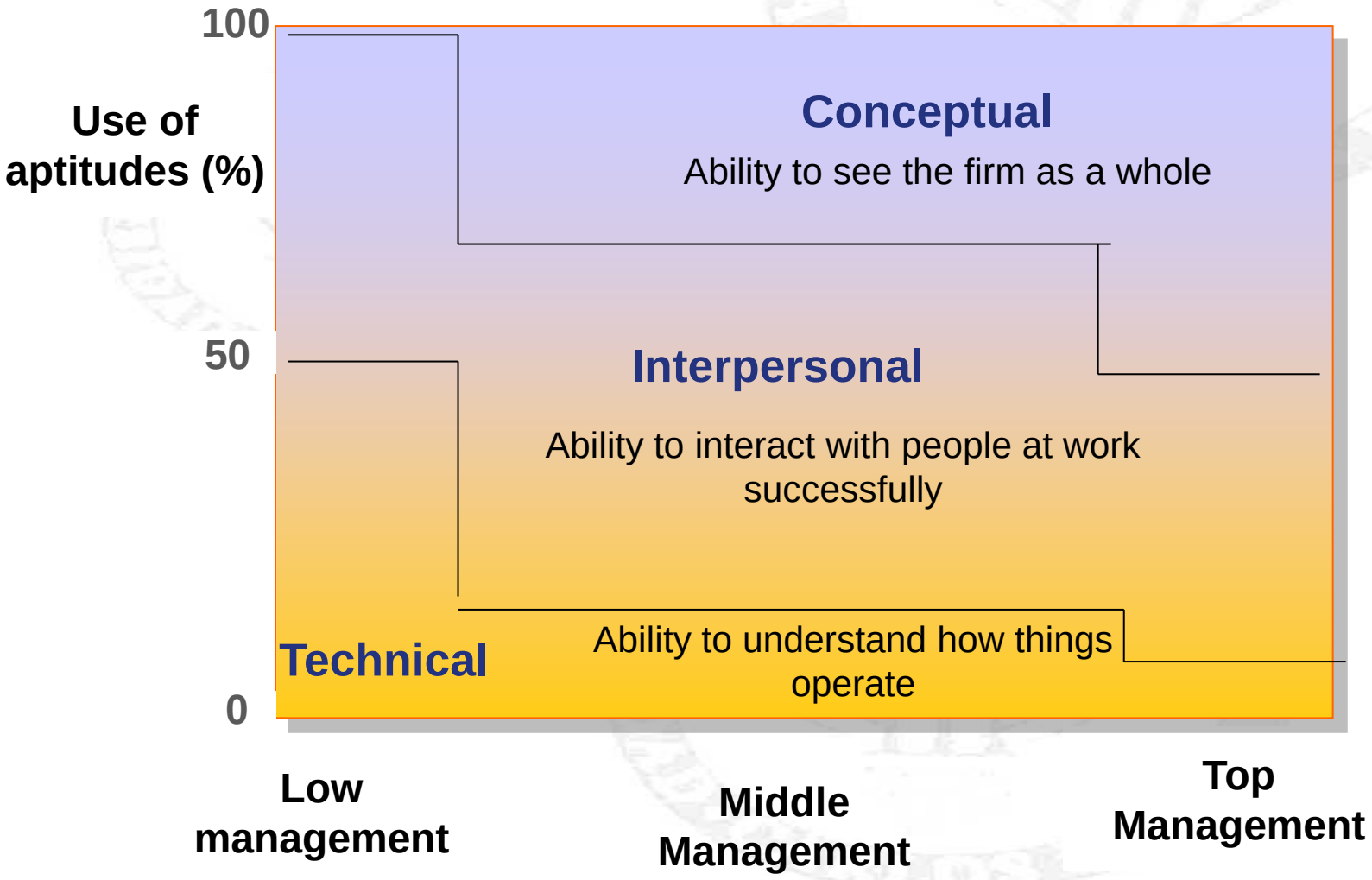


Depending on the scope of activities

Strategical	General
Tactical	Functional

Basic managerial skills

MANAGEMENT HIERARCHY



Managerial roles

Mintzberg (1983): The Managerial Roles

Interpersonal roles

- Figurehead
- Leader
- Liaison

Informational roles

- Monitor
- Disseminator
- Spokesperson

Decisional roles

- Entrepreneur
- Disturbance Handler
- Resource Allocator
- Negotiator

Planning

Planning is the process of setting goals or objectives, and deciding on the strategy to achieve them. A **goal** is a specific achievement to be attained at some future date.

