

# Business Operations

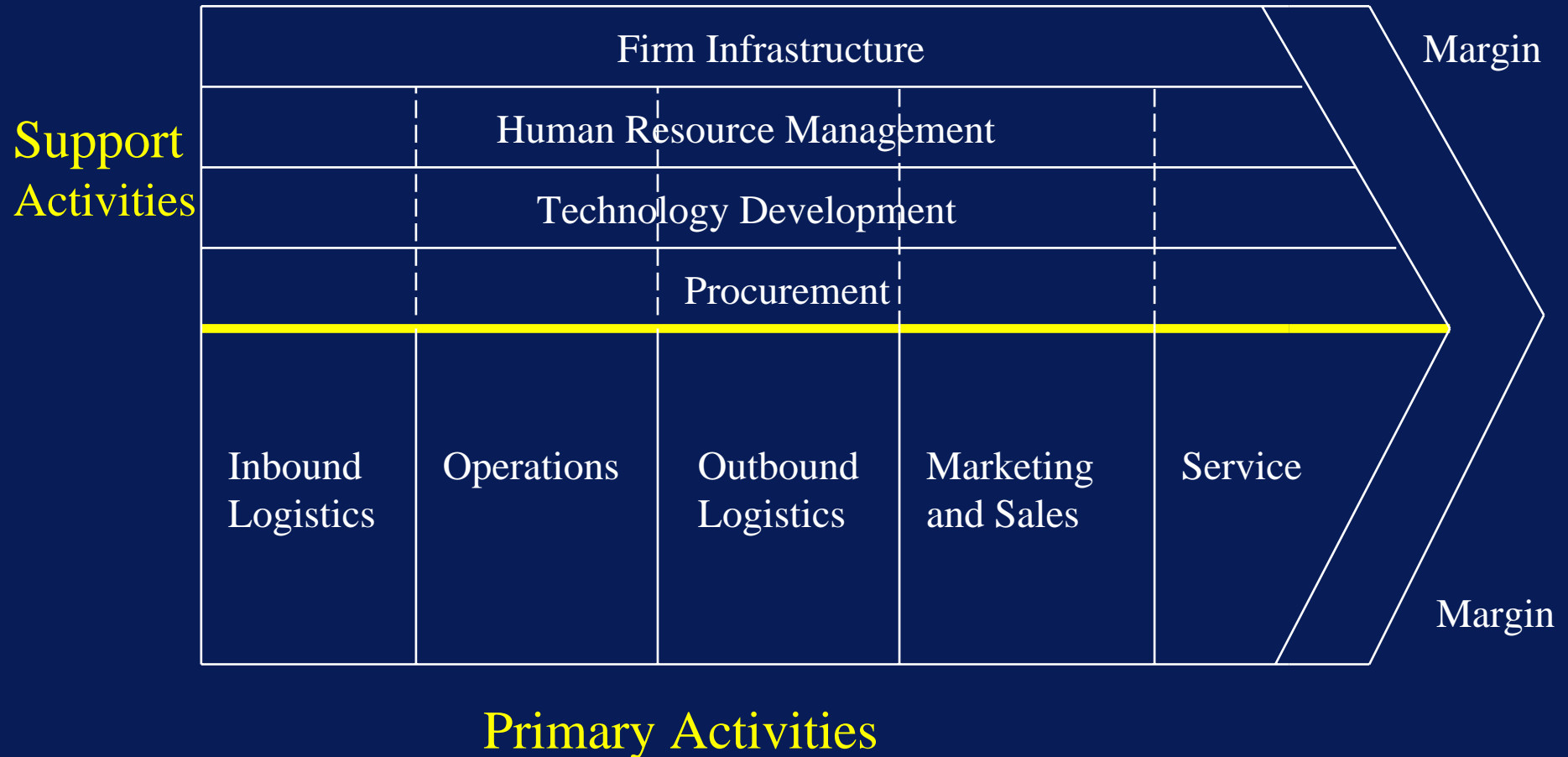
Keelin Vernon

- Purpose of course
  - » integral components of business
  - » underlying theory of organizations
- Associated Reading/Reference list
  - » articles provided to be read before any given lecture

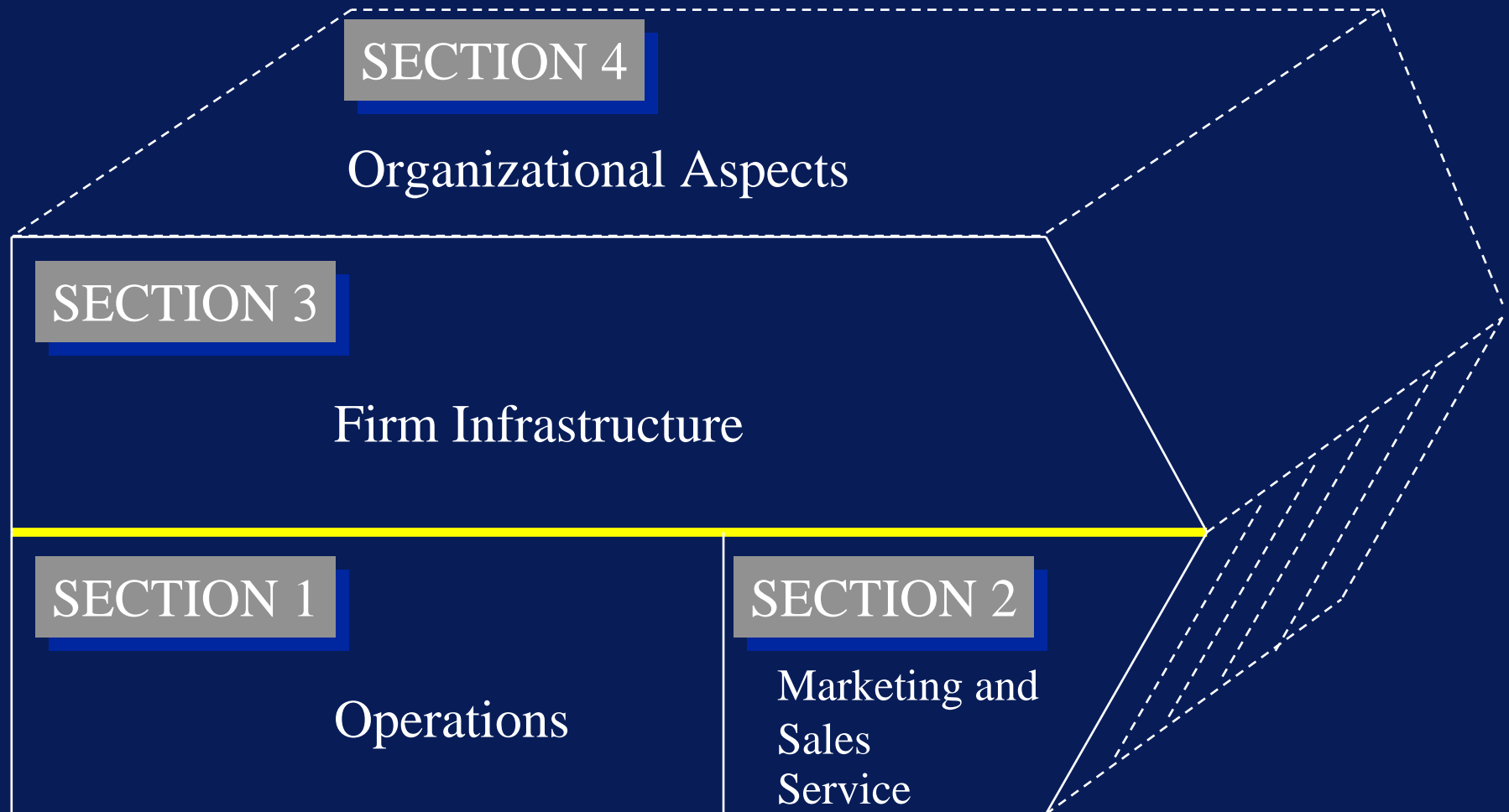
# Method of examining Business Operations

- To systematically examine the ways available to a business to achieve a long-lasting competitive position, it is necessary to disaggregate a business into strategically relevant stages to take into full account all of the tasks that are conducted to add value.

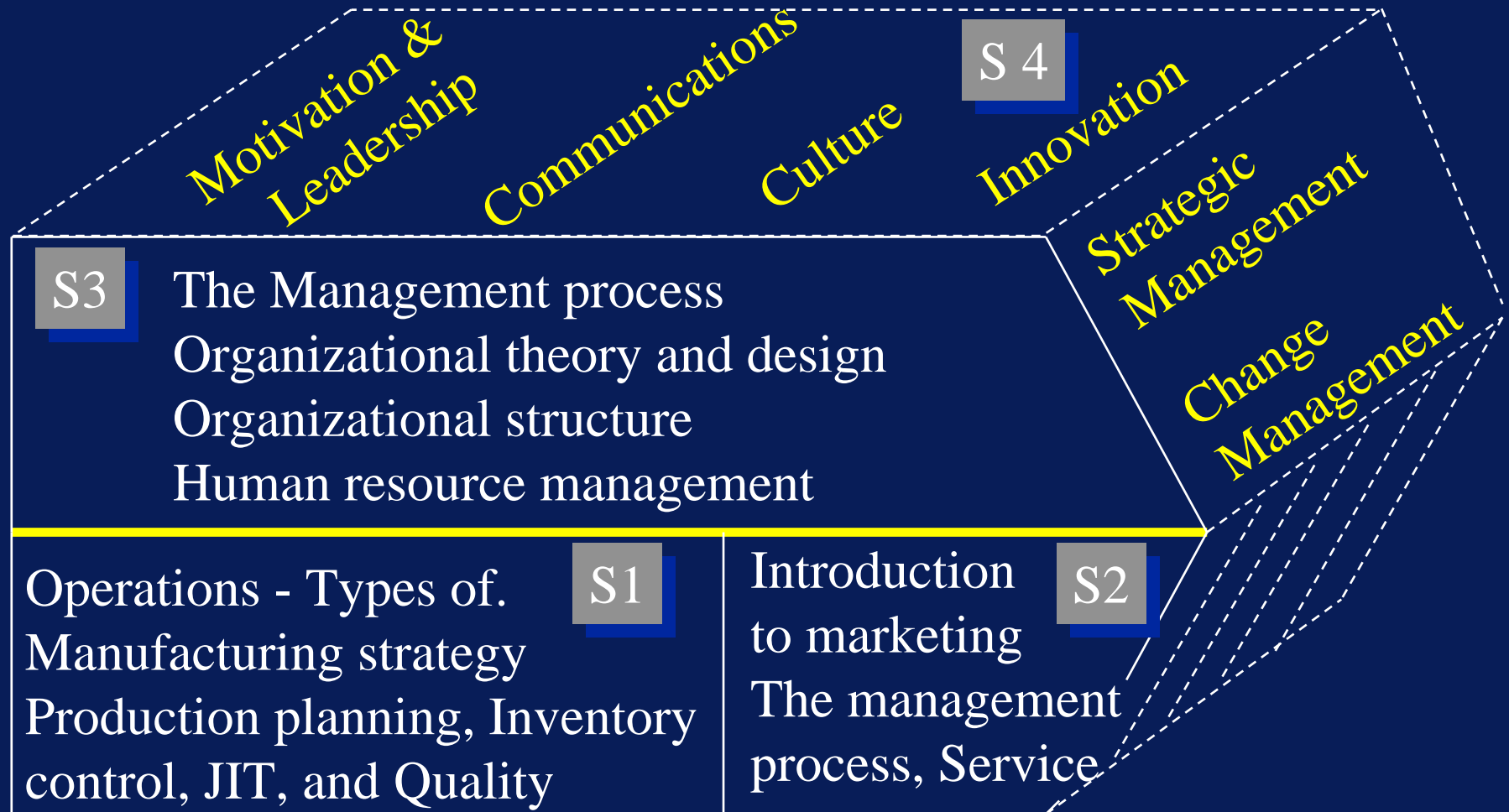
# Porter's Value Chain (1985)



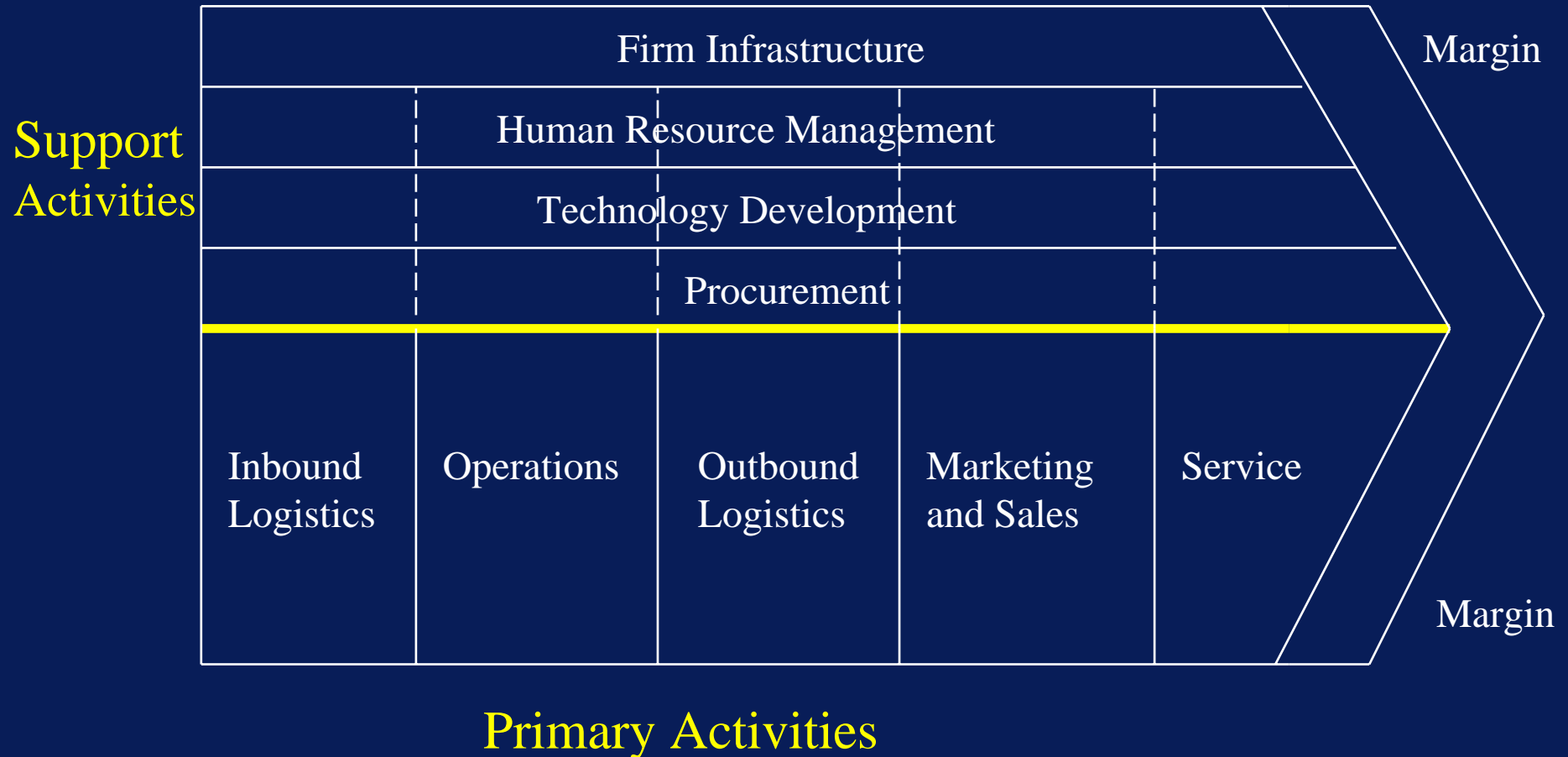
# Course Breakdown



# Course Breakdown

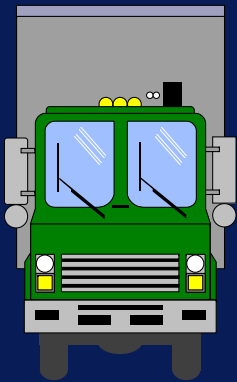


# Porter's Value Chain (1985)



# Primary Business Activities 1

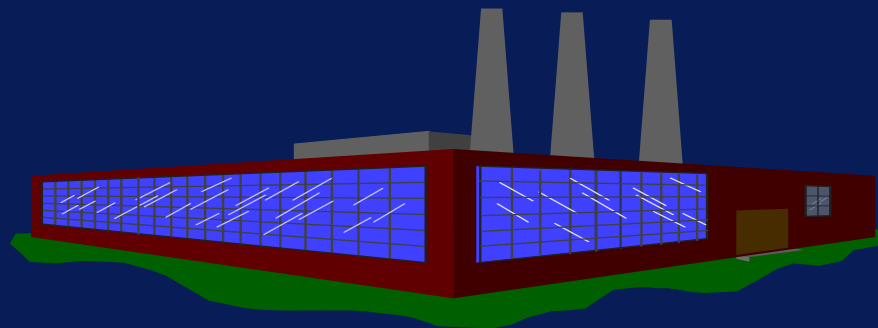
- Inbound Logistics
  - Receiving, storing, materials handling, warehousing, inventory control, vehicle scheduling, and returns to suppliers.





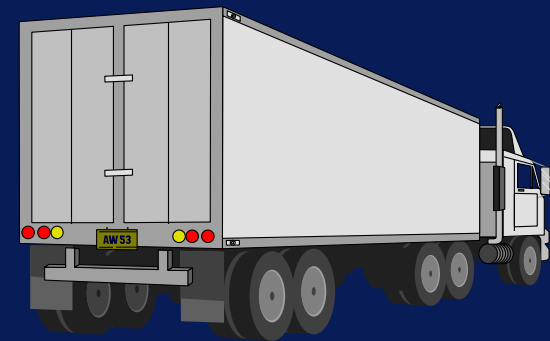
# Primary Business Activities 2

- Operations
  - Transforming inputs into final product form (e.g., machining, packaging, assembly, equipment maintenance, testing, printing, and facility operations).



# Primary Business Activities 3

- Outbound logistics
  - Distributing the finished product (e.g.. finished goods warehousing, material handling, delivery vehicle operation, order processing, and scheduling).



# Primary Business Activities 4



- Marketing and Sales
  - Induce and facilitate buyers to purchase the product (e.g.. advertising, sales force, quoting, channel selection, channel relations, and pricing.)

# Primary Business Activities 5

- Service
  - Maintain or enhance value of product after sale (e.g., installation, repair, training, parts supply, and product adjustment).



**HELP DESK**

# Support Activities 1

- Firm Infrastructure
  - General management, planning, finance, accounting, legal, government affairs, and quality management.

# Support Activities 2

- Human Resource Management
  - Selection, promotion, and placement, appraisal, management development, rewards, employee relations.

# Support Activities 3

- Technology development
  - Know-how, procedures, and technological inputs needed in every value chain activity.

# Support Activities 4

- Procurement
  - Purchasing of raw materials, supplies, and other consumerable items as well as assets.



# Industry Value Chain



**SINGLE INDUSTRY VALUE CHAIN**

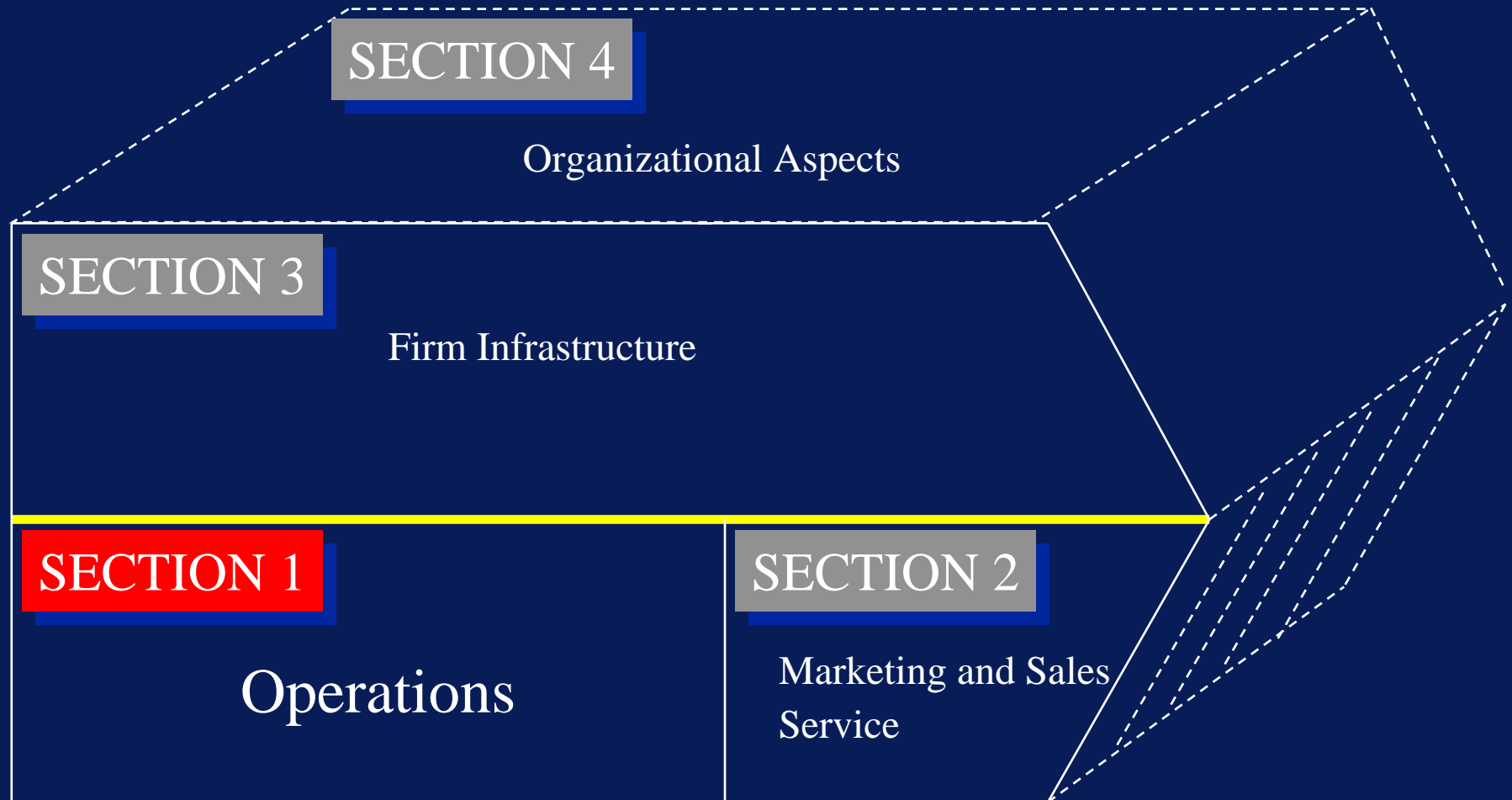
# References

- Michael Porter, *Competitive Advantage*, 1985, The Free Press.
- Stoner and Wankel, *Management*, Prentice-Hall International, 1986

## Section 1

# Operations

# Course Breakdown



# Operations

- Transforming inputs into final product form (e.g..., machining, packaging, assembly, equipment maintenance, testing, printing, and facility operations).

# Systematic View of Operations

- Definition: an operating system is a configuration of resources combined for the function of manufacture, transport, supply or service.

# Four Principal Functions:

- **Manufacture:**
  - changing or creating the physical nature of something
- **Transport:**
  - changing the location of something or someone
- **Supply:**
  - changing the ownership or possession of items which are otherwise (physically) unchanged.
- **Service:**
  - the function of treating or accommodating something or someone.

# Operations Systems Classification

- In terms of utility

## INPUTS:

- Manufacture
- Transport
- Supply  
possession
- Pure service

## OUTPUTS:

- change in form
- change in place
- change in  
possession
- change in state

**All organisations have all or most of these functions, but one predominates**

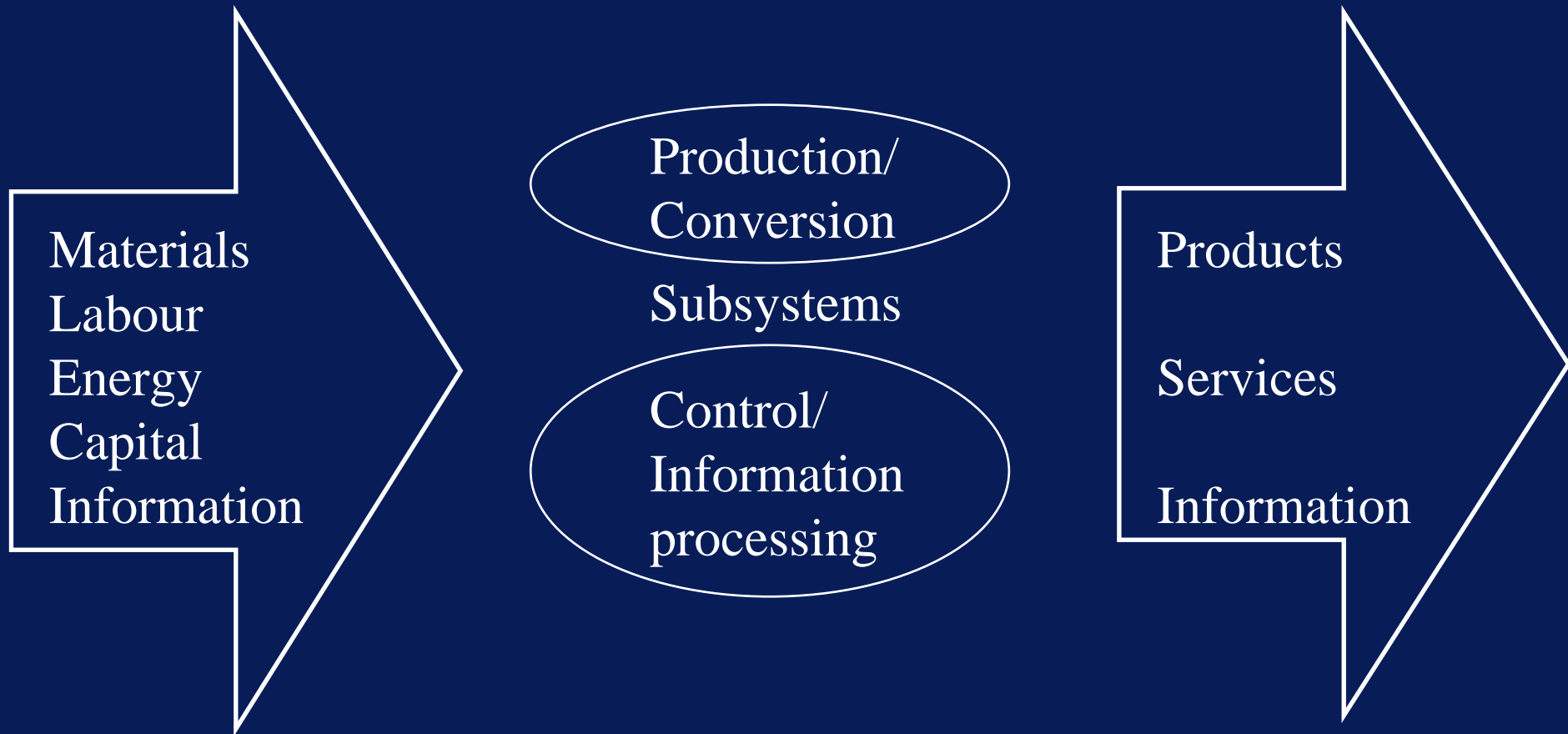


# Structure of Operation Systems

INPUTS

SYSTEM

OUTPUTS

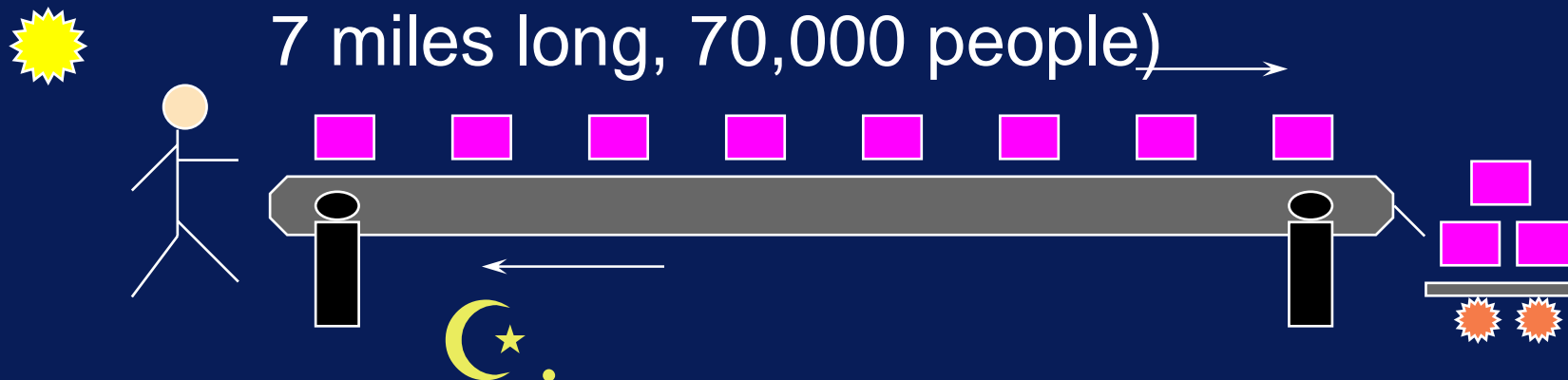


# Principal Manufacturing Processes:

- Continuous flow (process)
- Machine paced line flow (assembly line)
- Batch Flow
- Job shop

