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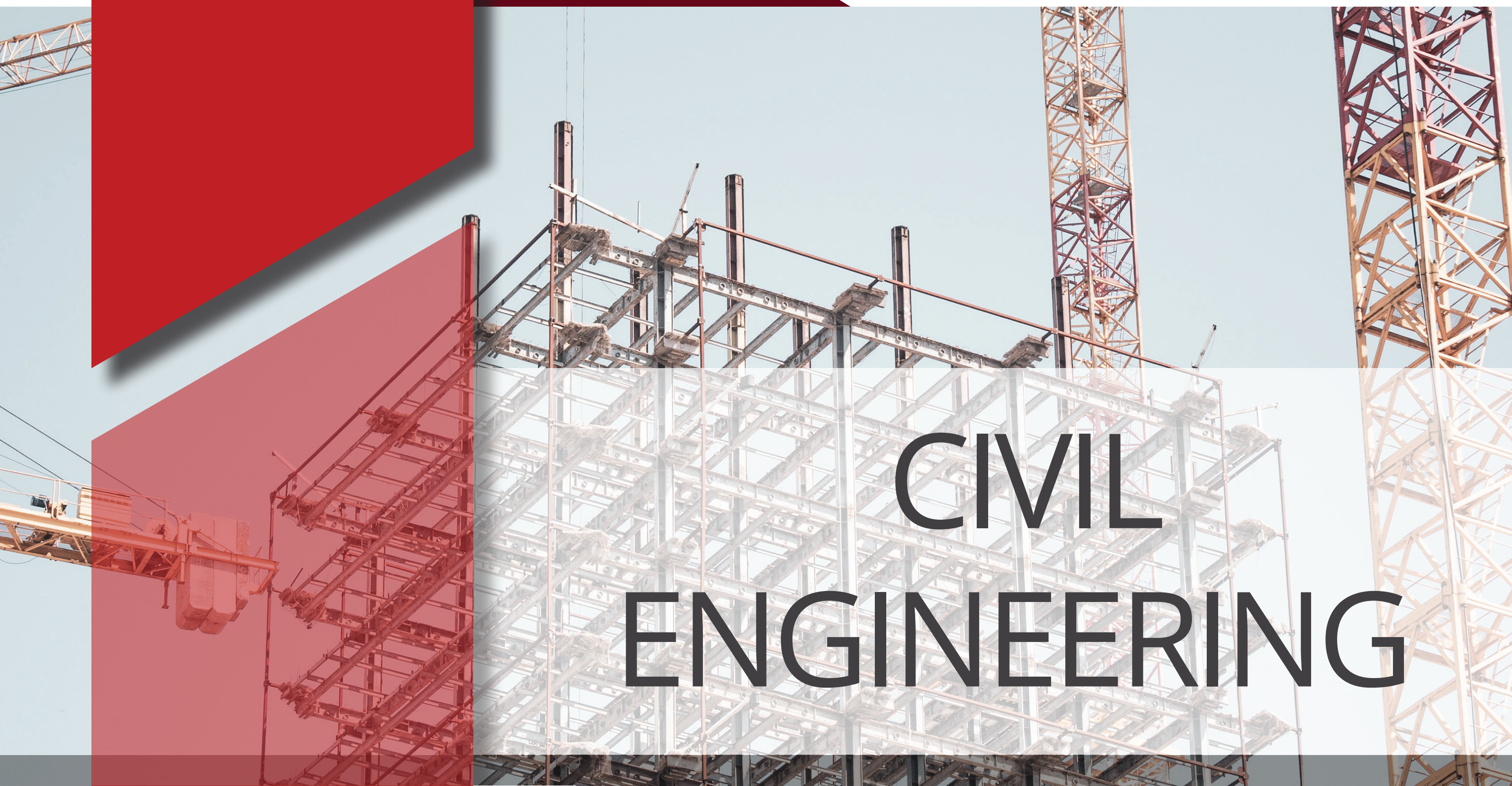


CIVIL ENGINEERING

Business economics and management

UNIVERSITY OF APPLIED SCIENCES UPPER AUSTRIA

VŠTE

EUROPEAN UNION

CONTENTS

1. BASIC TERMS – COMPANY, ENTREPRENEURSHIP, BUSINESS ENVIRONMENT

Business is each entity that performs economic activities regardless its legal form. It is an essential element of the national economy. It consists of the following components:

- tangible components (movable and immovable assets),
- personnel (employees and employers),
- intangible components (business name, patents, licences, trademarks, know-how etc.).

Main functions of a business:

- production
- supplying
- scientific and technical
- economic
- social
- political
- educational and cultural
- security
- social responsibility

Entrepreneurship is a continuous activity carried out by an entrepreneur independently, under his own name and to his own responsibility in order to achieve a profit.

