

# A86012 Management and Principles of Accounting (2019/2020)

## Session 3 Management

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# SESSION OBJECTIVES & OVERVIEW

# Course Overview

1. What is business	15. Accounting: glossary, vocabulary, terms
2. Types of business	16. Introduction to financial accounting
<b>3. Management</b>	17. Accounting for business transactions
4. Review session 1	18. Recording transactions, journal and ledger
5. Marketing	19. Recording owner's contributions & financing
6. Marketing strategy	20. Review session 1
7. Review session 2	21. Recording long-lived assets and investments
8. Operations	22. Recording purchases
9. Finance	23. Recording sales and employee compensation
10. Financial management	24. Review session 2
11. Review session 3	25. Adjusting and closing entries
12. Human resources	26. Adjusting and closing entries ...continued
13. Review session 4	27. Cases and exercises
<b>14. Exam</b>	<b>28. Exam</b>

PGS

SG

PT

# Session Objectives

*At the end of this session students will understand:*

- The *history* and evolution of management
- The *functions* of management and the *skills and competencies* required

*They will appreciate the significance of:*

- organizational *culture*
- the different forms of organizational *structure* and;
- Corporate *governance* in public interest entities

*Students will also be able to articulate the differences between:*

- *Strategic plans*
- *Business plans*
- *Budgets* and;

*The importance and distinction between *purpose, vision, mission and objectives**

# Overview Session 3

- The nature and history of management
- Organization, teamwork and communications
- Strategic and business planning
- Corporate governance

# Session 3 Overview

	Mins
Session objectives and outline	5
Recap of key points from session 2 – Organizational options	10
<b>History of management</b> – from the industrial revolution to today and what’s next?	25
<b>The Functions of management.</b> The tasks of top management. Skills needed by managers. Leadership and decision taking.	20
<b>Organizational culture</b> , forms of organizational <b>structure</b> , high performing teams, the importance of communications	20
<b>Vision, purpose, mission and objectives.</b> Strategic and business planning and budgeting	20
<b>Corporate governance.</b> The need for corporate governance. Board committees. External audit	20
Required reading and research: Business Chapters 6-7	5
Overview of session 4 – Review Session	5
Summary and validation	5

# RECAP OF SESSION 2 – TYPES OF BUSINESS

# Recap of Session 2

- What are the different ways in which a business can be conducted?
- What are the pros and cons of each of these?
- What is a franchise?
- What is the difference between an international company, a multinational company and a transnational or global company?



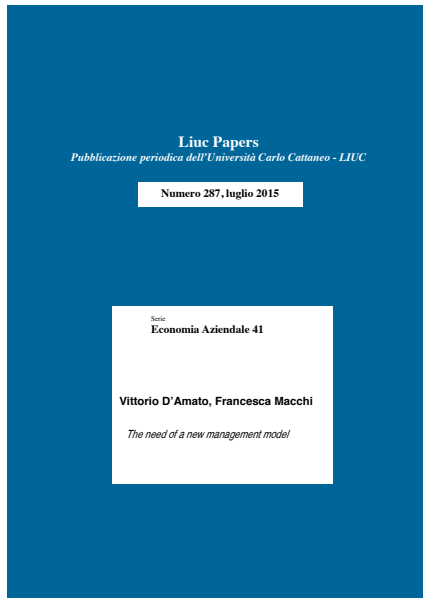
# THE HISTORY OF MANAGEMENT

# The History of Management

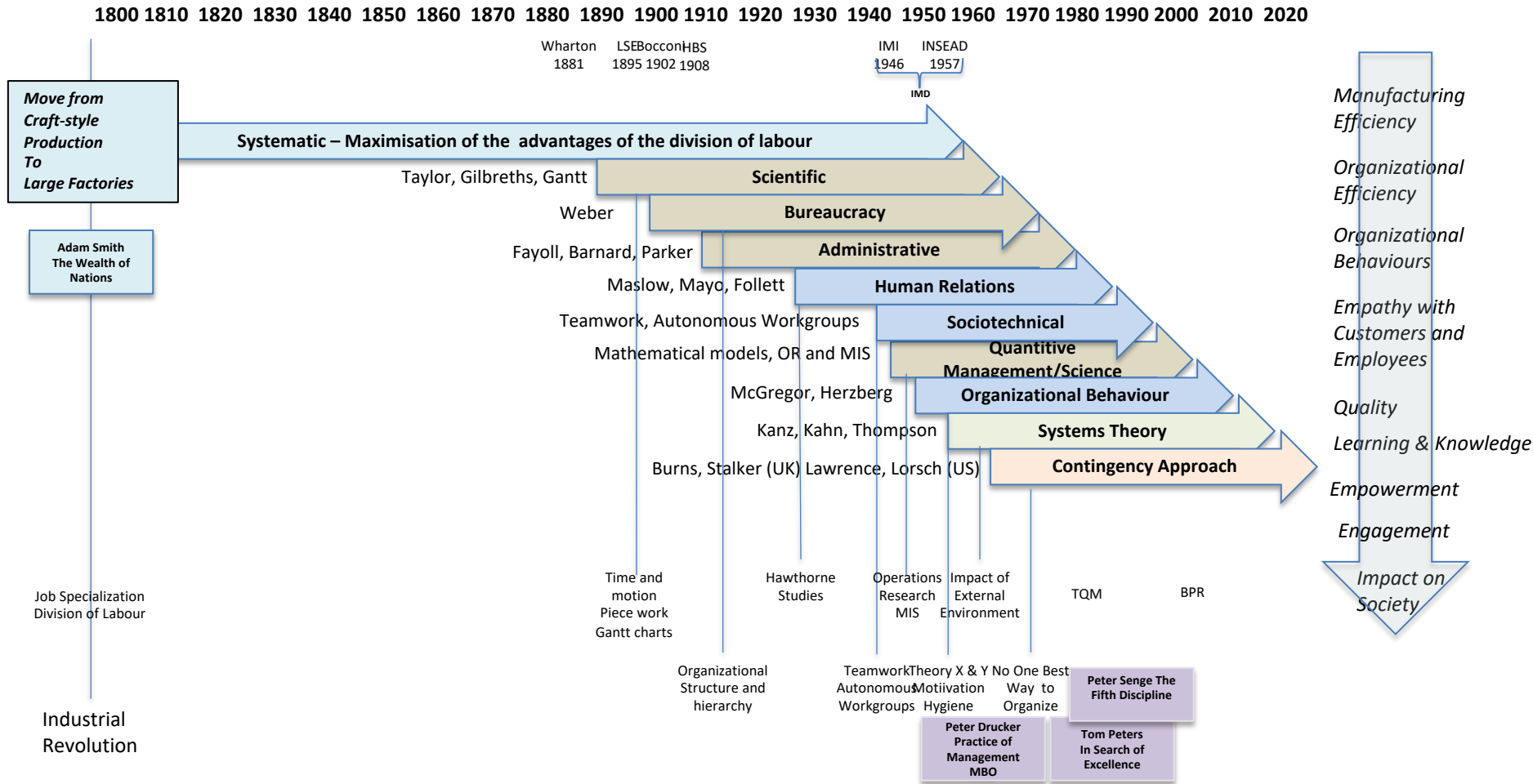
Pre C19	Army, Church, Slavery	
C19	Entrepreneurial capitalism	Owner managed/Own funds
C20	Managerial capitalism	Outside capital/Outside managers
C21	A new paradigm?	

# The Need for a New Management Model ?

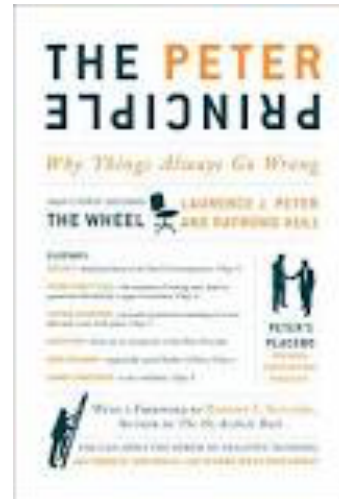
	Old	New ?
Decision taking	Top down By few.	Shared
Coordination & Control	Hierarchical	Self-directed teams
Objective setting	Short-term. Top-down	Long-term. Top-down and bottom up
Motivation	Rewards & Benefits	Engagement
Information sharing	Secretive. Need to know	Transparent. Accessible to all
Corporate culture	Paternal, competitive	Meritocratic, collaborative
Learning/growth	Individual, few competencies	Planned, organization wide



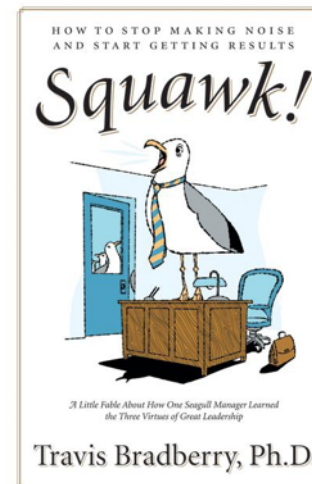
# The History and Evolution of Management Theory



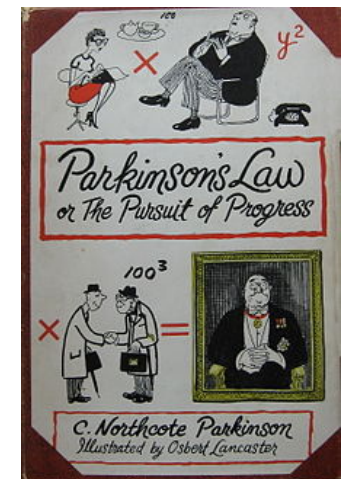
# Some Management Theories



Managers rise to the highest level of their incompetence



The manager flies in, makes a lot of noise, poops on you and then flies off leaving a big mess



Work expands to fill the time available. Time taken = Time given

# THE NATURE OF MANAGEMENT

## Management

- Designed to achieve objectives by using resources effectively and efficiently
  - *Effectively* means having intended result
  - *Efficiently* means accomplishing objectives with minimum of resources

## Managers

- Make decisions about use of resources

## Required Resources

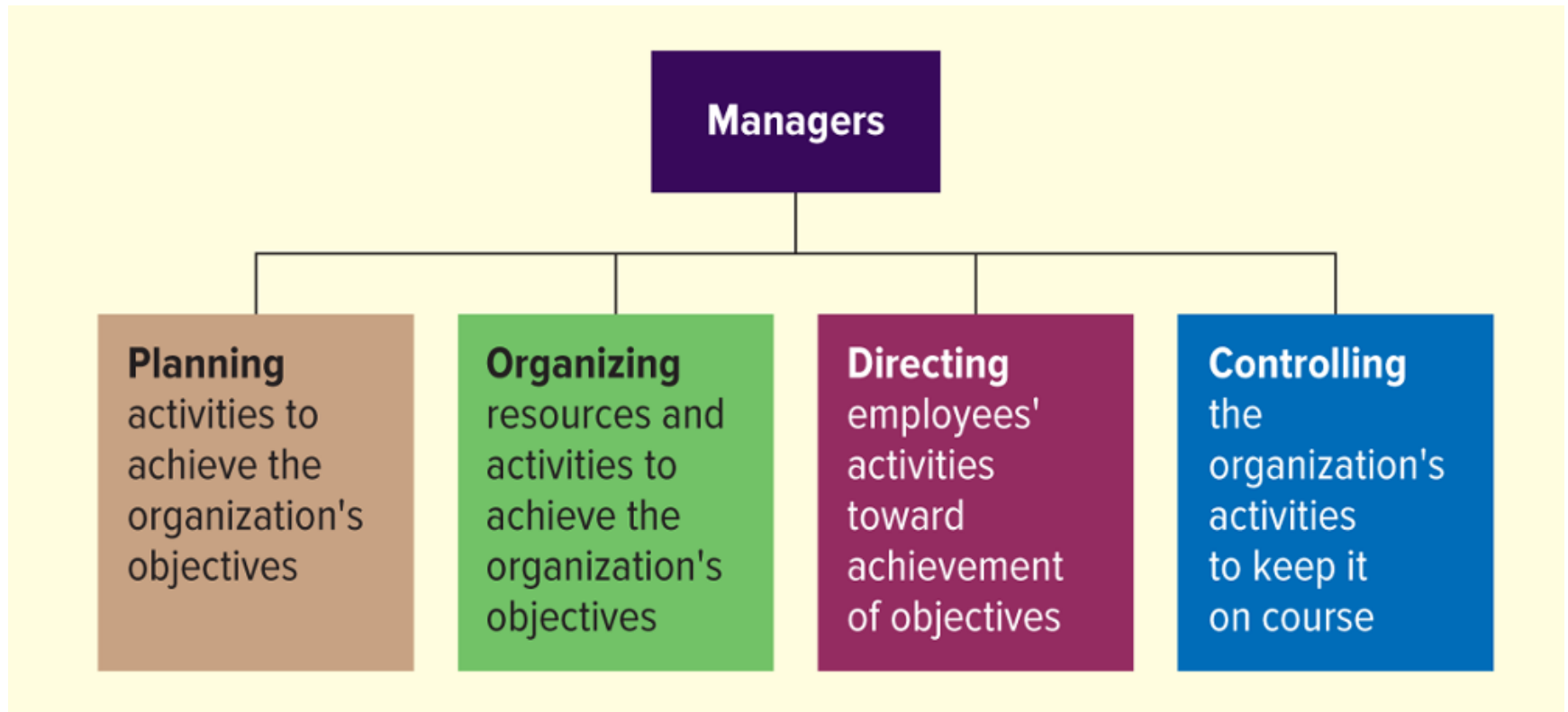
- Employees
  - Hired through **staffing**
  - Recruit, train, compensate, and provide benefits to foster loyalty
  - May need to **downsize**