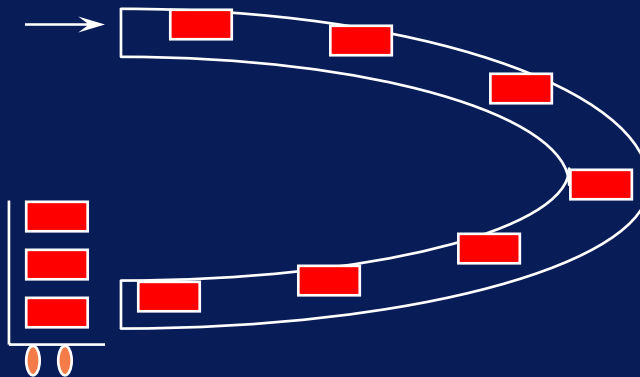
# Continuous Flow (Process)

- Logical sequential on-going capital investment
- Highly effective and efficient
- Large scale 24 hours/day 7 days/week  
(e.g.. Eastman in Rochester:



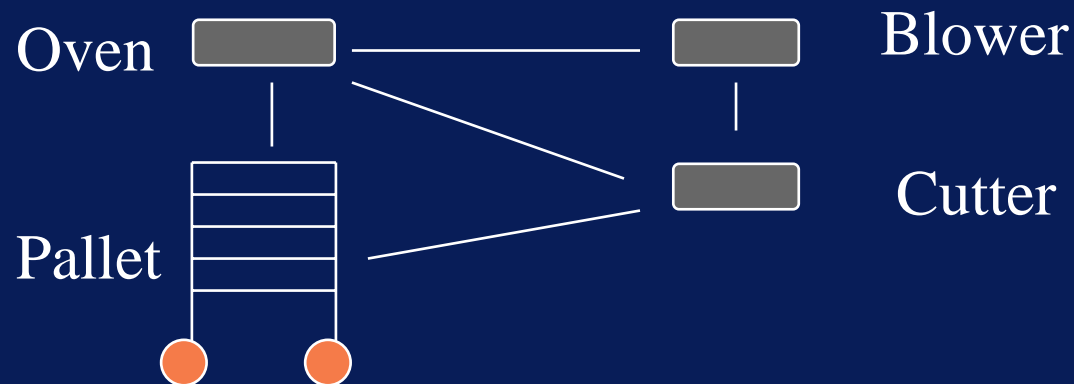
# Machine Paced Line Flow (assembly line)

- Mostly standardized products e.g.. cars
- Discrete batches in case of recall - pharmaceutical companies
- High degree of specialization of jobs
- Records must be kept for 20 years



# Batch Flow

- Number of items moved from place to place 'en mass' or batch
- Volume and utilization driven
- Producer (generally) designs products not customer



# Job Shop

- React to the environment; ready for any eventuality
- No consistent path
- Depends on what is demanded
- You are only as good as your last order
- Excellent communications required



# Process Type Examples

- Continuous Flow
- Job Shop
- Batch Flow
- Line Flow

➤ Papermills  
➤ Cement works  
➤ Oil refineries

➤ Tool making  
➤ Metal working  
➤ Metal fabrication

➤ Clothing manufacturers  
➤ Food manufacturers  
➤ Computer manufacturers  
➤ Bakeries

➤ Car Assembly  
➤ Electronic components

# Comparing and Contrasting Manufacturing



- Job Shop
  - » react to the environment, ready for any eventuality
  - » no consistent path, depends on what's demanded as to the flow between different types of equipment
- Batch
  - » no. of items moved from place to place en mass
- Continuous flow => line
  - » logical sequential ongoing capital investment
  - » highly effective and efficient
  - » continuous may be: large scale 24 hours/day, 7days/week



# Comparative Analysis of Processes

*Job Shop* → *Batch* → *Assembly Line* → *Continuous*

- Information Oriented Features
  - Production not instigated by bidding
  - Order scheduling easier
  - Longer term sales forecasts
  - Information flow management → ↓  
workers ↑
  - Quality Control formality ↓
  - Production schedule flexibility

# Comparative Analysis of Processes

*Job Shop* → *Batch* → *Assembly Line* → *Continuous*

- Product Features:
  - Number of kinds of products made ↓
  - Product volumes ↑
  - Customization ↓ and standardization ↑
  - New product introductions ↓ and cost ↑
  - Competition basis: differentiation → price

# Comparative Analysis of Processes

*Job Shop* → *Batch* → *Assembly Line* → *Continuous*

- General Process Features

- radical changes in process
  - pattern of process becomes more rigid
- routing of activities better defined
- equipment specialization↑
- scale of operation↑
- equipment utilization ↑
- bottlenecks easier to understand
- continuous small changes in process↑
- number of set-ups and run lengths↑

# References

- R. Wild, *Production and Operations Management*, 1980, Holt, Rhinehard & Winston, London.
- Schonberger and Knod, *Operations Management ~ Serving the Customer*, 3rd ed., 1988, BPI Irwin.

Section 1

# Manufacturing Strategy

# Process Type Examples

- Continuous Flow
- Job Shop
- Batch Flow
- Line Flow

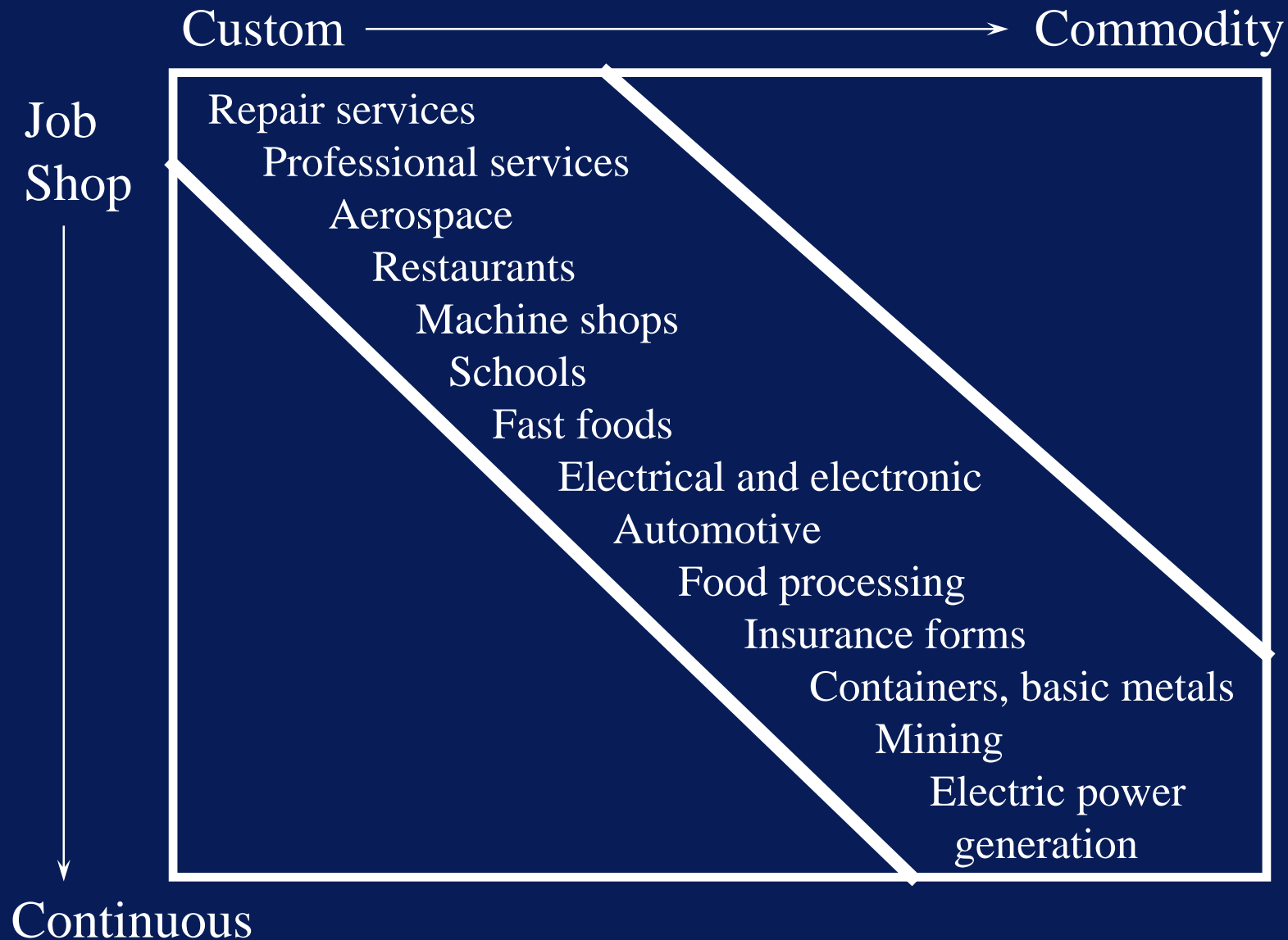
➤ Papermills  
➤ Cement works  
➤ Oil refineries

➤ Tool making  
➤ Metal working  
➤ Metal fabrication

➤ Clothing manufacturers  
➤ Food manufacturers  
➤ Computer manufacturers  
➤ Bakeries

➤ Car Assembly  
➤ Electronic components

# Product-Process Matrix



# Manufacturing Strategy

- Competitive advantage via the manufacturing process
- Decide company strategy and configure manufacturing - 5 ways to compete :
  - cost
  - quality performance
  - dependability
  - flexibility
  - innovation
- Company decides best way to compete



# Manufacturing Strategy

(Hayes and Wheelright 1983)

- Concept of developing competitive strategy
- Configuring manufacturing:
  - Principal decision areas:
    - » Structural Decisions
    - » Infrastructural Decisions
- Discipline and focus in manufacturing
- A process of continual improvement

# Structural Decisions

...because of their long term impacts, difficult to undo, and there is a tendency to require substantial capital investment when altered or extended

- Capacity

amounts, timing,  
locating, facilities

- Facilities

locations, size, focus of plants

- Process  
Technology

degree of automation,  
flexibility

- Vertical

integration  
make or buy decisions, supplier  
relations, control over resources

# Infrastructural Decisions

*... according to more recent studies these may be more difficult to change than structural decisions*

- Production/inventory planning and control policies
- Workforce policies: skills, rewards, security
- Quality policies: QC, responsibility, definition
- Measurement and control within the plant
- Organization/ Structure: culture, decision making

# Six Characteristics.... of a true competitive advantage

- Provides value to customer
- Contributes significantly to success
- Uniquely matches resources and opportunities
- Leads to further improvements
- Provides motivation and direction

# Criteria for Evaluating a Manufacturing Strategy

- Consistency
- Emphasis
- Hayes and Wheelwright promote:
  - Internally neutral
  - Externally neutral
  - Internally supportive
  - Externally supportive

# Criteria for Evaluating Operations Systems

- Effectiveness:
  - does the system produce the desired outcome?
  - (doing it right first time)
- Efficiency:
  - does it do so in a way which makes best use of the resources assigned?
  - (doing the right thing right first time)

# Classifying Technologies

- Long-Linked
- Mediating
- Intensive

*Technically Perfect = Highly Effective and Efficient*

# Long-Linked:

- Serial interdependence

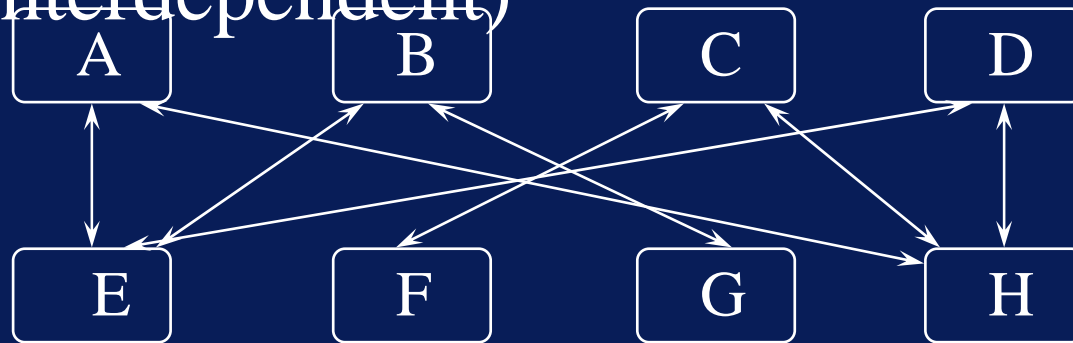


- Standard product, repetitively produced, constant rate
- Closest to technical perfection (effective and efficient)



# Mediating:

☞ Links clients/customers  
(interdependent)

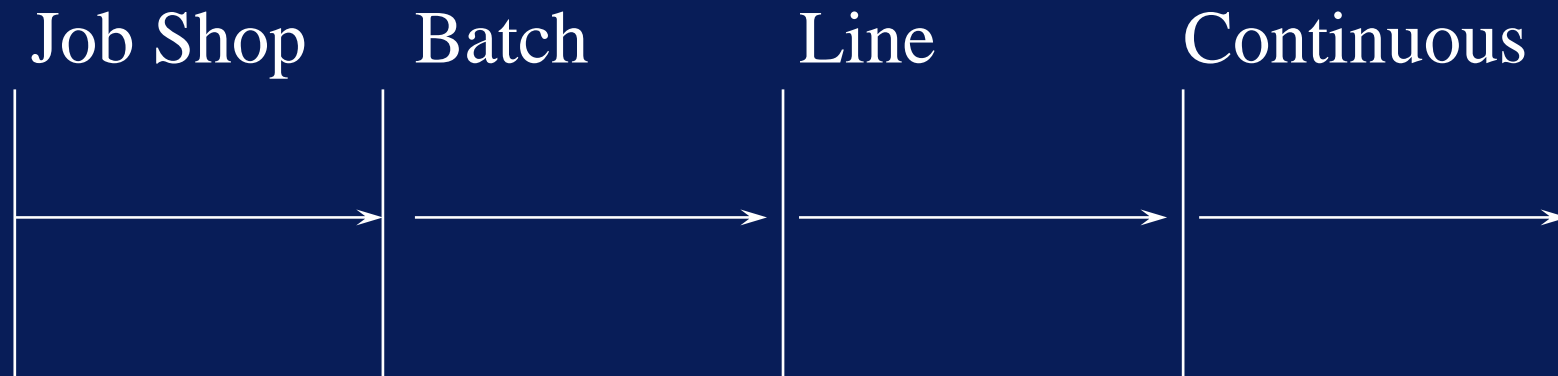


- Standardization is key
- Customers/clients and their non-standard requirements intrude to make this difficult
- Not as close to perfection

# How to achieve technical perfection?

- Buffer environmental influences with input and output components
- Smooth out input/output transactions
- Anticipate and adapt to environmental influences
- Resort to rationing

# Process Type and Pay Levels



highly  
paid

lowest  
paid

average  
pay

highest  
paid

*more industrial  
relations here*

*although  
semi-technical jobs  
are standardized*

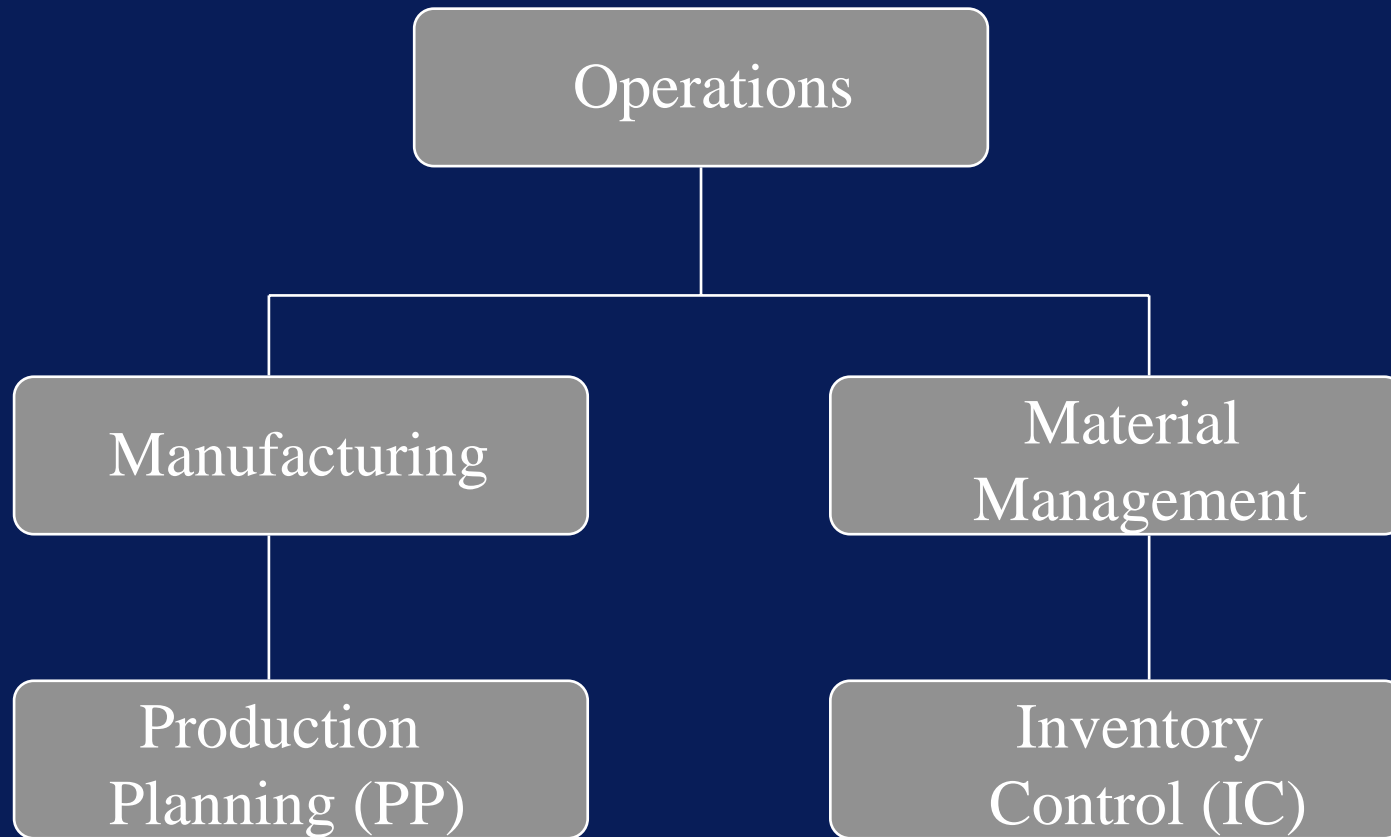
# References

- Hayes and Cartwright,  
*Manufacturing Strategy*, HBR Jan-Feb 1983.
- Schonberger and Knod,  
*Operations Management*, 3rd ed.,  
1988, BPI Irwin.

# Operations

Production Planning  
Inventory Control  
Just-in-Time

# Production Planning



# The Master Schedule

*a medium term statement of what the company plans to provide .....  
by item, by period, by capacity etc..*

## PPIC - Planning Production and Inventory Control

- Developing the Manufacturing Program
- Pro-Production Planning
- Production Control
- Inventory Control

# Developing the Manufacturing Program

- Defining timespan of plan
- Minimum level of inventory to be maintained
- Spreading the sales forecast over the time span
- Setting open and closing inventories



# Developing the Manufacturing Program

- Calculating total production as a forecast and the change in inventory
- Spread total production over planning period
- Comparing requirements over planning period
- Finalizing program

# Developing a Forecast

- Define purpose
- Use a mathematical base plus judgements
- Internal and external factors

# Pre-Production Planning

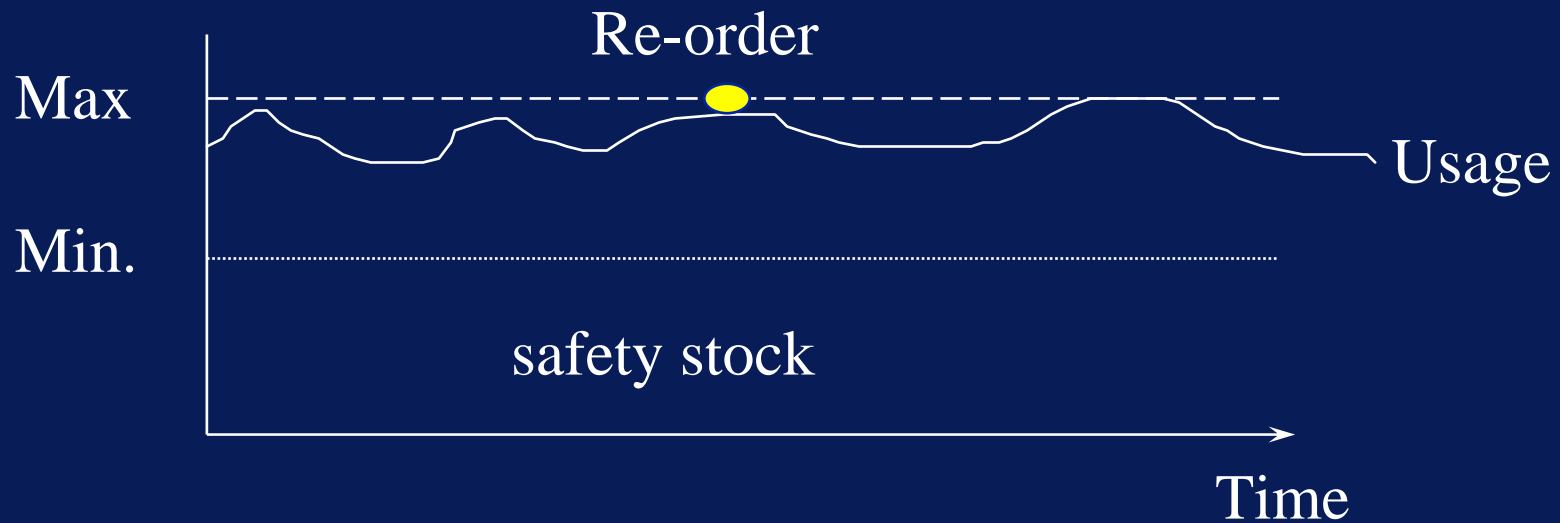
- ➔ Detailed product specification
- ➔ Process planning
- ➔ Materials planning

## Production Control

- controlling input
- controlling output

# Inventory Control

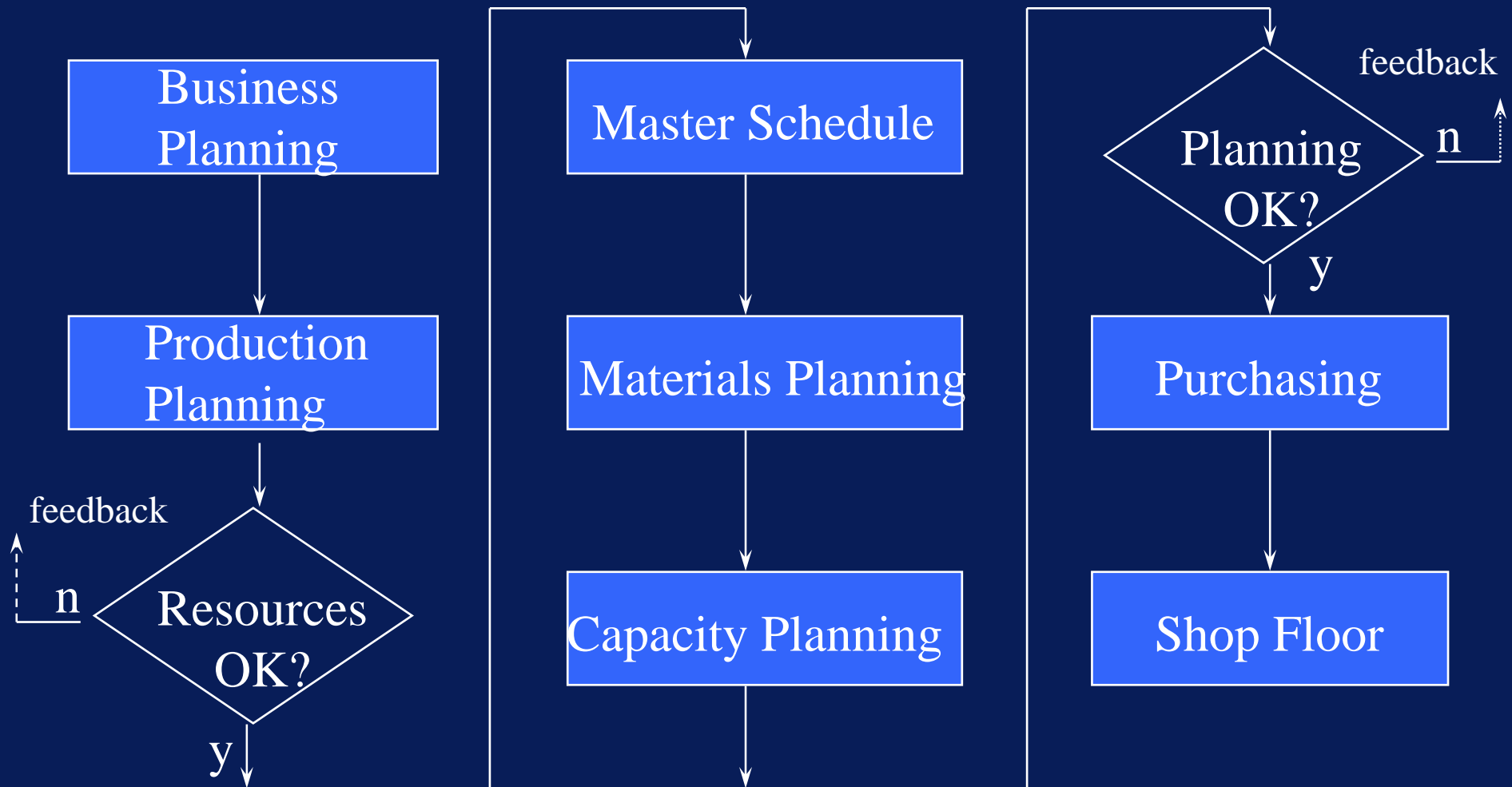
- Order point
- Order quantity
- Re-order point system



# Inventory Control

- Time series planning used when a manufacturer has:
  - high value parts
  - space is a problem
  - lead time significantly long and better information is required as to when part is required
  - data processing equipment and software available

# PPIC - The Broader Concept



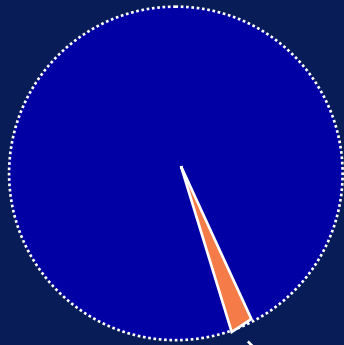
# Just -In -Time (JIT)

- AIM:
  - to streamline information and material flows by eliminating all forms of waste
- *Waste*
  - anything other than the minimum amount of equipment, materials, parts, space or time, which are absolutely essential to add Value to a product or service

# Traditional

# Vs.

# JIT

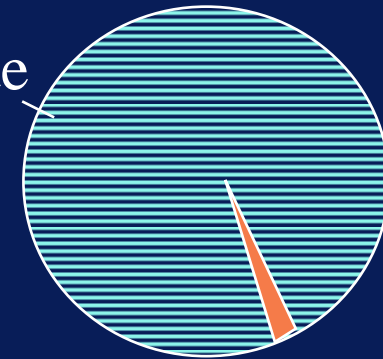


5% waste

Focus on Value Added resources through activities such as:

- methods improvement
- work study
- automation

95% waste



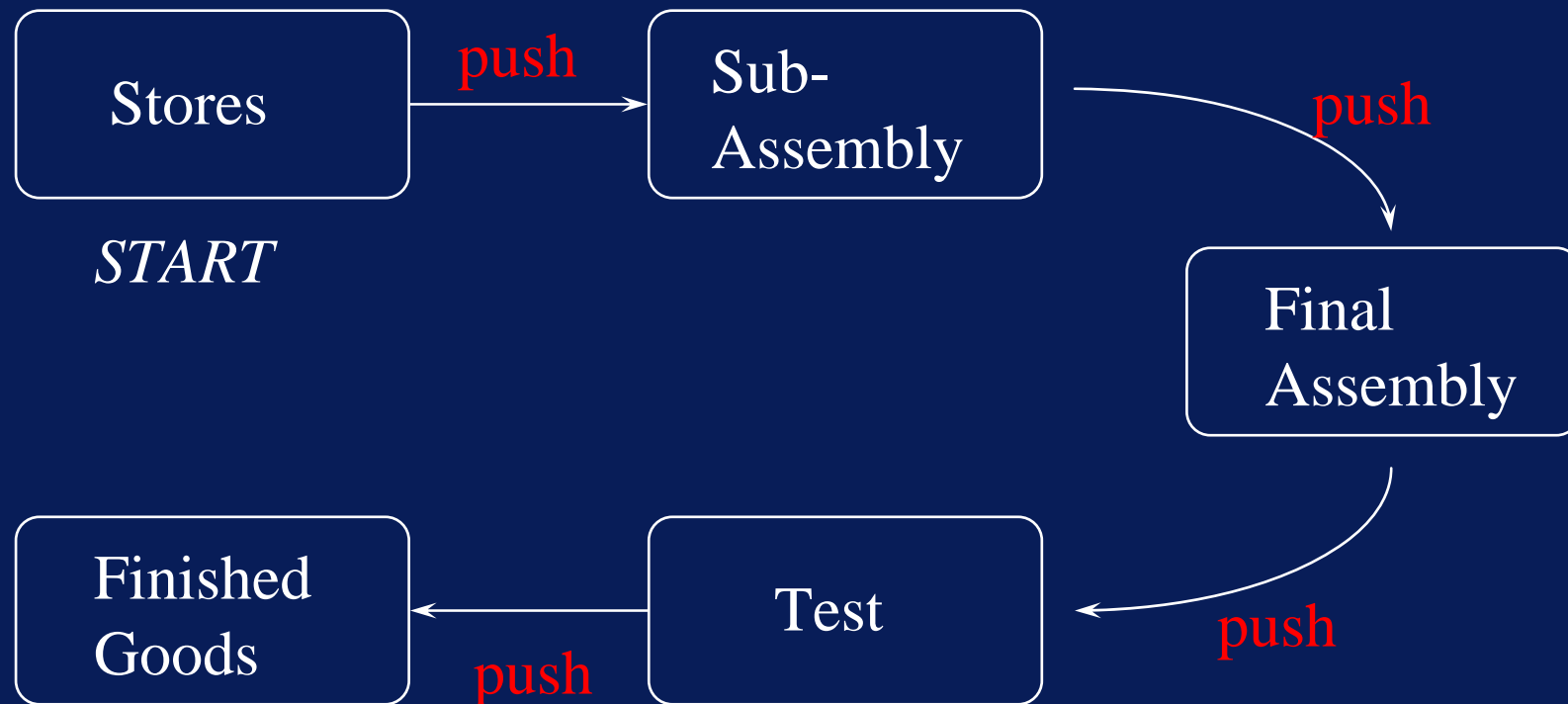
Focus on the 95% NON-Value Added resources through:

- total quality control
- problem solving
- waste elimination
- total involvement

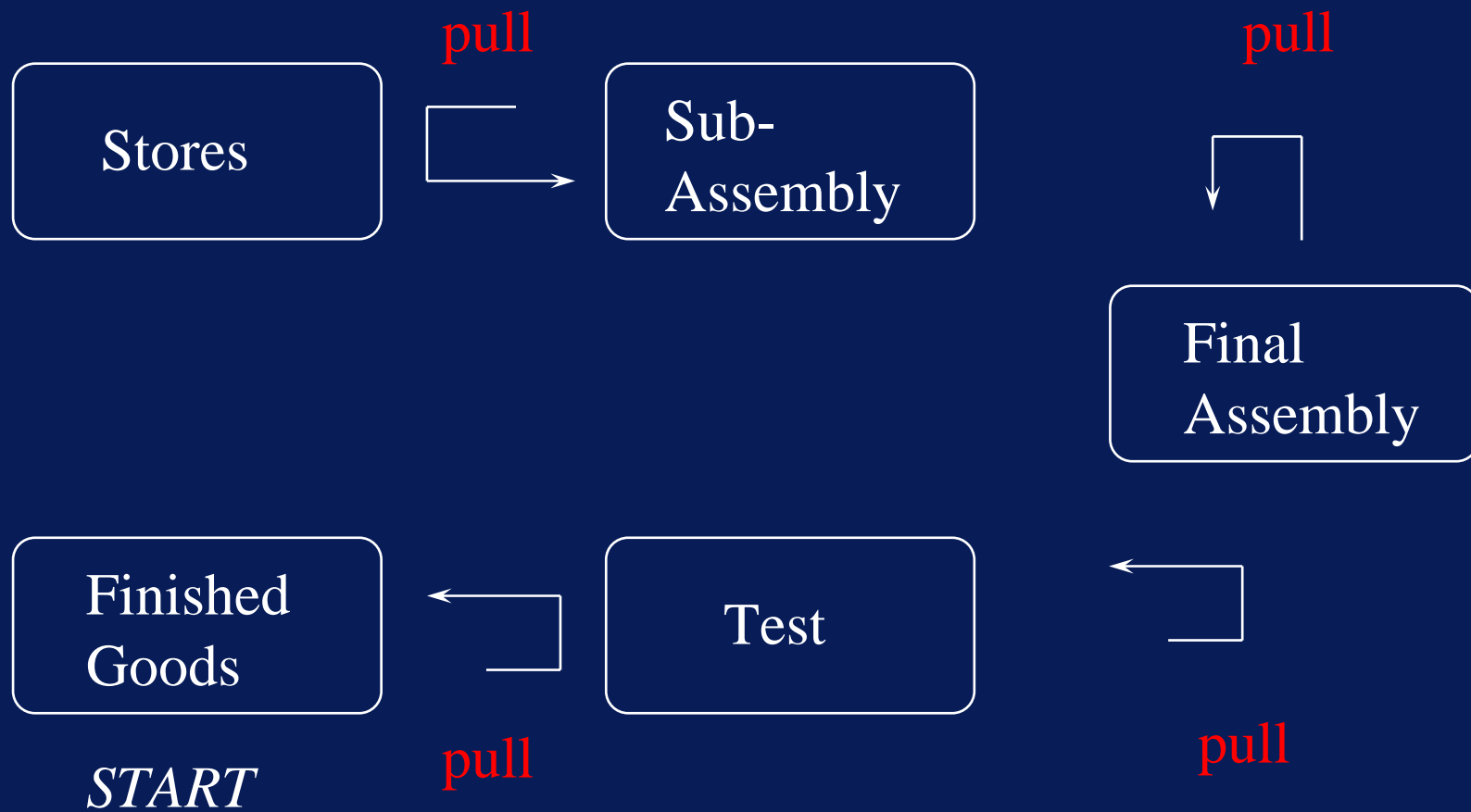


# 'Push' System

- Number of cycle times drive the factory



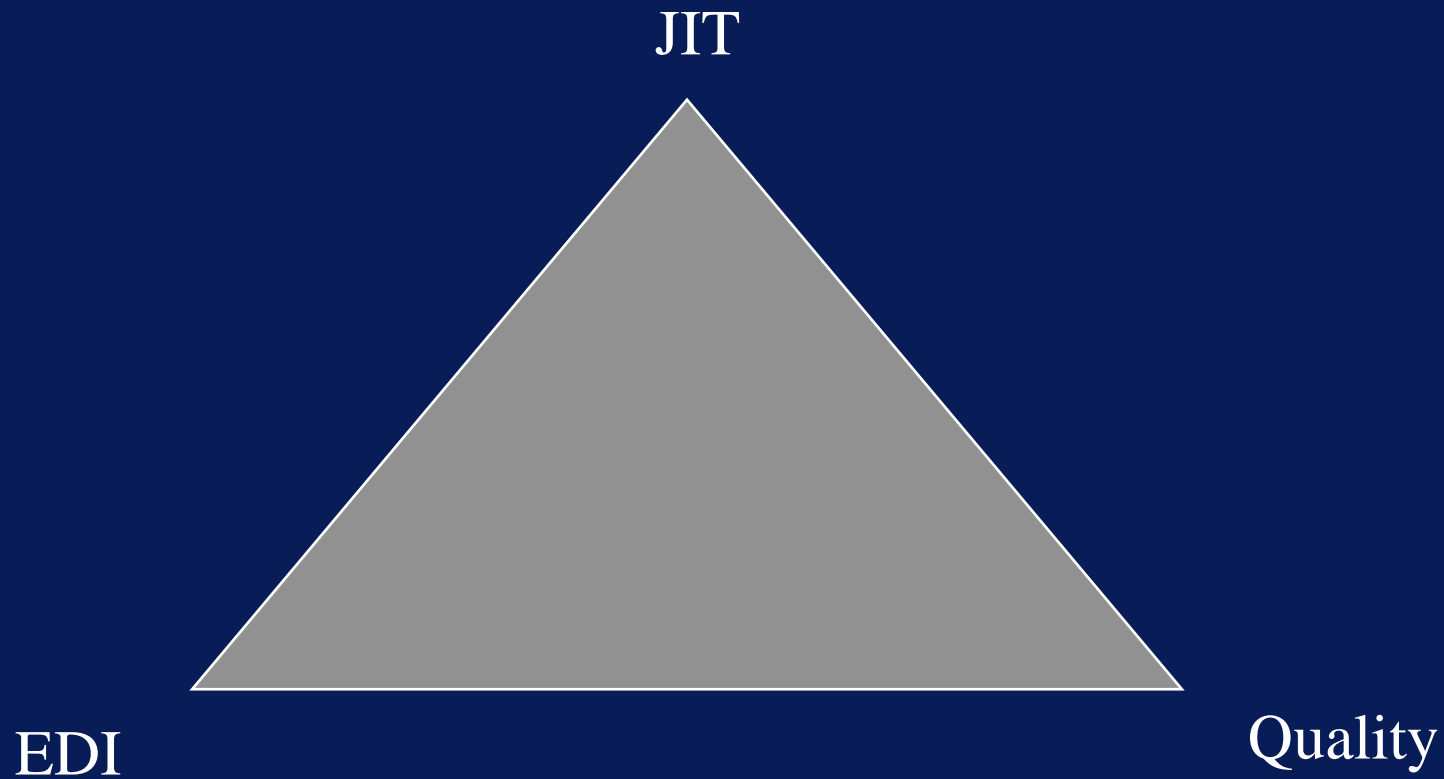
# 'Pull' System



# Benefits of JIT

- Costs of parts
- Quality
- Design
- Productivity
- Administrative

# JIT - Broader Concept



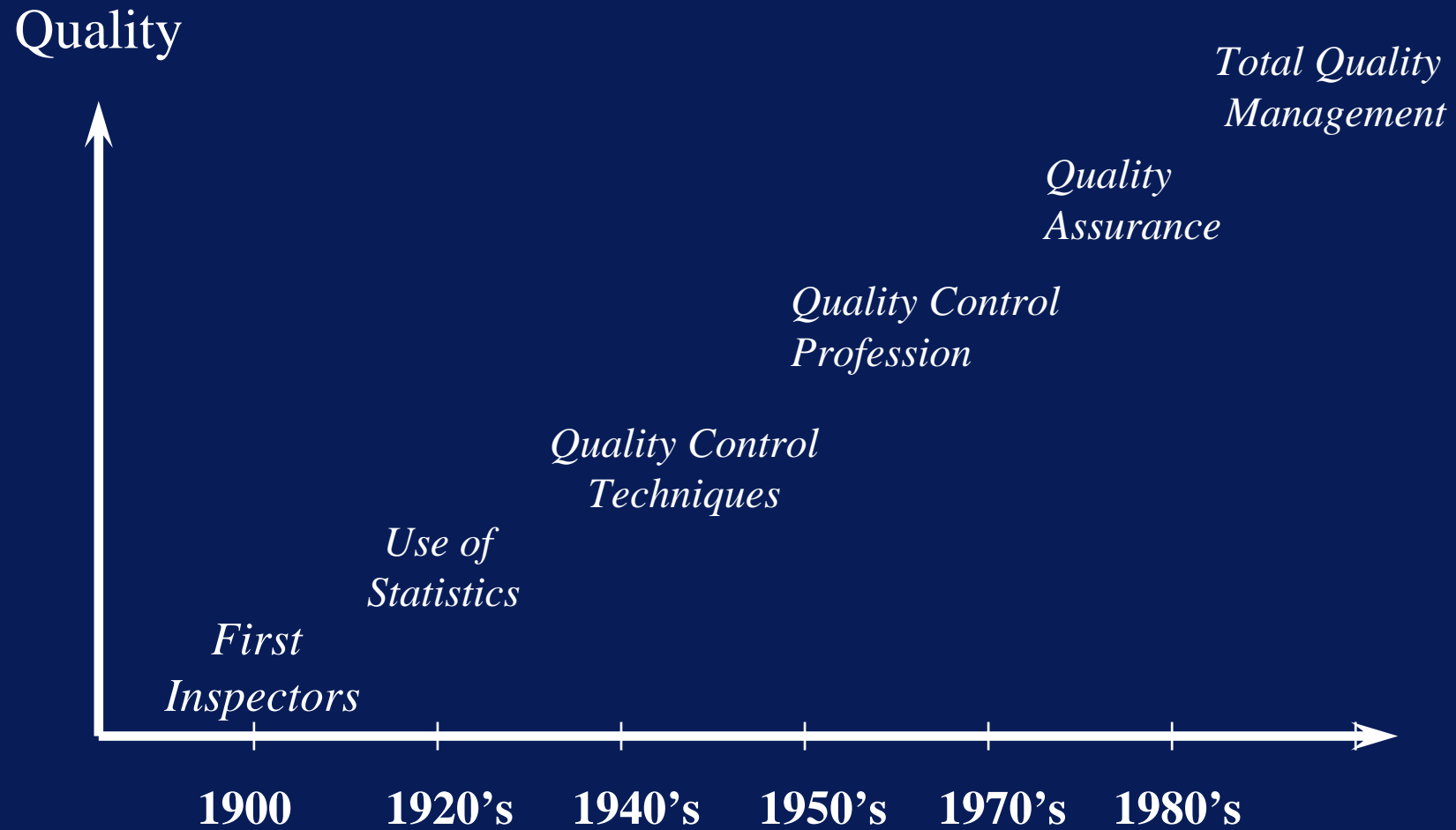
# References

- R.J. Schonberger and E. M. Knod, *Operations Management*, 1988 BPI Irwin
- D. J. Bowman, *If You Don't Understand JIT How Can You Implement It?*, IE February 1991.

## Section 1

# Quality Systems

# The Development of Quality



# What is Quality?

- Five approaches to defining quality
  - transcendent
  - product
  - user based
  - requirements based
  - value based



# The Role of Quality Standards

- To ensure that a process consistently produces a high quality product or service, all inputs must be specified.
- These should be documented in order to avoid confusion and errors.
- Quality standard series for different countries:
  - » Eire ISO 9000
  - » UK BS 5750
  - » EU EN 29000

# What is ISO 9000?

- ISO 9000 is a standard which sets down the requirements for the management and control of quality assurance within a company.

# The ISO 9000 Series

- ISO 9000
  - quality management and quality assurance
- ISO 9001
  - quality systems in design/development, production, installation, and servicing
- ISO 9002
  - quality systems in production and installation
- ISO 9003
  - final inspection and test
- ISO 9004
  - quality system elements

# ISO 9000

- To achieve ISO 9000 certification a company needs to meet the following requirements:
  - quality manuals
  - quality procedures
  - detailed assessment
  - approval
  - registration

# Manual and Procedures

- What is to be done?
- Who is to do it?
- When is it to be done?
- How is it to be done?

# The Benefits

## *The Supplier*

- Independent authority verification of the quality claims of a company
- International register of certified companies
- Saves time and money by reducing multiple assessments and inspections by customers
- Helps to reduce quality related costs

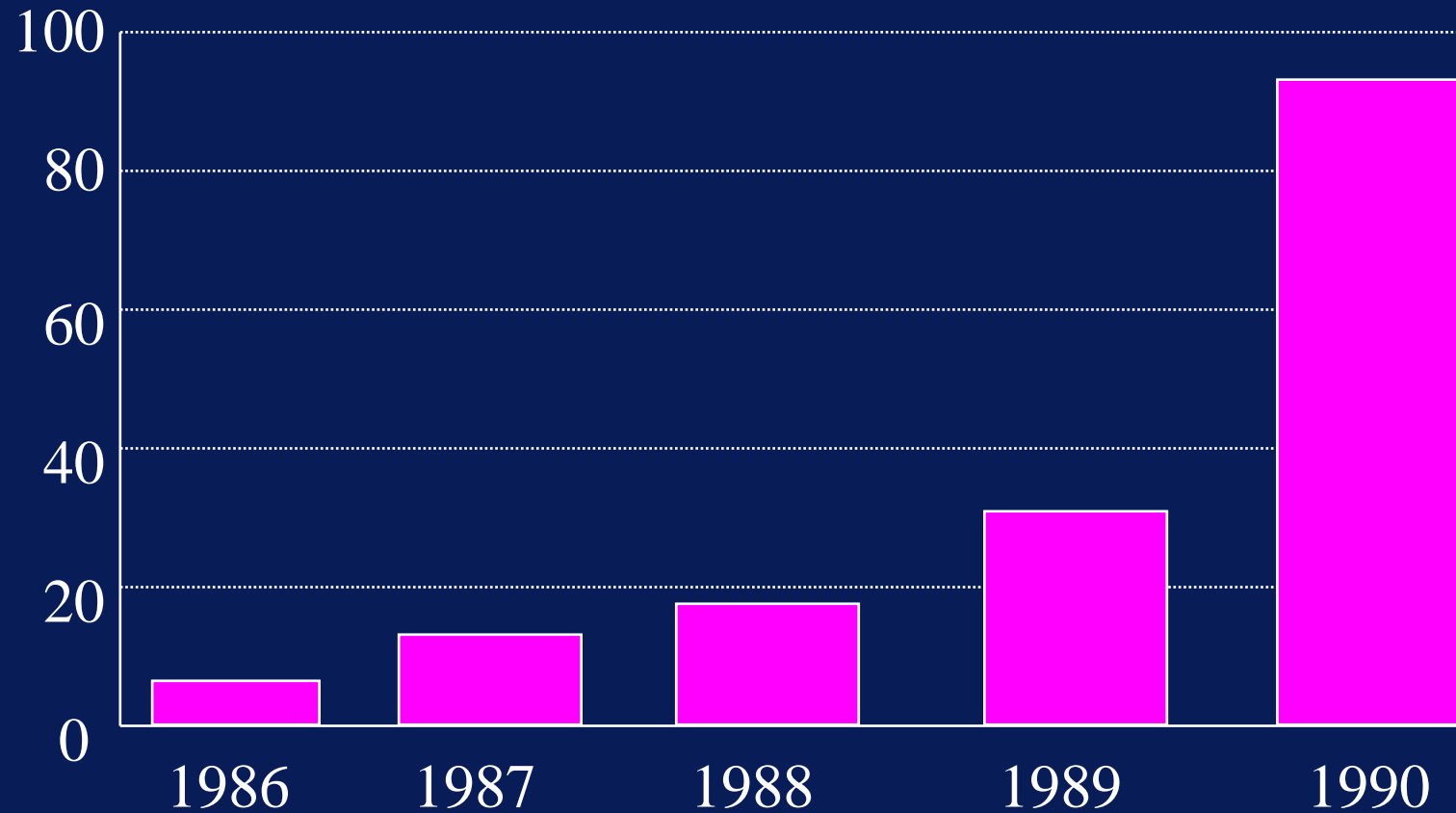
# The Benefits

## *The Customer*

- A guarantee that their quality requirements are now being met
- Eliminates the need for supplier assessments
- Reduces receiving inspection costs
- Simplifies the buying process
- Creates confidence in their suppliers

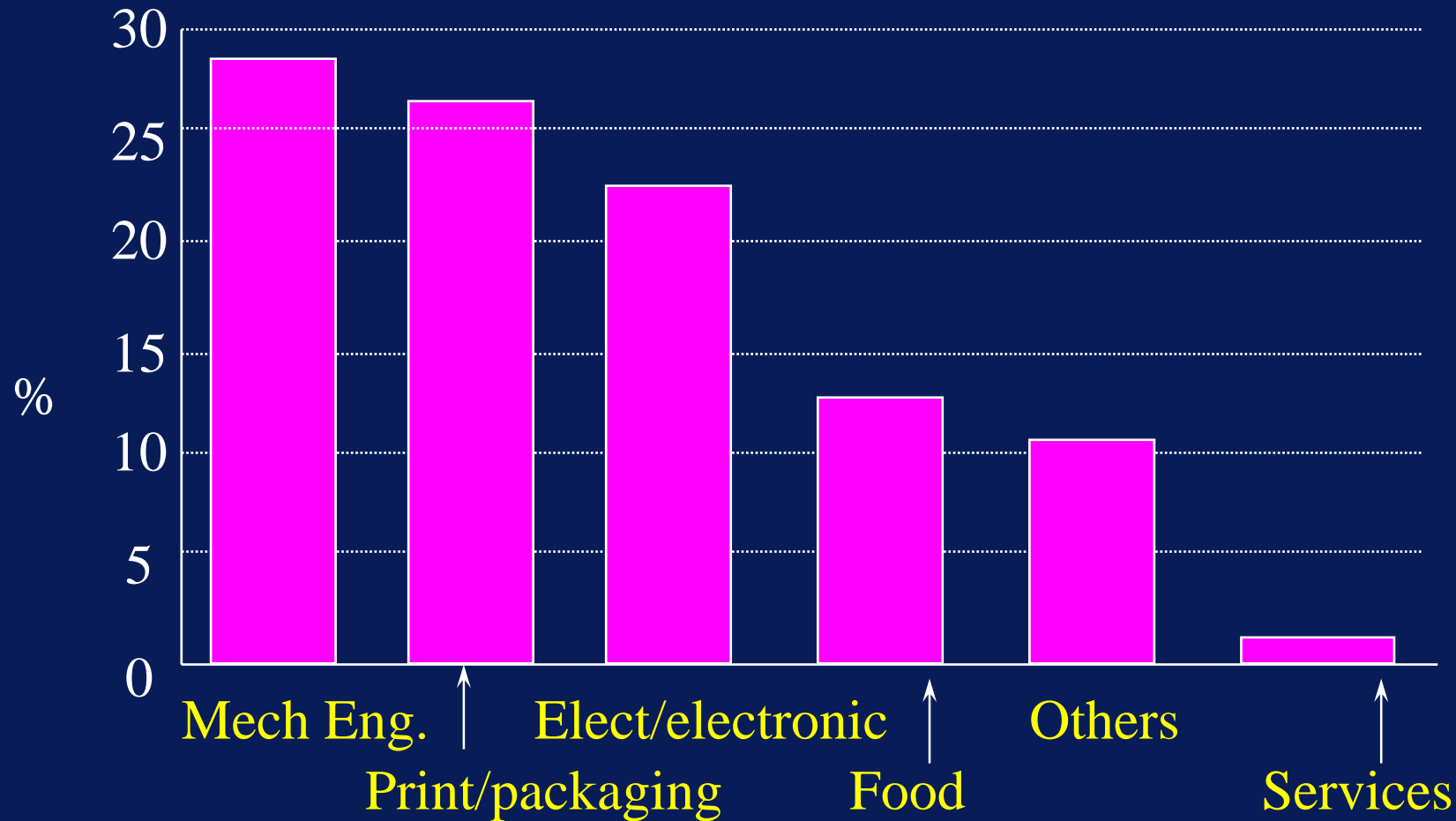
# ISO 9000

## Annual Registrations by NSAI





# Registrations by Sector of Irish Industry



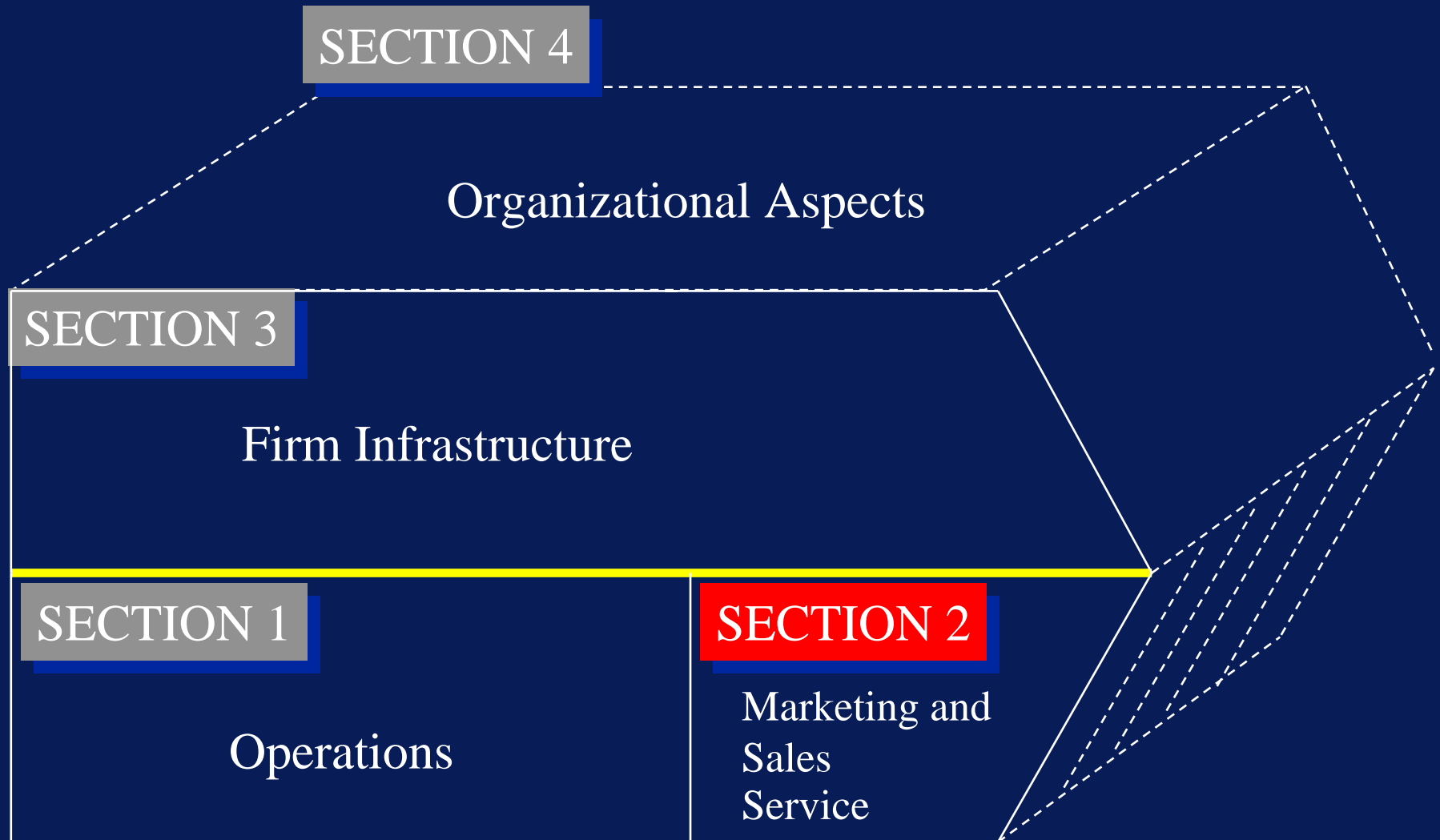
## Section 2

# Marketing and Sales

# Marketing and Sales

- Induce and facilitate buyers to purchase the product (e.g. advertising, sales force, quoting, channel selection, channel relations, and pricing.)

# Course Breakdown



# Marketing Definitions

- Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products and value with others.
- Marketing is the process of identifying and predicting customer needs, selecting target markets then using all of the company's resources to satisfy them better than competitors - profitably.

