

Management by competencies

Company environment

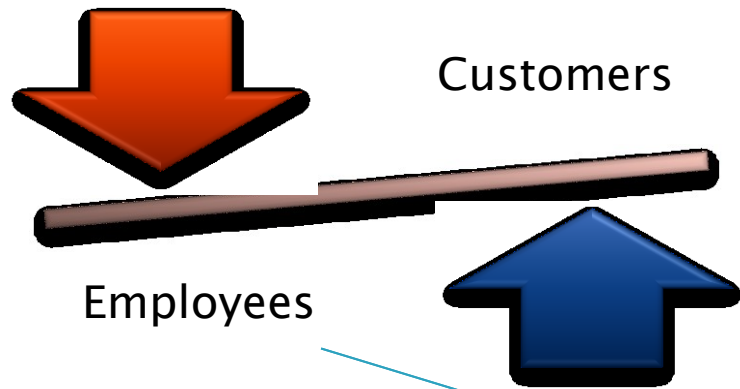
Management war

- ▶ 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

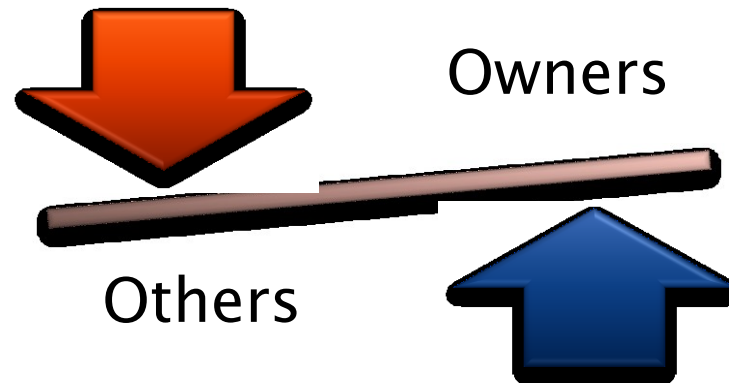
Name of the group	Requirements	Benefits
Owners	Profit	Capital
Creditor	repayment and interest of the loan	Capital
Employees	Fair wage, motivation	Labor
Management	Reward, power, prestige	Leadership
Customers	Goods or services for the good price	Consumption
Suppliers	reliable payment obligations, long-term 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

