


Management by competencies

What is management about?

Main tasks of the management

- ▶ is to form the production process
 - ▶ and increasing of the output
 - ▶ to fulfill the company targets
 - ▶ in the highest level possible
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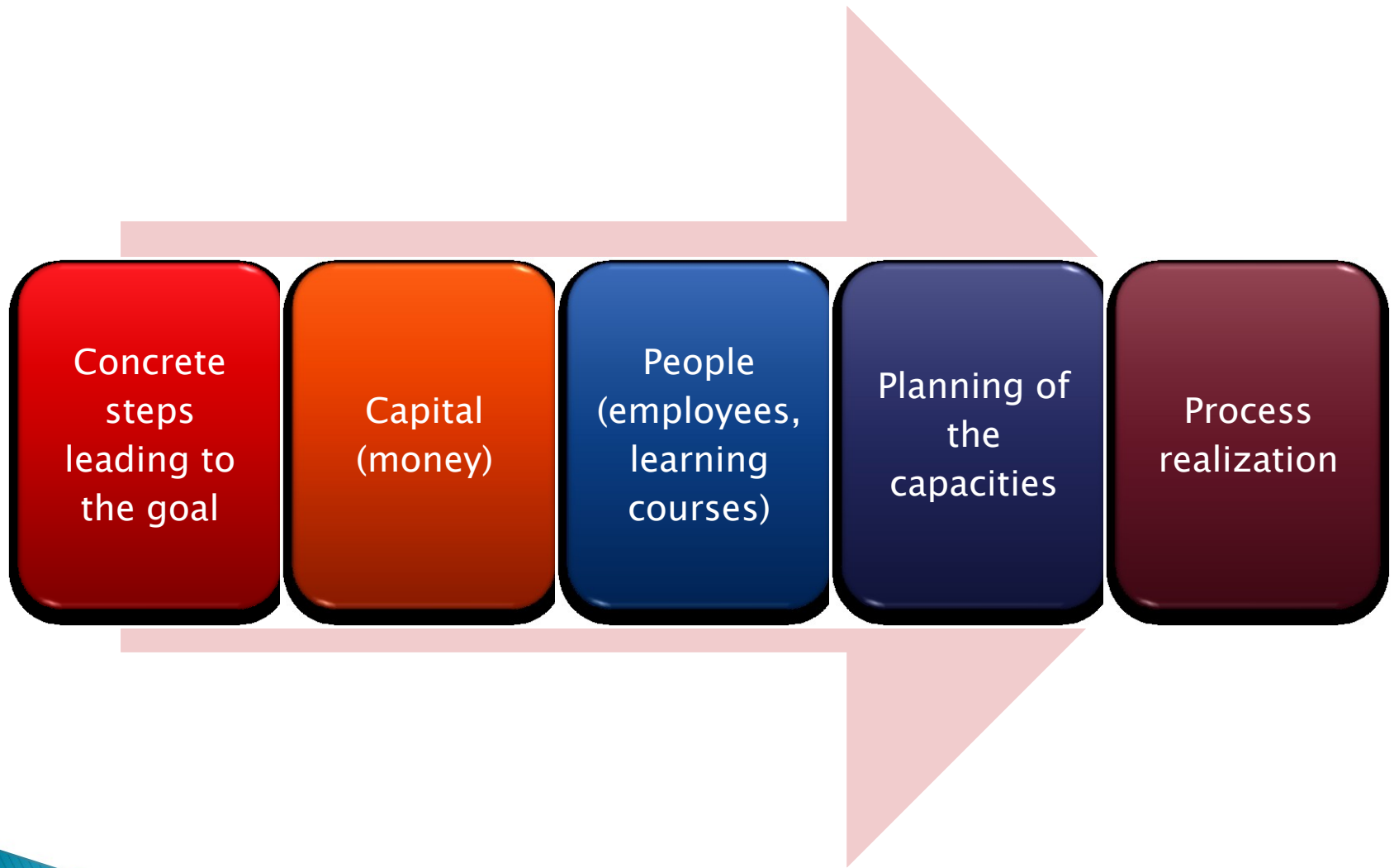
5 phases of the management



Goals creation

- ▶ Main idea: the maximization of the profit
 - Main goal – our version of maximization of the profit
- ▶ Analyze the possibilities – the ways how to reach the main goal
- ▶ Choosing the best option

Planning and realization



Control

- ▶ Need to control realization process
- ▶ **The part of the realization**
 - Control, if the realization goes in the right way
 - Reaction to mistakes or deviations
- ▶ Control after realization is not effective