# Business Philosophy or Management Technique?

- Evolution of marketing from industrial to market orientation
  - Business Purpose: create customers
  - Satisfy customers needs at a profit
  - Delight customers at a profit
  - Enjoying delighting the customer!
  - Must have top management endorsement

# Alternative Business Orientations

## *PRODUCTION ORIENTATION*



## *MARKETING ORIENTATION*



# Review of Markets

- Markets are ALWAYS changing
- Change in life trends accelerates
- Contraction of markets
- Market share redistribution
- Impact of 'japanization'
- Financial paradigm



# Market Type Review

- Originally



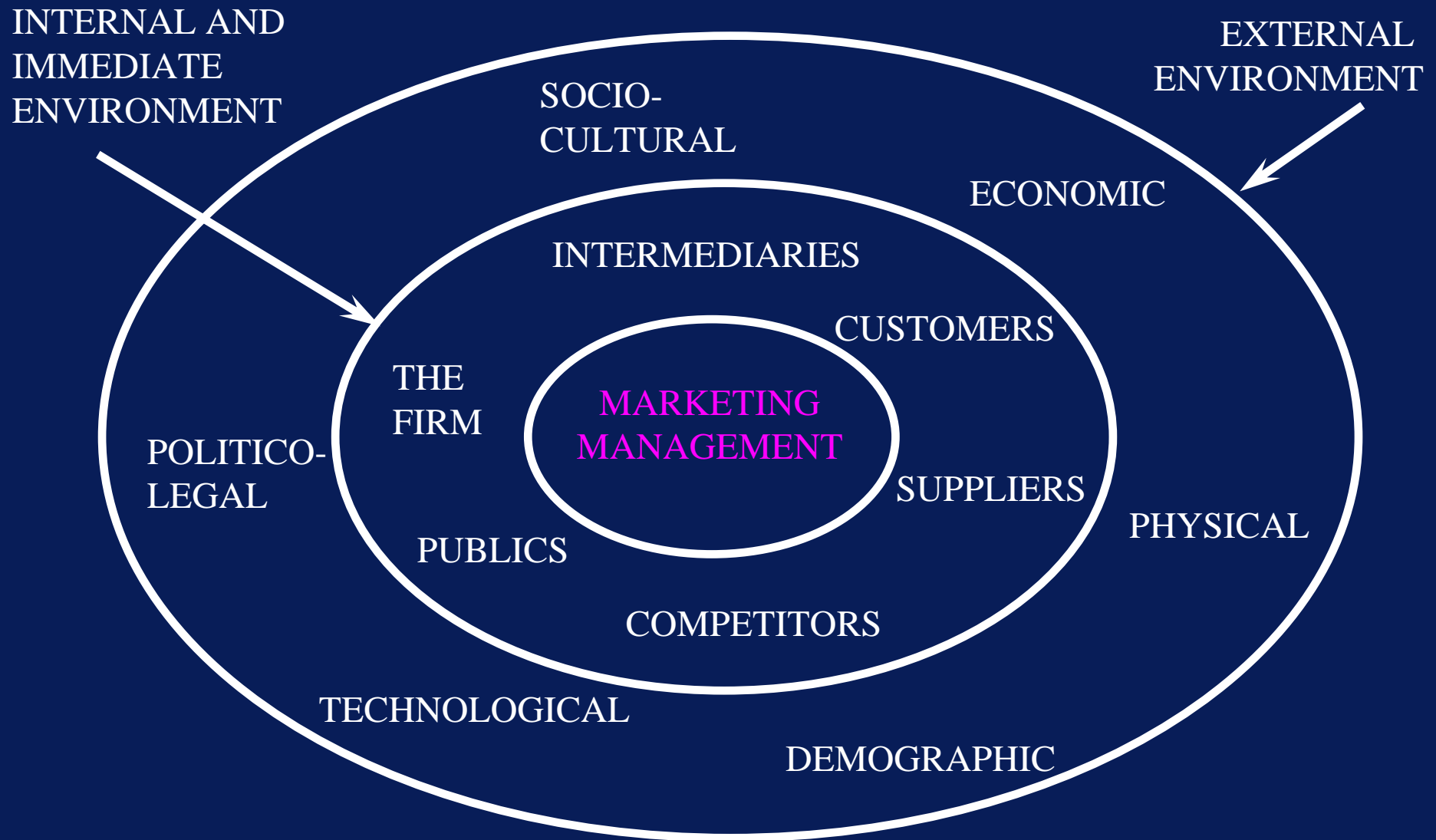
1750's

product production

mass marketing 1900's  
late 1920's cars in US  
Recognized in 1960's  
Coke, Levi's 70's, 80's

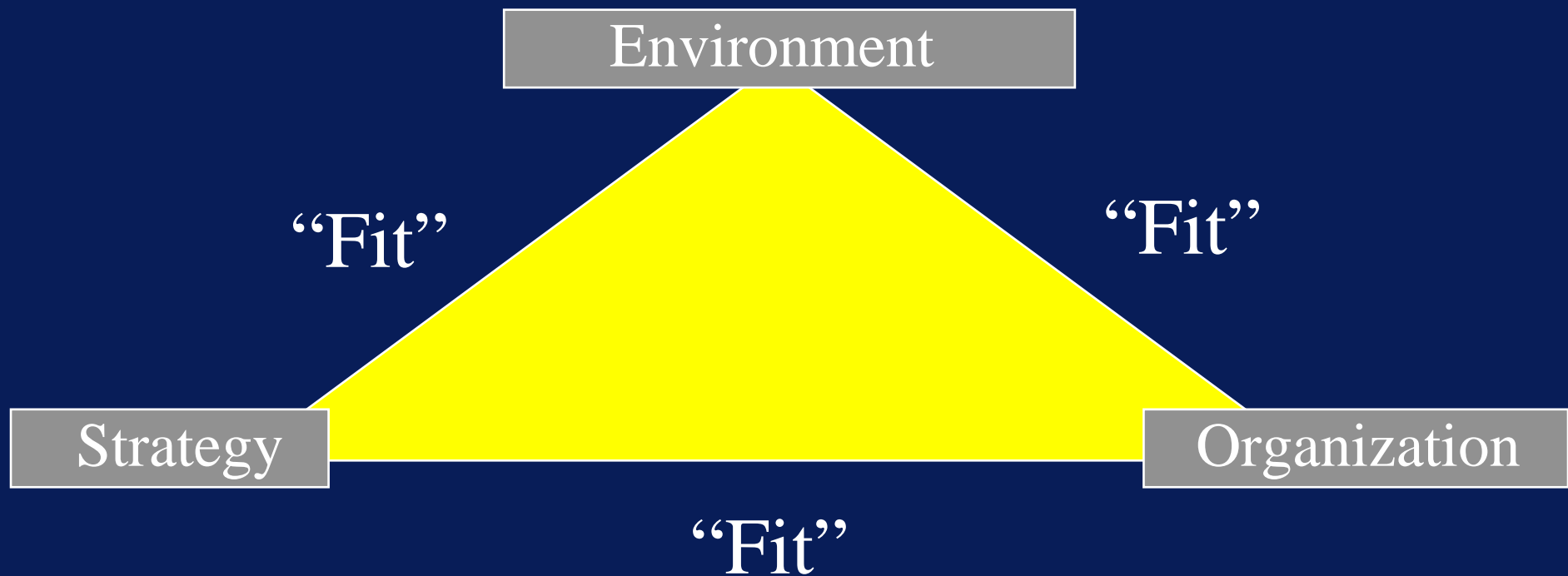
Not so many mass markets  
left today in developed  
world

# The Environment of Marketing



# Central Marketing Principles

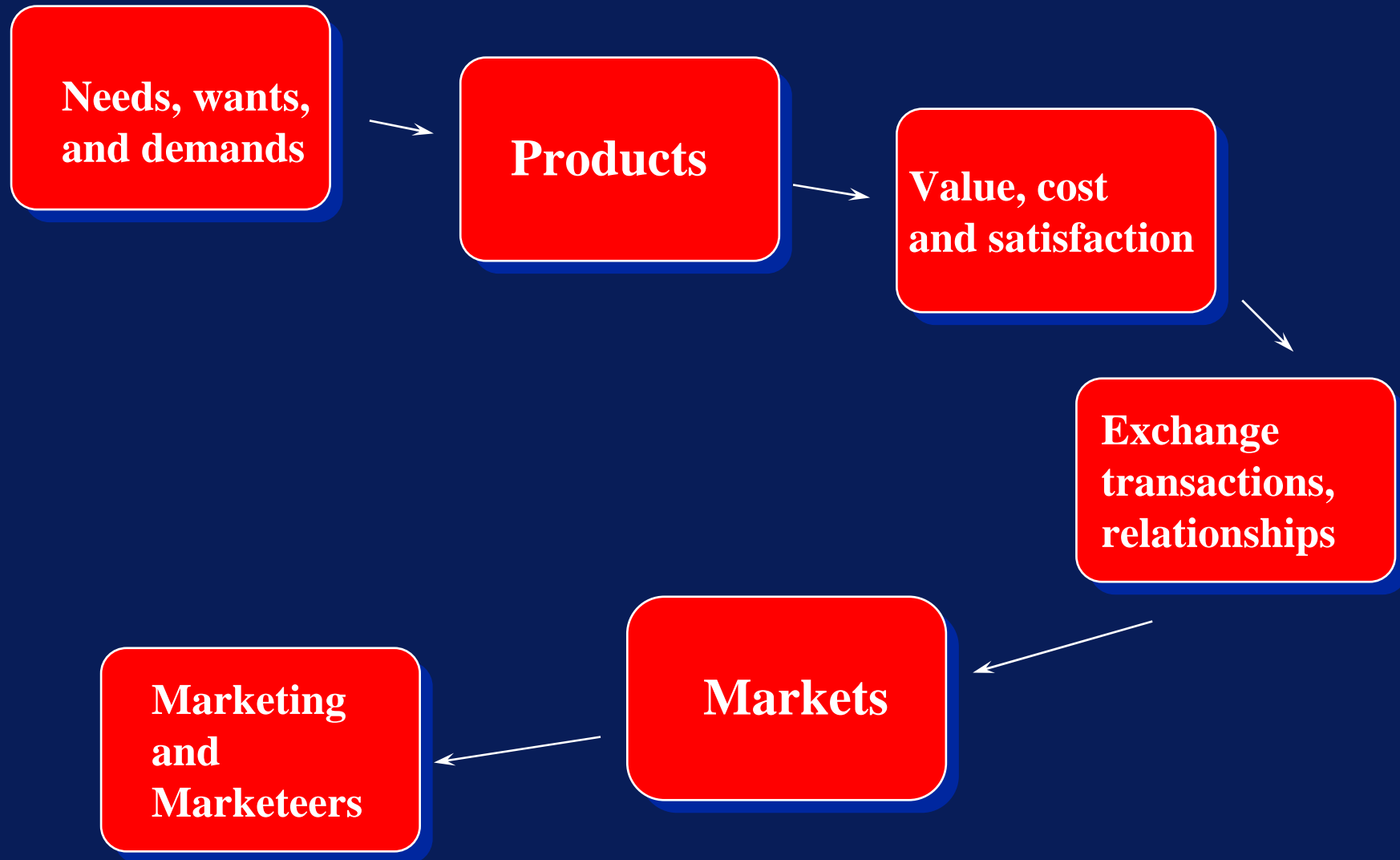
- Customer value
- Differential advantage
- Market targeting



# Relationship between Marketing and Strategic Planning



# The Core Concepts of Marketing



# References

- R. Brown, Marketing - *A Function and A Philosophy*, QRM 12, 1987
- Kotler, *Marketing Management*, 1991, Prentice Hall International, chp 1.
- Theodore Levitt, *Marketing Myopia*, 1975, Harvard Business Review Classic.
- **Fortune**, October 1990, *Japan's New Personalized Production* by Susan Moffat

## Section 2

# Marketing Management Process

# The Marketing Management Process



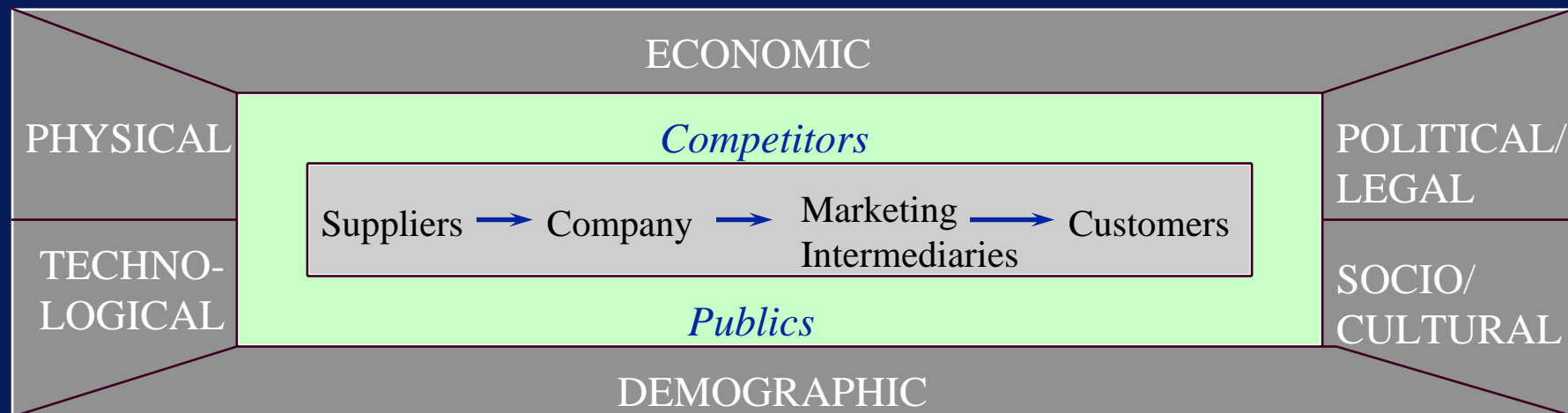


## ① *How do businesses analyse marketing opportunities?*

- Marketing information systems:
  - internal report systems
  - marketing intelligence system
- Marketing research:
  - marketing research
  - analytical marketing system

①

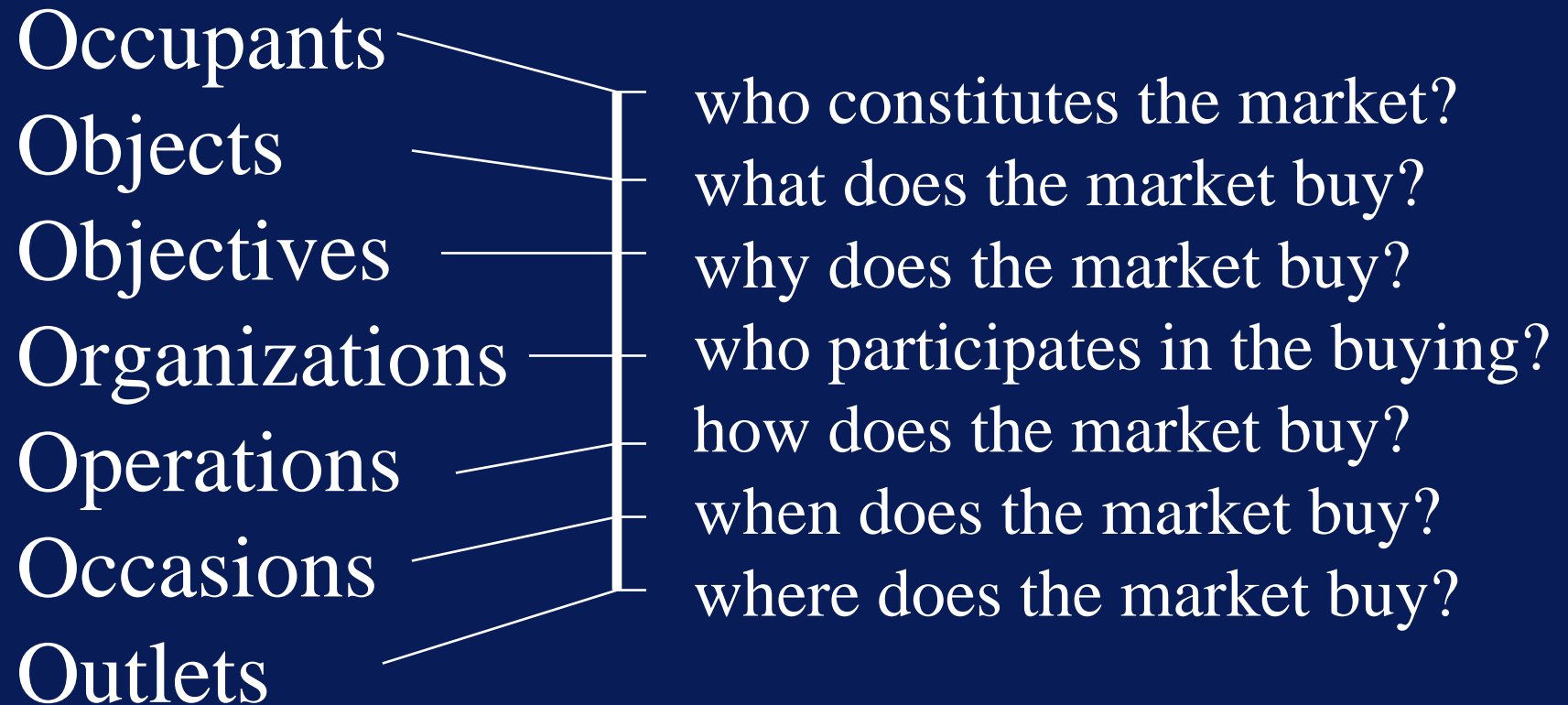
- Analysing the Marketing Environment
  - reviewing the internal and external forces of the company's marketing environment:  
political, economic, social, technical (PEST)



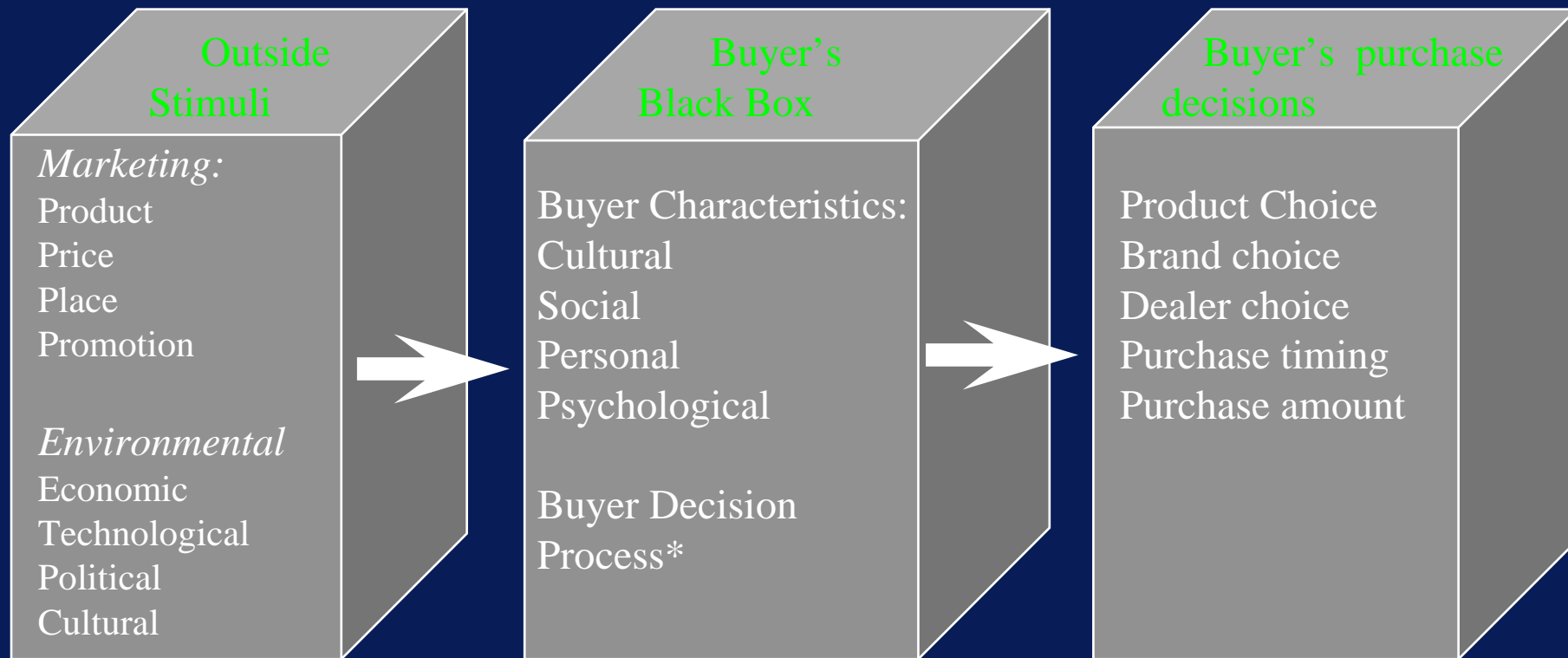
①

- Analyse Consumers Markets

*The seven O's* and Buyer Behaviour

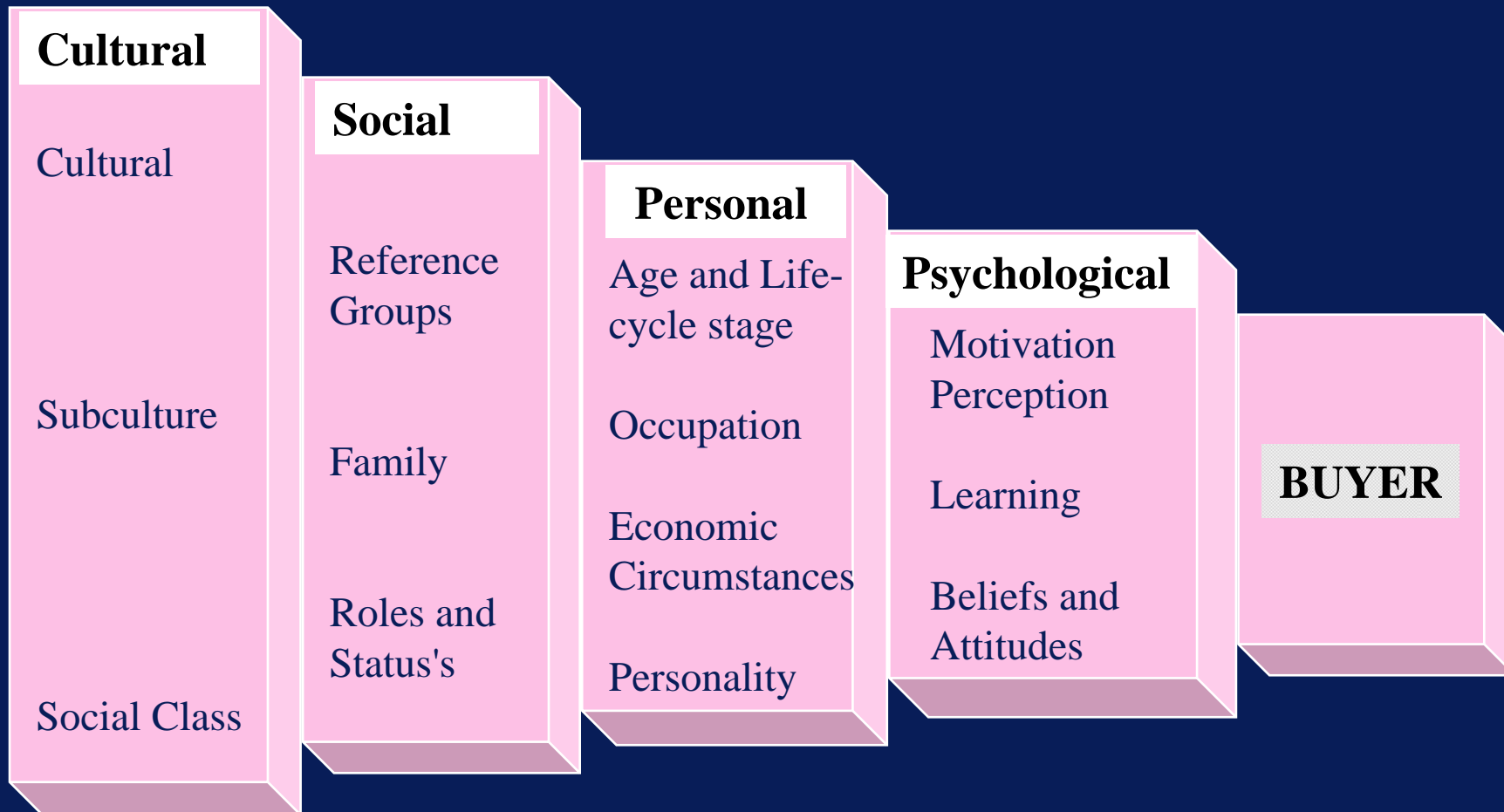


# ① Model of Buyer Behaviour

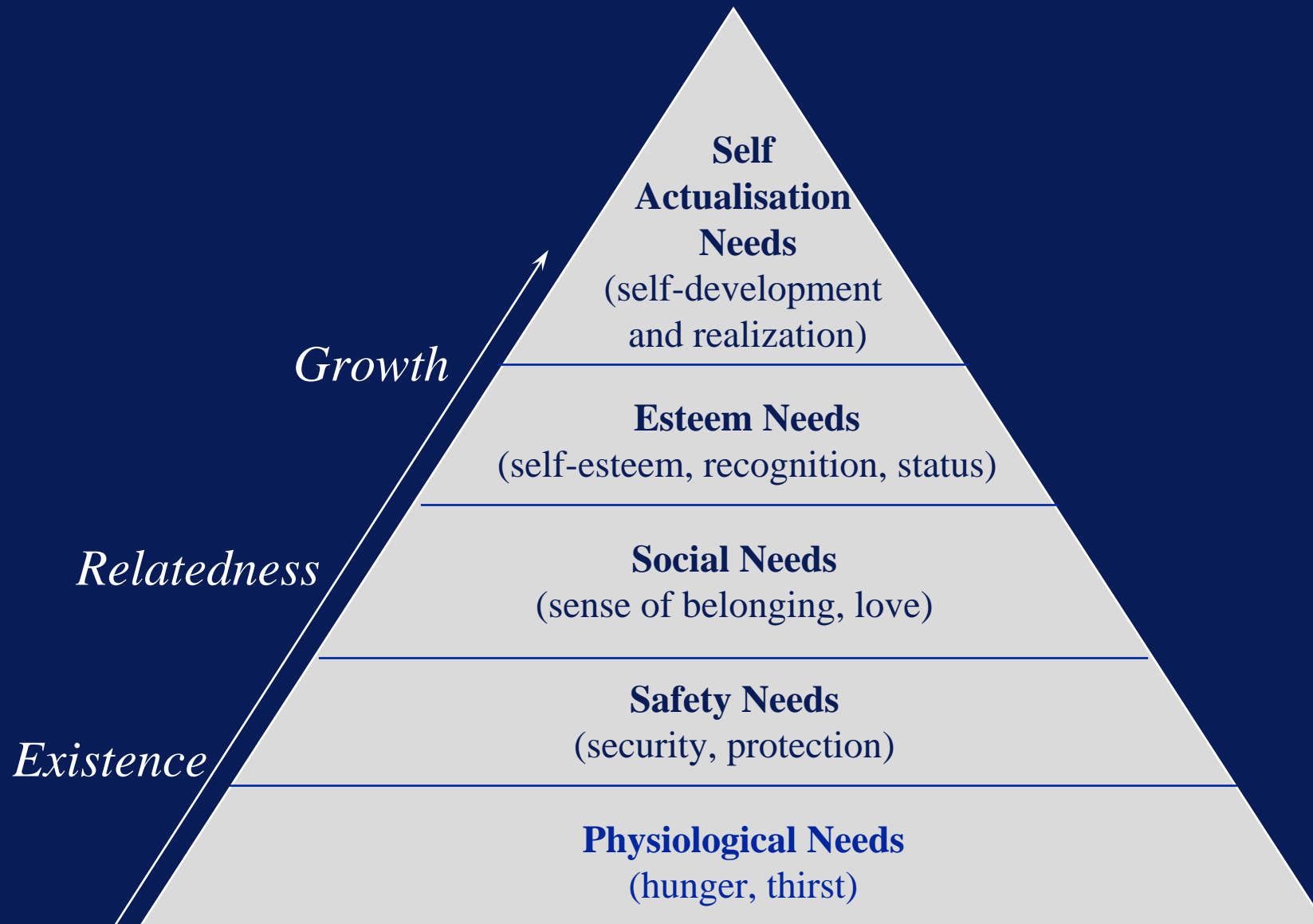


\*Buyer Decision Process: problem recognition,  
information search,  
evaluation decision  
post purchase behaviour.

# ① Model of Factors Influencing Behaviour



# Maslow's Hierarchy of Needs



①

- Analysing Competitors
  - Need to know:
    - » who are the competitors?
    - » what are their strategies?
    - » what are their objectives?
    - » what are their strengths and weaknesses?
    - » what are their reaction patterns?

## ② Researching and Selecting Target Markets

- Measuring and Forecasting Markets
  - current and future demand
  - market types
  - relative performance to competitors
- Identifying Market Segments
  - distinct groups of buyers



# Research and Select Target Markets

*Markets:*

Small			
Medium			
Large			
	A	B	C

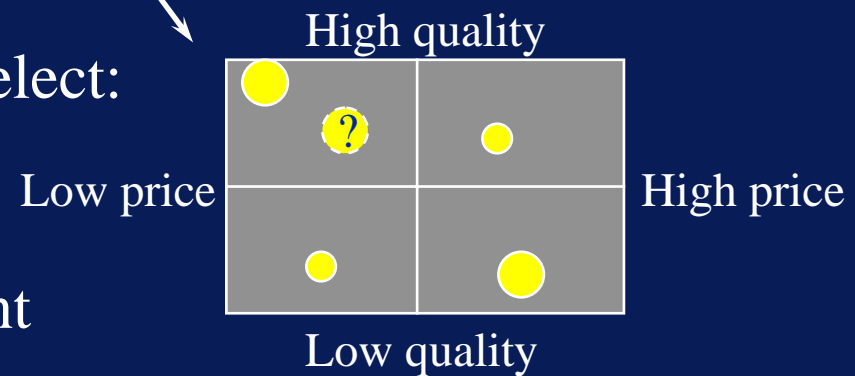
*Products*

Measure attractiveness  
Divide into major segments  
Select and Target  
Decide on company's position  
Match resources with objectives

Product positioning map

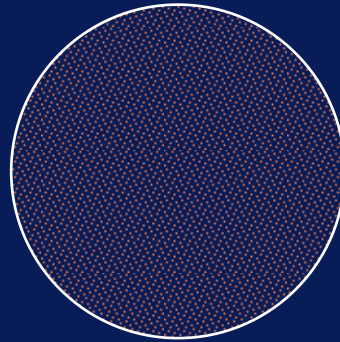
Company's must carefully select:

- Consumer targets
  - Competitor targets
- as both **EQUALLY** important

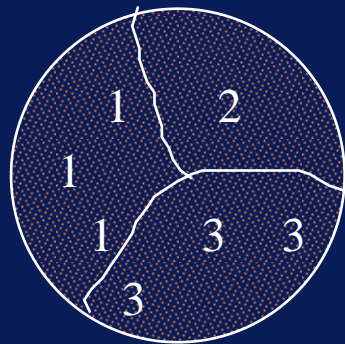
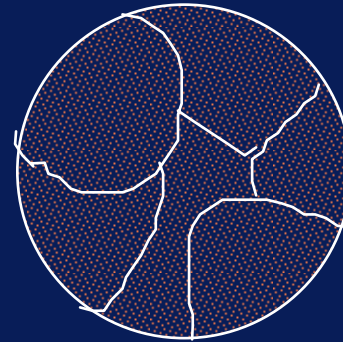


# ②Market Segmentation

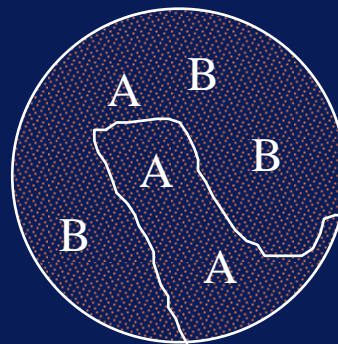
a) No market segmentation



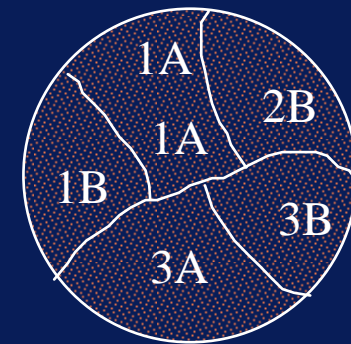
b) Complete segmentation



c) Market segmentation by income classes 1, 2, and 3



d) Market segmentation by age classes A and B



e) Market segmentation by income-age classes

②

# Selecting the Target Market

- Five possible market coverage patterns

		Market		
		1	2	3
Product	1			
	2			
	3			

- Single segment (high risk)

		Market		
		1	2	3
Product	1			
	2			
	3			

- Full coverage

		Market		
		1	2	3
Product	1			
	2			
	3			

- Selective specialization (diversified risk)

		Market		
		1	2	3
Product	1			
	2			
	3			

- Market specialization

		Market		
		1	2	3
Product	1			
	2			
	3			

- Product specialization

## ② Selecting Market Segments

- Undifferentiated marketing:

» one product for all people



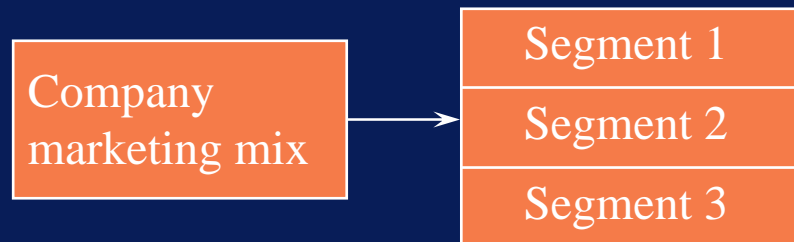
- Differentiated marketing:

» different products for different people



Mix 1,2,3 to Segment 1,2,3

- Concentrated marketing:



②

## Market Targeting

- Developing Product Positions
  - image and value
  - identifying competitive advantages
  - signalling to the market

# References

- Kotler, *Marketing Management*, 1991, Prentice Hall International.
- A. H. Maslow, *Motivation and Personality*, 2nd ed., New York: Harpar & Row, 1970.
- R. McKenna, *Marketing is Everything*, HBR, January 1991.