What are the main steps?

1. **Developing forecasts**
2. **Defining strategic objectives**
3. **Developing alternative courses of action**
4. **Deciding on a course of action**

Organizing

Organizing is the process of arranging the human resources of the firm so that their activities contribute to the firm's goals.

The **purpose** of organizing is to give each person a distinct task and to ensure that these tasks are coordinated in such a way that the firm accomplishes its goals.

Organization chart is a graphic representation of the organization structure.

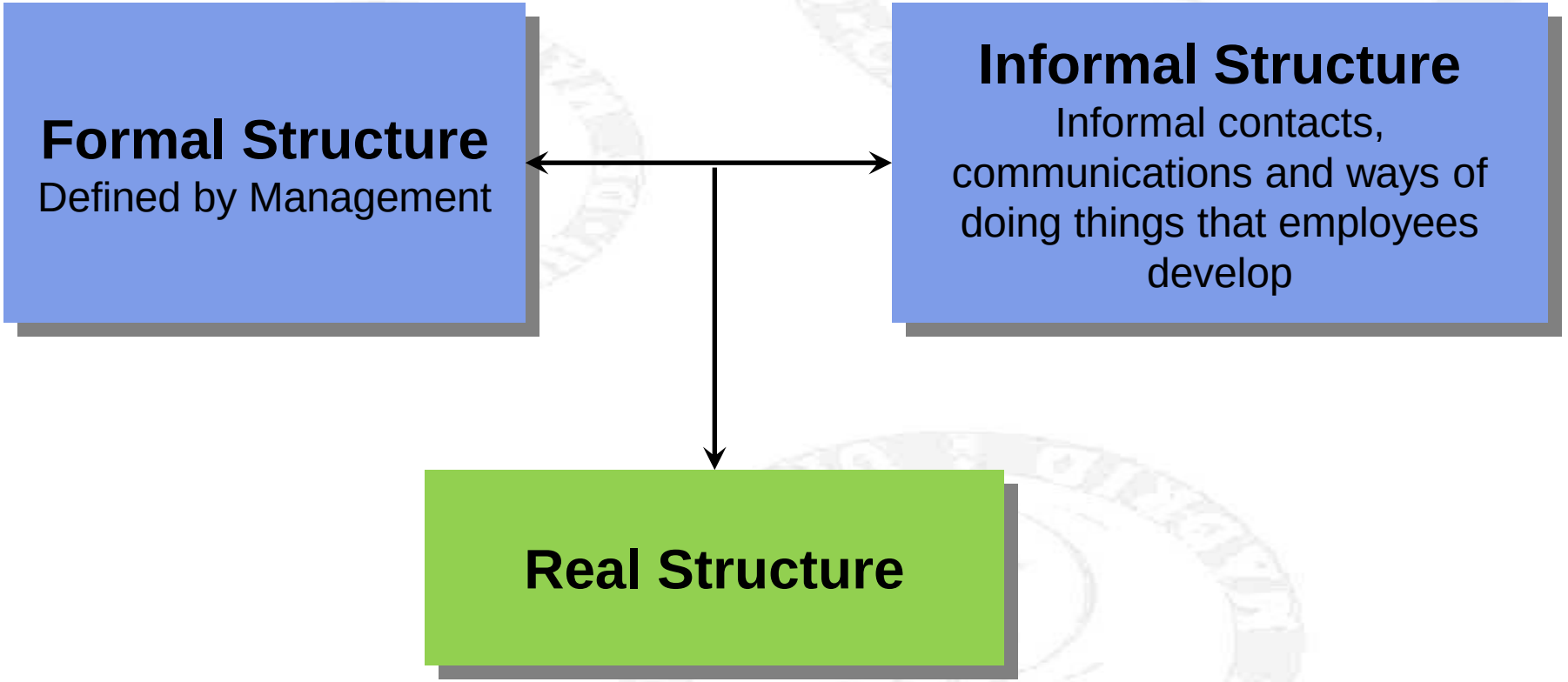
Organizing implies a double process



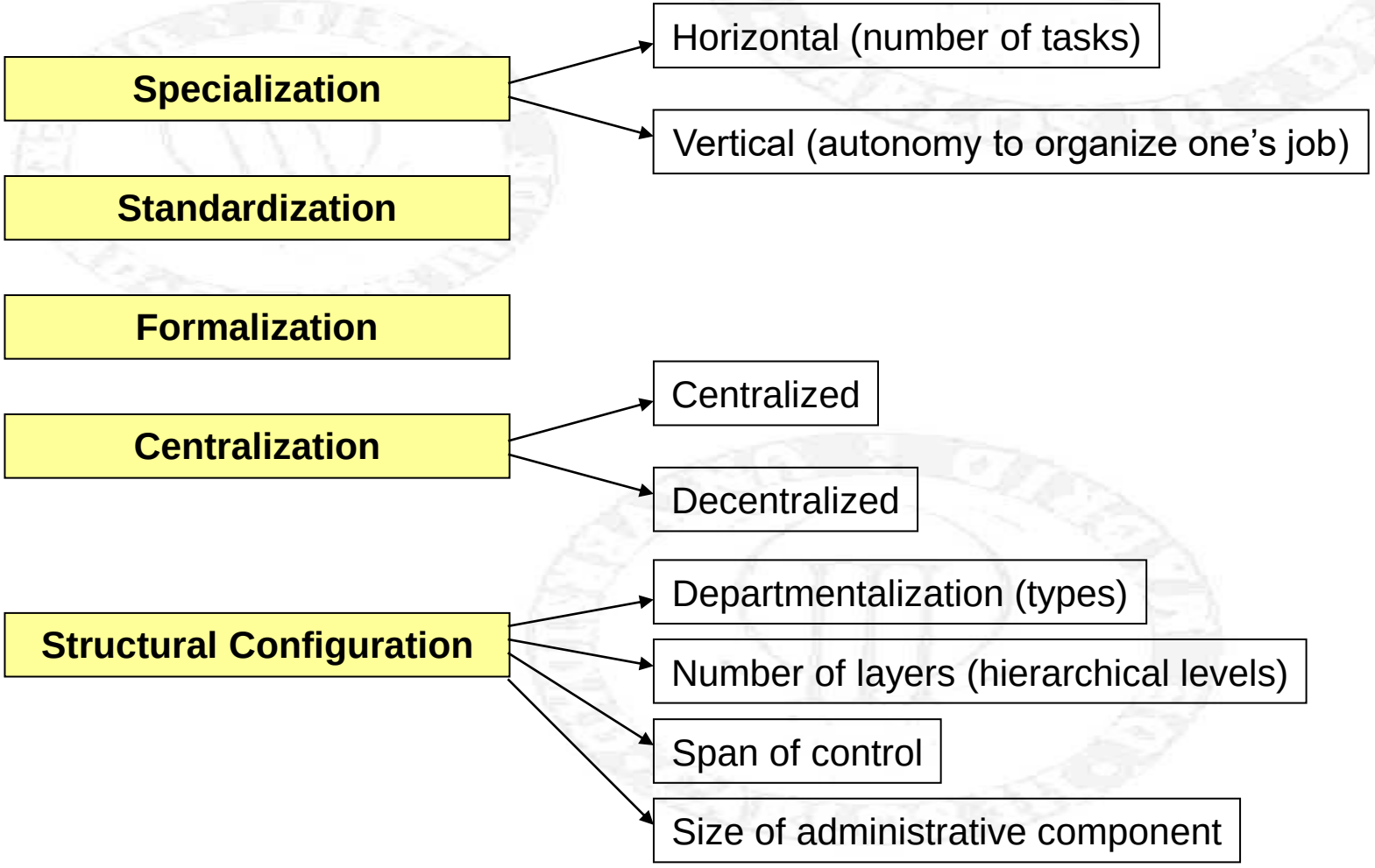
Differentiation

Integration

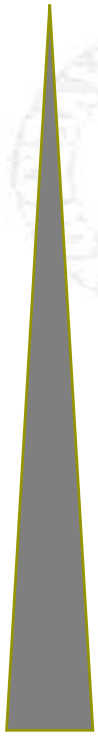
Formal and Informal structures



Factors determining the organizational structure



Parts of formal structures



Common parts in any formal organizational structure

- **Strategic Apex** (Top management)
- **Middle Line** (Middle management)
- **Operating Core** (Employees)
- **Technostructure** (Analysts that design systems, processes, etc.)
- **Support Staff** (outside the operating workflow)

Basic Organizational Configurations

Simple Structure (Entrepreneurial Start-up)

- Strategic apex is the key part of the structure (Direct supervision)
- Only strategic apex and operating core
- Start-up or very small businesses

Professional Organization (Professional Bureaucracy)

Division Organization

Adhocracy (Innovative Organization)

Basic Organizational Configurations

Simple Structure (Entrepreneurial Start-up)

Machine Bureaucracy

- Proliferation of rules, regulations and formalized communications throughout the organization: standardization and very formalized procedures in the operating core