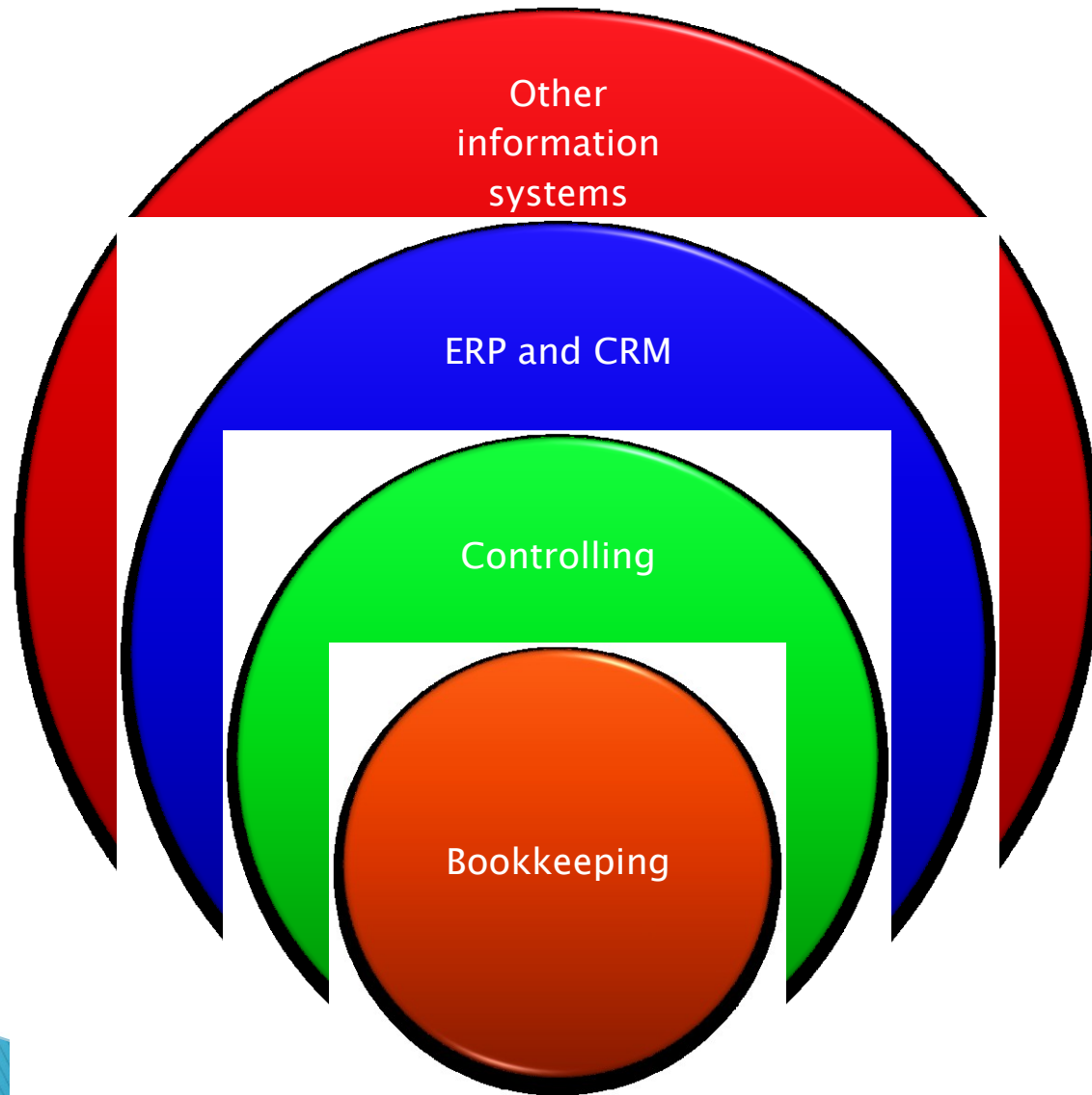
Coordination

- ▶ All phases need to be coordinated
- ▶ Important is not only the task itself
- ▶ Important is also:
 - The order of tasks
 - Relationships between the departments of the company or organization
- ▶ Communication process

information

- ▶ Realization is the sequence of transactions
 - In the „goods“ economy
 - Material is transformed into intermediate product
 - Intermediate product is transformed into final product
 - All transform transactions must be profitable
 - In the service economy
 - Goal is split into tasks need to be done
 - Those tasks need to be completed in specific sequence
 - All tasks must be profitable

Where are the information?