## Section 2

# Marketing Management Process cont.

## ③ Designing Marketing Strategies

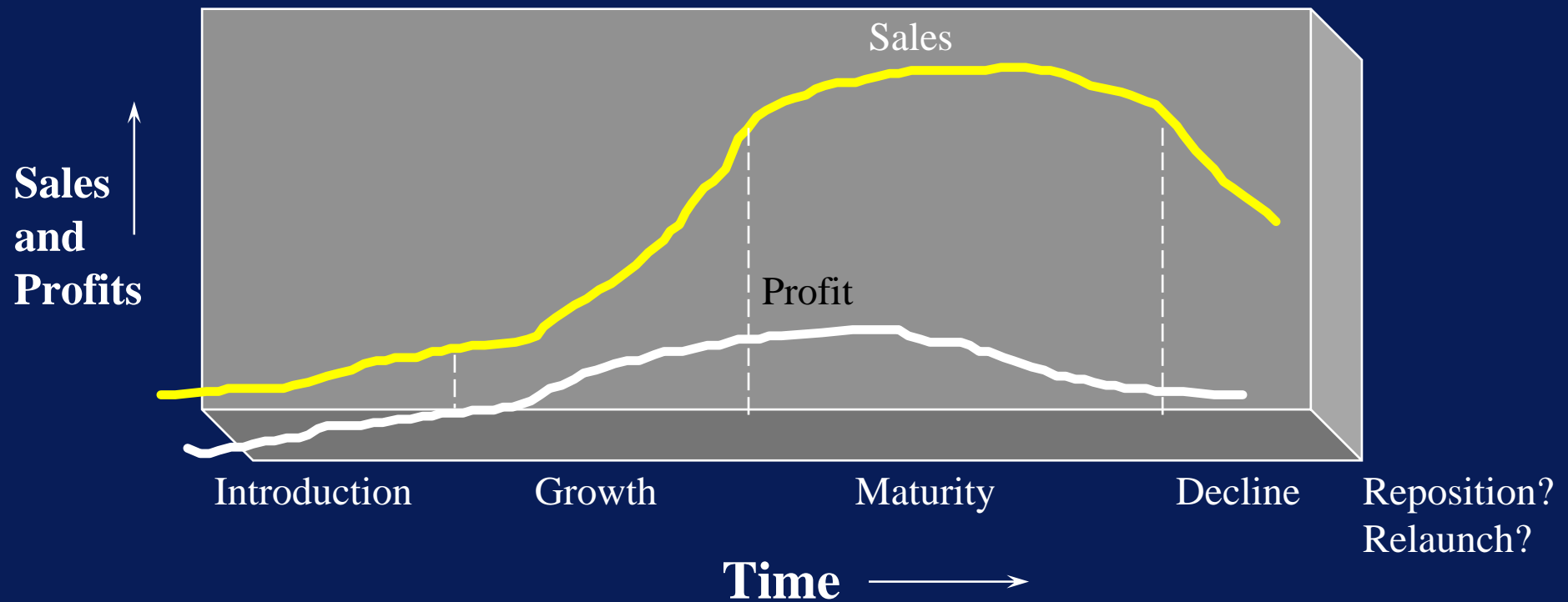
- Marketing Strategies
  - market leader 40%
  - market challenger 30%
  - market follower 20%
  - market nichers 10%



# Concept of Product Life Cycle

*Four Assumptions:*

- Products have a limited life
- Products sales pass through distinct states
- Product profits rise and fall at different stages of the PLC
- Products require different strategies in the different stages of their PLC



# Product Life Cycle

- Rational for PLC
  - consumers respond at different rates:



1. Innovators
2. Early adopters
3. Early majority
4. Late majority
5. Laggards

# The Marketing Mix

- is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market (4P's):

- Product

- Price

- People

- Place

\*5th P = People  
also very important

# The Four P's of the Marketing Mix



## ④ Planning Marketing Programs

- Developing, testing and launching new products and services
  - idea development, screening
  - concept development and testing
  - market strategy development
  - business analysis
  - product development
  - market testing
  - commercialization

## ④ Planning Marketing Programs

- Managing products, brands, and services:
  - core, tangible and augmented
- Designing pricing strategies
  - critical element of marketing
  - depends largely on stage of product or service
  - varying market conditions will influence price

## ④ Planning Marketing Programs

- Selecting the marketing channel
  - direct or intermediary
  - characterized by continuous change
- Designing communication and promotion mix strategies
  - understanding the communication process
  - critical element of the marketing mix
  - message content

## ④ Planning Marketing Programs

- Designing effective advertising, sales and public relations programs
  - incentive tools
  - promotional tools
  - trade promotions
  - mail shots
  - direct marketing



## ⑤ Organising, Implementing, and Controlling Marketing Effort

- How the company is organized
- The marketing department
- Annual-plan control:
  - Analysing market and sales
  - Profitability control
  - Efficiency control
  - Strategic control

# Contents of a Marketing Plan

- Executive Summary
- Current Marketing Situation
- Opportunity and Issue Analysis
- Objectives
- Marketing Strategy
- Actions Programs
- Projected Profit and Loss Statement
- Controls

# Reference

- Kotler, *Marketing Management*, 1991, Prentice Hall International.

Section 2

# SERVICE

# Service

- *There are no such things as service industries. There are only industries whose service components are greater or less than those of other industries. Everybody is in service.*

Theodore Levitt

# Definition

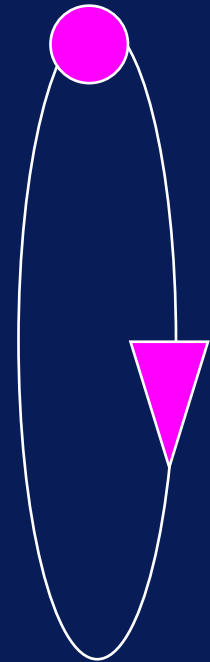
- A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.

# Managing Customer Service

- Develop the service vision
  - Avis No. 2. We Try Harder!
  - Dunnes Stores: Better Value Beats Them All
  - Nike: Just Do It!
  - Quinnsworth:  
Come for the Price and Stay for the Service
  - Kellogg's: The Original and The Best
  - Carlsberg: Probably the best beer in the world!

# Service Builds Business

- Customer satisfaction
- More business
- Employee satisfaction
- Better motivation
- Service betters expectation
- Better customer satisfaction

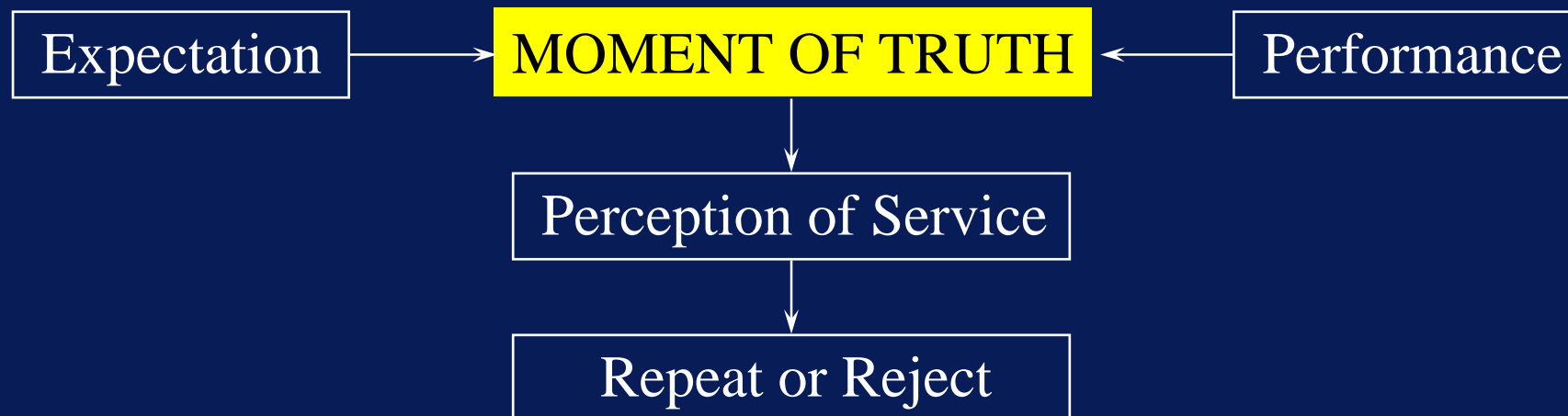




# Customer Service Model

- **Customers**
- Knowledge
- Opinions
- Need

- **Company**
- Perception of expectation
- Product/Market strategy
- Marketing communication



# Excellent Customer Service

- 1970: Satisfying
  - 1980: Delighting
  - 1990: Enjoying Delighting Customers
  - 2000: ?????
- 
- KEY: doing 1,000 things 1% better

# Program for Service

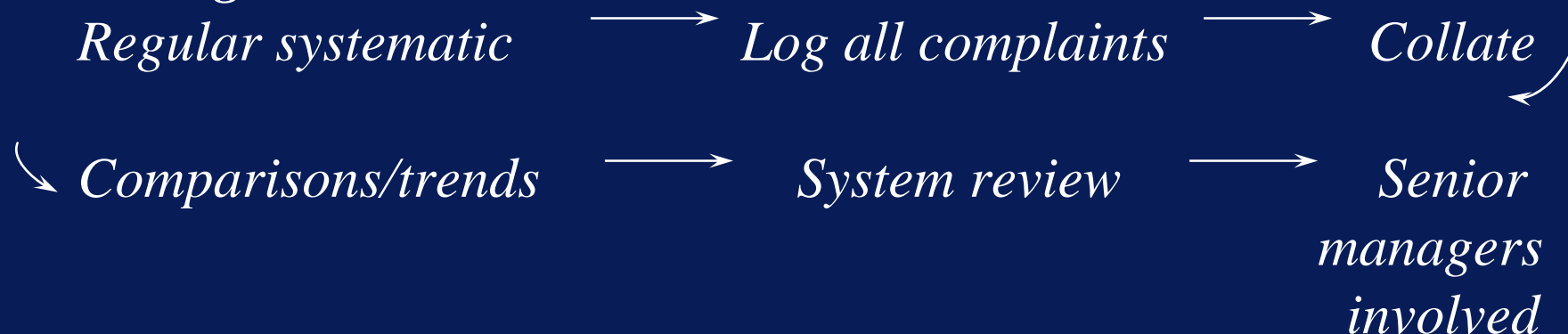
- Select sequence of contacts, internal/external
- Examine current performance
- Develop standards
- Install new system (train)
- Reward
- Improve

# Customer Complaints, Handling and Management

- Key information for free!
  - » Iceberg: 96% don't bother
  - » Complainants tell 12 others
  - » "Recovery" increases loyalty

Handling complaints:  
Don't Argue! Listen  
Emphathize - find out  
Creative solutions  
Check satisfaction  
(Learning points)  
Follow up

## *Management:*



# Continual Improvement: Kaizen

- Customer feedback: formal/informal
  - Focus groups
  - Mail/phone surveys
  - Customer comment card
- 
- Aim to do some ONE thing better or different regularly!

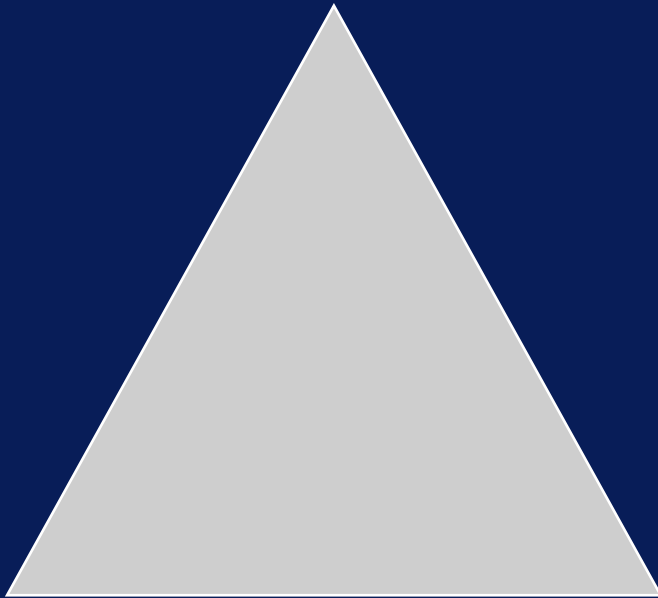
# Customer Care

## Action Summary

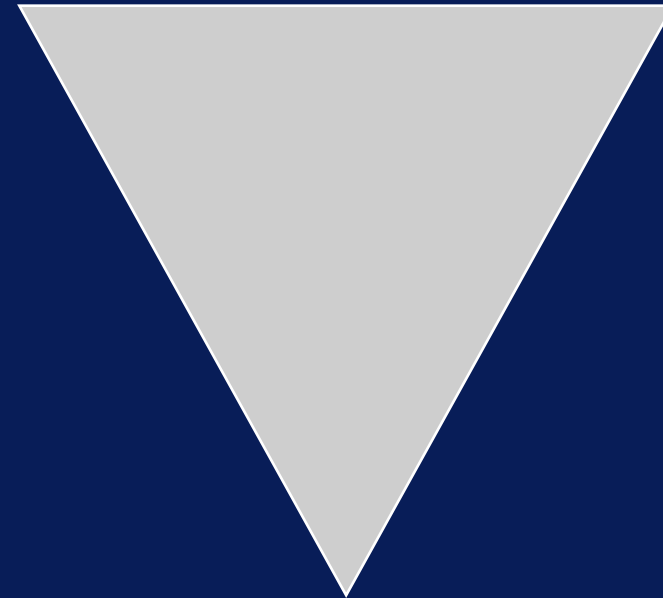
- Nominate responsibility to someone
- Develop a customer service policy
- Ensure everybody knows about it
- Do a customer service audit
- Coach customer service
- Ensure sales staff under-promise and company over-performs
- Empower staff to settle complaints
- Use contact systems
- Visit key customers and suppliers
- Update and improve continuously

# Managing Customer Service

- From  
Top Management focus



- To



Customer focus

# Readings:

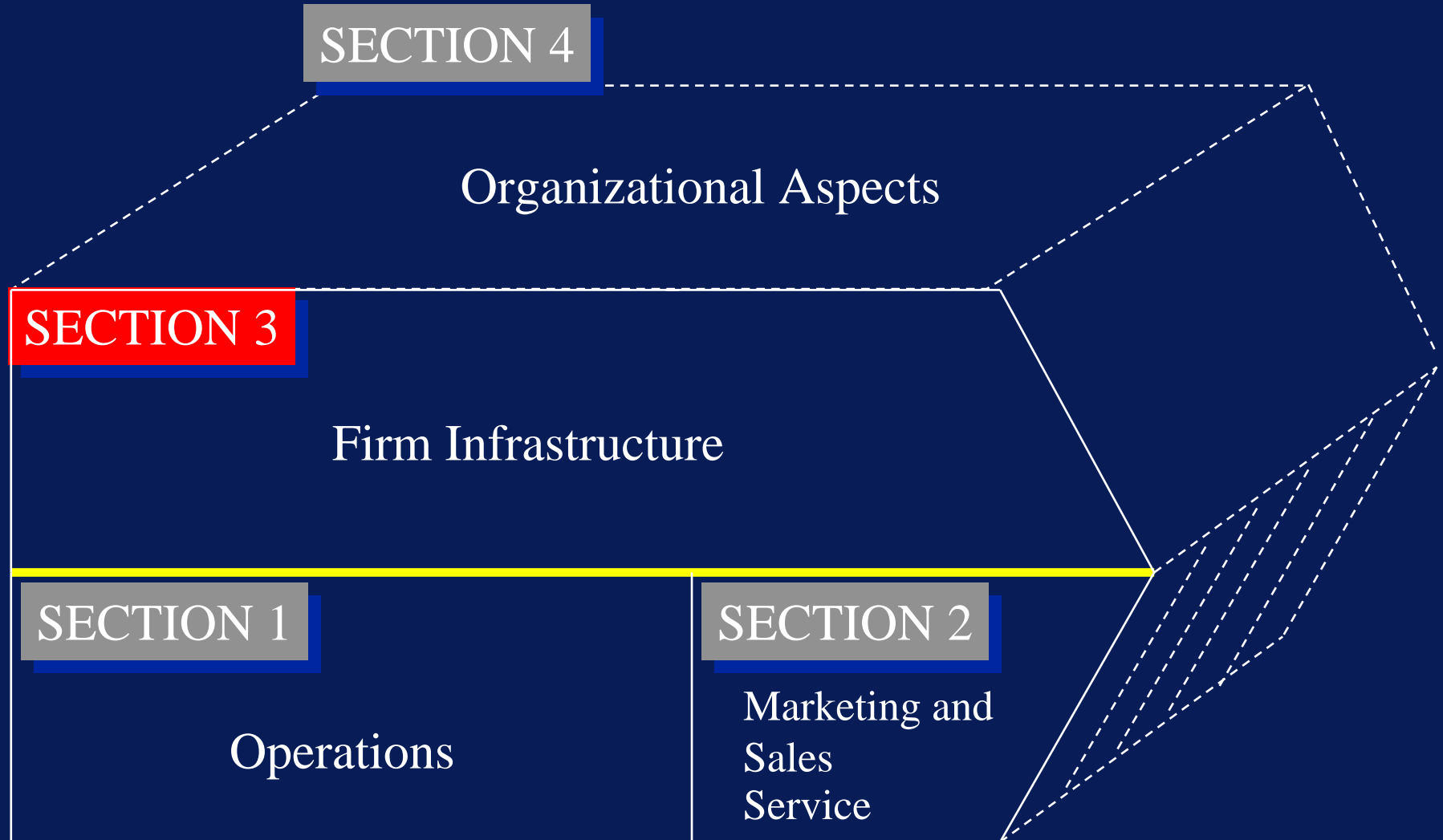
- Philip Kotler, *Marketing Management*, 1991, Prentice-Hall International
- Jan Carlzon, *The McKinsey Quarterly*, Summer 1987
- Regis McKenna, *Marketing is Everything*, Harvard Business Review, Jan 1991.



## Section 3

# Firm Infrastructure

# Course Breakdown



# The Management Process



# Introduction to Management

- Why organizations are needed....
  - » to accomplish objectives
  - » to preserve knowledge
  - » to provide careers
- Managerial and organizational performance
- Excellence in organizations

# Types of Managers

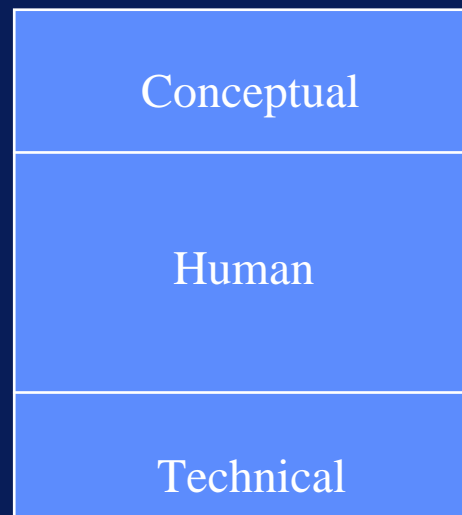
- Management levels
- Functional and general managers
- Managerial skills
  - technical, human, conceptual
- Managerial roles
  - interpersonal, informational, decisional

# Relative Skills Needed for Effective Performance at Different Levels of Management

## First-line Management



## Middle Management



## Top Management



# Responsibility of Organizations

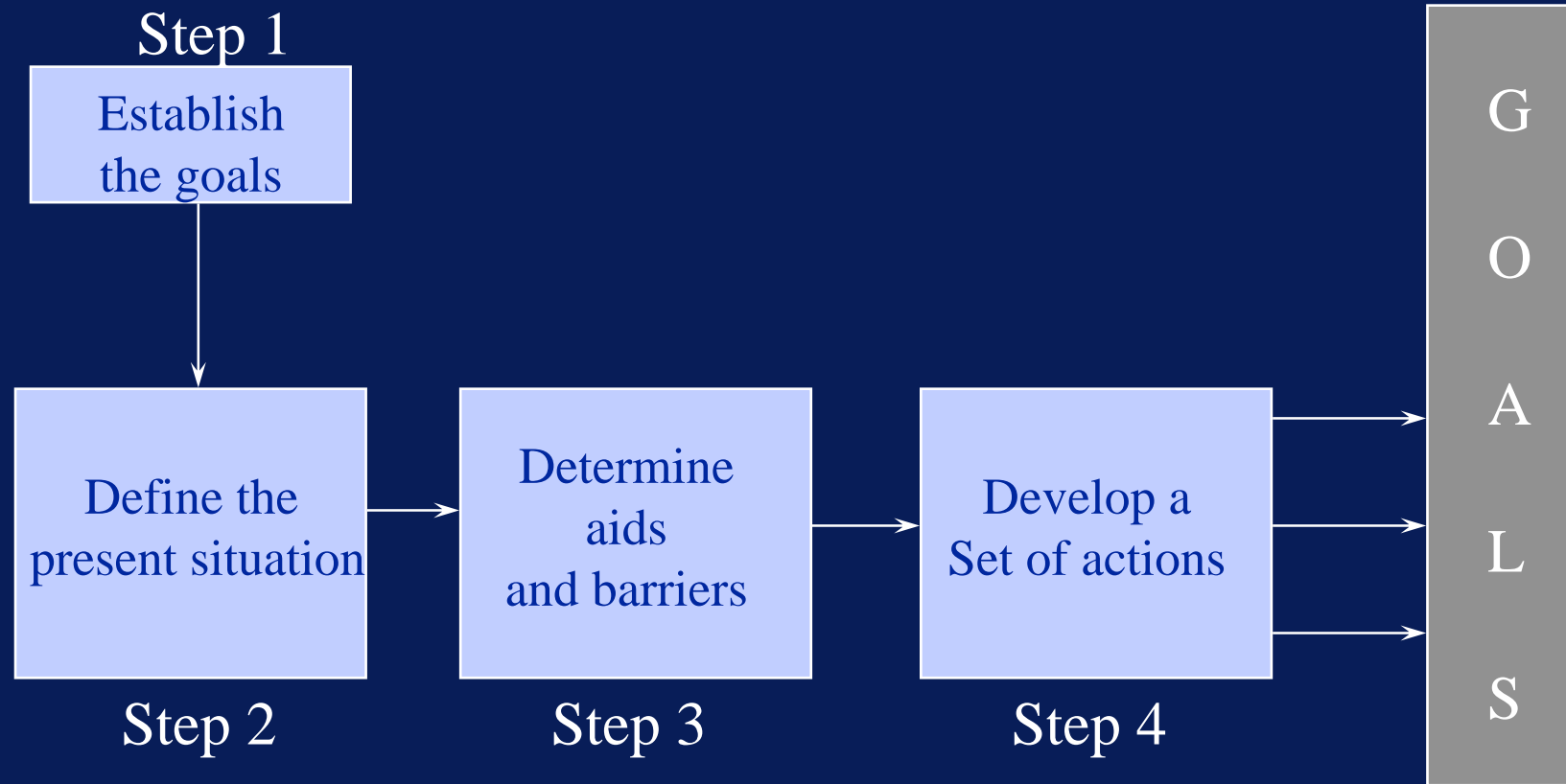
- The external environment
- The stakeholders of the organization
- Changing view of the manager's role
  - values and ethics of managers

# Planning and Decision Making

- What needs to be done
- When and how it needs to be done
- Who is to do it
- The need for flexibility

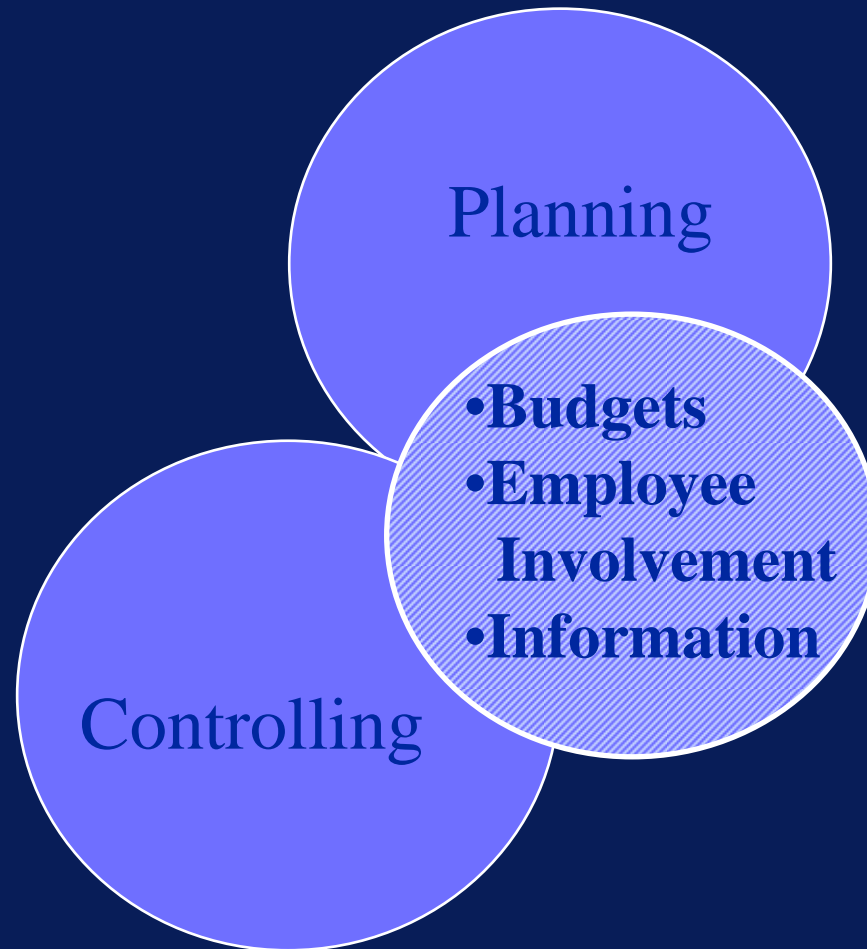


# Four Steps in Planning



Define the  
present situation

# Link Between Planning and Control



# Strategic Planning

- The concept of strategy
- What is strategic planning?
- The importance of strategic planning



# Three Levels of Strategy



# Problem Solving and Decision Making

- Different types of problems under different circumstances
- Programmed decisions
  - regular reorders of supplies
  - standard operating procedures
  - conditions and rates for overtime
- Non-programmed decisions
  - new products
  - major capital investment
  - major re-organization

# The Rational Problem-Solving Process

- 
- 
- Investigate the situation
  - Develop alternatives
  - Evaluate and select best one
  - Implement and follow up

# Theories of Decision-Making

- Classical view
  - rational process defined earlier
  - little to do with real decision making in organizations
  - best available alternative course of action which is most likely to maximize the achievement of their goals and objectives



# Theories of Decision-Making

- Behavioural View
  - Decision makers have ‘bounded rationality’
    - » limited perception of decision makers
    - » bounded by their experience, information etc
    - » individuals make relatively rational decisions
  - Employ a ‘satisficing’ criterion not optimization
    - » satisfactory rather than optimum levels are required  
i.e. *good enough* decision rather than *best* decision

*(Herbert Simon 1958)*



# Theories of Decision-Making

- The Science of ‘Muddling Through.....’
- Also called Successive limited comparisons
  - comparison of relative desirability of concrete courses of action
  - relatively little abstract theoretical analysis of alternatives is involved *(Lindblom 1959)*

# Importance of Decision Making

- Organizational level influences
- Improving the quality of decisions
- Effective decision making procedures
- Managing (or using) stress related to decisions and conflict

# References

- Stoner and Wankel, *Management*, Prentice-Hall International, 1986.
- Lindblom, C. E., *The Science of Muddling Through*, *Public Administration Review* 19, Spring 1959.
- Simon, H. A., *Models of Man: Social and Rational*, New York: Wiley, 1958.