Conditions for entrepreneurship in the context of legislation, institutional infrastructure and market functioning are given by:

- Legislative institutions (bodies, ministries)
- State administration bodies
- State-run agencies and institutions to support entrepreneurship
- Public organizations
- All types of educational institutions
- Financial actors
- All types of unions, professional chambers, associations
- Consultancy and intermediary institutions
- Business entities

Businesses are characterised by:

- legal autonomy
- property
- autonomy to decide
- their location
- internal organization
- economic autonomy

2. FORMS OF BUSINESS AND RISKS RELATED TO BUSINESS

2.1. Breakdown of business by the following aspects

- by place of their activities – local, regional, international, state
- by the form of ownership – private, partner
- by performance:
    - producing goods – mining, agricultural, energy, processing, consumer goods for inhabitants
    - providing services – education, accommodation and transport, tourism, financial and banking services, health, culture....
- by size – micro, small, medium-sized and large
- by industry – classification CZ-NACE - considering technological development and comparable with other international classifications
- by legal form:
    - natural persons business
    - legal persons business /legal person is an entity that has rights and obligations and is not a natural person/

2.2. Legal persons

Legal persons can have the following forms:

- Trade company – Societas Europaea, joint-stock companies, limited liability companies, general partnership, limited partnership (German Kommanditgesellschaft), European economic interest association
- State enterprise
- Association of natural and legal persons – cooperative, homeowner association...

- Special-purpose assets association
- Non-governmental non profit organizations – public benefit organization, civic association, foundation,...
- Legal person governed by public law – contributory organization, state fund, association of municipalities, ...
- Higher education institutions
- School legal person

A certain degree of risk can be expected in connection with business activities. Risk is a danger consisting in not achieving the objectives set as expected.

Types of risk:

- General – general risks are related to the consequences of natural events, disasters, but also due to damage caused by other persons
- Related to business activities – a risk that can be influenced. It includes risks arising from contractual obligations and their non-compliance
- Risks resulting from lack of expertise, e.g. risk of wrong estimate of future development, ignorance of legislation resulting in infringements

3. COMPANY ASSETS STRUCTURE

3.1. Company assets

Assets refer to the sum of property values (assets, receivables, rights and values valued by money) belonging to the entrepreneur and intended for doing business. By time of their use in the company, we classify assets as:

- Fixed assets
- Current assets
- Other assets

3.2. Fixed assets

Fixed assets are further divided into:

- Intangible assets (PC is higher than CZK 60,000, usability time more than 1 year)

- Tangible assets (PC is higher than CZK 40,000, usability time ↑ than 1 year)

- Financial (especially money invested in foreign long-term securities – shares, bonds and other businesses, loans, government bonds, etc.)

It can be acquired by means of:

- Purchase (production line) or construction (constructions)
- Own activities
- Transfer of real estate
- Investment in a joint venture
- Transfer from personal to business use
- Free acquisition (donation)

It can be disposed of by means of:

- Sale
- Liquidation
- Free transfer
- Transferring from business activities to personal property
- Disposal due to damage

3.3. Balance sheet

The balance sheet is in the form of an account where the specific composition of the assets is on its left (debt) side. On the right side (credit) there are capital resources, i.e. liabilities.

Balance principle = assets in total = liabilities in total

ASSETS IN TOTAL:

A) Receivables for subscribed basic capital:

B) Fixed assets:

I. Fixed intangible assets
II. Fixed tangible assets
III. Fixed financial assets

C) Current assets:

I. Stock
II. Long-term receivables
III. Short-term receivables
IV. Short-term financial assets

D) Accruals

Valuation of fixed assets can be carried out by means of:

- Acquisition cost
- Replacement cost
- Price at own costs
- Purchase price

Important notes about fixed assets:

- Physically and morally obsolete

- In the production process, it loses only a part of its value

- Wear is expressed by depreciation, which is a part of company costs. Depreciation is a money representation of physically and morally obsolete tangible and intangible assets for a given period of time

- Depreciation is one of the sources of financing the restoration of depreciated assets