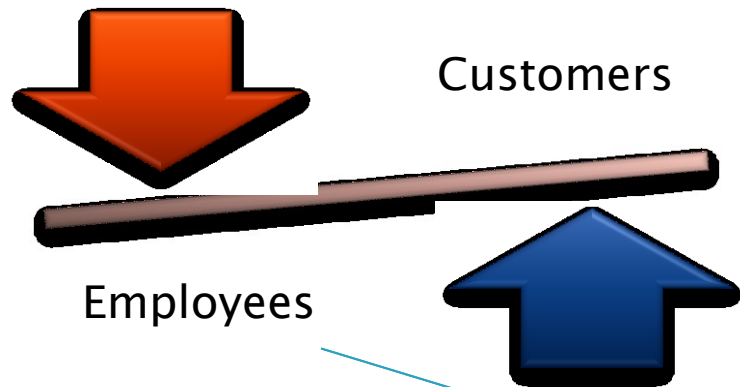
Management war

- ▶ What are the goals?
- ▶ Who makes the decision?
- ▶ Who participate on the profit?
- ▶ Shareholders
 - Are owners of the company
 - They are unique decision making (or management, nominated by the owners)
 - Profit belongs to owners
- ▶ Stakeholders
 - All groups, who are interested in the company

The table of interests

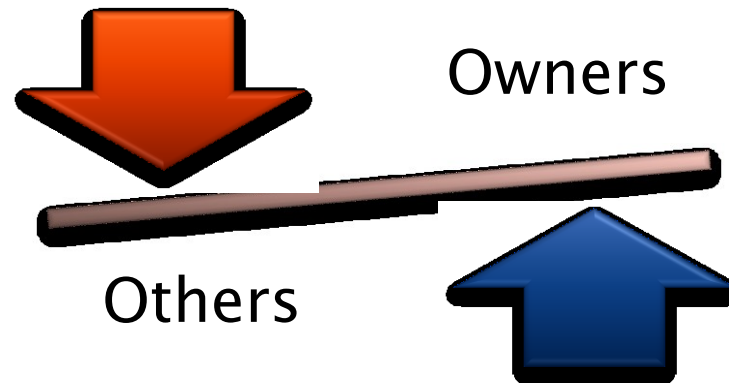
Name of the group	Requirements	Benefits
Owners	Profit	Capital
Creditor	repayment and interest of the loan	Capital
Employees	Fair wage, motivation	Labor
Management	Reward, power, prestige	Leadership
Customers	Goods or services for the good price	Consumption
Suppliers	reliable payment obligations, long-term profitable relationships	delivery of goods and services (of the best quality)
Public	Paying taxes, law enforcement, environmental behavior	infrastructure, rule of law

Contra - goals



Customers want lower prices

Employees want secure the job



Corporate governance

- ▶ The main problem of the big companies
- ▶ The relationship between shareholders and managers
- ▶ Information asymmetry
 - Shareholders cannot effectively control the board of directors
 - Two marginal problems of BoD:
 - They can have different goals (too smart)
 - They are not able to do their job well (too stupid)

Corporate Governance

- ▶ The main goal: successful business management
- ▶ Three objectives:
 - Organization structure, processes and people
 - Transparency
 - Control

Organization structure

- ▶ Separation of powers
 - Competencies are divided between more than 1 person
 - Some decision of Board of Directors must be confirmed by Supervisory Board
- ▶ Motivation
 - Management is motivated to follow the owners goals (profit, no. of new business cases etc.)
 - Eliminate the temptation of the management
- ▶ System of risk monitoring
 - Information systems
 - Necessary to have all information as soon as possible

Transparency

- ▶ The problem of moral hazard
 - a tendency to take undue risks because the costs are not borne by the party taking the risk
- ▶ The management is not giving the right information to the owners
- ▶ Tools to eliminate
 - Obligation to publish financial statements
 - Rating agencies

Control

- ▶ The process of decision making must be controlled
- ▶ Otherwise the decisions of the managers could be more risky
- ▶ Types of control
 - Market
 - Capital market
 - Institutionalized
 - Auditors
 - Supervisory board

Summary

- ▶ The main goal of the management
 - To form production process in the best way
 - Main idea is maximizing of the profit
- ▶ Shareholders x Stockholders attitude
 - Different targets, same idea (maximizing the profit)
 - Motivation of the subjects
- ▶ Corporate Governance
 - Moral hazard