## **Required Resources** continued

- Suppliers
  - Ensure that products are made available to customers
  - In global markets, firms enlist hundreds of diverse suppliers
- Financial resources
  - Pay for essential activities
  - Owners, shareholders, banks, and other financial institutions

# Figure 6-1 The Functions of Management



## Planning

- Lays groundwork for other functions
- Requires statement of **mission**
- Goals are the results the firm wishes to achieve
- Objectives are measurable statements on common issues such as profit, competitive advantage, efficiency, and growth
- Plans specify how to meet objectives

## **Planning** continued

- **Strategic plans**
  - Establish objectives and strategy to fulfill mission
  - Generally cover periods ranging from one year or longer
    - Add products
    - Purchase companies
    - Sell unprofitable segments of business
    - Issue stock
    - Move into international markets

## **Planning** continued

- **Tactical plans**

- Short-range plans to implement strategic plan
- Cover period of year or less
- Keep firm on course established in strategic plan
- Ever-changing market requires short-run or tactical plans to deal with changing environment

## **Planning** continued

- **Tactical plans**

- Short-range plans to implement strategic plan
- Cover period of year or less
- Keep firm on course established in strategic plan
- Ever-changing market requires short-run or tactical plans to deal with changing environment

## **Planning** continued

- **Operational plans**
  - Specify actions to achieve tactical plan
  - Apply to details in executing activities quickly

## Planning continued

- **Crisis management or contingency planning**
  - Deals with potential disasters
  - Many businesses don't have updated plans
  - Approximately 40 percent of small business don't reopen after disaster

Herbalife does businesses in 90 countries, and contingency plans must often be made for fluctuating exchange rates.





## Organizing

- Structuring of resources and activities
- Helps create synergy
- Establishes lines of authority
- Improves communication
- Helps avoid duplication of resources
- Improves competitiveness by speeding up decision making

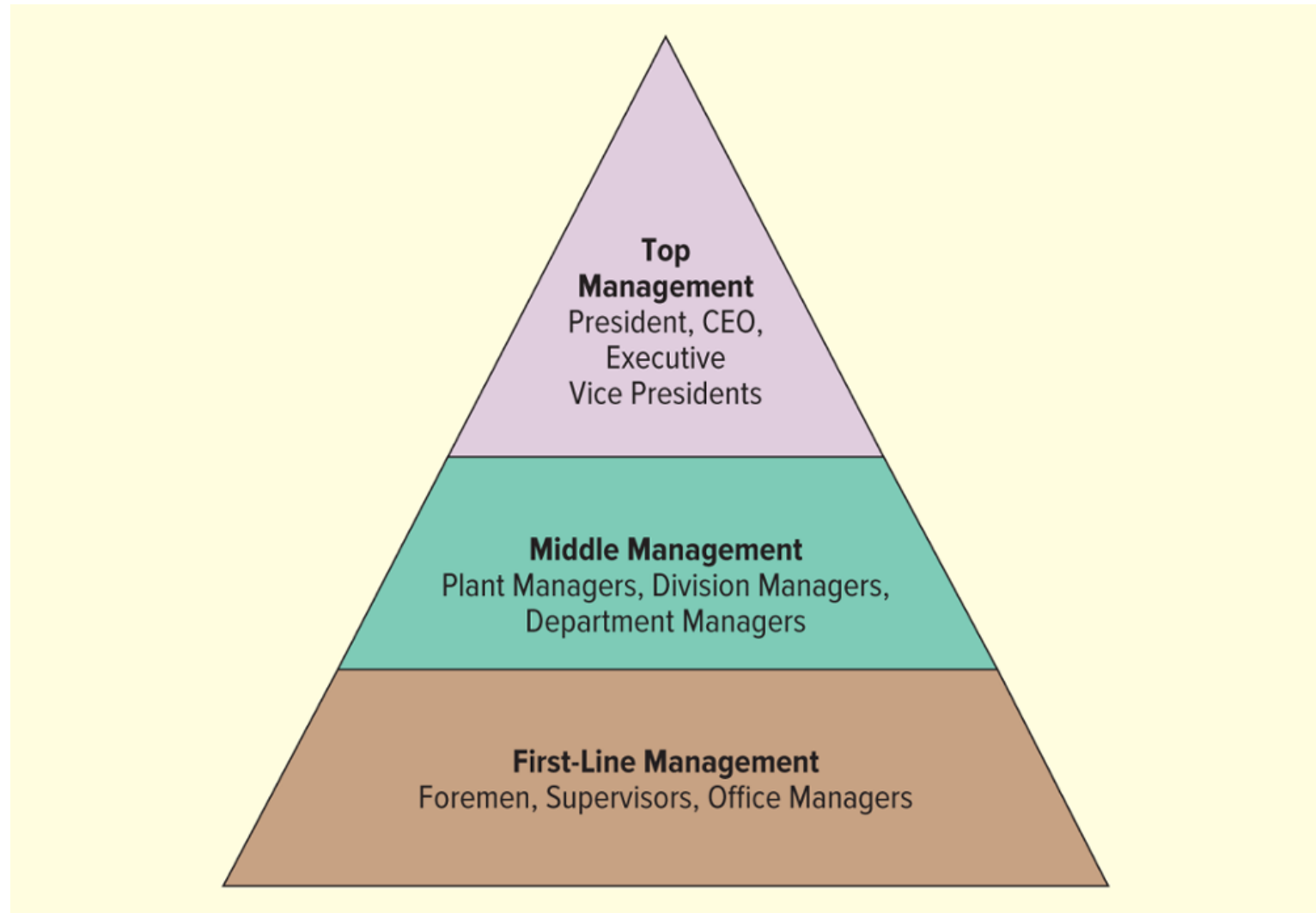
## Directing

- Motivating and leading employees
- Telling employees what to do and when to do it using deadlines, then encourage them to do their work
- Determining and administering rewards and recognition
- Providing incentives
- Ask workers to contribute ideas for reducing costs, making equipment more efficient, improving customer service, or developing new products

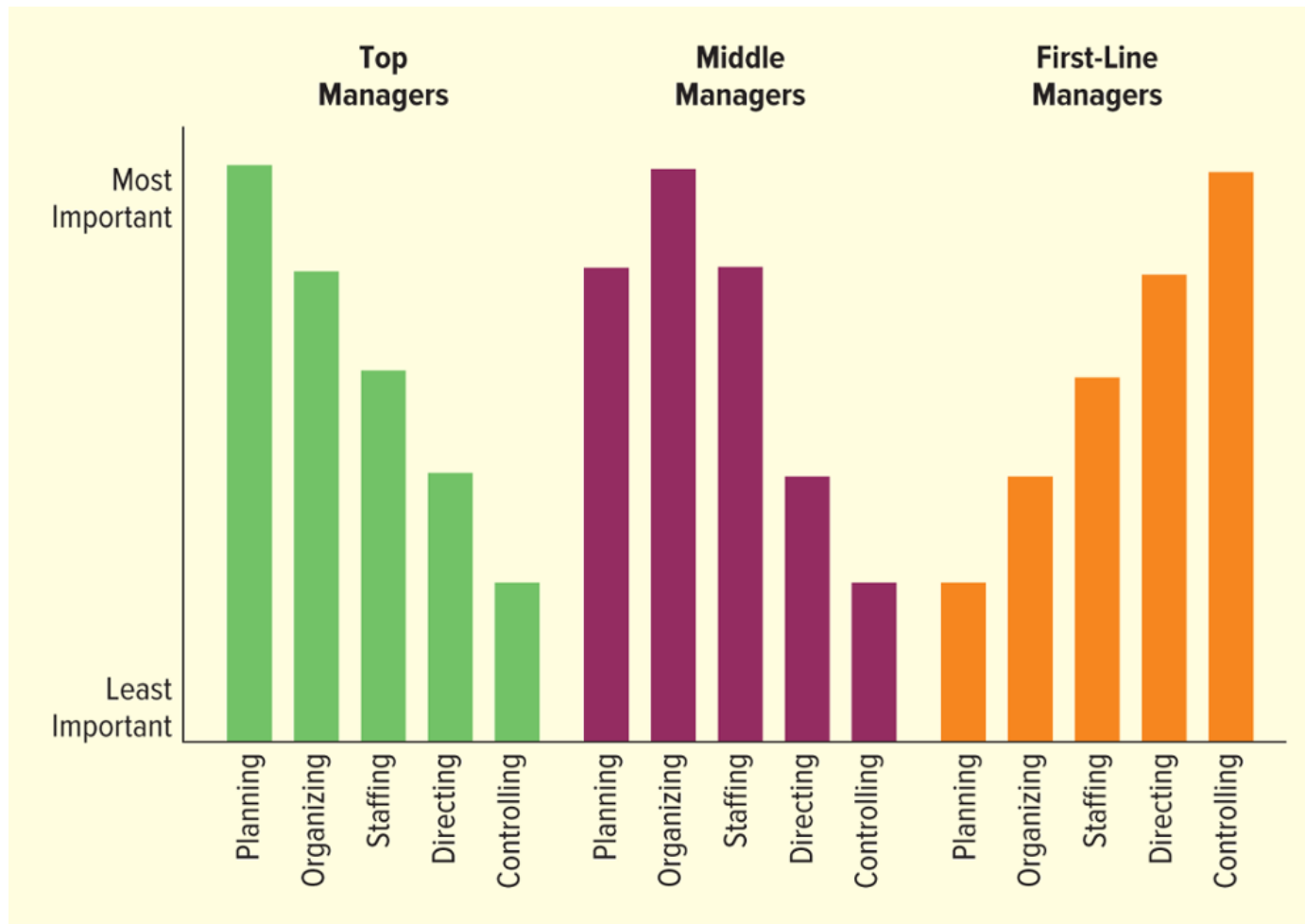
## Controlling

- Evaluating and correcting activities
- Involves five activities:
  1. Measuring performance
  2. Comparing performance with standards or objectives
  3. Identifying deviations from standards
  4. Investigating causes of deviations
  5. Taking corrective action when necessary

# Figure 6-2 Levels of Management Planning



# Figure 6-3 Importance of Management Functions to Managers in Each Level



[Jump to long description in appendix](#)

## Levels of Management

- **Top management**
  - Have overall responsibility for organization
  - In publicly owned corporations, CEO's boss is board of directors
  - Spend most time planning and making strategic decisions
  - Compensation committees work with directors and CEOs to keep pay in line with performance
  - Workforce diversity is good for workers and for bottom line

# Table 6-1 Compensation Packages of CEOs

<b>CEO</b>	<b>Company</b>	<b>Compensation</b>
Thomas M. Rutledge	Charter Communications	98.0 million dollars
Mark G. Parker	Nike	47.6 million dollars
Mark V. Hurd	Oracle	41.1 million dollars
Robert A. Iger	Walt Disney	41.0 million dollars
Safra A. Catz	Oracle	40.9 million dollars
Margaret C. Whitman	Hewlett-Packard Enterprise	32.9 million dollars
Alex A. Molinaroli	Johnson Controls International	32.6 million dollars
Virginia M. Rometty	IBM	32.3 million dollars
Dion J. Weisler	HP	28.2 million dollars
Indra K. Nooyi	PepsiCo	25.2 million dollars