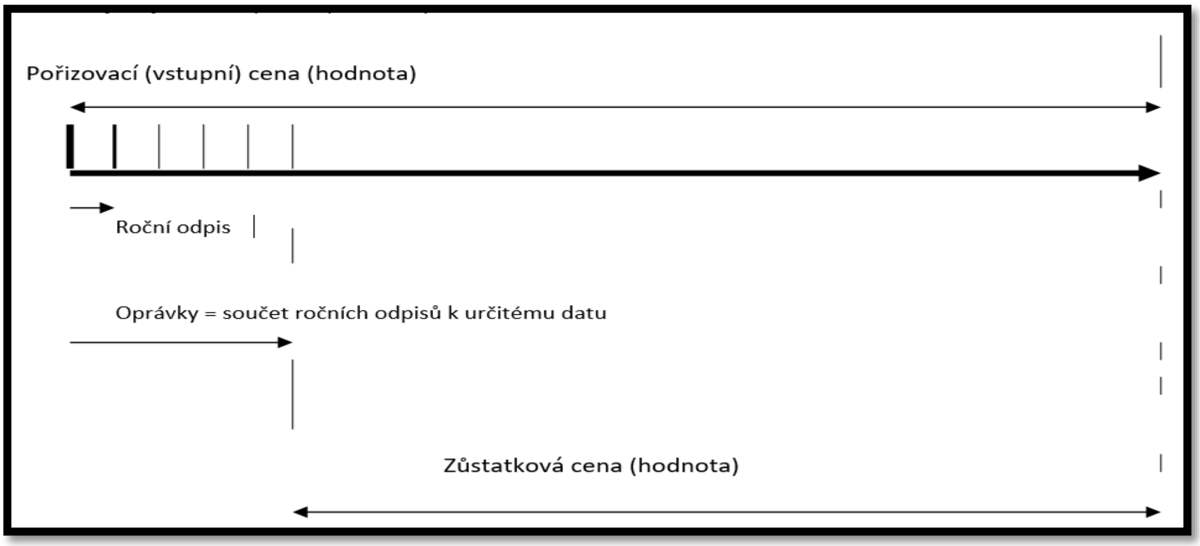
- Depreciations are carried out based on the initial price of the fixed assets

- DEPRECIATION IS CARRIED OUT ONLY FROM THE PURCHASE PRICE!!!!

Other terms related to depreciation:

- Accumulated depreciation (sum of depreciation for a certain period)
- Net book value (difference between the entry price and accumulated depreciation)

Depreciation methods (accounting, tax)



Legend: pořizovací (vstupní) cena (hodnota) – purchase (entry) price (value), roční odpis – annual depreciation, oprávky – accumulated depreciation, součet ročních odpisů k určitému datu – sum of annual depreciation as of certain data, zůstatková cena (hodnota) – amortised cost

4. COMPANY CAPITAL STRUCTURE

Also financial structure of a company – it is a structure of resources from which the company assets were generated. It represents a structure of a company capital, which is used to finance the assets and which is recorded in the liabilities of the balance sheet.

4.1. Financial structure

Financial structure consists of:

- Equity
- Debt capital
- Optimal financial structure

The total amount of capital depends on:

- Size of company
- Degree of mechanization and automation
- Capital turnover rate
- Sales organization
- Tax system
- Creditors´ requirements
- Size and stability of expected profit
- Assets structure of the company
- Managers´ attitudes to risk taking
- Cost of capital

LIABILITIES IN TOTAL

A. Equity

A.I. Basic capital
A.II. Capital funds
A.III. Reserve funds, indivisible fund and other funs from profit
A.IV. Economic result from the previous years
A.V. Economic result of a current accounting period (+/-)

B. Liabilities

B.I. Long-term liabilities
B.II. Reserves
B.III. current liabilities
B.IV. Bank loans and borrowings

C.I. Accruals

Equity

4.2. Equity

Equity consists of monetary and non-monetary contributions from persons who are temporarily or permanently linked to the company in terms of assets.

Equity may be in cash or in kind, it is the main bearer of business risk. It is not a constant variable and fluctuates according to the economic results.

Equity consists of the following items:

- Premium arises on the issue of shares (difference between the nominal and market price of the share on a sale)
- Reserve fund used to cover losses or overcome period of unfavourable management course
- Other capital funds = e.g. value of donations received, state contributions
- Retained earnings from previous years – part of the profit after taxes from the previous accounting periods – it is used for further business activities
- Economic result for the current period is the profit/loss of the current accounting period

Capital funds are not generated from profit

Funds from profit = generated from net profit which is not divided into dividends

Assigned funds – they cannot be used for other purposes:

- Statutory reserves = created by compulsory capital companies (limited liability, public limited companies, state-owned enterprises)
- Created from the net profit achieved in the first year of operating
- Indivisible fund = the same function as in the case of reserve fund, but i tis not divided among members in cooperatives
- Statutory and other funds = remunerations, donations

4.3. Economic result

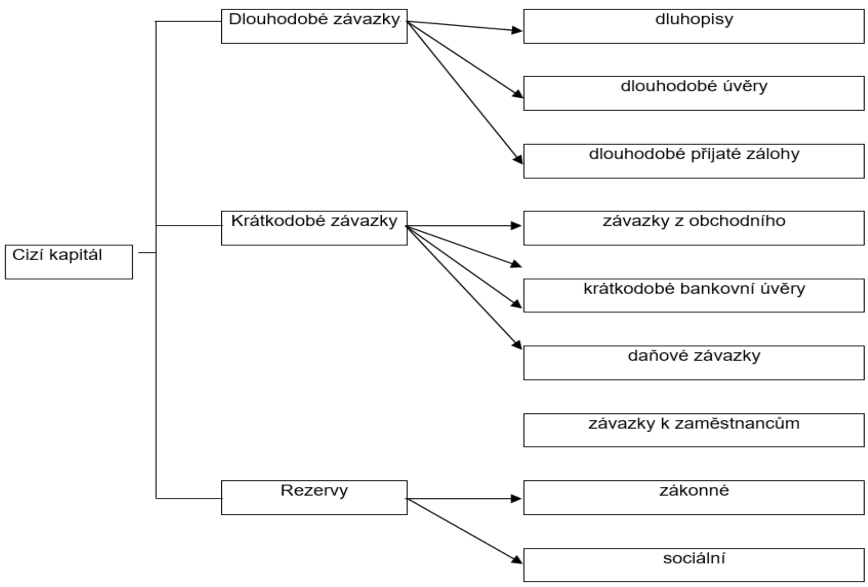
Economic result from previous years has the following three forms:

- profit
- loss
- zero

Economic result of current year = current economic result:

- operational
- financial
- exceptional

Debt capital formation – diagram:



Legend: cizí kapitál – debt capital, dlouhodobé závazky – long-term liabilites, krátkodobé závazky – short-term liabilities, rezervy – reserves, dluhopisy – bonds, dlouhodobé úvěry – long-term loans, dlouhodobé přijaté zálohy – long-term advances received, závazky z obchodního styku – trade payables, krátkodobé bankovní úvěry – short-term bank loans, daňové závazky – tax liabilities, závazky k zaměstnancům – payables to employees, zákonné rezervy – statutory reserves, sociální rezervy – social reserves

Reserves = cannot be created for technical valuation

Long-term liabilities = maturity is longer than 1 year:

- bonds – listed by a company
- long-term advances received – for trade payables, payables from controlling and managing entities
- short-term liabilities – as in the case of long-term liabilities – payables to employees from employment contracts – tax payables – payables for social and health insurance

5.COSTS

Costs: consumption of production factors effectively used for the creation of company revenues, including other necessary costs related to the company activities (concept of costs in terms of financial accounting)

5.1. Costs classification

By type of cost – classification of costs into economically homogeneous groups:

- costs of material
- services
- labour and other personnel costs
- taxes and fees
- other operating costs
- depreciation and reserves
- financial costs
- reserves and financial costs
- special costs
- income taxes

By purpose – by the activities that incur costs:

- technological costs
- costs of creating, ensuring and maintaining the conditions for the rational course of the production process - overheads

Cost classification in relation to cost centre:

- Direct costs – directly allocated to the subject of calculation
- Indirect costs – allocated by means of cost allocation base

Cost classification enables to:

- monitor costs by their purpose and place of origin
- carry out cost analyses
- uncover reserves
- prepare calculations of costs for individual products – see the following information

By the origin of consumed inputs

By the dependence of costs on production volume changes – total costs, average costs, marginal, fixed

By the place of origin and responsibility – according to in-house departments

By the type of decision model – relevant and irrelevant costs:

- Other types of costs: explicit, implicit, lost opportunity costs

- Existence of cost models

- Cost function: derived using: classification analysis, system of equations, end points method, graphical method, least squares method

Traditional approaches to cost reduction:

- Material and energy saving
- Accelerated turnover of stock, stock management
- Prevention of excessive inventory
- Care of capital goods
- Effective use of working time and workforce

6.REVENUES, ECONOMIC RESULT

6.1. Revenues

Definition: amounts the company obtained from all its activities for a given accounting period (month, year) regardless whether they were paid in the period (production company – sales of goods and services, trade company – margin: difference between purchase and sale price, banking company – difference between interest on loans and deposits).

Terms: Revenues - income

Revenues also include:

- supply of in-house services
- subsidies, sales prices interventions, surcharges, national economic policy tools

Classification of revenues:

- by type
- by their purpose
- by their relation to the production volumes

Factors influencing the amount of revenues:

- Volume and quality of performance
- Price for the unit of performance realized
- Product mix
- Price increases and reductions.
- Profit and loss account – another important document in business economics.

6.2. Basic classification of revenues and costs

Operating income	– operating costs	=	operating result
+	+		+
Financial revenues	– financial costs	=	financial result
		=	economic result for ordinary activities
+	+		+
Extraordinary revenues	– extraordinary costs	=	extraordinary economic result
Revenues	- costs	=	economic result before tax
			- tax
		=	economic result after tax per accounting period

6.3. Economic result

Economic result is a measure of company success.
If ER > 0 , the company achieves profit
If ER < 0, the company makes loss
ER can be 0
Profit reflects the effectiveness of the production, the degree of cost-efficiency, the degree of utilization of the capital invested.

7.BUSINESS MANAGEMENT

7.1. Management

Managing is a purposeful human activity leading to the realization of the objectives set.

Management is a process of creating and maintaining the environment in which individuals work together in a group in order to achieve the selected (set) objectives.

Functions of management:

- Planning (anticipating)
- Organizing
- Human resources management
- Leading
- Control

Levels of management:

- Top managers
- Middle managers
- Lower managers
- All managers perform management functions, but the amount of time spent on each management function differs according to individual management levels.