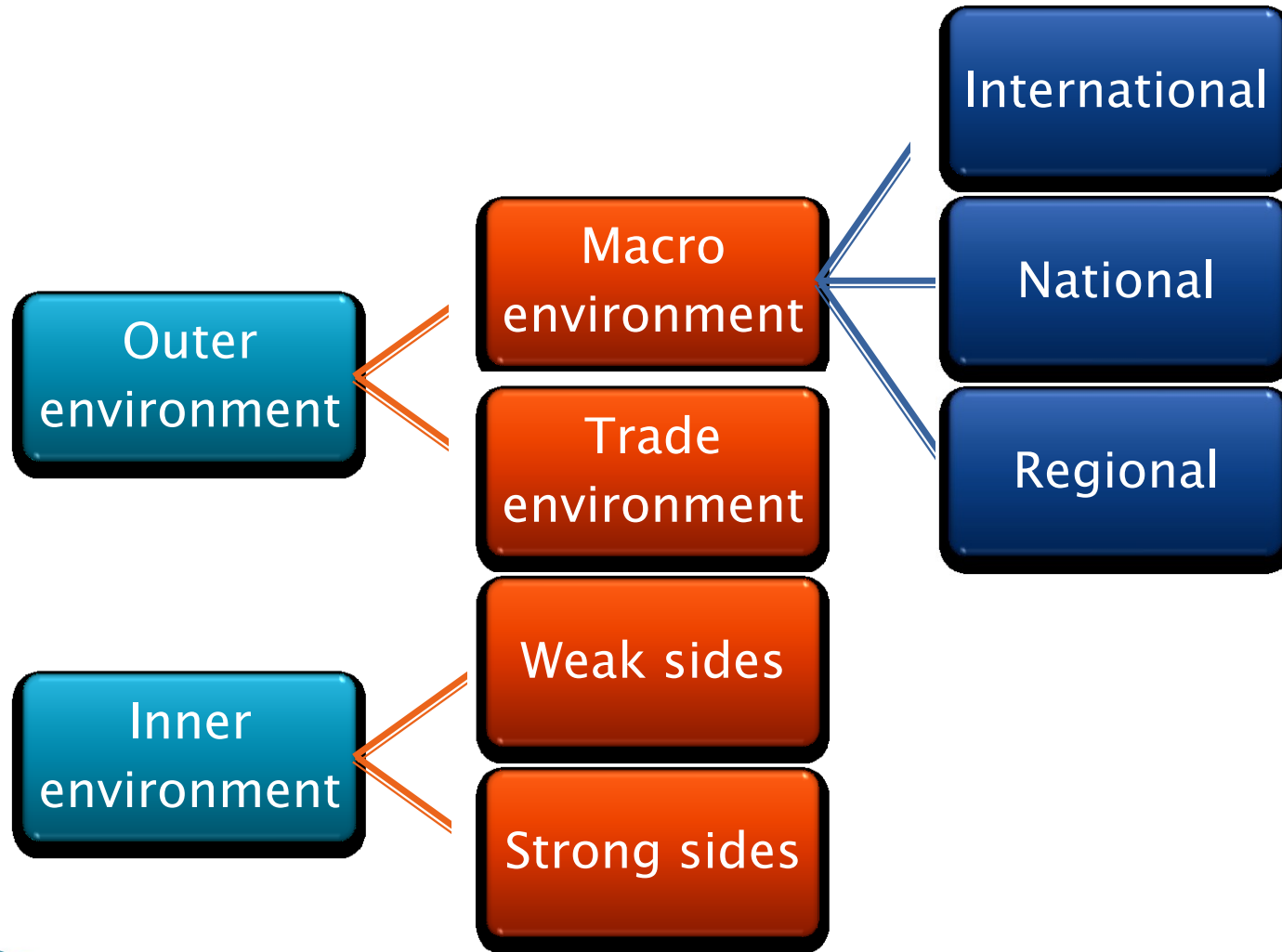
Transparency

- ▶ 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


The company environment



Outer environment – key features

- ▶ Development of information and communication ecologies
 - ▶ Increasing level of customer's requests
 - ▶ Increasing level of competitions
 - ▶ Intensifies the market globalization and forms of business
 - ▶ The influence of the government is limited
 - ▶ Sectors and branches are getting closer
 - ▶ The importance of ecology is growing
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Macro environment

- ▶ Part of outer environment
 - ▶ Factors are based on international, national or regional environment
 - ▶ Those factors touch the most of organization directly
 - ▶ But to their product or services only vicariously
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STEPE (PESTE) analyses

- ▶ **Social**
 - The level of society, social state
- ▶ **Technics and technological**
 - Technological development, computer skills
- ▶ **Economics**
 - Tax rate, interest rate, wage level
- ▶ **Political and law**
 - Stability, corruption, law enforcement
- ▶ **Ecological**
 - Attitude to environment


International environment

- ▶ Globalization of the business
 - National borders are not important
 - The production is moving to the low costs
 - Competition of the states is replaced by competition of the international companies
 - The number of national and business restriction is reduces
- ▶ The world population is growing

International environment

- ▶ Special influence to Czech republic
 - Entry of international capital, founding of joint ventures companies
 - Membership of Czech republic in EU
 - International tourism
 - International mobility of manpower


National environment

- ▶ National culture
 - Known behavior of the people
 - Shared by all members of society
 - Forming their ranking of values, life style
 - ▶ Stakeholders
 - ▶ Traffic, information and communication infrastructure
 - ▶ Nature and resources
 - ▶ Business conditions (6C)
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Business conditions (6C)

- ▶ Country
 - Taxes, specific law
- ▶ Corporations
 - Forms of business companies
- ▶ Customers
 - How much, their purchasing power
- ▶ Costs
 - What does influence costs?
- ▶ Competitors
 - How many competitors are present in the country
- ▶ Currency
 - Exchange rates, stability of the currency