## Section 3

# Organizational Theory and Design

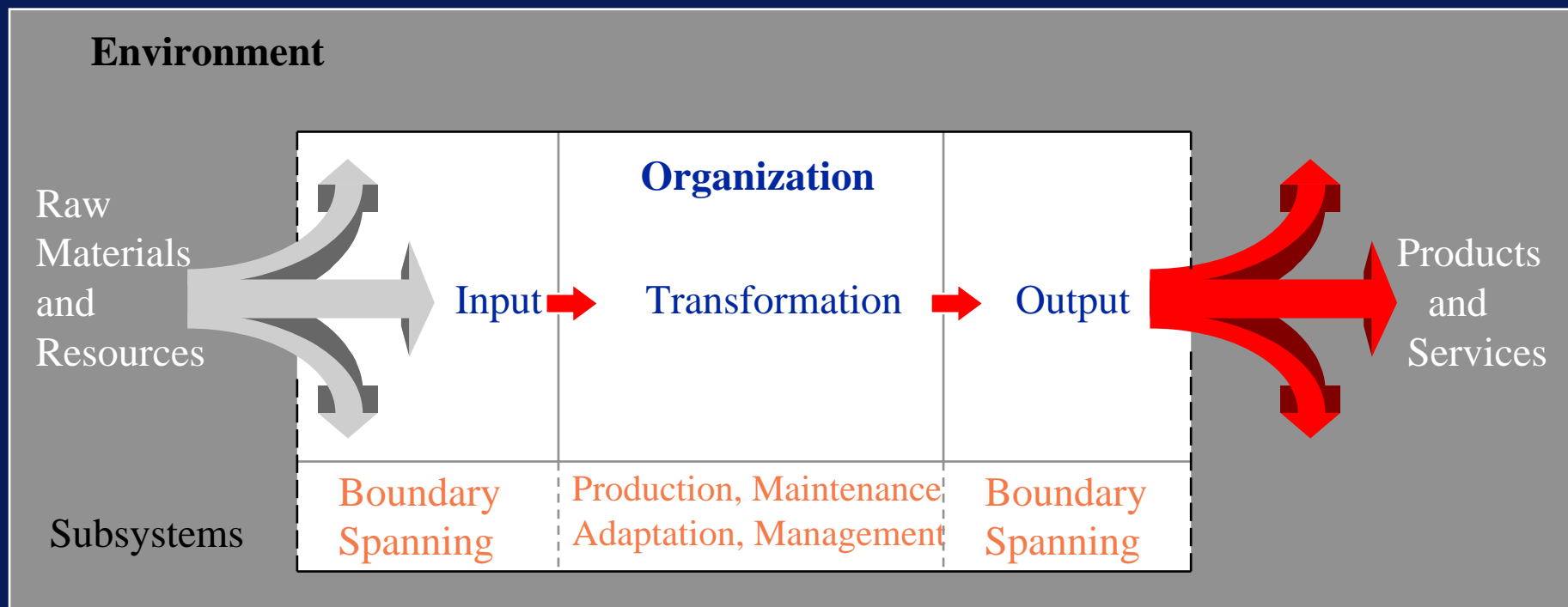
# Organization

## *Definition:*

- Organizations are social entities that are goal-directed, deliberately structured activity systems with an identifiable boundary

# Organizations as Systems

- Open system
  - must interact with environment to survive



# What is Organization Theory?

- Not a collection of facts
- Thinking based on patterns and regularities
- Researchers explore ways to define and measure
- Models used to highlight relationships
- A search for Contingencies

# Dimensions of Organizations

## Structural....

- Formalizations
- Specialization
- Standardization
- Hierarchy of Authority
- Complexity
- Centralization
- Professionalism
- Personnel Ratios

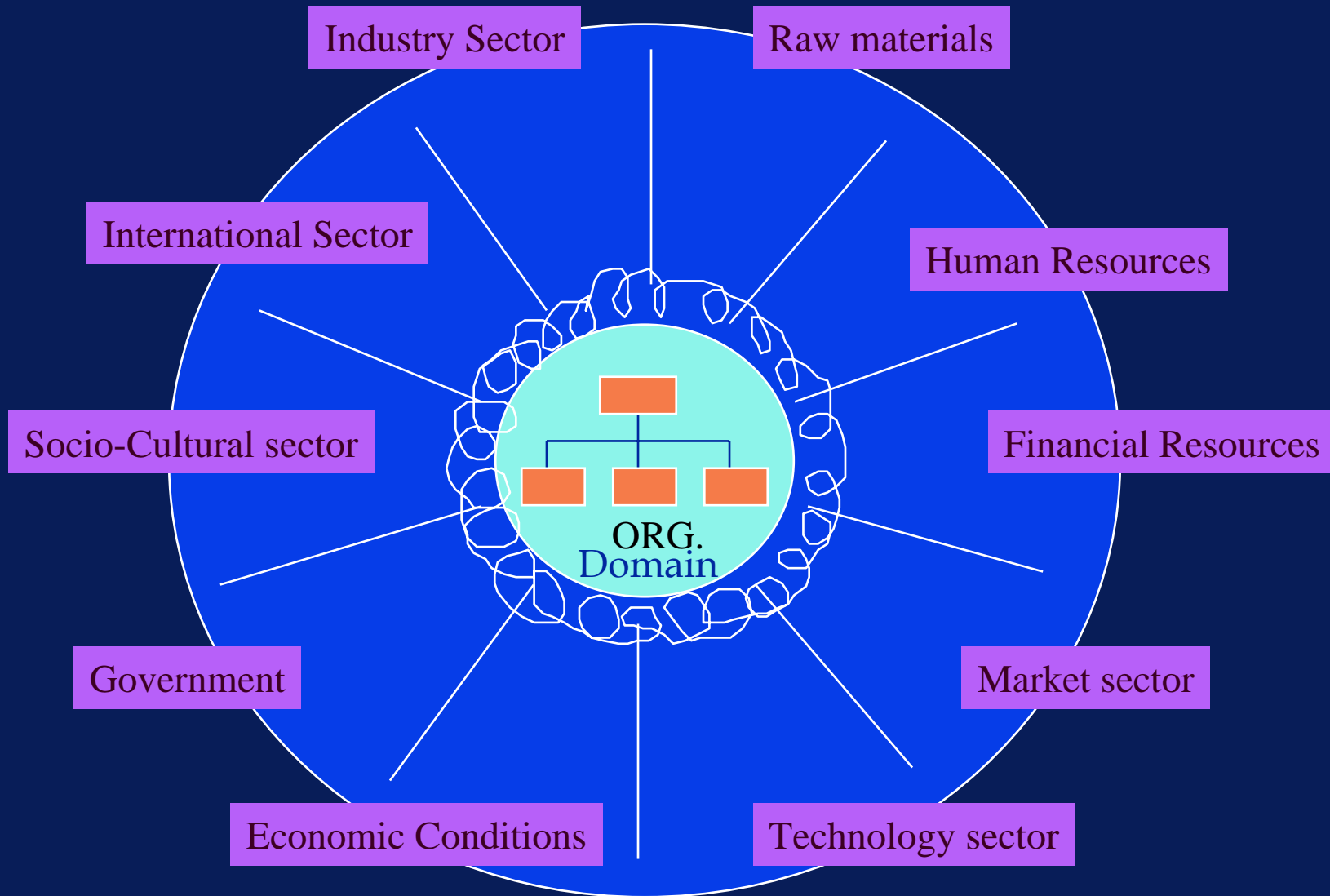


# Dimensions of Organizations

## Contextual:

- ➔ Size
- ➔ Organizational Technology
- ➔ Environment
- ➔ Goals and Strategy

# An Organization's Environment



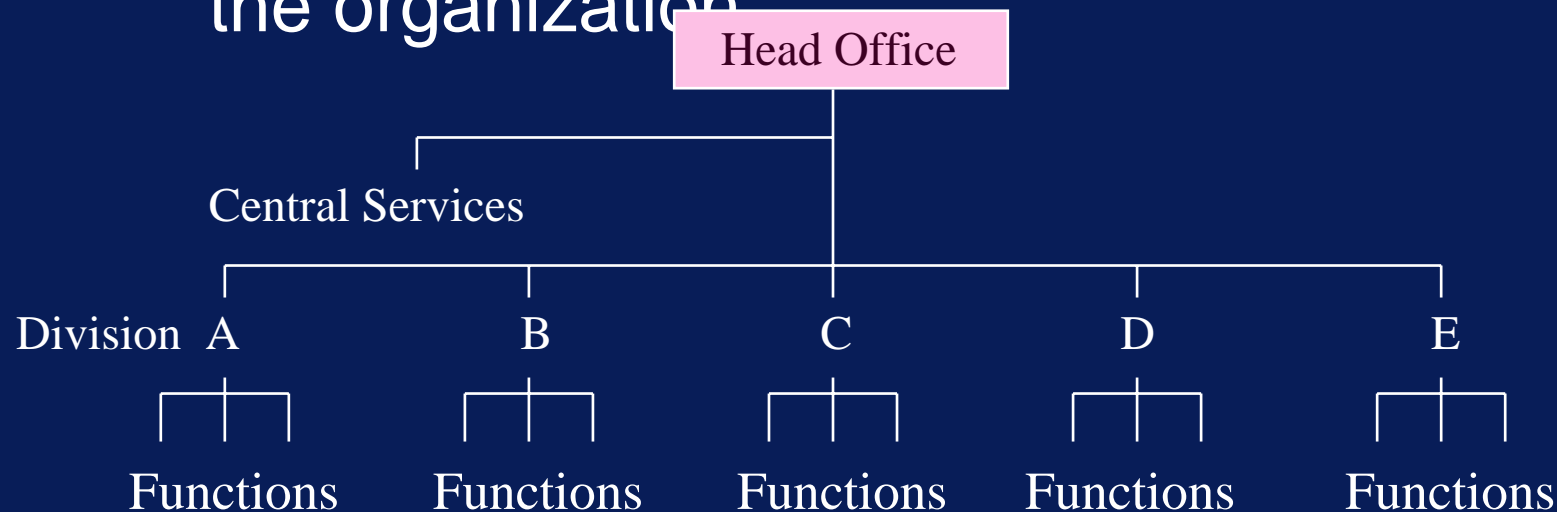
# Structural Types of Organizations

- The Simple structure
  - no formal structure, individual operation
- The Functional structure
  - based on primary tasks to be carried out:



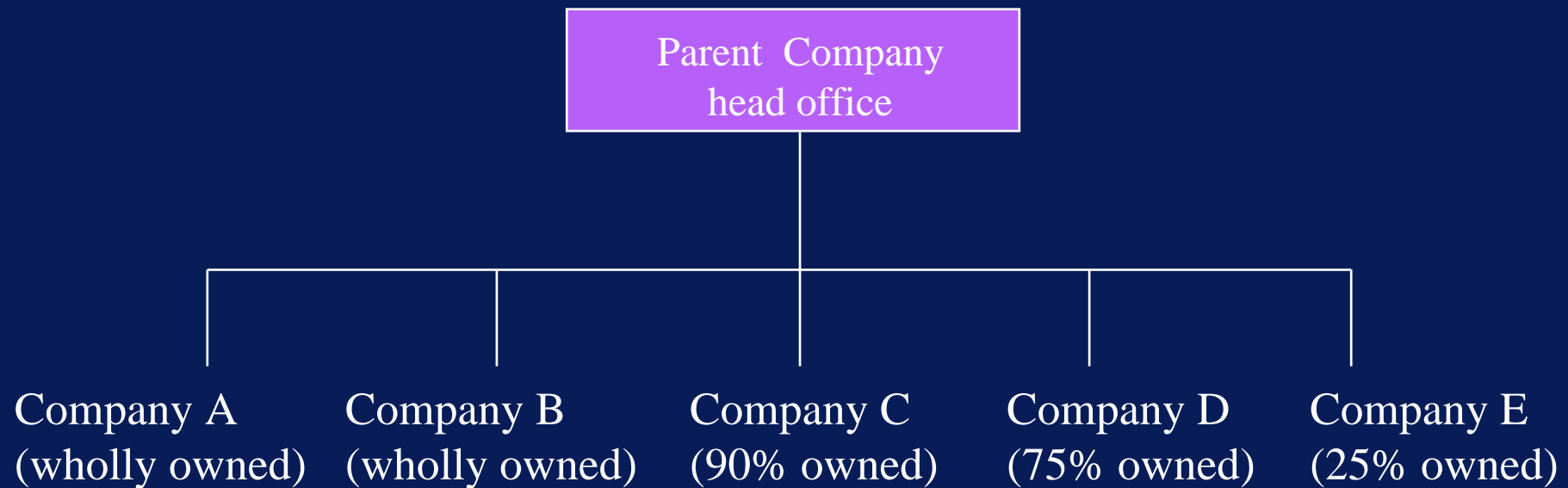
# Structural Types of Organizations

- The Multidivisional structure
  - subdivided into units
  - may be formed on the basis of products, services, geographical areas, or processes of the organization



# Structural Types of Organizations

- A Holding company structure



# Structural Types of Organizations

- The Matrix structure
  - *multinational organization*



# Intermediate Structures and Structural Variations

- Whole range of 'shades of grey'
- Interdepartmental liaison rôle
- Structure is the skeleton of the organization
- Co-ordination and local responsiveness
- Centralization versus Decentralization

# Types of Configurations

- Six organizational configurations:
  - simple structure
  - machine bureaucracy
  - professional bureaucracy
  - divisionalized
  - adhocracy
  - missionary
  - later added .....network organization

*(Mintzberg 1979)*



# Structural Design

- No right way
- Structure must be workable
- Change often difficult
- Does not ensure success
- Influenced by many factors outlined earlier
- Use analysis then judgement

# References and Readings

- R. L. Daft, *Organizational Theory and Design*, West Publishing, 1989, chp 1.
- Johnson and Scholes , *Exploring Corporate Strategy*, Prentice Hall, 1993, chp 10.
- Mintzberg, *The Structuring of Organizations*, 1979.

Section 3

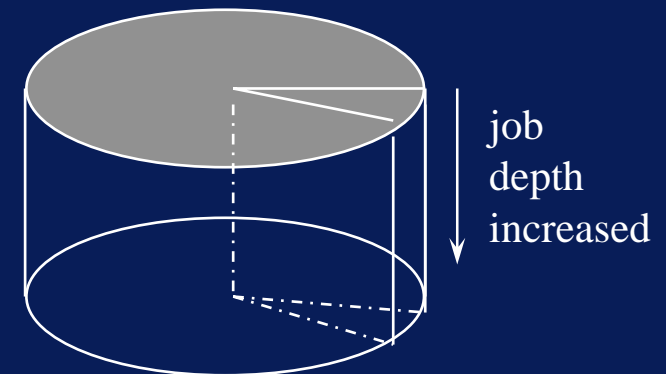
# Organization Structure

# Organization Structure

- The importance of organizing
- Division of work
  - job depth
  - job scope
- Organizational structure

# Job Enlargement and Enrichment

- Tackles dissatisfaction by increasing job scope
  - More units of operations to perform
  - Workers relieved of monotony
- Increased job depth
  - responsible for own work pace
  - participate in decision making





# Co-ordination and Organizational Design

- Basic management techniques
  - managerial hierarchy
  - rules and procedures
  - goals and rules

☞ *Increase co-ordination potential*

- vertical information systems
- lateral relationship

☞ *Reduce need for co-ordination*

- slack resources
- independent units

# Authority, Delegation and Control

- Influence, power, and authority
- Line and staff authority
- Classical guidelines for effective delegation
  - responsibility
  - authority
  - accountability



# Delegation and Decentralization

- Barriers to effective delegation
- Overcoming the barriers
- Decentralization



‘web’ of  
authority  
radiates  
outward

# Organization

## Growth, Change, and Decline

- The emphasis on growth
- Organizational life cycles
- People and structure

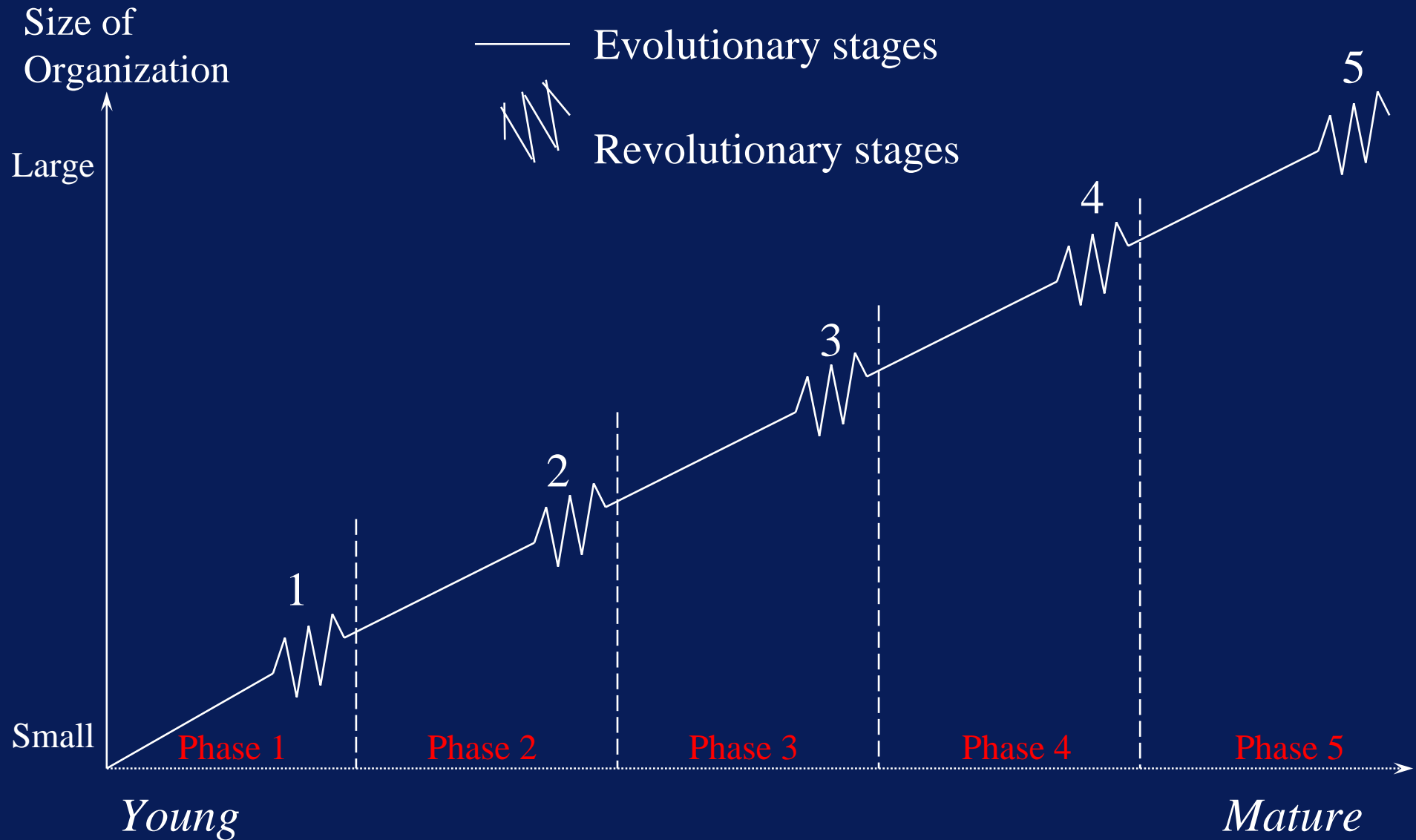
# Greiner's Model of Organizational Growth

- Evolution
  - prolonged periods of growth where no major upheaval occurs in organizational practices
- Revolution
  - Periods of substantial turmoil in organization life

# Key Forces in Development

- Age of organization
- Size of organization
- Stages of evolution
- Stages of revolution
- growth rate of the industry

# Greiner's Five Phases



# Greiner's Model of Growth

## Growth through:

—

1. Creativity
2. Direction
3. Delegation
4. Co-ordination
5. Collaboration

## Crisis of:



1. Leadership
2. Autonomy
3. Control
4. Red Tape
5. ????

# Organizational Issues

- Task of management to recognize stages and act accordingly
- Know where are in the cycle
- Stages are interlinked
- Increases predictive power of management

# References

- L. E. Greiner, *Evolution and Revolution as Organizations Grow*, HBR July-August 1972
- Stoner and Wankel, *Management*, Prentice Hall International, 1988.
- R. L. Daft, *Organization and Design*, 3rd ed. 1989, West Publishing Company.



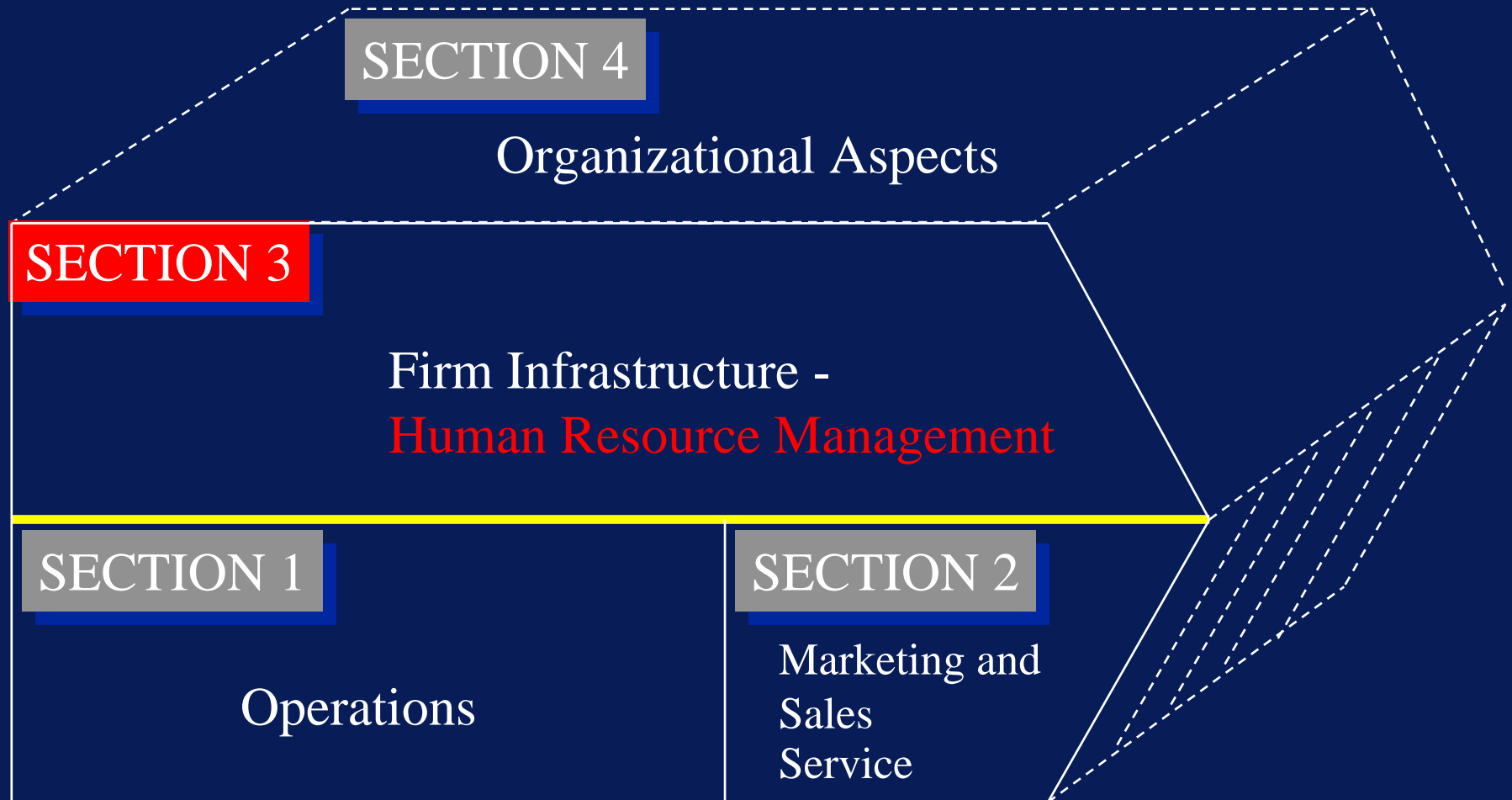
## Section 3

# Human Resource Management

# Human Resource Management

- Selection, promotion, placement, appraisal, management development, rewards, employee relations.

# Course Breakdown



# From Personnel to HRM to ...

- The changing face of industrial relations
- How can managing people add value?
- Important recognition of people
- From HRM to HRD:
  - Human Resource Development

# Understanding the Strategic Nature of HRM

- Linking HRM to corporate strategy
- Management commitment
- Increasing importance of HRD
- Current developments in organizational development: the learning organization
  - what is a learning organization?

# HRM Major Categories

- HRM Intelligence
- Selection, Promotion and Placement
- Appraisal
- Rewards
- Management Development
- Labour/Employee Relations

# HRM Intelligence

- Prevailing human resource markets
- The impact of HR markets on business
- The unexpected changes in them

# The Legal Framework

- Legal environment
  - legislative considerations
- Business environment
  - Ireland and the EU
  - Ireland and elsewhere
- Personnel and related contracts and acts



# Legislation and Human Resources

- Contract of service
- Redundancy Payment's Act
- Employment Equality Act
- Trade Unions Act
- Contract for service
- Safety in Industry Act

# Some Related Issues

- Reward Structures
- Levels of compensations for different positions
- Changes in legislation
- Obsolescence of skills
- Training and alternatives for training

# Selection, Promotion, and Placement

- Make versus Buy?
- Only entry level recruitment or at all levels?
- Investing in initial screening critical

# Selection Process Overview

- Job analysis
- Job description
- Person specification
- Prioritize criteria
- Gather evidence (interview, testing)
- Assess individuals against criteria
- Compare all candidates and make decision

# Appraisal: Strategic Choices

- Process-oriented *versus* Result-oriented
- Identification of training needs
- Performance evaluation
- Effective management development programs
- Maintaining current inventory of talent

# Rewards

- Types of compensation
  - monetary, promotion, career opportunities
  - opportunities to learn, security, responsibility
  - personal sense of well-being
  - appreciation from customers, respect from co-workers
- External competitiveness

Section 3

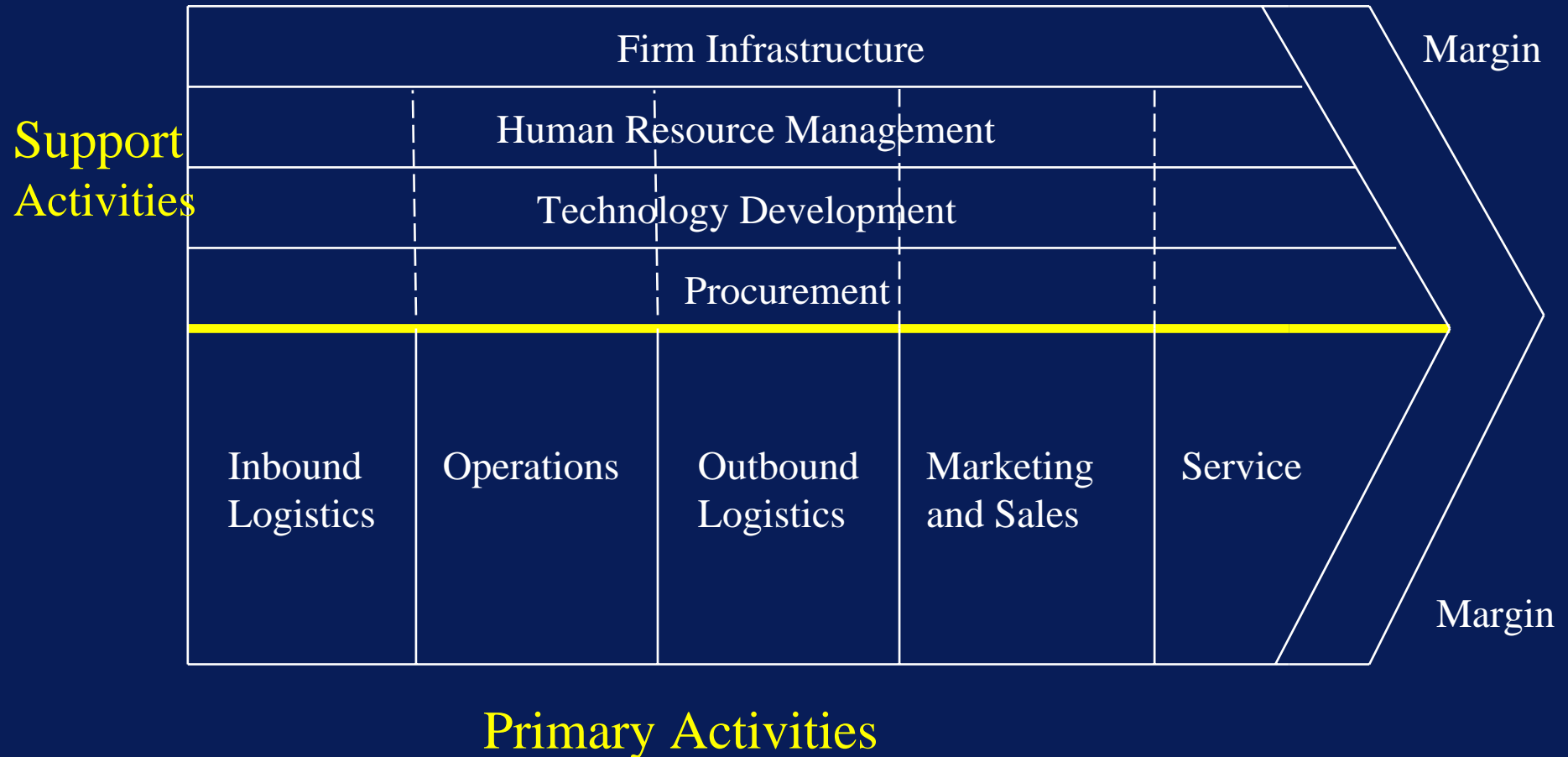
# Accounting and Finance

# Accounting and Finance

- Financial methods of control that managers can use including:
  - budgets
  - financial statements
  - ratio analysis
  - break-even analysis
  - audits



# Porter's Value Chain (1985)



# Financial Controls

- Financial statements
  - the flow of goods and services to, from, and within an organization
- Key summaries prepared by accountants
- A means for controlling 3 major conditions:
  - liquidity
  - general financial condition
  - profitability

# The Balance Sheet

- A picture at one particular point in time



Solvency:  
Assets > liabilities

Insolvency:  
Liabilities > assets

# Other Statements

- Income statement
  - summarizes the company's financial performance over a given interval of time
- Cash flow
  - how cash or funds were used
- Statement of sources and uses of funds