Management skills:

- Technical skills
- Human skills
- Conceptual skills
- Projection skills
- Different types of management skills prevail at different management levels.

7.2. Characteristics of well-managed company

- PROFIT
- Competitive activities in the market
- Maximum attention to customer
- Good relationships to the business environment
- High qualifications of employees
- Experienced management
- Perfect administration with minimal costs
- Simple organizational structure
- Minimum of legal disputes
- Good public relations
- Good relations among employees

7.3. Terms related to business management:

Productivity – definition: companies create surplus value by means of productive operations. It is defined as a difference between inputs and outputs for a given time period in required quality.

Productivity includes efficiency and effectiveness of individual and organizational performance.

Efficiency refers to achieving goals.

Effectiveness means to achieve goals with the least amount of resources possible.

Managers do not know whether they are productive unless they know the objectives of the organizations and their own.

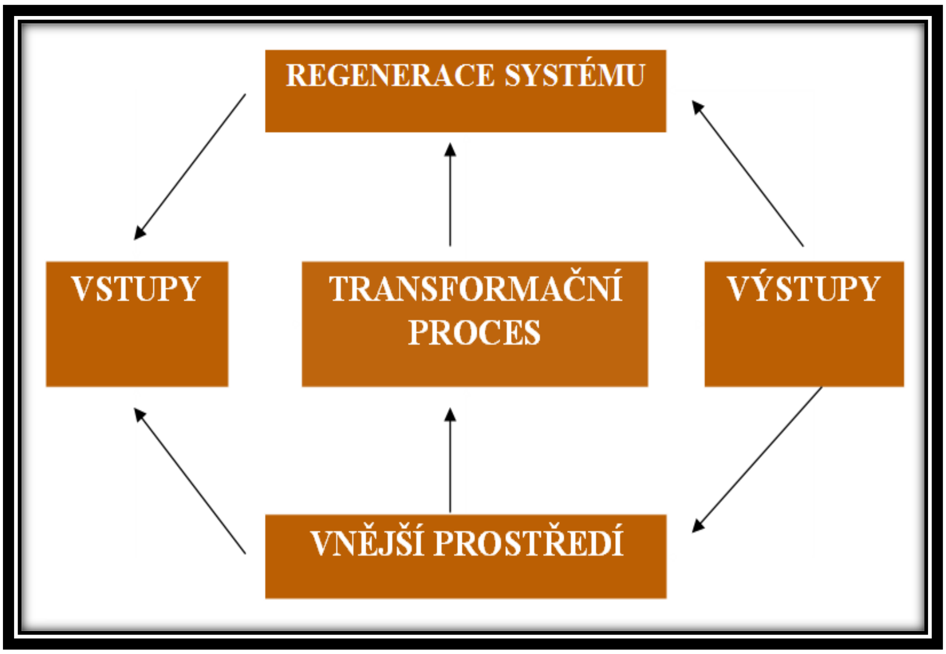
Management: science or art?

Like all other activities (construction, medicine accounting, ...), management is art based on knowledge how to react in real situation.

Management is based on:

- Systematic knowledge of management
- Manager´s own experience

7.4. System approach to management



Legend: regenerace systému – system regeneration, vstupy – inputs, výstupy – outputs, transformační proces – transformation process, vnější prostředí – external environment

Management activities include:

- planning
- organizing
- human resources
- leadership
- controlling

8. POSITION, PROFILE AND PERSONALITY OF MANAGER

8.1. Manager

- In the narrower concept: manager is a leading employee of a company (TOP management)
- In the broader concept, manager is characterized by

4 attributes:

- Manages and organizes work, takes responsibility for the results of other people´s work,
- Carries out managing activity in terms of function, activities, and components,
- Shows universality of knowledge and skills
- Poses specific innate and acquired qualities

According to J. S. Livingston:

- Managerial work – technocratic and humanistic concept
- Two levels of personality of a manager: efficiency and effectiveness
- Separation of entrepreneurs´ and customers´ interests – classification of managers into individual levels

Role of manager in a company:

- Interpersonal (representative, leader, facilitator),
- Information (monitor, disseminator, speaker),
- Decision-making (coordinator, negotiator, resource allocator)

Prerequisites for manager work:

- Inborn (temperament, intelligence),
- Acquired (knowledge, skills, practice).

8.2. Types of intelligence

- Manager who wants to be successful has to acquire three dimensions: IQ, EQ and PQ.

- IQ or intelligence quotient = rational management, enables a manager to deal with problems

- EQ or emotional quotient = emotional management, manager learns how to treat people
- PQ or political quotient = political management, it helps manager to make decisions on priorities, promotion, remuneration, premiums, etc.

System of corporate goals:

- target objective: long-term maximization of profit

- in corporate practice achieved not separately, but with regard to other conditions. This is referred to as objectives system.