## **Levels of Management** continued

- **Middle management**
  - Responsible for tactical planning
  - Have more focused responsibilities and spend more time organizing than other managers
  - Includes plant managers, division managers, and department managers
  - Ranks have been shrinking as more companies downsize



## **Levels of Management** continued

- **First-line management**
  - Supervise workers and daily operations
  - Implement plans established by middle management and direct workers' daily performance
  - Spend most time directing and controlling
  - Includes foremen, supervisors, and office service managers

## **Areas of Management**

- Specialize in basic functional areas of business
  - Finance
  - Production and operations
  - Human resources
  - Marketing
  - IT
  - Administration

# Table 6-3 Areas of Management 1 of 2

## **Financial Manager**

- Focus on obtaining the money needed for the successful operation of the organization and using that money in accordance with organizational goals

## **Production and Operations Manager**

- Develop and administer the activities involved in transforming resources into goods, services, and ideas ready for the marketplace

## **Human Resources Manager**

- Handle the staffing function and deals with employees in a formalized manner

# Table 6-3 Areas of Management 2 of 2

## **Marketing Manager**

- Responsible for planning, pricing, and promoting products and making them available to customers through distribution

## **Information Technology (IT) Manager**

- Responsible for implementing, maintaining, and controlling technology applications in business, such as computer networks

## **Administrative Manager**

- Manage an entire business or a major segment of a business; do not specialize in a particular function

# Table 6-4 Managerial Roles

## **Interpersonal**

- Figure
- Liaison
- Leadership

## **Informational**

- Monitor
- Disseminator
- Spokesperson

## **Decisional**

- Entrepreneur
- Disturbance handler
- Resource allocator
- Negotiator

## **Technical Expertise**

- Specialized knowledge and training
- Needed to train employees, answer questions, provide guidance, and solve problems
- Needed most by first-line managers and least critical to top-level managers

## **Conceptual Skills**

- Think in abstract terms
- Needed most by top-level managers
- Evaluate where the company will be in the future
- Think creatively

## **Analytical Skills**

- Identify relevant issues
- Most important to success of top-level managers
- Resolving ethical issues often requires analytical skills



## Human Relations Skills

- Ability to deal with people
- More successful if the person can:
  - Relate to others
  - Communicate well
  - Understand needs of others
  - Show true appreciation for others
- Important in organizations that provide services, such as hospitals, airlines, and banks

# Table 6-5 Requirements for Successful Leadership

- Communicate objectives and expectations.
- Gain the respect and trust of stakeholders.
- Develop shared values.
- Acquire and share knowledge.
- Empower employees to make decisions.
- Be a role model for appropriate behavior.
- Provide rewards and take corrective action to achieve goals.

## Leadership Styles

- Autocratic leaders
  - Make all decisions then tell employees what must be done and how
- Democratic leaders
  - Involve employees in decisions
- Free-rein leaders
  - Let employees work without much interference; set performance standards and let employees find own way to meet them

## **Leadership Styles** continued

- Authentic leaders
  - Different from other leadership styles because not exclusive
    - Both democratic and free-rein leaders could qualify
  - Passionate about goals and mission of company, display corporate values in the workplace, and form long-term relationships with stakeholders

# The Apple Doesn't Fall Far from the Tree

## Impact of Leadership on Organizations

- Influences every employee
- Strong leadership creates greater employee engagement, higher performance, better group coordination, and higher morale
- Greatest determinant of satisfaction is leader's respect for others
- Employees empowered to build own leadership qualities

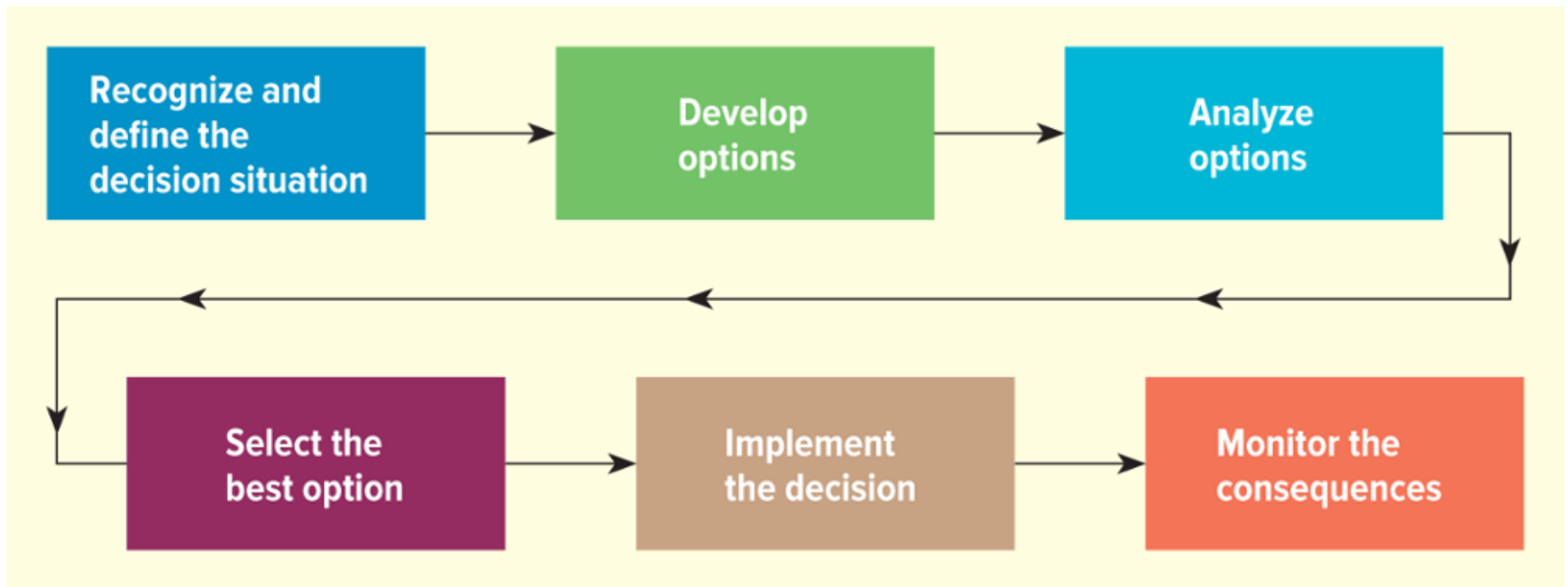
## Employee Empowerment

- Participative corporate culture is beneficial
  - Employees feel they are taking active role in firm's success
- Leaders must adopt systems that support employee's ability to provide input and feedback on company
- Manager should be trained to empower employees to make decisions even in challenging situations

## **Employee Empowerment** continued

- Leadership in teams
  - Becoming the norm
  - Effective way for encouraging employee empowerment
  - Most effective teams encourage all employees to contribute ideas and recommendations
  - Common for outspoken employees to dominate team and engage in groupthink
    - Prevented by training employees how to listen to one another and provide relevant feedback

# Figure 6-4 Steps in the Decision-Making Process





## **Recognizing and Defining the Decision Situation**

- Situations may be positive or negative
- Small-scale decisions occur without warning
- Large-scale decisions generally occur after warning signs
  - Declining profits, small-scale losses, inventory buildup
- Once situation is recognized, management must define it

## Developing Options

- List of possible courses of action should include both standard and creative plans
- **Brainstorming** encourages creativity

## Analyzing Options

- Look at practicality and appropriateness of each option
- Consider whether proposed option adequately addresses situation

## **Selecting the Best Option**

- Often subjective procedure
- Can use combination of options

## **Implementing the Decision**

- Can be fairly simple or very complex, depending on nature of decision
- Prepare for unexpected consequences

## **Monitoring the Consequences**

- Has the implementation of the decision accomplished the desired result?
  - Is yes, then decision was sound
  - If no, then more analysis is warranted

## Management

- Not exact and calculated
- No mathematical formula for managing firm and achieving goals
- Management expert John P. Kotter says manager's functions can be boiled down to two basic activities:
  1. Figuring out what to do despite uncertainty, great diversity, and enormous amount of potentially relevant information
  2. Getting things done through large and diverse set of people despite having little direct control

## **Agenda**

- Covers short-term goals and long-term objectives
- Helps manager determine what must be done
- Technology tools can help manage agendas

## **Networking**

- Relationships and sharing of information with colleagues
- Provide information and advice on diverse topics
- Social media sites have increased ability to network

## **Challenges of the Business World**

- Rapidly changing technology
- Increased scrutiny of individual and corporate ethics and social responsibility
- Impact of social media
- Changing nature of workforce
- New laws and regulations
- Increased global competition
- Declining educational standards
- Making best use of time

# **ORGANIZATION, TEAMWORK AND COMMUNICATIONS**



## **Expression of Organizational Culture**

- Values, beliefs, traditions, philosophies, rules, role models
- Formal expression
  - Mission statement
  - Code of ethics
  - Memos and manuals
  - Ceremonies
- Informal expression
  - Dress codes and work habits
  - Extracurricular activities
  - Stories

## **Purpose of Organizational Culture**

- Ensures that organizational members:
  - Share values
  - Observe common rules
  - Share problem-solving approaches

# The Way Forward ?

*We take great pride in our culture. We embrace collaboration and creativity, and encourage the iteration of ideas to address complex technical challenges. Transparency and open dialogue are central to how we work, and we like to ensure that company news reaches our employees first through internal channels.*

*Despite our rapid growth, we still cherish our roots as a startup and wherever possible empower employees to act on great ideas regardless of their role or function within the company. We strive to hire great employees, with backgrounds and perspectives as diverse as those of our global users. We work to provide an environment where these talented people can have fulfilling careers addressing some of the biggest challenges in technology and society.*

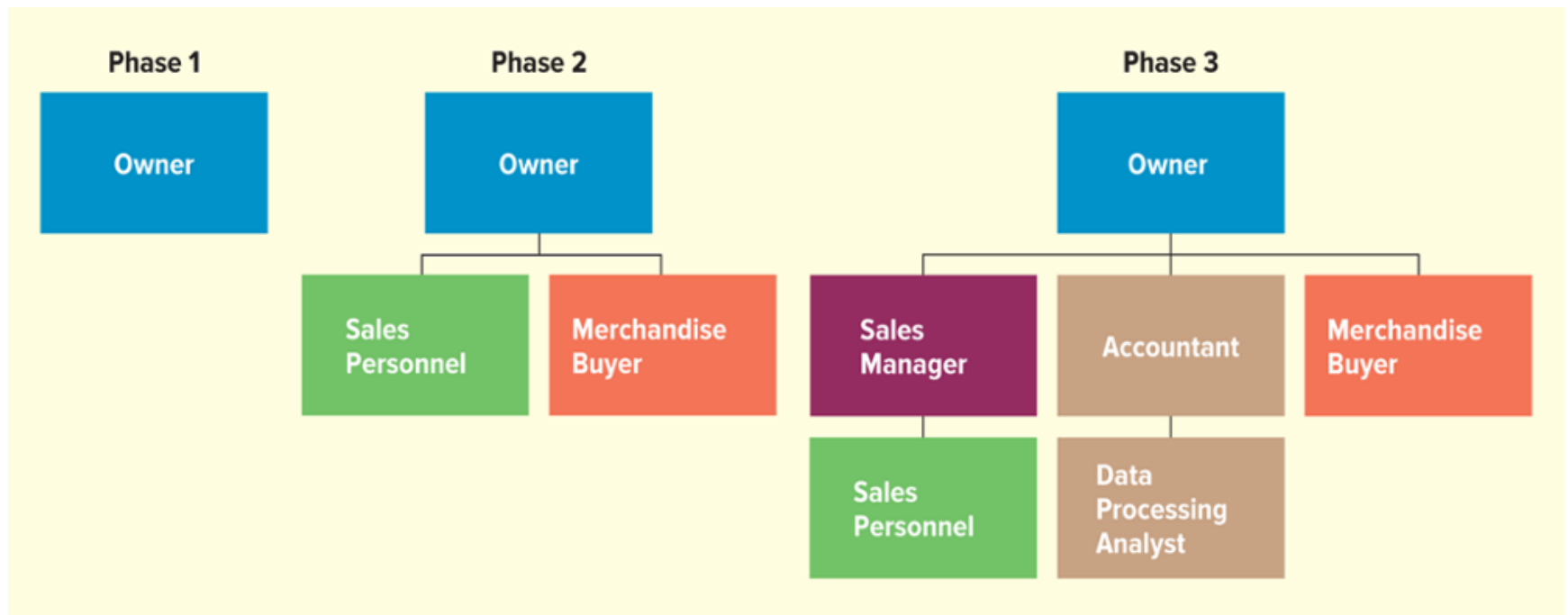
## Structure

- Getting people to work together efficiently and coordinating skills of diverse individuals require careful planning
- Organization's structure develops when managers:
  - Assign work tasks to specific individuals or work groups
  - Coordinate diverse activities required to reach objectives