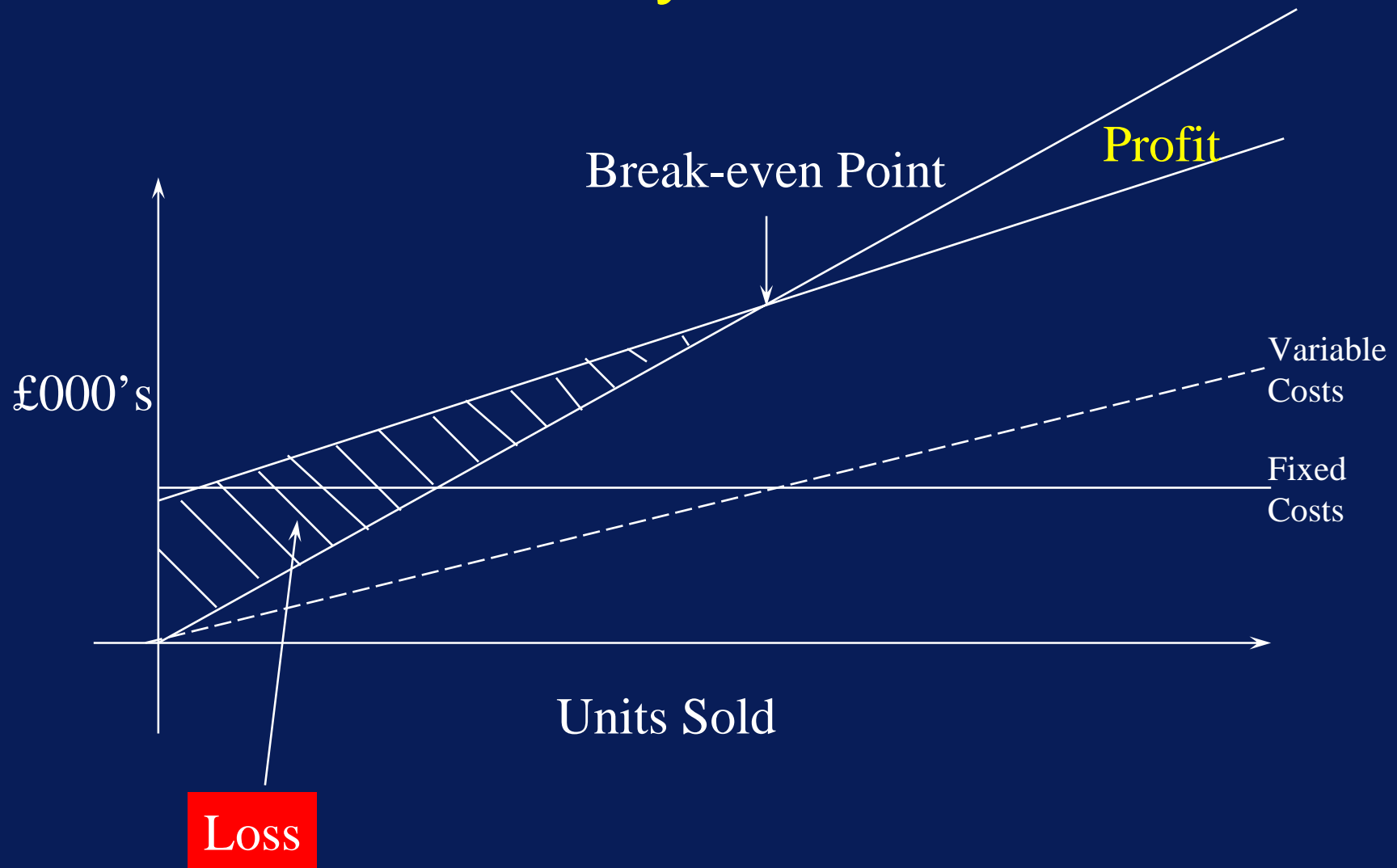
# Key Financial Ratio Analysis

- Comparison over a period of time
  - indicates how the performance has changed
- Comparison with other similar organizations
  - suggests how well the organization is doing relative to competitors
- Leads to the implementation of necessary corrective measures

# Commonly Used Ratios

- Profitability
  - for return on investment
- Liquidity
  - for the current ratio
- Activity
  - for inventory turnover
- Leverage
  - for debt ratio

# Break-Even Analysis



# Budgetary Control Methods

- A common denominator for a wide variety of organizational activities
- Formal quantitative statements of resources
- Measured over a set period of time
- A budget indicates expenditures, revenues, or profits planned for some future date



# Budgeting: Top-Down or Bottom-Up?

*What top-down  
incorporates best:*

- Economic industry projections
- Company planning parameters
- Corporate goals
- Overall resource availability

*What bottom-up  
incorporates best:*

- Operational plans
- Information on competition, products, and markets
- Alternative course of action
- Specific resource requirements

# Typical Budget Issues

- Revising a budget
- Tensions associated with budgets
- Zero-based budgeting

# Functional Aspects of Budgets

- A positive impact on motivation and morale
- Help co-ordinate the work of the entire organization
- Used as a signalling device for taking corrective action
- People learn from experience of budget system
- Improve resource allocation
- Improve communication
- Establishes goals for all levels of managers
- Serves as a means of evaluation

# Auditing: Internal and External

- Validates the honesty and fairness of financial statements
- Provides critical basis for management decisions
- Discovers fraud if prevalent

# Internal (or Operational) Auditing

- Provides reasonable assurance that the assets of the organisation are being properly safeguarded
- Financial records are being kept reliably and accurately
- Evaluates if control system is working towards realizing organizational objectives
- Downside: cost, skill, and required tact

# External Auditing

- Independent appraisal of the organization's financial accounts and finances
- Conducted by chartered accountants
- Verifies that company has followed generally accepted accounting principles and applied them correctly

# Computer Applications

- Processing of information
- Programs can lull users into abandoning traditional checking procedures
- Limiting control over functions
- Financial forecasting models

# Business Operations and Financial Markets

- Multi-national companies must manage their exposure to currency fluctuations
- Unexpected exchange rates can influence a firm's cash flow and profits
- Changes can arise in a company's consolidated financial statements due to operating exposure



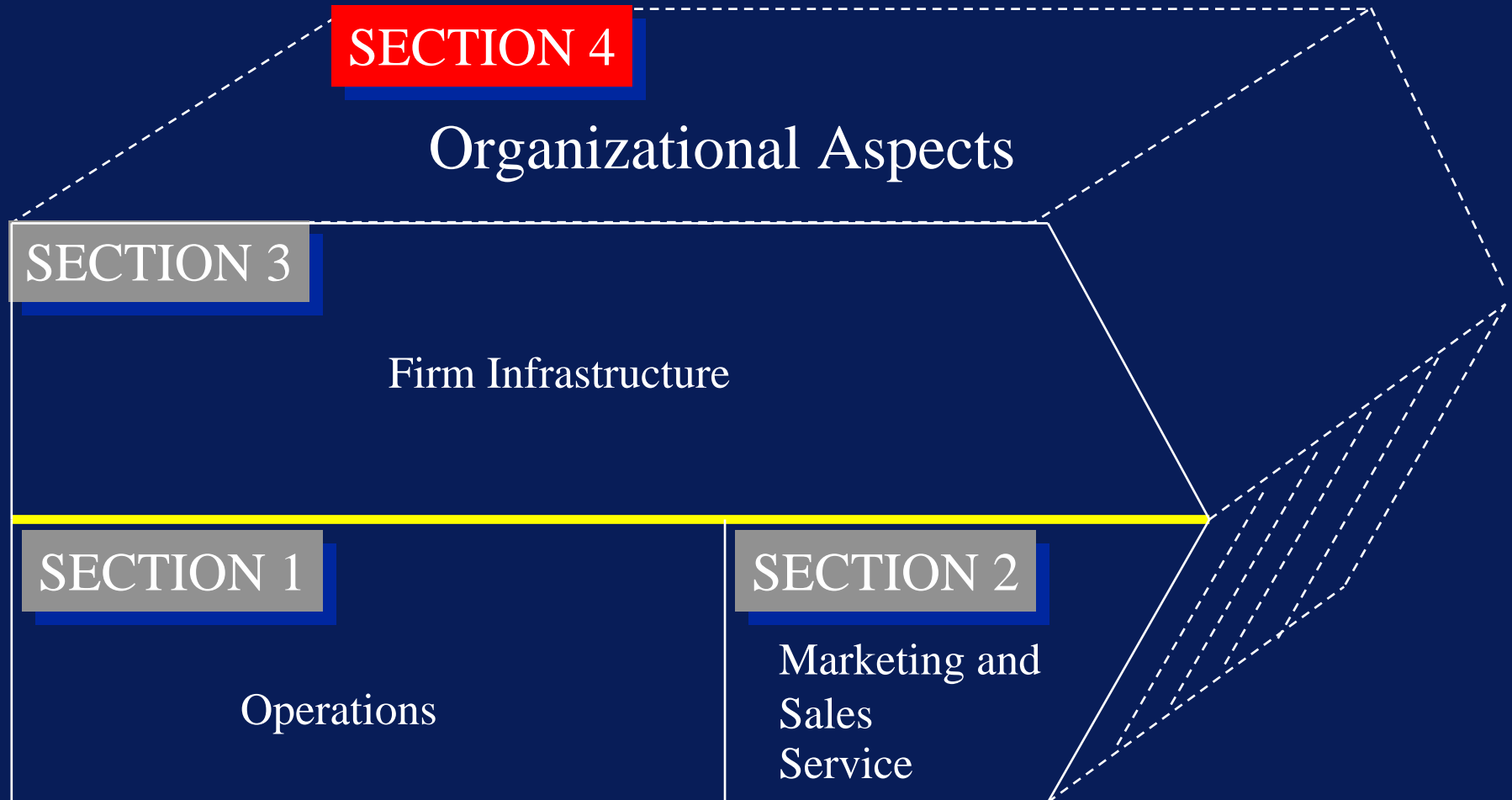
## Reference Books:

- Ray Fitzgerald, *Practical Finance*, 1987, Irish Management Institute.
- Stoner and Wankel, *Management*, 1986  
Prentice-Hall International.

## Section 4

# Motivation and Leadership

# Course Breakdown



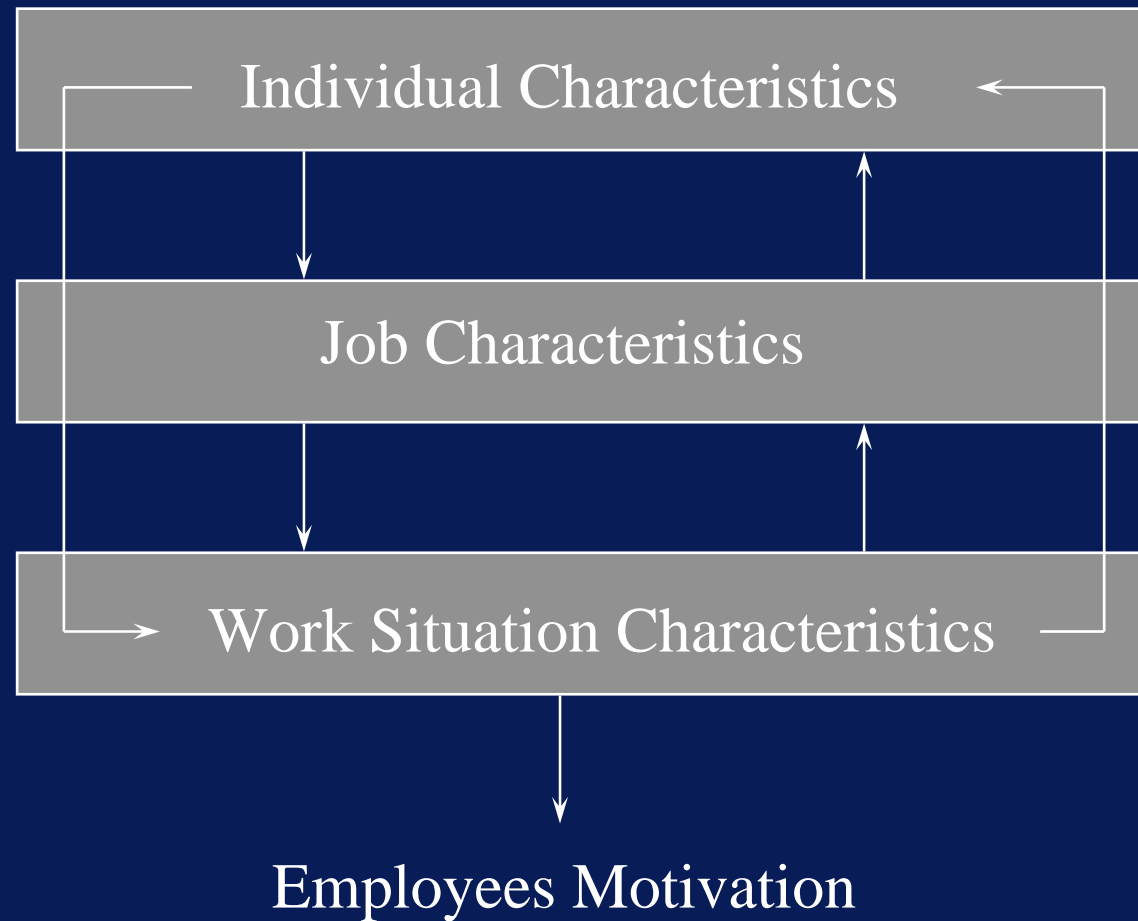
# Motivation, Performance and Satisfaction

- The importance of motivation
- Early views of motivation
  - the traditional model
  - the human relations model
  - the human resources model

# Major Classifications of Motivation

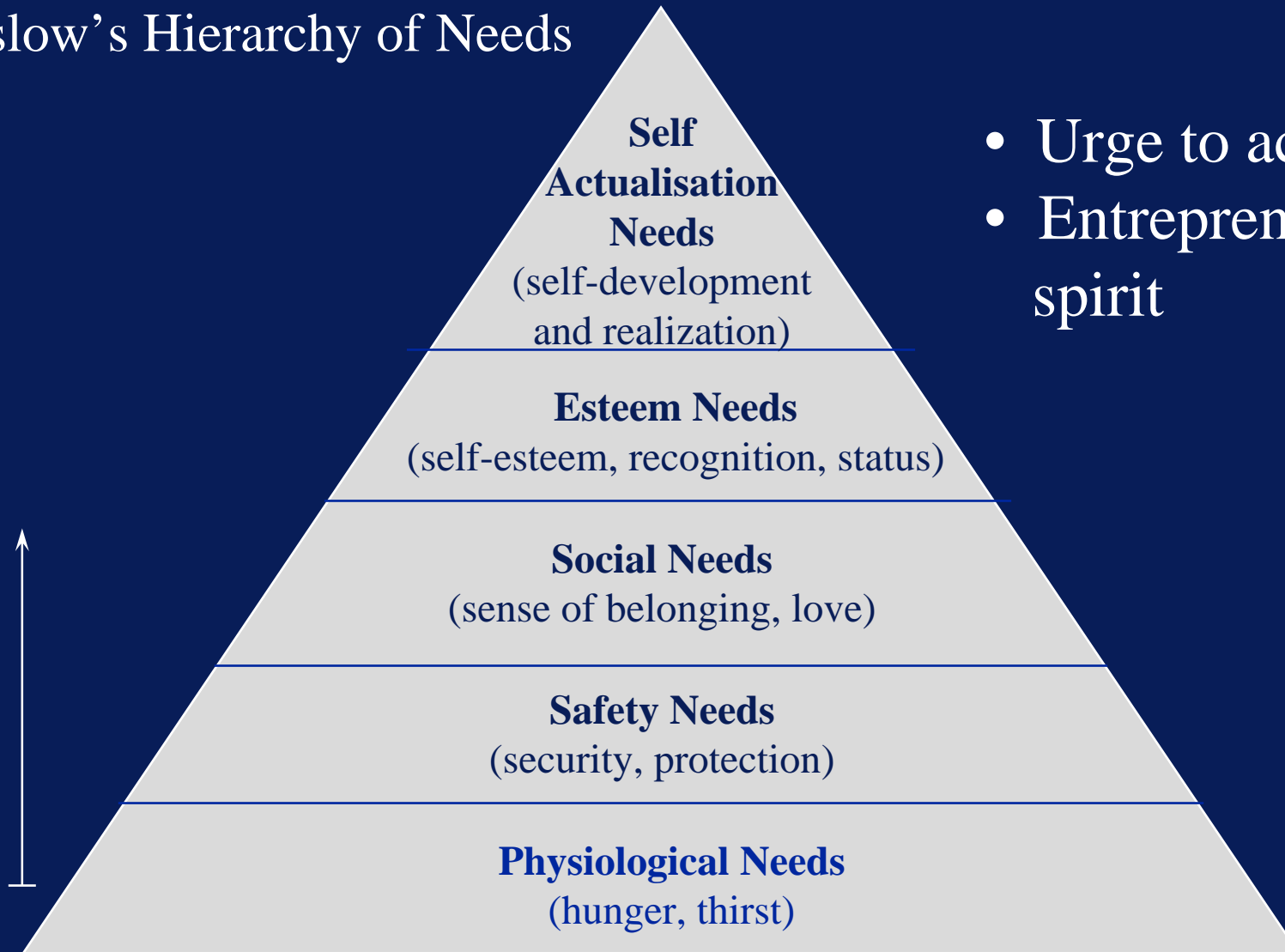
- Content theories
  - focus on the ‘what’ of motivation
- Process theories
  - focus on the ‘how’ of motivation
- Reinforcement theories
  - emphasize ways in which behaviour is learned

# A Systems View of Motivation in Organizations



# Individual Characteristics

## Maslow's Hierarchy of Needs



- Urge to achieve
- Entrepreneurial spirit

# Characteristics of the Job Task

- Types of rewards
- Degree of autonomy
- Amount of direct performance feedback
- Degree of variety in tasks



# Characteristics of the Work Situation

- Actions, policies and culture of the organization
  - culture: the shared norms, values, and beliefs of its members
- The immediate work environment
  - working climate includes actions by peers

# Leadership

- *Definition:* the process of directing and influencing the task-related activities of group members
- Plays a critical role in helping groups, organizations and societies achieve their goals
- By its very nature leadership must involve *other people*

# The Behaviour of Leaders

- **Power bases:**
  - reward
  - coercive
  - legitimate
  - referent
  - expert

*(French and Raven, 1959)*

# Effective Leadership

Personality traits	Abilities	Social skills
→ Adaptability	Intelligence	Ability to enlist co-operation
→ Adjustment (normality)	Judgement and decisiveness	Administrative ability
→ Aggressiveness and → Assertiveness	Knowledge	Co-operativeness
→ Dominance	Fluency of speech	Popularity
→ Emotional balance and control		Sociability (interpersonal skills)
→ Independence (nonconformity)		Social participation
→ Originality and creativity		Tact and diplomacy
→ Personal integrity (ethical conduct)		
→ Self-confidence		

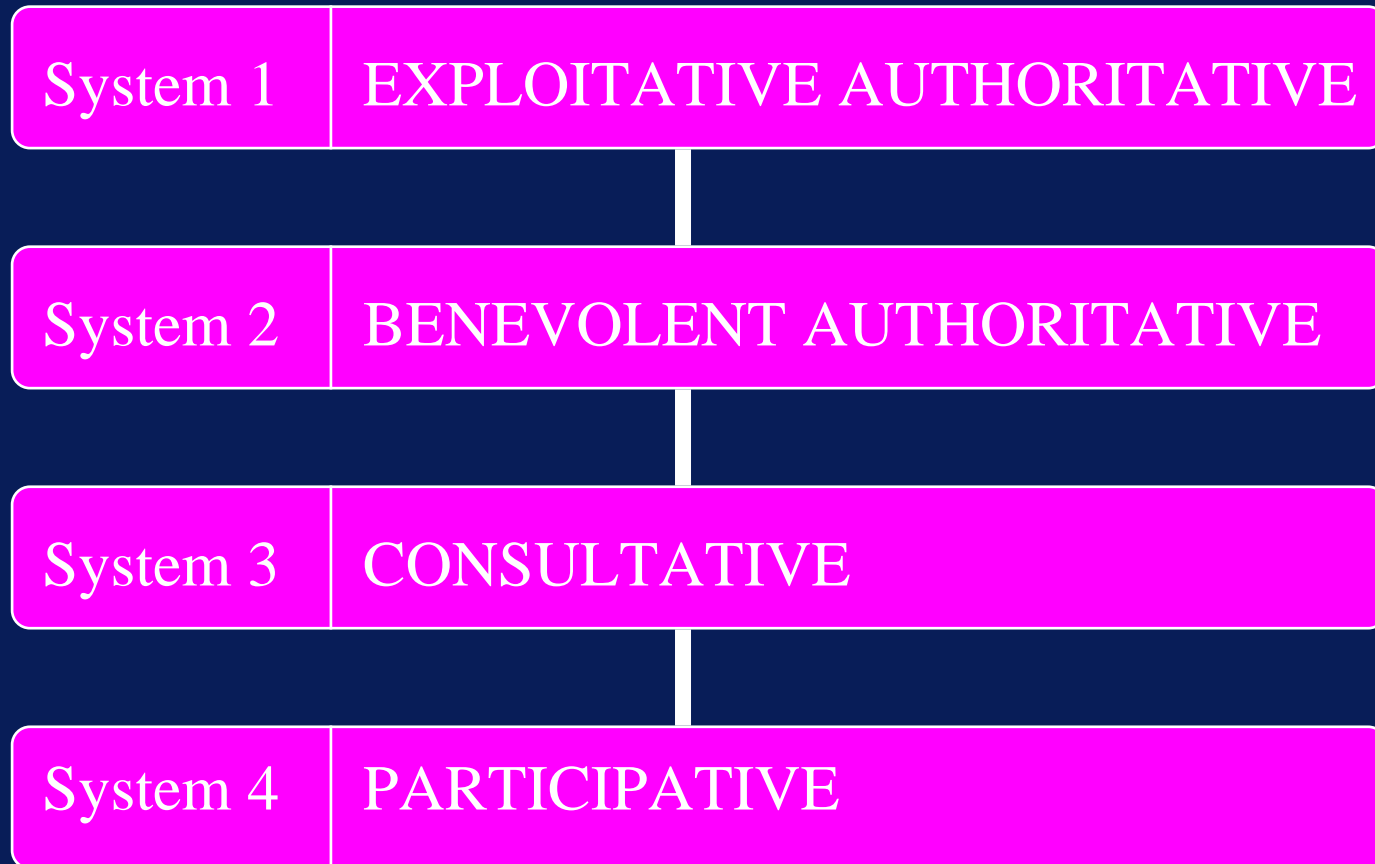
*(by Stogdill 1974)*

# Leadership Styles Classification

- Authoritarian
- Democratic
- *Laissez-Faire*

*(The Iowa Studies, 1939)*

# Likert's Leadership Systems



# Personality and Situational Factors that Influence Effective Leadership



# References

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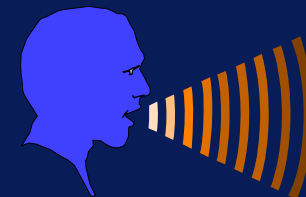
Section 4

# Communications

# Communication.....

a multi-stage process

- Attract people's attention
- Ensure comprehension of the message
- Accept as true
- Remember the information
- Modify their behaviour



# The Importance of Communication

- Foundation of management functions
- Interpersonal activities
- Organizational information flows
- Role in Decision making

Planning

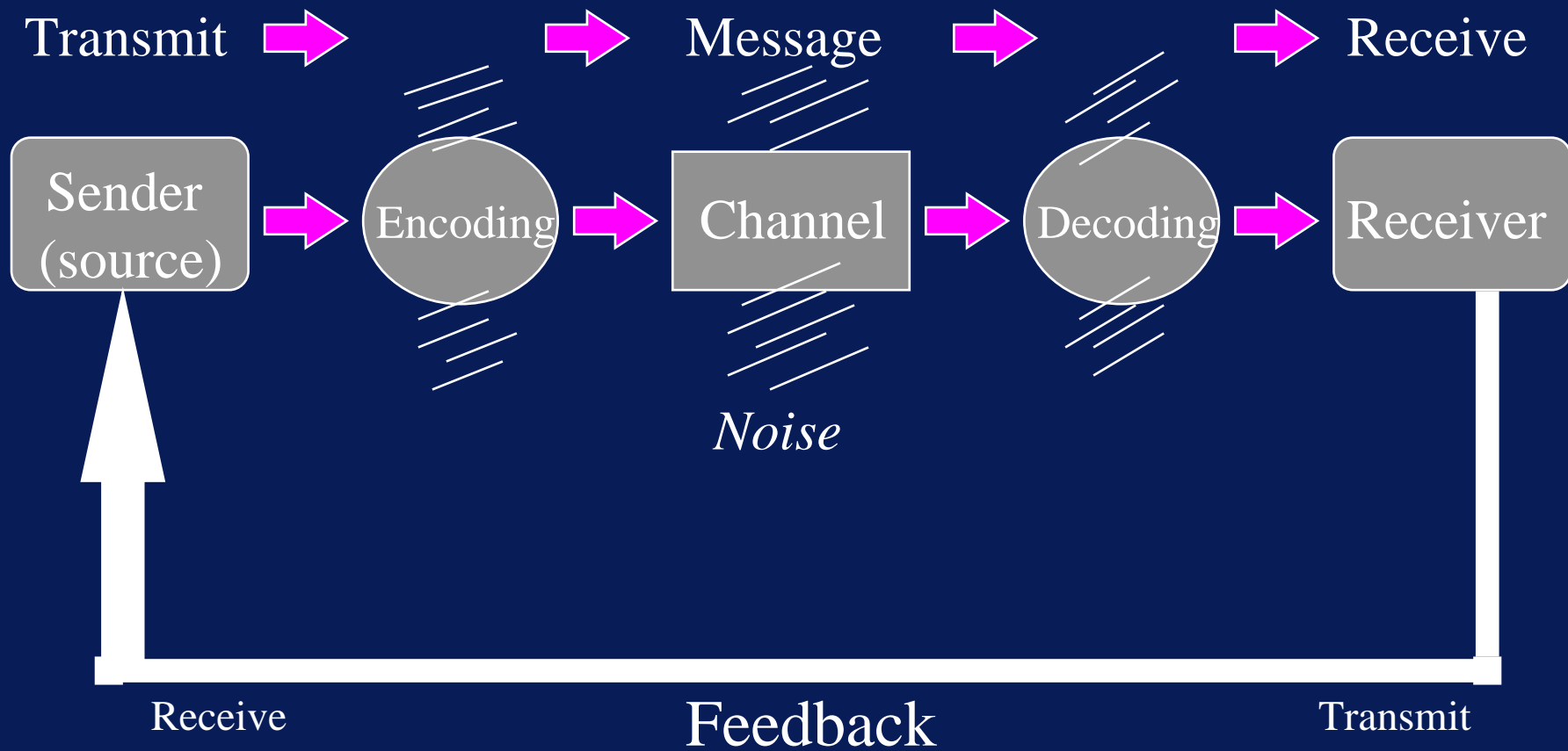
Organizing

Leading

Controlling

COMMUNICATION

# A Model of the Communication Process



Factors influencing.....

# Attention to Communication

- Situation or context of communications
  - » amount of information
  - » direction of communication
  - » communication networks
- Characteristics of the message
  - » novelty
  - » personal importance
  - » intensity

Factors influencing...

# Comprehension and Understanding

- Semantics of the message
  - » jargon
  - » unclear meanings of symbols
  - » nonverbal cues
- Perceptions of receivers
  - » drawing unwarranted conclusions from limited facts
  - » fitting new data into preconceived beliefs
  - » stereotyping
  - » projection
  - » simplification

Factors influencing...

# The Acceptance of Information as True

- Characteristics of the communicator
  - » expertise
  - » trustworthiness
  - » attractiveness
- Defensive communication
  - » personally threatening messages
  - » dissonant information

Factors influencing...

# Retention and Action

- Presentation of messages
  - » logic versus emotion
  - » explicit versus implicit conclusions
  - » primacy versus recency
  - » oral versus written
  - » extreme versus moderate
- Reward systems
  - » management are internally consistent



# Improving Communications in Organizations

- Controlling the flow of information:
  - “Exception principle”
  - “need to know principle”
  - Queuing
  - Critical timing
  - Prevent isolation from subordinates
  - Off-site meetings

# Improving Communications in Organizations

- Increase redundancy and repetition
  - multiple channels for the whole message
  - redundancy within a message
- Reduce ambiguity
  - use simple and direct language
  - avoid unnecessary associations

# Improving Communications in Organizations

- Avoid putting listeners on the defensive
  - go easy on argument and criticism
  - use descriptive non-evaluative language
  - don't club subordinates with status

# Improving Communications in Organizations

- Address objections and arguments to the communication head-on
  - » two-sided arguments
  - » forewarning
  - » repeat main points
  - » draw explicit conclusions
  - » take extreme position if highly credible
  - » make explicit recommendations for action
- Reinforce words with **ACTIONS**

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## Section 4

# Organizational Culture

# Organizational Culture

## *Definition:*

- Is the pattern of *basic assumptions* which a given group has *invented, discovered, or developed* in learning to cope with its problems of *external adaptation* and *internal integration*, which have worked well enough to be considered valid, and, therefore to be *taught to new members* as the correct way to perceive, think, and feel in relation to those problems.