Regional environment

- ▶ Factors from the company's neighborhood
 - ▶ Very important for small companies
 - ▶ Local advantages or disadvantages
 - ▶ Local government fees and taxes
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Trade environment

Key actors (3C)

- Consumers
- Collaborators
- Competitors

Key features

- Market size
- Level of the branch
- Life stadium
- Competitors in the branch
- Dependence on
 - Ecology
 - Politics
 - Law
- Profitability

Life stadium of branch

- ▶ Implementation
 - Pioneers, adventurers
- ▶ Growing up
 - Serious companies
- ▶ Maturation
 - Stable situation
- ▶ Comedown
 - Most companies are leaving

Inner environment

- ▶ Weak parts
 - What is our disadvantage?
 - How can we be harmed?
- ▶ Strong parts
 - Where are we unique?

SWOT Data

	Positive	Negative
Internal	Strengths	Weaknesses
External	Opportunities	Threatens

- SWOT analysis
- Collects all important factors together
- Very popular in Internet business
- Can be used in any case that needs to be analyzed
 - New product
 - New project
 - New service
 - Analyze new workflow

Strengths

- ▶ Where is our advantage
- ▶ What is unique in our company
- ▶ Why we lead?
- ▶ Examples
 - Experienced management
 - Special know-how
 - IT services or IS

Weaknesses

- ▶ What do we do wrong?
- ▶ Where we lost money or good-will because of our own mistake?
- ▶ What was our last big inner problem?
- ▶ Examples
 - Old technical equipment
 - Bad behavior of employees
 - Bad quality of IT services

Opportunities

- ▶ What can be a new impulse for the company?
- ▶ Where we can find a new sources?
- ▶ How we can improve our company?
- ▶ Examples
 - Lower taxes
 - Donations (EU/government/other organizations)
 - New technologies

Threatens

- ▶ What can be dangerous for our improvement?
- ▶ What kind of pressure we must cope with?
- ▶ What do our competitors plan?
- ▶ Examples
 - Higher taxes
 - Structure of unemployment
 - Entrance of the new competitor

SWOT Strategies

SWOT - analysis		Internal	
		Strengths	Weaknesses
E x t e r n a l	Opportunities	<i>S-O-Strategy.</i> Developing the new methods, suitable for improving the strengths of the company	<i>W-O-Strategy.</i> Removing the weaknesses to found the new opportunities
	Threatens	<i>S-T-Strategy.</i> Using the strengths to eliminate the threatens	<i>W-T-Strategy.</i> Developing strategies to eliminate the threatens, endangering our weaknesses.

S – O Strategy (maxi – maxi)

- ▶ Developing the new methods, suitable for improving the strengths of the company
- ▶ How we can use the opportunities to make our strengths stronger
- ▶ Examples:
 - Using donations from Czechinvest to teach the members of management
 - Using favorable (low) interest rate to develop new methods from our know-how

S – T Strategy (maxi – mini)

- ▶ Using the strengths to eliminate the threatens
- ▶ How we can cope with the dangers from outside by our own?
- ▶ Examples
 - Use our management experiences to optimize our processes and save money to face the higher taxes.
 - Use IS with easy user interface to eliminate the number of training days for the new employees

W – O Strategy (mini – maxi)

- ▶ Removing the weaknesses to found the new opportunities
- ▶ How we can use opportunities to remove our weaknesses?
- ▶ Examples:
 - Using donations from EU to buy / upgrade information system (if it is weak)
 - Using favorable (low) interest rate to take bank loan to buy new machines (if they are too old)

W – T Strategy (mini – mini)

- ▶ Developing strategies to eliminate the threats, endangering our weaknesses.
- ▶ The hardest part of SWOT
- ▶ How we can eliminate our weaknesses in the way to not be endangered by threats?
- ▶ How we can use our threats as our benefit?
- ▶ Examples
 - Use the higher unemployment to motivate our employees to behave in a better way
 - Use the fact of the new competitor's entrance to increase the pressure on quality of our IT services

Summary

- ▶ **Company environment**
 - Outer
 - Macro x trade
 - Analysis – PESTE
 - Inner
 - Weak x Strong
- ▶ **SWOT Analysis**
 - Data
 - Strategies