## **Organizational Chart**

- Organizational structure
- Chain of command
- Staff relationships
- Committee arrangements
- Lines of communication

# Figure 7-1 The Evolution of a Clothing Store, Phases 1, 2, and 3



## Specialization

- Reasons to specialize
  - Efficiency
  - Workers do not waste time shifting from one job to another
  - Ease of training
  - Activities too numerous for one person

# Assigning Tasks 2 of 3

## **Specialization** continued

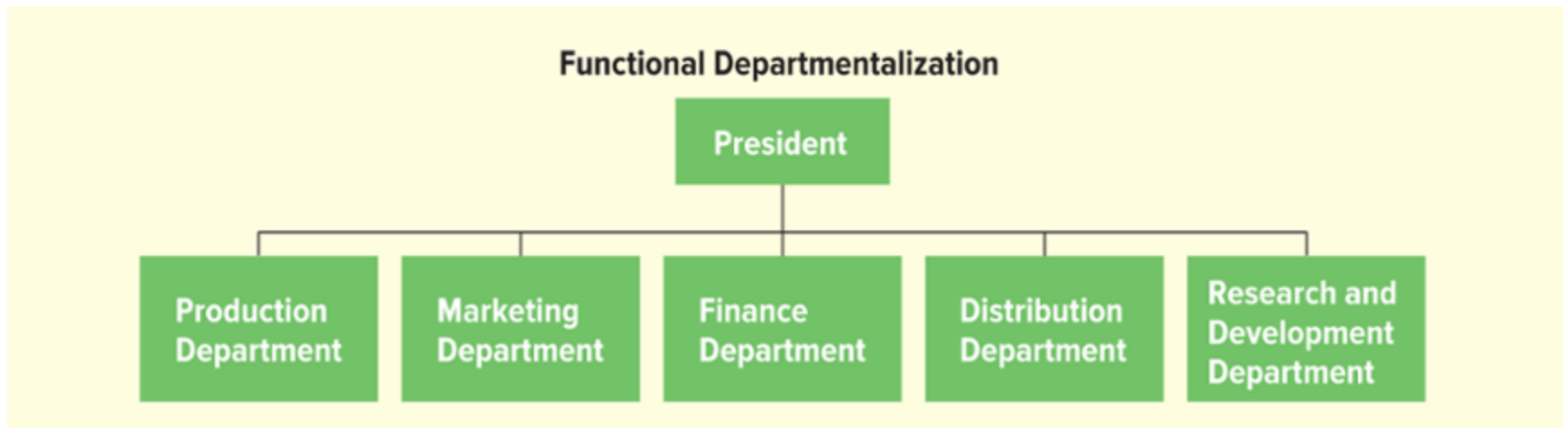
- Negative consequences of over-specialization
  - Employees become bored
  - Job dissatisfaction
  - Poor quality work
  - Increased injuries
  - Increased employee turnover



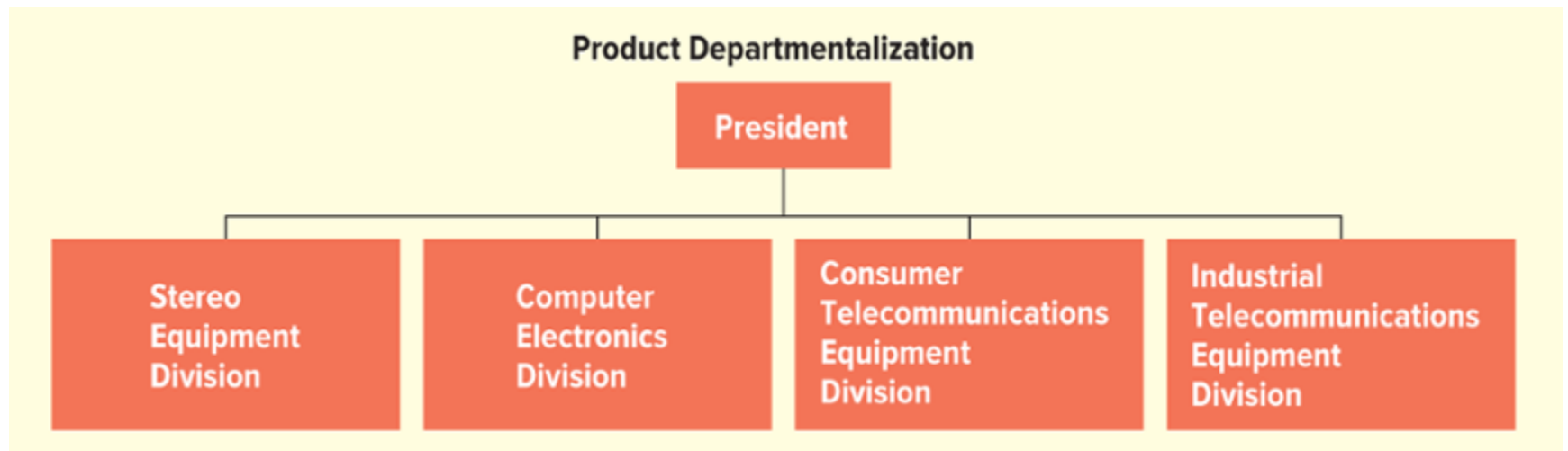
## Departmentalization

- Departments, units, groups, or divisions
- Most companies use more than one departmentalization plan to enhance productivity
  - **Functional departmentalization**
  - **Product departmentalization**
  - **Geographical departmentalization**
  - **Customer departmentalization**

# Figure 7-2 Departmentalization 1 of 4



# Figure 7-2 Departmentalization 2 of 4



# Figure 7-2 Departmentalization 3 of 4



# Figure 7-2 Departmentalization 4 of 4



## **Delegation of Authority**

- Giving employees not only tasks, but also power to take actions necessary to carry out tasks
- As business grows, so do number and complexity of decisions that must be made
  - No one manager can handle them all
  - Delegation of authority frees manager to concentrate on larger issues

## **Delegation of Authority**

- **Responsibility**
  - Obligation to perform assigned tasks
- **Accountability**
  - Answerable to superior for outcome of task

## **Degree of Centralization**

- **Centralized organizations**
  - Authority concentrated at top
  - Overcentralization can cause serious problems
    - May take longer to implement decisions and to respond to changes and problems on regional scale



## **Degree of Centralization** continued

- **Decentralized organizations**
  - Authority delegated far down chain of command
  - Improves responsiveness and enhances creativity
  - May increase organization's productivity

## Span of Management

- Top managers should not directly supervise more than 4 to 8 people
- Wide span of management exists when manager directly supervises very large number of employees
  - More common in decentralized organizations
- Narrow span of management exists when manager directly supervises only a few subordinates
  - More common in centralized organizations

## Organizational Layers

- Complements concept of span of management
- Company with many layers of managers is considered tall
  - Span of management is narrow
- Organizations with few layers are flat
  - Span of management is wide
- Many firms that have decentralized also flattened their structures and widened their spans of management

## **Organizational Structures**

- Managers must consider how to structure authority relationships
  - Structure of organization
  - Organizational chart
- Common structures
  - Line structure
  - Line-and-staff structure
  - Multidivisional structure
  - Matrix structure

## **Line Structure**

- Direct lines of authority from top manager to lowest level
- Has clear chain of command, which enables managers to make decisions quickly
- Requires that managers possess wide range of knowledge and skills
- Most common in small businesses

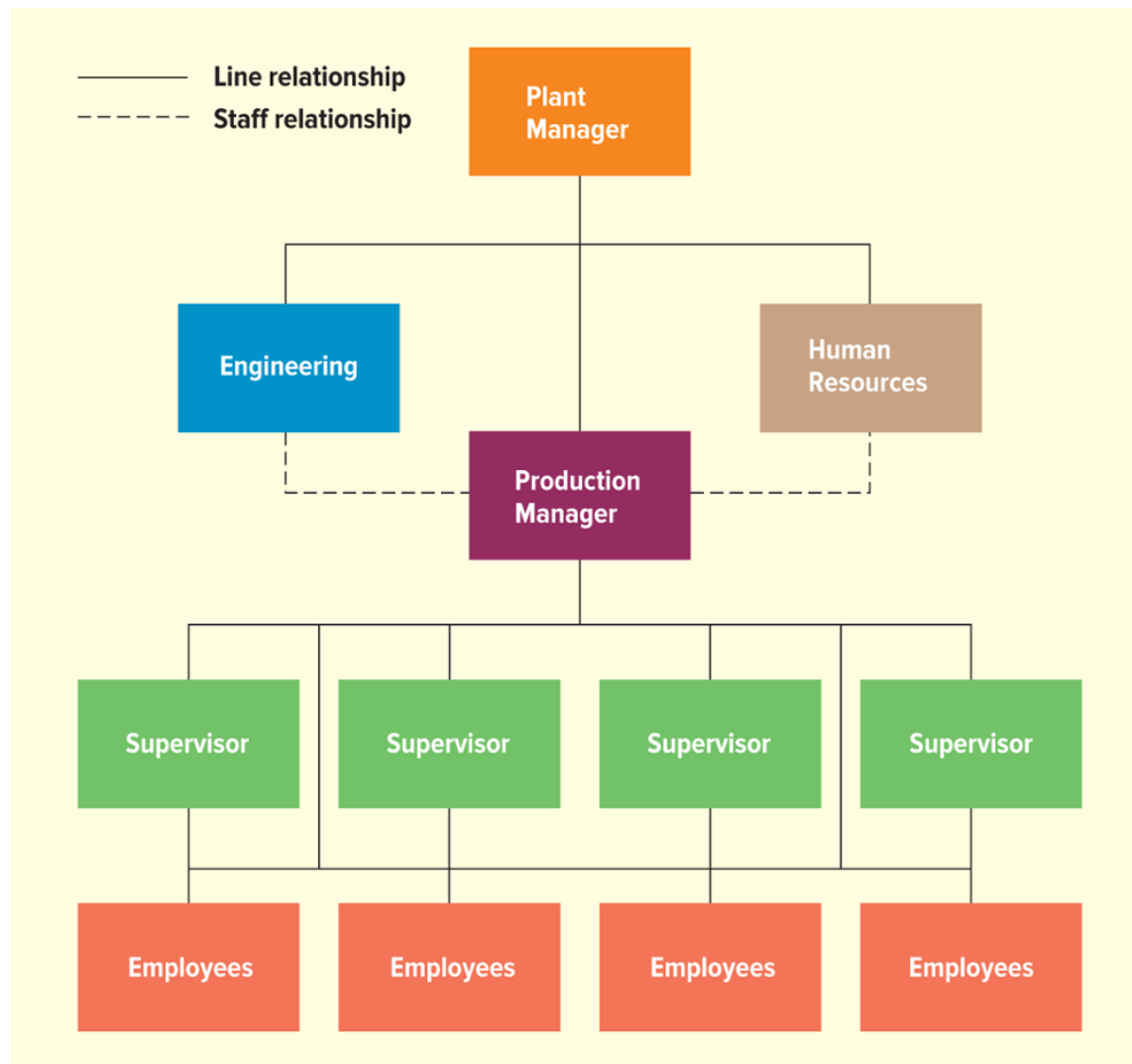
# Figure 7-4 Line Structure



## **Line-and-Staff Structure**

- Traditional line relationship between superiors and subordinates and also staff managers
- Line managers focus on area of expertise in operation of business
- Staff managers provide advice and support on specialized matters
- May experience problems with overstaffing and ambiguous lines of communication
  - Employees may become frustrated with lack of authority