- Highly specialized, routine operating tasks: horizontal and vertical (low qualified employees)
- Reliance on the functional basis for grouping tasks: functional departmentalization
- Centralized power for decision-making
- Highly elaborated administrative structure: lots of layers and low span of control
- Mature and big organizations in a stable and simple environment

Basic Organizational Configurations

Simple Structure (Entrepreneurial Start-up)

Machine Bureaucracy

Professional Organization (Professional Bureaucracy)

Basic Organizational Configurations

Simple Structure (Entrepreneurial Start-up)

Machine Bureaucracy

Professional Organization (Professional Bureaucracy)

- High horizontal specialization (high qualified employees)
- Standardization of outputs, skills and knowledge
- Decentralization
- Staff supports, mainly, the operating core
- All types of departmentalization
- Big organizations in a stable but complex environment

Basic Organizational Configurations

Simple Structure (Entrepreneurial Start-up)

Machine Bureaucracy

Professional Organization (Professional Bureaucracy)

Division Organization

Basic Organizational Configurations

Simple Structure (Entrepreneurial Start-up)

Machine Bureaucracy

Professional Organization (Professional Bureaucracy)

Division Organization

- Autonomy of the divisions
- The middle line is the key part of the organization
- Top management coordinates their performance and outputs
- Each division is a bureaucracy
- Diversified businesses in more dynamic environments

Basic Organizational Configurations

Simple Structure (Entrepreneurial Start-up)

Machine Bureaucracy

Professional Organization (Professional Bureaucracy)

Division Organization

Adhocracy (Innovative Organization)

Basic Organizational Configurations