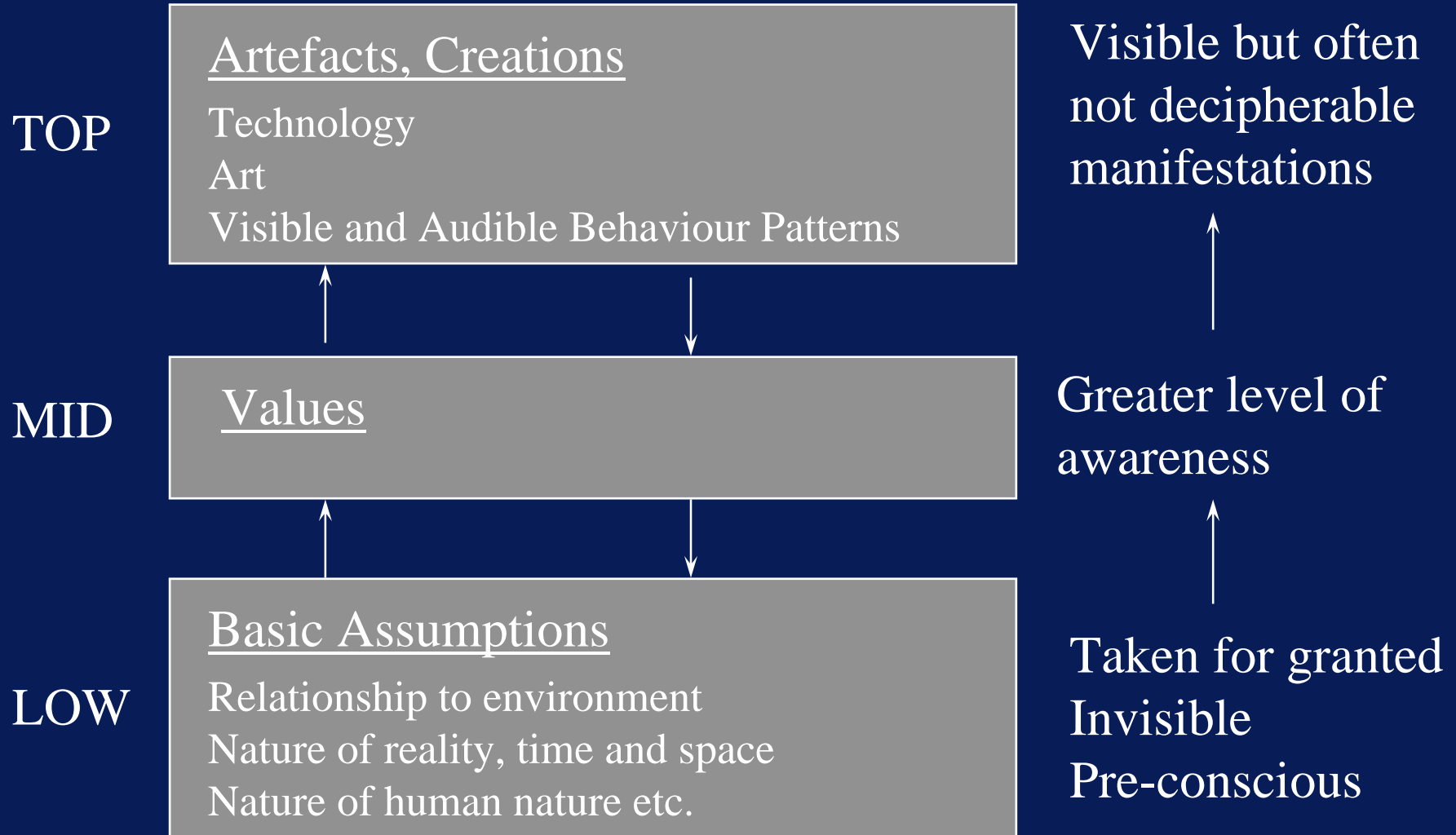
E. H. Schein 1983

# Culture of an Organization

- Sum total of collective or shared learning
- In adapting to its external environment
- In managing its internal affairs



# Levels of Culture and Their Interaction



# Organizational Stages

- Growth stage
  - birth, early growth, founder domination
  - succession to 'professional management'
- Diversification and organizational mid-life
  - new products/markets
  - geographic expansion
  - acquisitions, mergers
  - vertical integration
- Organizational maturity, stagnation, decline
  - maturity of markets

# Growth Stage

- Culture is often the 'glue' which holds the organization together
- Culture is the source of identity and a distinctive competence
- Drive to integrate and clarify culture
- Heavy emphasis on careful selection and socialization
- Potential successors judged on whether they will preserve culture
- Self-insight into culture critical

# Diversification and Mid-life

- Cultural integration declines as new sub-cultures are spawned
- Crisis of identity, loss of key goals, values, and assumptions
- Opportunity to manage direction of cultural change
- Decision for cultural uniformity or diversity
- Cultural self-insight important

# Culture Maturity, Stagnation, Decline

- Culture becomes a constraint on innovation
- Preserves the glories of the past, hence is valued as a source of self-esteem, becomes a defence
- Culture change necessary and inevitable
  - but not all elements of culture can/must change
- Self-insight important to preserve

# Function of Culture

- Transmission of learning
- Cement which bonds organization together
- Reduces complexity
- gives meaning to living, recognizes non-cognitive factors

# Importance of Culture

- Management of change
- Helps implementation of strategy
- Necessary to understand in international business operations
- Management of people is culture-bound and value-laden
- Major force that influences a company

# References

- E. H. Schein, *Corporate Culture: What it is and How to Change it*, Sloan Fellows Address, MIT, 1983.



## Section 4

# Innovation Entrepreneurship and The Learning Organization

# Technological Innovation

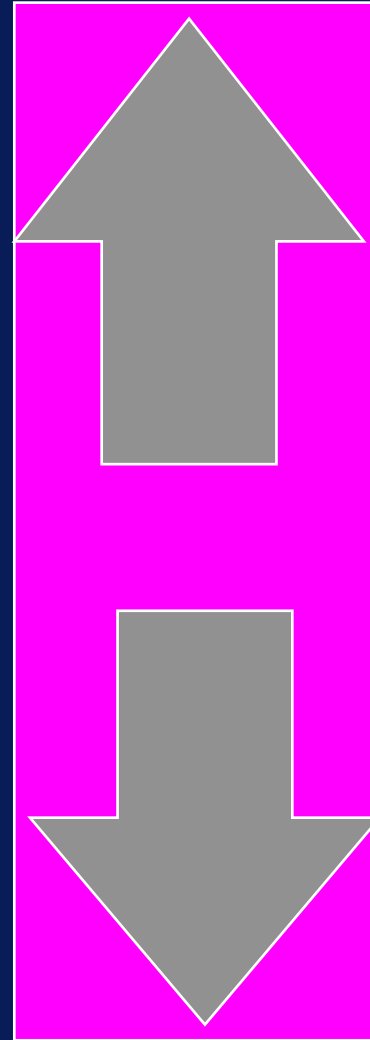
- Creating change in society
- Encompasses techno-commercial activities
- Results in either successful market adoption or adaption of a new improved process
- Not confined to technical capabilities or competence

# Process of Technological Innovation

- The Inventor
  - the originator of a product or process of patentable potential
- The Innovator
  - incorporates new knowledge or know-how into the product or the process
- The Entrepreneur
  - sees the commercial potential of the innovation and is personally motivated by the opportunity for financial reward

# Innovation

- Artist
- Inventor
- Innovator
- Entrepreneur
- Trader



Non-monetary  
criteria

Measure the  
money

# What is Entrepreneurship?

- A Process which involves people or a group of people
- Seeking opportunities
- Mustering resources and forming organizations to exploit selected opportunities
- Carrying out actions to achieve a goal
- Failing or succeeding

# Characteristics of Entrepreneurism

- Effective
- Customer focussed
- Changing
- Challenging
- Vision
- Family culture
- Flexible
- Successful
- Professional
- Egotistical
- Conflict
- Dynamic
- Innovative
- Intrapreneurs

# Characteristics of Effective Thinkers

- Mental flexibility
- Openness to new information
- Capacity for systematic thought
- Capacity for abstract thought
- Skill at generating ideas
- Resistance to enculturation
- Emotional resistance
- Sense of humour
- Intellectual courage
- Positive thinking

# Personal Blocks to Creativity

- Fear of failure
- Reluctance to play
- Resource myopia
- Overcertainty
- Custom bound
- Frustration avoidance
- Fear of the unknown
- Need for order
- Sensory dullness



# Entrepreneur and Intrapreneurs



- Take risks in an open environment



- Takes risks or finds opportunities within a closed system i.e. an organization

# Characteristics of a Successful Entrepreneur

- Strong ego
- Obsessive determination
- Energy
- Concentrated focus
- Pragmatic
- Compatibility with strong people
- Early display of enterprize



# Learning Organizations

A learning organization is an organization skilled at

creating, acquiring,  
and transferring knowledge,

and at modifying its behaviour to reflect  
new knowledge and insights

*Peter Senge 1990*

# Building a Learning Organization

- Systematic problem solving
- Experimentation
- Learning from past experience
- Learning from others
- Transferring knowledge

*D. Garvin 1993*

# Management and Measurement

- Management
  - must have clear guidelines for practice filled with operational advice
- Measurement
  - tools for assessing an organization's rate and level of learning to ensure gains have in fact been made

# Learning Organizations to date

- Most successful: products of carefully cultivated attitudes, commitments, and management processes
- Slowly accrued over time
- Fostered an environment which is conducive to learning
- Boundaries are open
- Ideas are stimulated

# References

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Section 4

# Strategic Management



# Strategic Planning

- The process by which top management establishes an organizations goals and selects the means for achieving them

## 2 Perspectives

- broad 'program' for defining and achieving an organizations objectives and implementing its ~~missions~~
- pattern of the organization's responses to its environment over time

program => active, conscious rational role played by managers in formulating the organizations strategy

strategy never formulated, respond and adjust to environment as situation arises




# Organizational Goals

- “Goals” i.e. purpose, mission, objectives
- Difference in terms:
  - purpose: is its primary role in society
  - mission: best described by markets, products, services or clients
  - objectives: variety of these attains the mission of the organization

# Characteristics of Strategy

- Time horizon
- Impact
- Concentration of effort
- Pattern of decisions
- Pervasiveness

# Approaches to Developing a Strategy

- Entrepreneurial 
- Adaptive 
- Planning 

# Strategic Planning in Practice...

- Combination of adaptive, planning and entrepreneurial to a lesser extent

- called **Logical Incrementalism:**

*.....an interactive process in which the organization probes the future, experiments and learns from a series of partial (incremental) commitments rather than through global formulations of total strategies*

Quinn 1980

# What is Strategic Planning?

- Strategic planning is the formalized, long-range planning process used to define and achieve organizational goals
- *Characteristics:*
  - basic questions
  - framework for day-to-day decisions
  - long term frame
  - focuses energy and resources
  - top level involvement

# Advantages of Strategic Planning

- Consistency between activities
- Sets objectives and methods
- Anticipates problems before they arise
- Helps recognize risks and opportunities
- Minimizes mistakes and unpleasant surprises
- Strategies subject to constant scrutiny
- Better decision making



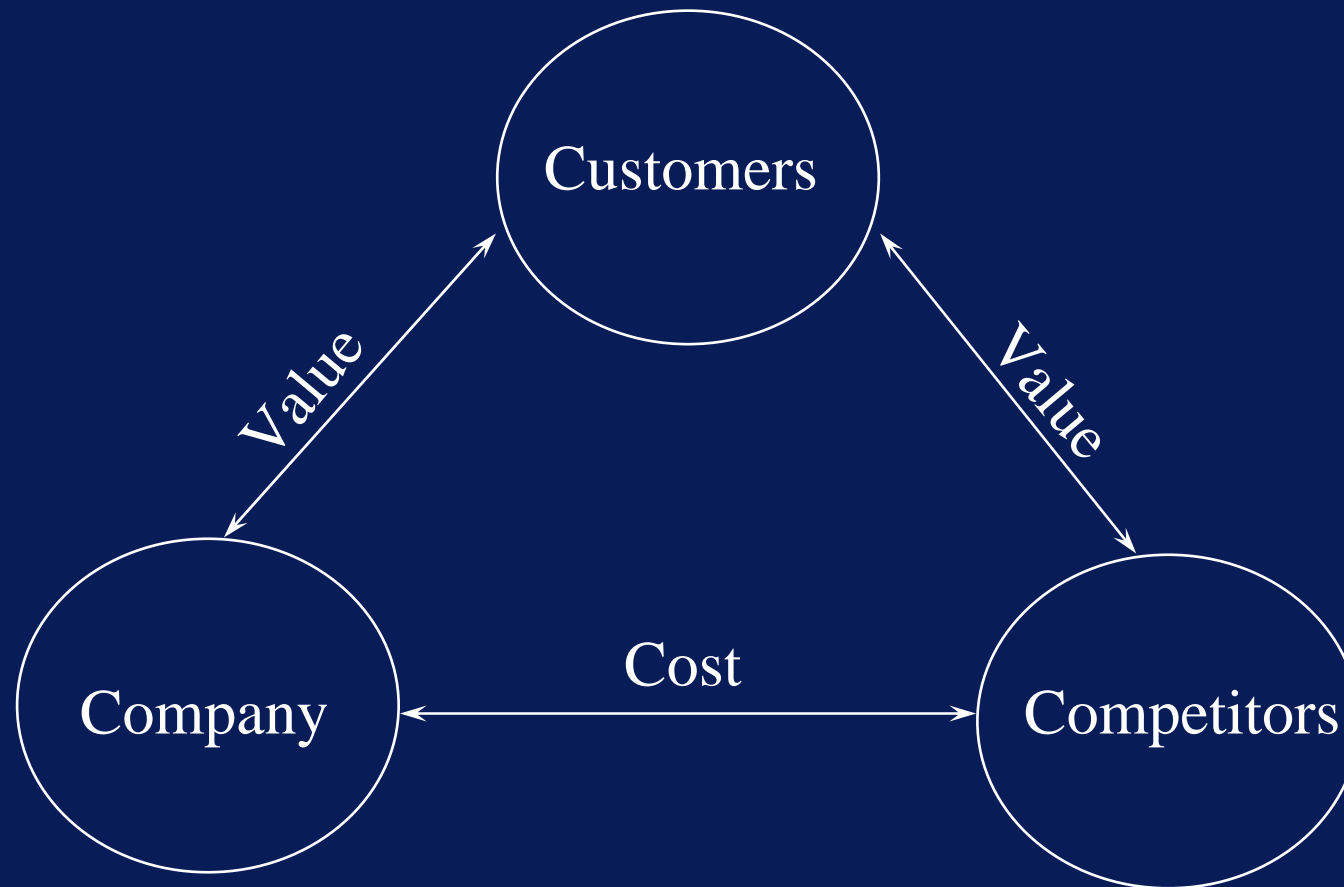
# Disadvantages of Strategic Planning

- Danger of creating large bureaucracy
- Heavy investment in consultants
- Takes years to pay off
- Possible loss opportunities
- Avoidance of opportunities due to over analysis and lack of uncertainty

# Approaches to Formal Strategic Planning

- Bottom-up approach
- Top down
- Interactive approach
- Dual-level approach

# The Strategy Triangle



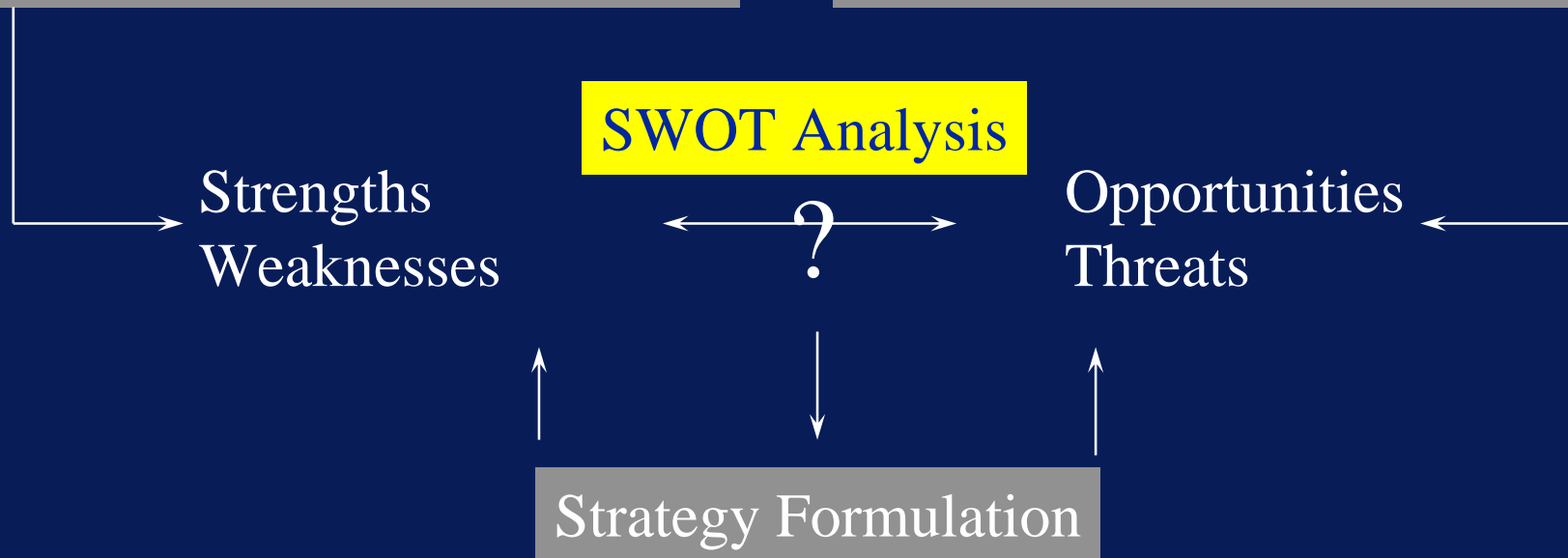
# Strategy Model

- Internal Analysis

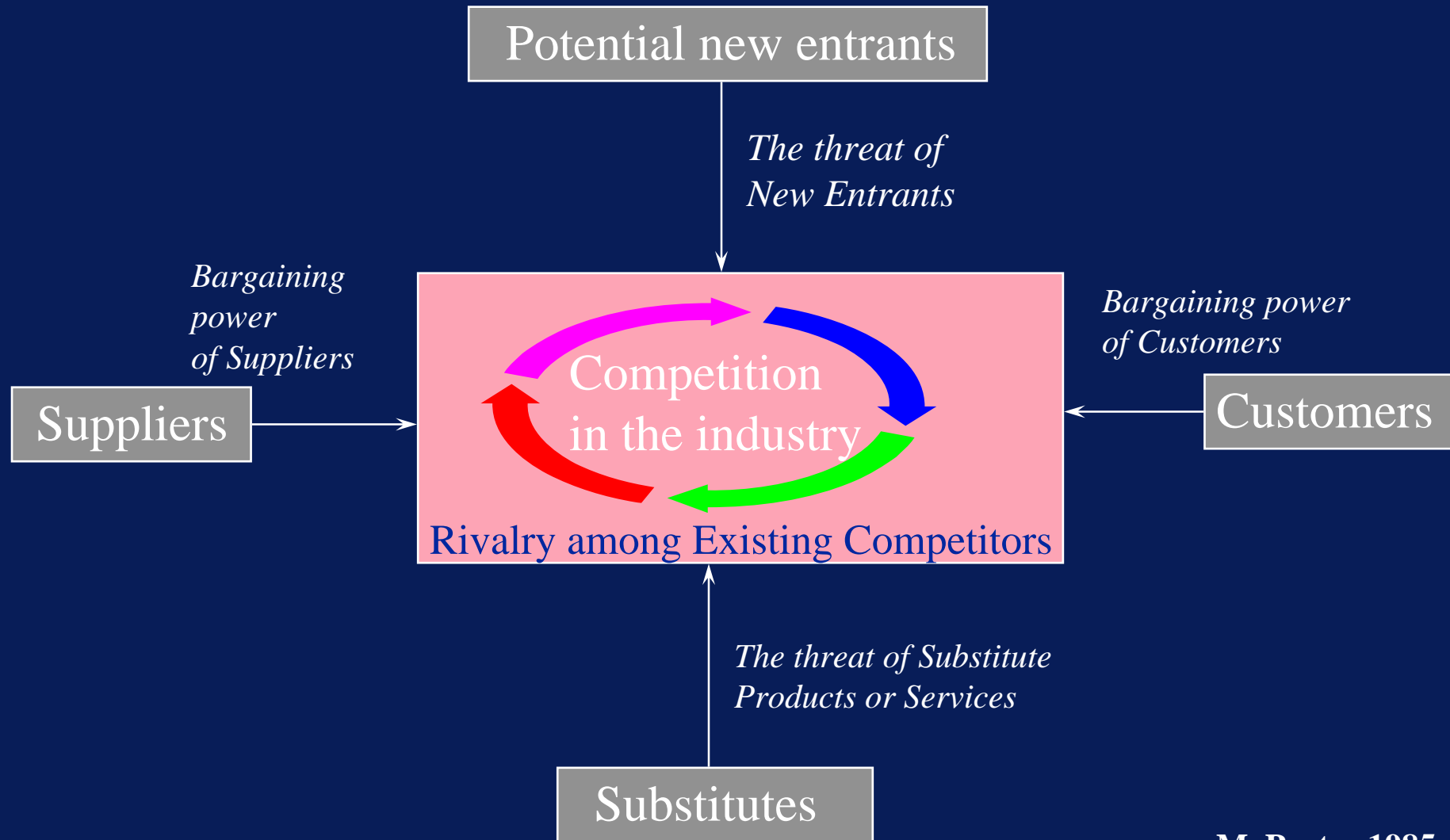
- Marketing
- Finance
- Production
- Organization

- External Analysis

- Society
- Technology
- Industry
- Competitors
- Customers



# 5-Forces of Competition



M. Porter 1985

- Strategic management can strongly influence the survival and growth of an organization in a frequently volatile environment where product and technology life cycles are continuously reducing and influences in the industry increase the intensity of competitive rivalry between businesses

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## Section 4

# Managing Organizational Change



# External Forces for Change

- Increasing costs
- Scarcity of resources
- Worker safety
- Antipollution regulations
- Consumer boycotts
- Greater education
- Higher interest rates

# Internal Forces for Change


- New organizational strategies
- Technologies
- Employee attitudes
- Behaviour
- Automation

# Process of Change

- 2 major obstacles

- Managers unwilling (or unable) to alter long established attitudes and behaviour
- Change short-lived: a return to old practices

# To Overcome Obstacles...

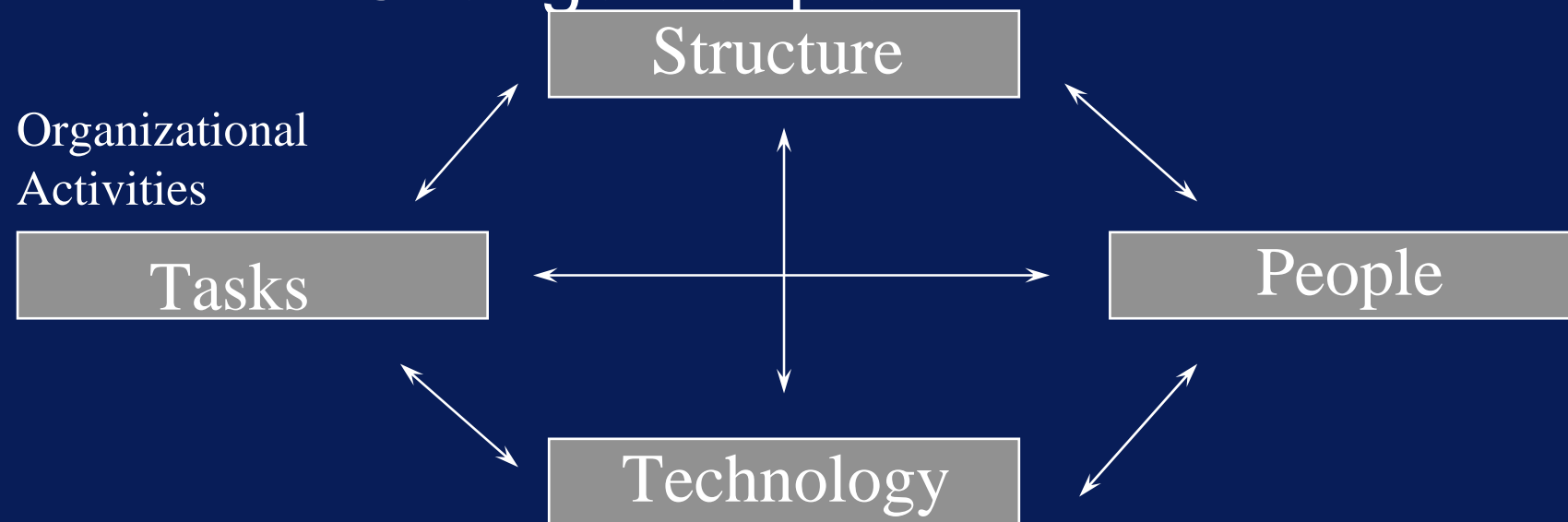
- 
- Unfreeze
    - show change is needed, then it is acceptable
  - Change
    - training agent, identification of new values etc. then internalization
  - Refreeze
    - lock new behaviour which then becomes the norm

# Overcoming Resistance to Change

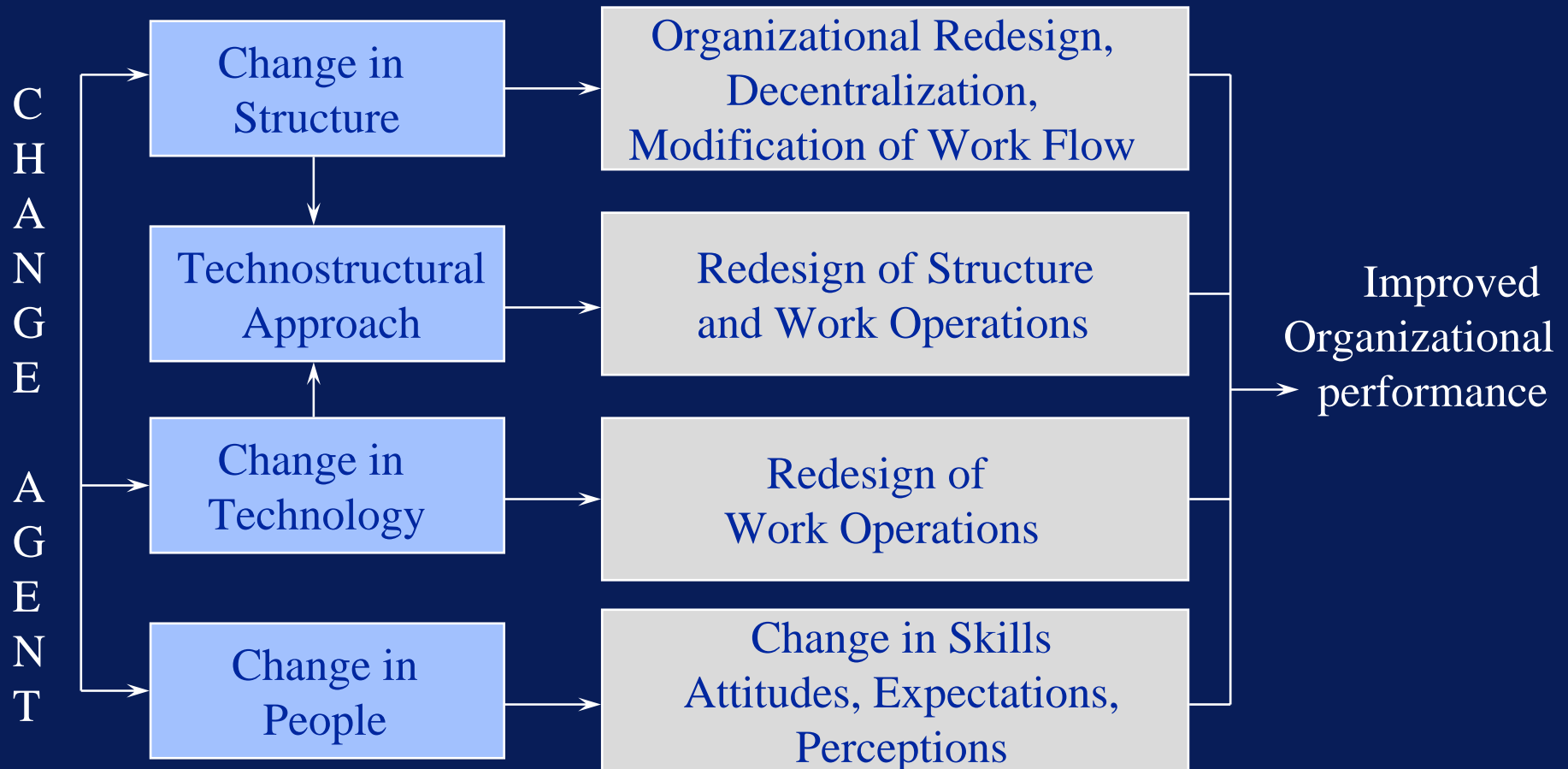
- Education and communication
- Participation and involvement
- Facilitation and support
- Negotiation and co-operation
- Manipulation and co-optation
- Explicit and implicit coercion

# Approaches to Planned Change

- Alter organization's structure
- Change technology
- Change People



# The Three Change Approaches



# Business Process Re-engineering

- Organizational change concept
- BPR has customer as a starting point
- Aims to develop provision of value, service, and quality to all customers
- Focus on the activities in the organization which turn input into output by adding value
- Maximizes potential of individuals and teams



# Strategic Change

- Must be consistent with what is happening in the environment
- Must be understood to all stakeholders including suppliers and customers
- Strategy is feasible in terms of resources it requires
- Strategic direction is clearly related to achieving competitive advantage or excellent performance
- Successful organizations build a capability for organization-wide learning and adaptation

# Managing Change for Competitive Success



*Pettigrew and Whipp 1991*