# Figure 7-5 Line-and-Staff Structure





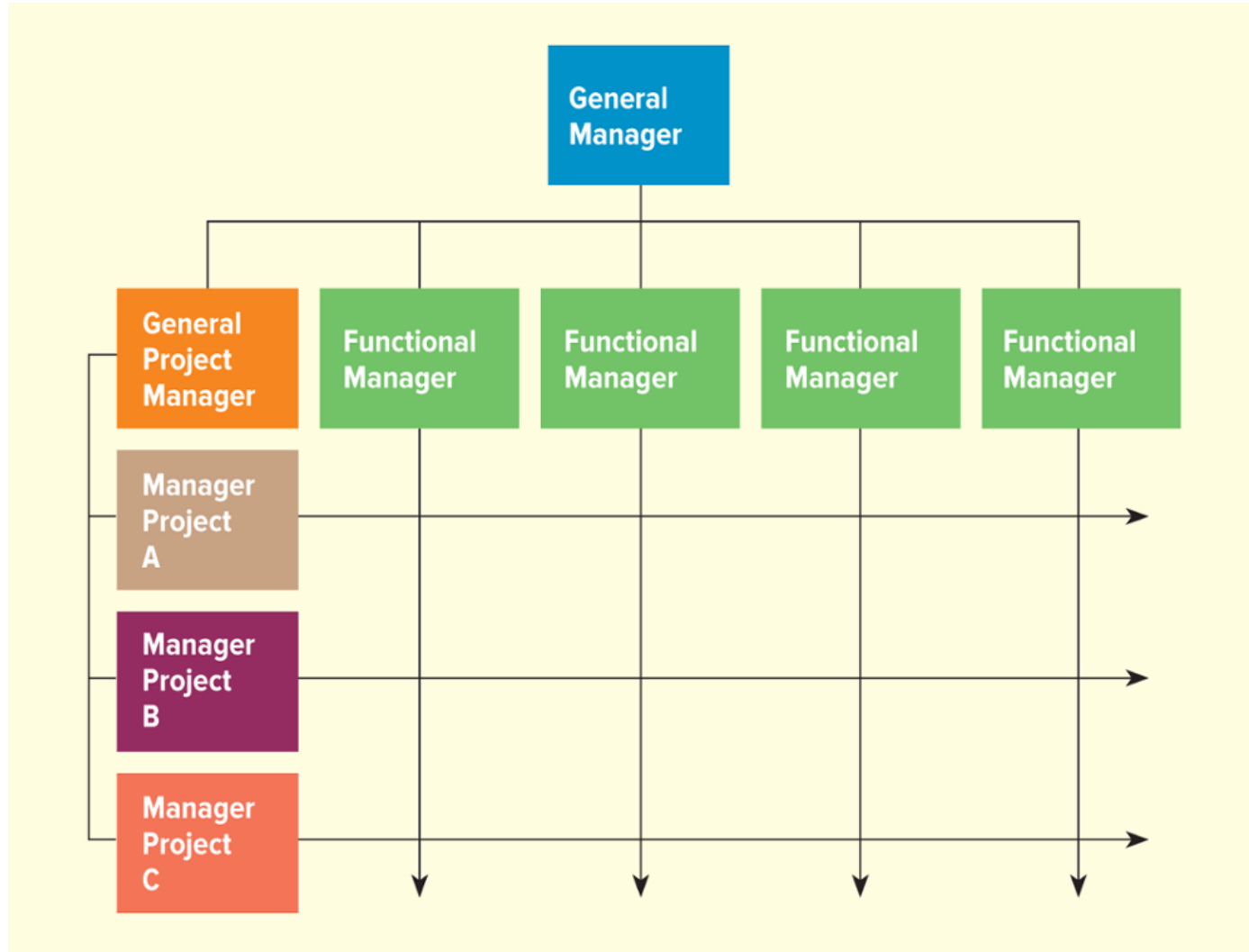
## **Multidivisional Structure**

- Organizes departments into divisions
- Occurs as organizations grow larger and **restructure**
- Divisions can be formed on same basis as departments (customer, product, and/or geography)
- Delegation of authority and divisionalized work
  - Better decisions made faster
  - More innovative
- Inevitably creates work duplication

## Matrix Structure

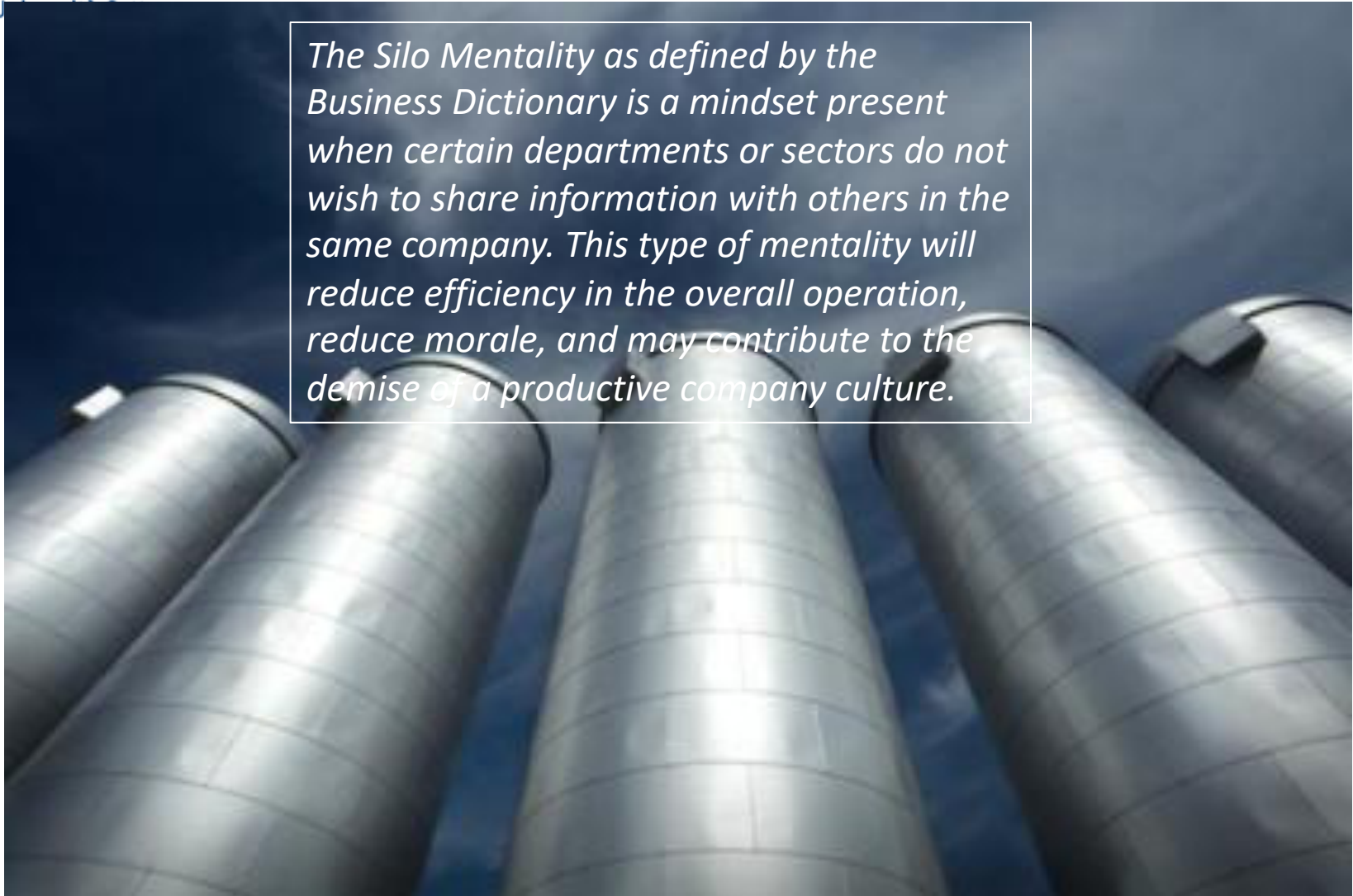
- Employees responsible to functional manager and project manager
- Benefits
  - Flexibility
  - Enhanced cooperation and creativity
  - Quick response to changes in the environment
- Drawbacks
  - Generally expensive and quite complex
  - Employees may be confused as to whose authority has priority

# Figure 7-6 Matrix Structure



# Beware of Silo Mentality

*The Silo Mentality as defined by the Business Dictionary is a mindset present when certain departments or sectors do not wish to share information with others in the same company. This type of mentality will reduce efficiency in the overall operation, reduce morale, and may contribute to the demise of a productive company culture.*



## **Group**

- Two or more individuals who communicate with one another, share common identity, and have common goal

## **Team**

- Small group whose members have complementary skills; have common purpose, goals, and approach; and hold themselves mutually accountable
- Purpose is collaboration
- Virtual teams are employees in different locations who rely on technological tools to accomplish goals

# Table 7-1 Differences between Groups and Teams

<b>Working Group</b>	<b>Team</b>
Has strong, clearly focused leader	Has shared leadership roles
Has individual accountability	Has individual and group accountability
Has the same purpose as the broader organizational mission	Has a specific purpose that the team itself delivers
Creates individual work products	Creates collective work products
Runs efficient meetings	Encourages open-ended discussion and active problem-solving meetings
Measures its effectiveness indirectly by its effects on others (e.g., financial performance of the business)	Measures performance directly by assessing collective work products
Discusses, decides, and delegates	Discusses, decides, and does real work together

Source: Gatewood, Robert, Taylor, Robert and O. C. Ferrell, *Management: Comprehension Analysis and Application*, 1995, 427. New York, NY: McGraw-Hill Education.

## **Committees**

- Permanent, formal group

## **Task Forces**

- Temporary group
- Come from all departments and levels of organization
- Membership based on expertise rather than position
- Occasionally, may be formed from individuals outside a company

## Teams

- **Project teams**
  - Similar to task forces
  - Have total control of specific project
- **Product-development teams**
  - Specific type of project team
  - Formed for new product



## **Teams** continued

- **Quality-assurance teams (or quality circles)**
  - Solve specific quality, productivity, or service problems
- **Self-directed work teams (SDWT)**
  - Responsible for entire work process or segment that delivers a product to internal or external customer