8.3. Objectives classification

A) measurable in monetary terms:

- monetary
- nonmonetary

B) by order of objectives:

- main objectives
- partial objectives (sub-objectives)
- meso-objectives

C) by extent (degree):

- limited objectives are usually quantified in advance (e.g. Increasing the market share to 12%)
- unlimited objectives – effort for maximization

D) by relationship between the objectives:

- contradictory objectives – achievement of 1 objectives excludes achieving the second objective and vice versa

- objectives indifference - achievement of 1 objective does not influence the achievement of 2nd objective

E) by time dimension:

- short-term
- medium-term
- long-term

F) by nature of objective:

- static – development over time is not taken into account
- dynamic – development over time is considered
- permanent – valid in the long run
- temporary – limited validity

Conflicts of objectives:

- Individual conflicts
- Hierarchically conditioned

Conflicts of objectives within an organization appear when different departments pursue different objectives.

= they are usually conditioned:

- subjectively – can be solved by motivating (remuneration, promotion, etc.)
- hierarchically – caused by poor organization

9. BASIC DEVELOPMENT TRENDS IN MANAGEMENT

Management is the direction of the production process to the achievement of the objective set.

Basic management functions according to Fayol: planning, leadership, coordination, control.

Each cooperation requires the following from its participants:

- discipline
- incentives to work together

Principles of management:

- Management became a specialized activity in the USA in the second half of the 19th century (after the Civil War 1861-1866).

- in 1886 – lecture of Henry TOWNE "Engineer as an Economist" – technical problems, operation management, economics, treating people

9.1. Frederick Winslow TAYLOR (1856 – 1912)

- 1911 – published "Principles of Scientific Management" (translated to Czech in 1947)

- Introduced – TIME STUDY

- He divided production process into: phases, work operations, tasks, working elements.

- The results of time studies were unit-times = basis for establishing the daily standard task.

- His colleague G. BARTH formulated law of hard work.

- Law of hard work – the lighter the burden is, the longer a worker can work. With a burden of determined maximum weight, the worker can work all day without getting tired

Ford + Taylor:

- stablished the process for manufacturing a product
- drawing up preliminary production plans
- delivering work aids to the worker
- divided the work process into several components

Ford:

- service to products through seller
- reduction of price (950 =>260 dollars)
- liquidation of competition.

9.2. Henri FAYOL (1841 - 1925)

Divided functions in business into six groups:

- technical
- commercial
- financial
- security
- accounting
- management

Factors enabling good functioning (soundness) of „social organism“:

- Division of labour
- Authority
- Discipline
- Unity of command
- Unity of direction
- Subordination of individual interest to general interest
- Remuneration
- Centralization and decentralization
- Scalar chain
- Order
- Equity
- Stability of tenure of personnel
- Initiative
- Esprits de corps

Individual components of management:

- Planning
- Organization
- Directing
- Coordination
- Controlling

9.3. Summary (Taylor, Ford, Fayol)

- Taylor – main task: ensure high employee performance by intensification of their work
- Ford – main task: to ensure mass production of standardized product
- Taylor Ford – all employees are objects of management
- Fayol – the most important is efficient management of all activities

Frank Bunker GILBERTH (1868-1924)

- Gilberth´s goal: to find the very best way of performing a task
- Increased performance of workers by organization of working conditions and environment
- He focused on the rationalization of movements and overall organization of work.

Hugo Münstenberg (1863-1916)

- Founder of INDUSTRIAL PSYCHOLOGY

- He focused on: work rhythm, automaticity of movements and their influence on performance

- Industrial relations (1915-1920) – disputes over wage system, job changing, appears care for employees (safety of work)

Frank Bunker Gilbert (1868-1924)

Henry Lawrence GANTT (1861-1919)

- He laid the foundation of complex control.

- He obtained data about inactivity; improper use of time, losses.

- He was the first to point out the importance of professional knowledge of engineers in production management.

Tomáš Baťa:

- is the main representative in the Czech Republic
- standardization of material consumption
- Baťa´s organization started with people and finished with people
- concept of involvement with "profit-sharing

9.4. Behaviorism

BEHAVIORISM consists in:

- rationalization of management using methods of industrial psychology and social theories with a focus on human relations, leadership and motivation
- psychological conditions enabling the best possible and satisfying performance of work of individual people

9.5. Representatives of behaviorism

Max WEBER

- hierarchy of authority and administration are the basis of all social organizations

Vilfredo PARETO

- aw company as a complex group of individual units (social system with many sub-systems)

Elton MAYO (1880-1949)

- productivity can be influenced by workplace illumination, rest, etc.
- interpersonal relations by means of motivating, giving advice, leading.

Chester BARNARD (1886-1961)

- the main task of leaders is to ensure systematic cooperation by means of maintaining a common effort in a formal organization.