Simple Structure (Entrepreneurial Start-up)

Pro …acy)

- High horizontal and low vertical job specialization
- Low standardization and formalization
- Decentralization is key for being flexible
- Matrix departmentalization
- Tecnostructure disappears (innovative) and middle line, operating core and staff are mixed
- Used as complementary structure for specific projects

Adhocracy (Innovative Organization)

The Human Resources Management

Human resources are the firm's employees (workers and managers)

Human resources management is the process of recruiting, selecting, training, appraising and compensating employees. It is one of the basic functions that all managers perform.

Problem → Align the individual interests with the objectives of the company

Directing

Human resource management involves

- Motivation, leadership and communication
- Recruiting, selecting and training
- Performance appraisal systems, compensation and incentive programmes

Staffing

Controlling

Controlling is the task of ensuring that activities are providing the planned results. Managers must ensure that their workers are performing as expected.

Controlling involves:

- Establishing standards
- Measuring actual performance
- Identifying deviations
- Taking corrective action if required

All control systems are aimed at influencing employee behaviour

Planning and controlling are inseparable

Types of control:

- Depending on **who** is being controlled
(top, middle or low management)
- Depending on **what area** is being controlled
(the whole company, a unit, a department or an individual)
- Depending on **when** the control is taking place
(reactive, proactive or interactive control)
- Depending on the **frequency** of the controlling process
(constant, periodic or occasional control)