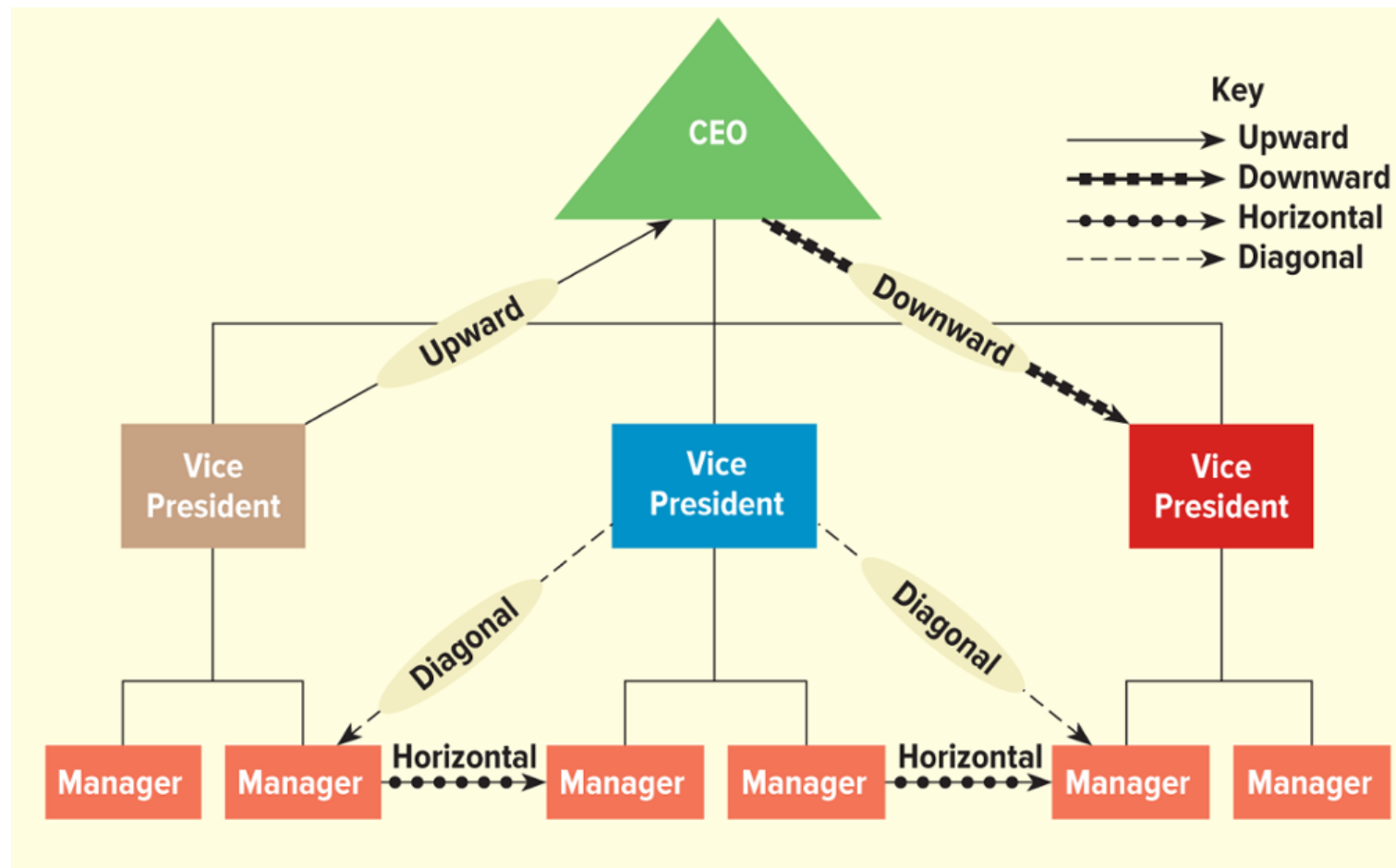
## **Importance of Communication**

- Has tremendous effect on overall success of firm
- Mistakes lower productivity and morale

## **Communication Options**

- Face-to-face (meetings)
- E-mail
- Intranets
- Cloud computing
- Social media

# Figure 7-7 The Flow of Communication in an Organizational Hierarchy



## Formal and Informal Communication

- Formal channels defined by organization
- Informal channels
  - Friendships and nonwork social relationships comprise the informal organization
  - **Grapevine** is most significant form
  - Managers can utilize grapevine as “sounding device”
    - Could improve decision making
    - Floating ideas, soliciting feedback, and reacting accordingly

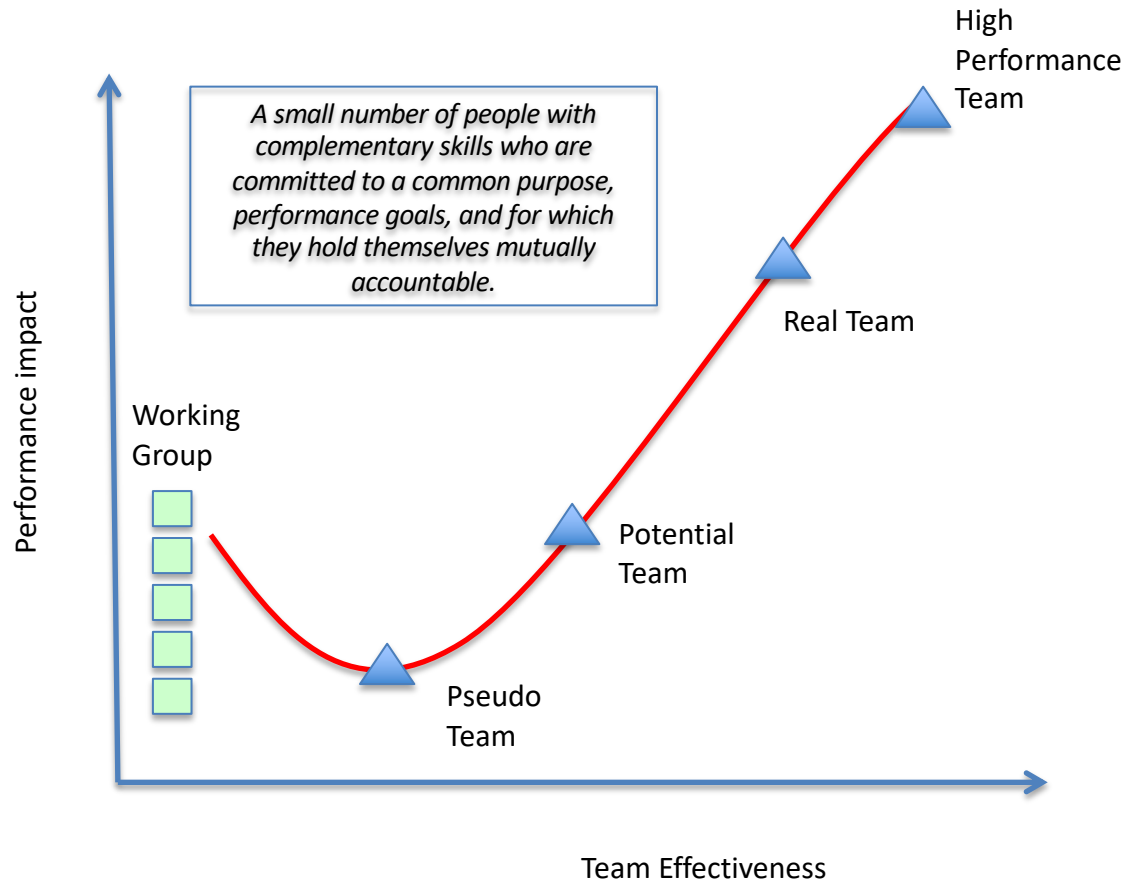
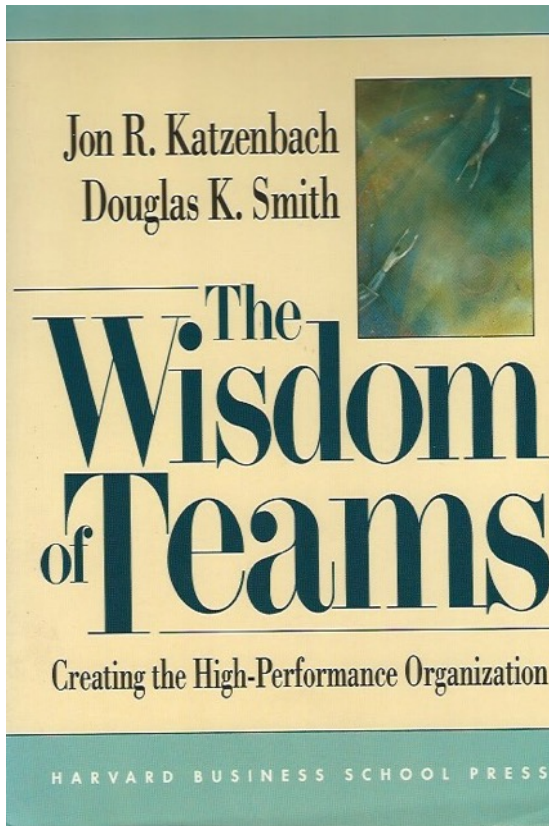
## **Monitoring Communications**

- Use of e-mail, social media, and Internet
  - Sign agreements on appropriate use
- Software programs monitor computer usage
- Must show respect for employee privacy as well

## Improving Communication Effectiveness

- Encourage employees to provide feedback
  - Including concerns and challenges about issues
  - Helps identify strengths and weaknesses
  - Strong feedback mechanisms help empower employees
- Avoid interruptions
- Develop strong and effective communication channels through training
  - Important to communicate e-mail policies throughout organization

# High Performance Teams



# STRATEGIC PLANNING AND MANAGEMENT



# Strategic Planning & Management

*“Would you tell me, please, which way ought I to go from here?”*

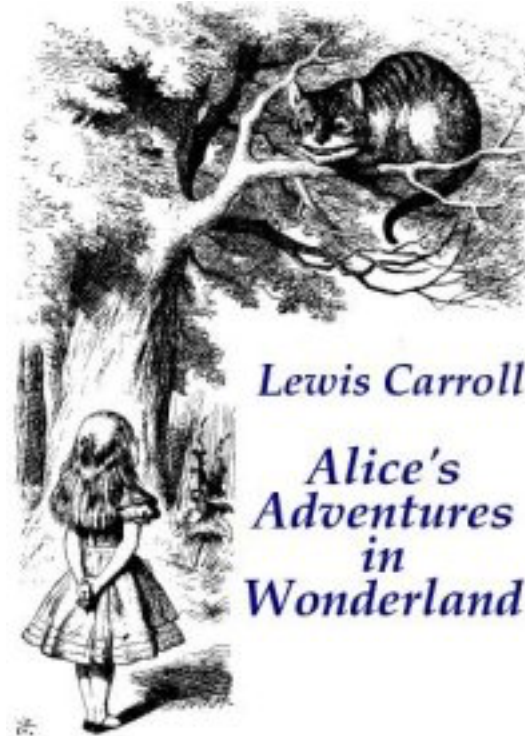
*“That depends a good deal on where you want to get to,” said the Cat.*

*I don’t much care where-” said Alice.*

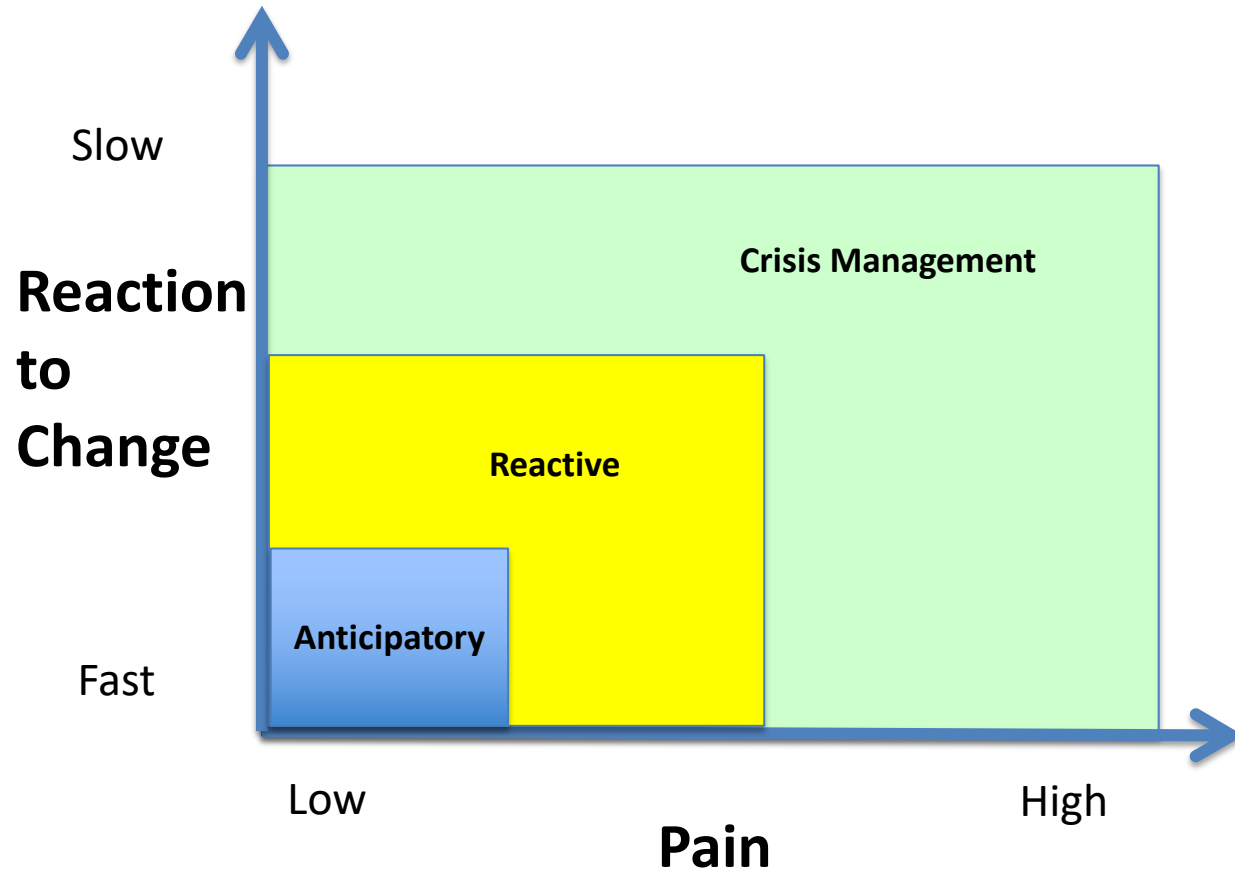
*“Then it doesn’t matter which way you go,” said the Cat.*