Henry MINTZBERG

- formulated 10 types of management tasks (in three groups):
- interpersonal
- informational
- decision-making

9.6. Conclusion

1900 – 1930:

- closed system, a man is seen as a rational agent
- perfect bureaucracy; time and motion study

1930 – 1960:

- closed system, a man is seen as a social agent
- attention given to people is closely related to productivity; a goal must be accepted by everybody who contribute to its achievement. For managing a closed system, it is necessary to have talent and feeling

1960 – 1970:

- open system, a man is seen as a rational agent
- a company is a part of competitive market
- after 1970
- organizational thinking emphasizes informality, individual activity, evolution.
- modern management schools – knowledge, information, strategic management

Time summary:

- stage I – scientific management, classic management (1900–1930)

- stage II – incentive methods, planning, psychological and social approaches, procedural, quantitative, systemic approaches (1930 – 1970)

- stage III – cooperation, empirical approaches (1970–1990)

- stage IV – self-governing company, development tendencies (1990–2000)

- stage V – information, globalization, modern management schools (2000 =>

10. PLANNING

Planning:

- is a prime managerial function
- is essentially a definition of aims and also a definition of coordinated procedure how to meet the aims
- is based on available resources but it also takes into account the existing limits
- is a basis and a precondition for the implementation of any activity
- if we did not carry out planning, we would let the course of events to be purely coincidental

Legend:

What kind of organisational structure.

Which helps to learn.

The need for the staff and whe.n

Plans needed for decision-making.

They influence the way and direction of the management.

How to manage the staff in the most effective way.

In order to secure the success rate of the plans what standards of control to use.

The effectiveness of planning:

- is determined by the degree of the meeting of defined objectives
- effective plan = if we meet the aims while we bear appropriate costs and achieve the synergistic effect at the same time

10.1. Basic planning categories

Aims – a final state to which the planning activities should proceed. In general, the system of planning can be described in this way:

- Strategic planning – the defining of general aims = strategic
- Tactical planning – the aims of individual functional areas and organizational particles
- Operative planning – the aims of individual functional sites, workplaces and individual persons

Strategy = the concept of the overall behaviour of company, it is a definition of long term basic aims.

Strategy forms a framework for more detailed projects. It responds to the following questions:

- How to keep a competitive position?
- How to behave in the market?
- Which markets and segments to conquer?
- What kind of growth to select?
- Way of behaviour?

Tactics – it is based on particular situations, helps to deal with conflicting matters, provides certain freedom but also directs managers in case of solving the problems

Procedures – methods of operating, sequence, instructions (graphs)

Rules – specific requirements for the operation, decision, whether certain activities must or must not be carried out

Programs – summary of aims, tactics, procedures and rules of the allocated tasks, required steps, etc.

Budgets – numerical definition of the expected results with a relation to the sources for the implementation of the defined sequence of activities (closely related to a control)

10.2. The hierarchy of the procedure of planning

The definition of aims
The definition of planning preconditions
The formation of variants
The evaluation of the formed variants
The selection of the final variant
The processing of individual parts of a complex plan

The classification of plans - temporal perspective:

- Long term – more than a five-year period
- Middle term – a one-to-five year period
- Short term – usually one year or a shorter period

The structures of plans from the perspective of duration:

- vision
- long term plan
- middle term plan
- annual plan
- operational plan
- dispatcher plan

The level of decision-making (managing) process:

- strategic plans - are designed by the TOP management of company, they are long term

- tactical plans – are processed by the middle level management

- operational plans – are usually designed for a short period (quarter-annual, month, week, day, shift …), are based on the specific conditions and information about the sources and situation in the market

Definition of vision:

- the starting point of planning

- a briefly described idea where the company intends to move in its business field in the long term perspective

- it integrates the ideas of owners, management and working staff

Content (specific) of plan:

- it is significantly related to the subject of the operation of company (financial, marketing)

Purpose which the plans serve for:

- for plant, banks

The coordination of short term and long term plans cause difficulties because the short term ones are designed without a relation to the long term ones and not only do some short term measures or decisions contribute to the success rate of long term plans but they even obstruct their implementation or require a change. THEREFORE the managers should always examine and revise instant decisions in order to determine whether they contribute to the long term aim.

Principle of navigational change

The effective plan forms a space for changes which enable a company to react to the changes of the internal and external conditions. It is a continuous evaluation of the fulfilling of long term intentions and their possible re-evaluation according to the changing conditions.

10.3. Integral planning

One of the essential principles of modern planning is the principle of complexity (the integration of all the managerial components).

Requirements for the definition of aims:

- Clear formulation
- Clearly defined field
- Defined time horizon
- The specification of the relations to the following up aims

Process the formation of plan:

- The specification of the intentions related to the defined field of planning.
- The securing of the information for the formation of plan.
- The informing of the appropriate internal company sections about the draft of the plan.
- The response of the individual sections to the plan.
- The correction of the draft on the basis of the objections of the involved sections and the publication of the final version of the plan.