*“-so long as I get somewhere,” Alice added as an explanation.*

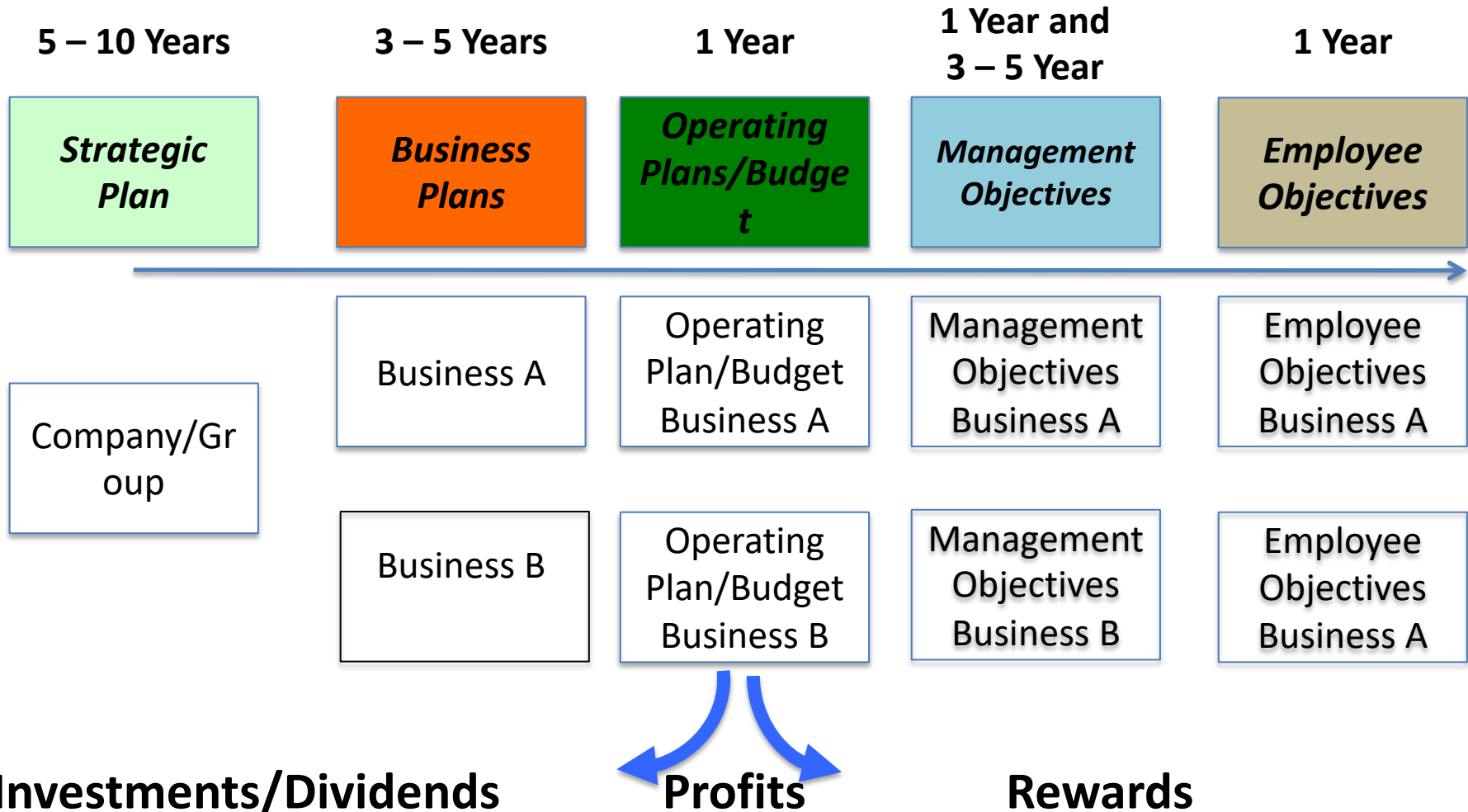
*“Oh, you’re sure to do that,” said the Cat, “if only you walk long enough.”*



# Why Plan?



# Plans



# Purpose/Vision/Mission

## • Guiding Philosophy

### – Core beliefs and values

- Business
- Life/society
- Have not should have
- Should not be violated

### – Purpose

- Reason for existence
- Reason for being
- Never achieved – should last 100 years

Should attract or repel

## • Tangible Image

### – Mission

- What it wishes to accomplish
- Achievable but stretch
- Measurable

### – Vivid description

- Picture of what it will look like when accomplished
- Made alive
- Made engaging

Should have a finish line

# Mission

*“...achieving the goal, before this decade is out, landing a man on the moon and returning him safely to earth”*

*President J.F. Kennedy 1961*

What comes  
next though ?

July 20,1969

# Mission- Strategic Intent vs Strategic Fit

- Strategic Intent
  - Leverage resources to reach goals
  - Outlearn competitors in building new advantages
  - Devalue competitors advantages
  - Broad portfolio of advantages
  - Invest in core competencies
  - Business-corporate consistency from allegiance to the intent
- Focus on future
- Strategic Fit
  - Trim ambitions to match resources
  - Search for sustainable competitive advantage
  - Search for niches
  - Build balanced cash portfolio
  - Invest in product/market
  - Consistency between corporate and business level through conformity of financial objectives
- Focus on present

# Purpose - BASF

<p><b>Purpose</b> We create chemistry for a sustainable future</p>	<p><b>Principles</b> As strategic basis for our success in the market</p>	<p><b>Values</b> as guidelines for our conduct and actions</p>
------------------------------------------------------------------------	-------------------------------------------------------------------------------	--------------------------------------------------------------------

<p>We live our corporate purpose by:</p> <ul style="list-style-type: none"> <li>• Sourcing and producing responsibly</li> <li>• Acting as a fair and reliable partner</li> <li>• Connecting creative minds to find the best solutions for market need</li> </ul>	<ul style="list-style-type: none"> <li>• We add value as one company</li> <li>• We innovate to make our customers more successful</li> <li>• We drive sustainable solutions</li> <li>• We form the best team</li> </ul>	<ul style="list-style-type: none"> <li>• Creative</li> <li>• Open</li> <li>• Responsible</li> <li>• Entrepreneurial</li> </ul>
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------

# Vision/Mission Levi Strauss

## Vision Statement

“We are the embodiment of the energy and events of our times, inspiring people with a pioneering spirit.”

## Mission Statement

“The Mission of Levi Strauss & Co is to sustain responsible commercial success as a global marketing company of branded apparel. We must balance goals of superior profitability and return on investment, leadership in market positions, and superior products and service. We will conduct our business ethically and demonstrate leadership in satisfying our responsibilities to our communities and to society. Our work environment will be safe and productive and characterized by fair treatment, teamwork, open communications, personal accountability” and opportunities for growth and development



# Mission - Google

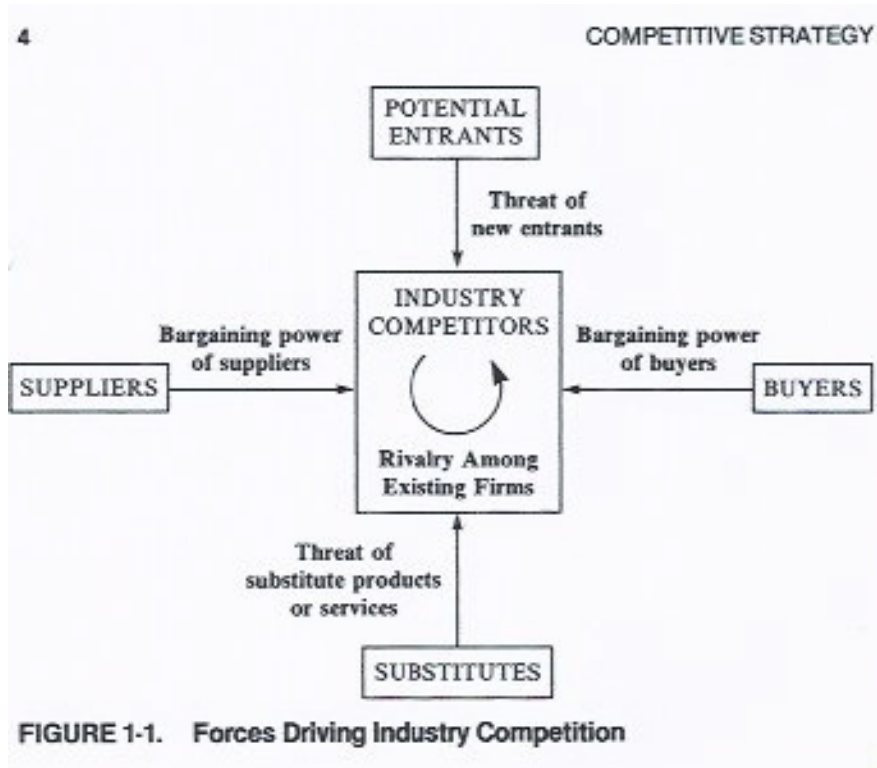
*Google's mission is to organize  
the world's information and  
make it universally accessible  
and useful.*

# Mission - Facebook

*Founded in 2004, Facebook's mission is to give people the power to share and make the world more open and connected.*

*People use Facebook to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them.*

# Competitive Strategy



# Competitive Strategy - Context

xviii

INTRODUCTION

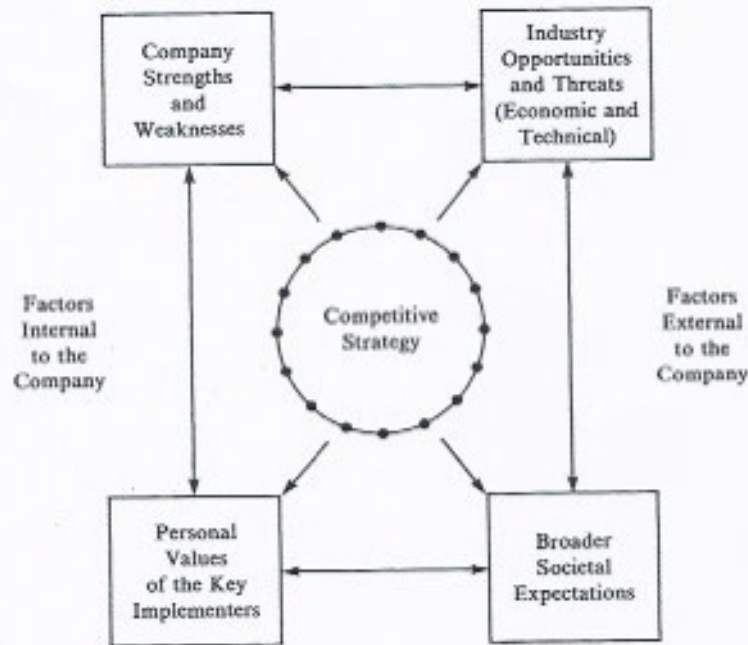


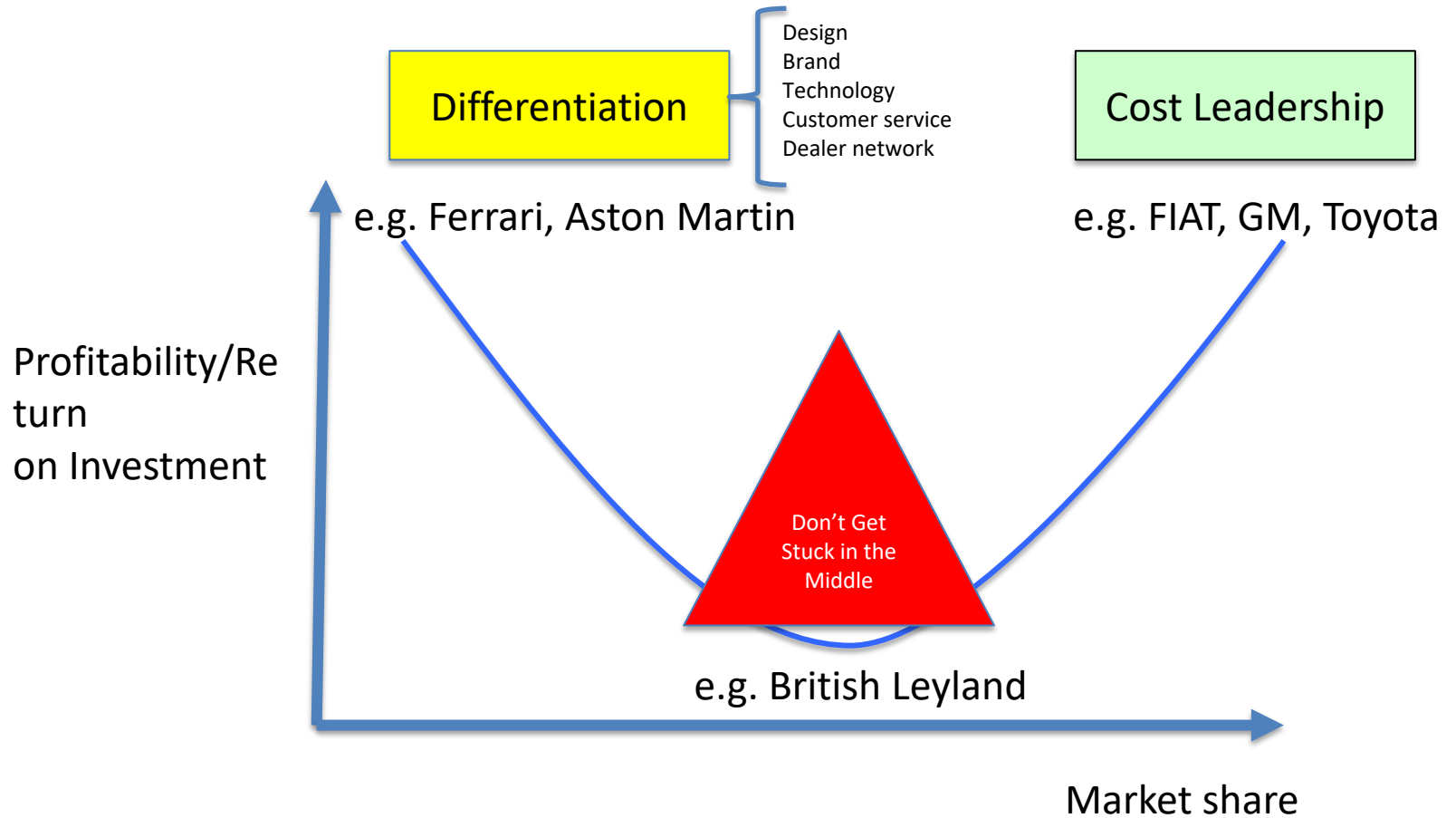
FIGURE I-2. Context in Which Competitive Strategy Is Formulated

## SWOT Analysis



Relative  
 Competitive  
 Advantages/Disadvantages

# Competitive Strategy



# Competitive Strategy

## BCG Matrix



The BCG Matrix approach has been developed by the Boston Consulting Group.

# Industry Structure/Position

## Market Evolution

Growth

Early Maturity

Maturity

Decline

Leader	# 2/3	Follower Niche player	Entrant

## Nature of Conflict

Win/Win

Limited Warfare

Win/Lose

Lose/Lose

# CORPORATE GOVERNANCE



# Why Corporate Governance?

## Article 20

### Corporate governance statement

i.e. Public Interest  
Entities



1. Undertakings referred to in point (1)(a) of Article 2 shall include a corporate governance statement in their management report. That statement shall be included as a specific section of the management report and shall contain at least the following information:
  - Corporate governance code of reference
  - Departures therefrom (comply or explain principle)
  - Internal control and risk management systems
  - Shareholders meeting and powers, shareholder rights, administrative, management and supervisory bodies and their committees

#### **DIRECTIVE 2013/34/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 June 2013**

on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC

# What are the issues?

## Anglo-Saxon World

Dispersed,  
fragmented  
ownership

*Risk that management  
acts in its own interest  
not that of shareholders*

Unitary Board of  
Directors

Executive & Non-Executive Directors

## Continental Europe

Strong Blockholders

*Risk that management  
acts in the interest of  
Blockholders at the  
expense of the minority  
shareholders and  
employees*

Two Tier Board of  
Directors

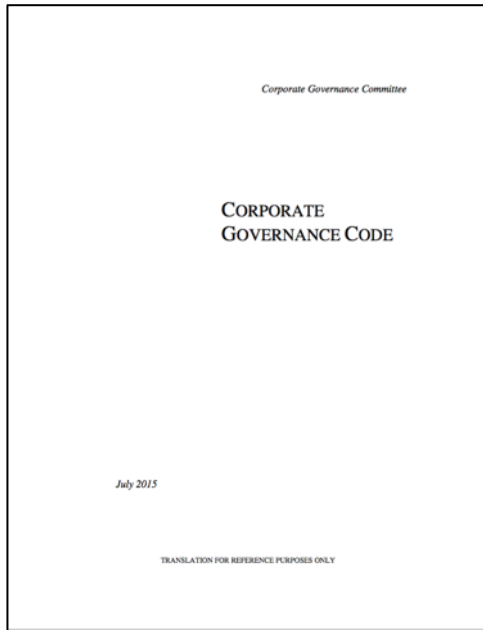
Management  
Board

Supervisory  
Board

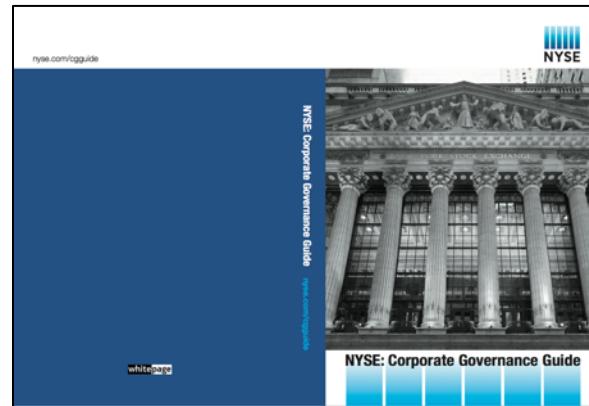
# What can go wrong?

- Management Compensation, bonuses, benefits, termination packages
- Short-term v long-term focus
- Board nominations – cronyism, competence, integrity
- Risk management, commodity, currency, interest
- Internal control
  - Fraud, fraudulent reporting, theft,
  - Illegal acts
    - Bribes, Contract acquisition
    - Antitrust, cartels, price fixing
    - Tax evasion, shifting profits to low tax countries
- Environmental, equality, diversity issues,

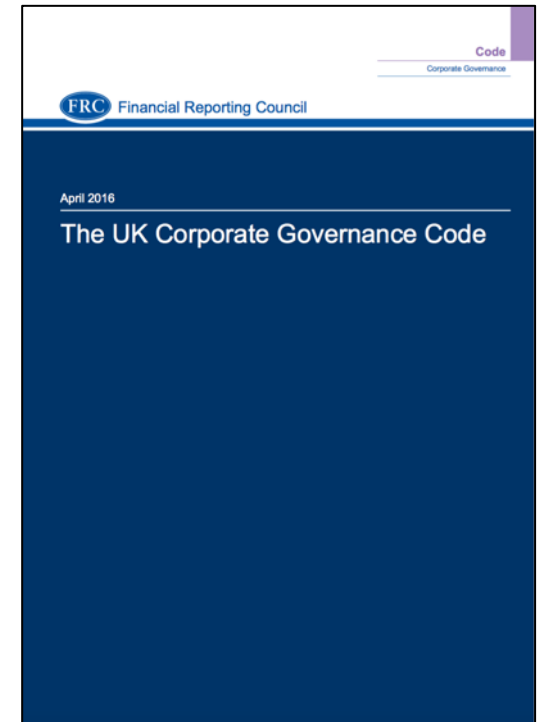
# Corporate Governance Codes



Italy: Borsa Italia

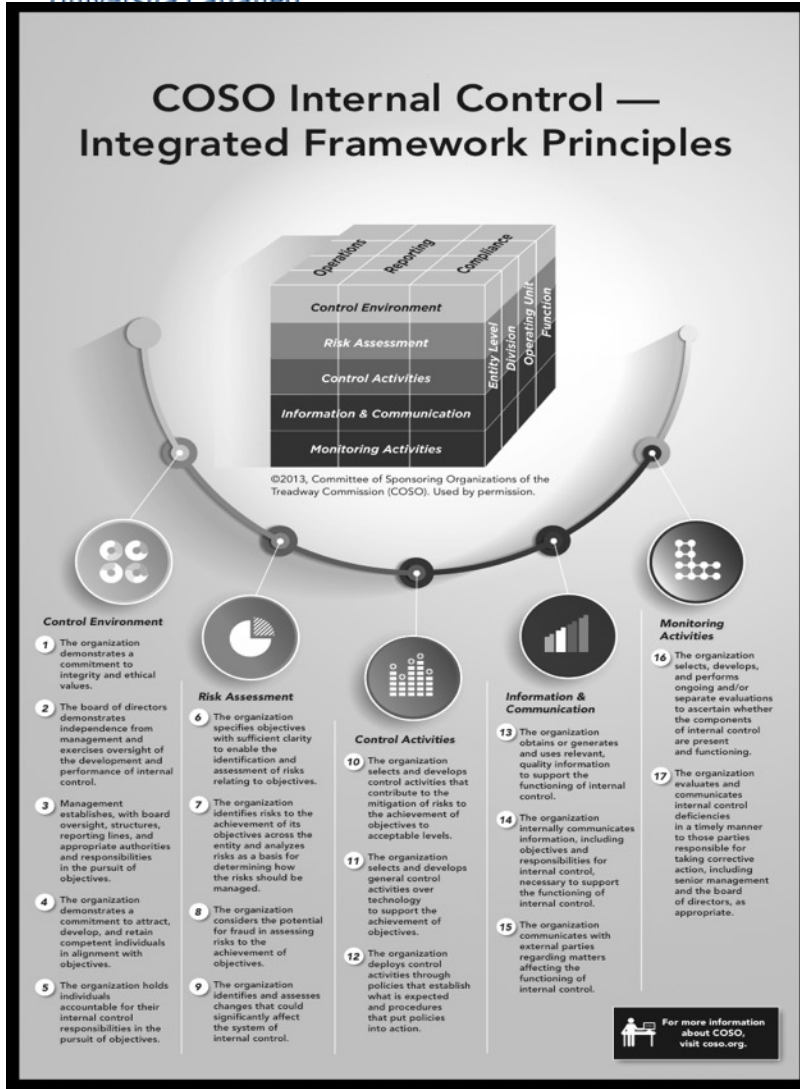


US: NYSE



UK: FRC

# Internal Control Reporting



*Most listed entities report on internal control based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*

# **REQUIRED READING AND RESEARCH ASSIGNMENT**

# Required Reading and Research Assignment

- Reading
  - M Business
    - Chapter 6 The Nature Of Management
    - Chapter 7 Organization, Teamwork & Communication
- Exercises
  - M Business
    - Test Bank Questions Chapters 6 & 7
- Research Assignment 3
  - Europe's Top Companies:
    - Organization, Management & Governance
    - Purpose, vision, values, mission and strategy

# **SESSION SUMMARY AND VALIDATION, OVERVIEW SESSION 4**



# Session Summary

- The history of management
- The nature of management
- Organization, teamwork and communications
- Strategic and business planning
- Corporate governance

# Overview of Session 4

- Review assignments Europe's Top Companies
  - Research assignment 1
    - Business and business model and locations
    - Sustainability and Corporate Social Responsibility
  - Research assignment 2
    - Imaginary start up business
    - Business Plan Outline
  - Research Assignment 3
    - Organization, management & governance
    - Purpose, vision, values, mission and strategy
  - Active Review Cards Chapters 1 - 7

# Session 3 Validation

- What are the functions of management? Describe these
- What are the different levels of management and how do they differ?
- What are the different ways in which the management function can be organized?
- What is the difference between a strategic plan, a business plan and a budget?
- What is the difference between Vision, purpose and mission?
- What is Corporate Governance and why is this necessary?