11. BUSINESS POSITION OF THE COMPANY AND ITS PORTFOLIO

11.1. Basic issues:

- to understand the concept of business position
- competitiveness
- to recognize the strategies resulting from the SWOT analysis
- the setting of business portfolio

Business position is determined by:

- the environment of the company, which either provides business opportunities or threatens the company

- the internal business position (competitiveness), which is above all determined by the type of production, degree of technological progressiveness, standard of management, capital power, etc.

Competitiveness is determined by:

- the type of production
- the type and characteristics of targeted market
- the competitiveness of products
- the standard of management
- resource basis

11.2. SWOT analysis

It is based on: the strengths, weaknesses, opportunities.

The manager essentially has 2 basic long term possibilities:

- to keep a competitive position of the company,
- to improve a competitive position of the company.
-

The company can select the following strategies on the basis of the internal and external conditions:

Offensive strategy:

- an attempt to achieve a dominance in the market
- to be the first to launch a new product in the market
- it is demanding in terms of the developing of new products and resources, therefore it is possible to apply it on mere one product (or a limited number of products)
- it implicates huge profits in case of success and huge losses in case of failure
- the main conditions of success are new technologies and right timing

Mildly offensive strategy:

- it implies the second position in the market
- it is based on the strategy of the differentiation of products, the difference is in time rather than in quality
- the ability to respond quickly to new products and to adapt to them
- it can be achieved by the tools of marketing
- it presupposes a high quality and innovative basis

Defensive strategy:

- it focuses on the keeping and defining of competitive position and its improvement
- the success is based on the effectiveness of production process, degree of automation and productivity
- it is the most advantageous for mass production with standardized qualities

Balance strategy:

- it results from a difficult position in the market, it is based on the strategy 'to parasite in the market
- it attempts to keep low costs but it has to take into account the low costs of products

11.3. The basic types of competitiveness

The competition by high quality
The price competition – the lowing of the production cost
Non-price competition

The basic ways of differentiation:

- by the differentiation of the own product – quality, operation.
- by the differentiation of services – installation, training, repairs
- by the personal differentiation – style of trade dealers
- by the differentiation of image – trade mark, company symbol.

The setting of the basic company portfolio:

- the basic step of strategic planning
- it is necessary to set the strategies of products or groups (strategic business units)

12. PERSONNEL MANAGEMENT, MOTIVATION AND STIMULATION OF EMPLOYEES

12.1. Basic terminology

- Motive – motivation, sources, sources of motives
- Stimulus – stimulation

In terms of management, we talk about specific activities which focus on people in such a way that they do what is necessary. The company intends to meet its aims in both a long term and the short term period. In the late 20th century and at the beginning of 21st century the importance of stimulation of staff has increased.

Personnel management – It is a process of the influencing of people in such a way that it would contribute to the meeting of company goals. The management and coordination of people is one of the basic occupations of all the managers at all the levels.

The integral part of management is a formation and maintenance of such a working environment where individuals collaborate for the purpose of the achieving of mutual aims. Personnel management is one of the basic occupations of managers at all levels.
The manager does not manipulate people but tries to recognize what motivates them.
Motivation is a process of the formation of aims which integrate the physical and mental human activities. It is a chain of reactions: needs – desires – tension – activity – satisfaction.

12.2. Methods of motivation

- Sugar and lash
- Theory X and theory Y
- Maslow theory of needs
- Wroom’s theory (expectation)
- Adams’ theory (fair rewarding)

Motive is viewed as an internal human incentive, the reason of human activity.

Basic sources of motives are needs, habits, interests, ideals and values.

Stimulation is a set of external stimuli forming human acting.

Stimulus is an external incentive which intends to enhance or to reduce certain motive. Stimuli are positive or negative.

12.3. Practical recommendations for dealing with the subordinates

- Motivation is a power (positive or negative) which causes acting.
- Try to understand what needs your subordinates have.
- Find out not just what they need but also what they want.
- Use financial reward as the main source of motivation.
- Remember, people do not only want and need money. There are various forms of motives and they change in the course of time. They can even change in the course of a single activity.
- Remember, expectation is a major influence on motivation (define the relation between performance and reward, set the aims and norms, etc.)
- Create such conditions in which the staff achieve their individual aims if they focus their effort on the success of the company. However, motivation is often socially conditioned and reflects the current experience.
- Motivate by work itself (participation)
- Group pressures bear influence on motivation (positive X negative).

The recommended modification of behaviour in a company for a formation of appropriate working climate:

- Do not pay everyone equally.
- Do not punish in front of others.
- Let the consequences be adequate to the behaviour of the staff.
- Talk about a staff person's favourite topic.
- Begin the evaluation with positive results – the opposite is de-motivating.

- Do not forget to value the staff person’s successes.
- Do not evaluate the person (you are unreliable) but the specific results (you did not fulfil … the task).
- Prove every negative statement by a specific situation.
- Do not treat staff the way parents treat their children.

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