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Notes Overview

Business Management 1 A

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5: Introduction to general management

Role of management

- Directs a business towards its goals
- Keeps the operation of business on balanced course
- Keeps org in equilibrium with its environment
- Necessary to reach the goals of the org at the highest level of production

Definition of management

- Process followed by managers to achieve business's goals and objectives
- Decide WHAT has to be done, HOW it should be done, ORDERS that to be done, CHECK that orders have been carried out

Task of management

- Planning
- Organising
- Leading
- Control

Skills needed by management

- Conceptual skills (mental capacity to view the business and its parts in a holistic manner)
- Interpersonal skills (ability to work with other people)
- Technical skills (knowledge and techniques)

Role of managers

- Interpersonal role
 - Acting as representative figure
 - Leading people
 - Maintaining good relations
- Information role
 - Monitoring
 - Gathering information
 - Analyse
 - Spokesperson
- Decision-making role
 - Gathering and analyse information
 - Entrepreneur
 - Problem solving
 - Negotiators

Schools of thought on mangement

Scientific school

- FW Taylor
- Observation, job analysis, job measurement, redesign of jobs

Management process school

- Concentrates on top management
- Identify most important function and elements
- Henry Fayol

6 Functions of business:

- Technical function
- Commercial function
- Financial function
- Accountancy function
- Security function

Human relations or behaviour school

- Focus on human elements as important factor for accomplishing goals
- Increased productivity does not always attribute to well-designed task and sufficiently high wages

Quantitative school

- Sees management as primarily system of mathematical models and processes
- Composed of operational research or decision experts

Systems Approach

- Ignores the relationship between the org and its external environment
- Focus on one aspect of the organisation at the expense of others

Contingency Approach

- Focus on particular situation at hand

6: Basic elements of planning

3 Dimensions of planning

Determination dimension

- What the business want to achieve

Decision-making dimension

- Action that is necessary to reach goals

Future Dimension

- Planning is a connection between things that have to be done now to bring about certain situations in the future
- Intended to cope with change in the business environment

Importance of planning

- Planning gives direction
- Compels managers to look to the future
- Ensures business keeps abreast of technology
- Ensure cohesion
- Promotes stability

The panning process

Step 1: Goal setting

Step 2: Developing plan

Step 3: Implementation

Organisational Goals

The importance of goals

- Provide direction for everyone in the business
- Affect other aspects of planning in the org
- Serves as motivation for people
- Provide a benchmark for performance measurement

Different types of goals

Mission

- Formulated by owners and top management
- Mission defines business

Long term/Strategic plans

- Areas such as profitability, productivity, competitive position
- Strategic goals must be clear as tactical goals derive from it

Tactical/Functional goals

- Set by middle management
- Focus on how to carry out specific tasks to reach goals
- Medium to short term

Operational goals

- Set by lower level management
- Short term goals

Requirements of goals

- Have to be measurable
- Responsibility for goals should be clearly assigned
- Goals should be set consistently
- Must be integrated with the remuneration system
- Management must ensure subordinates accepts goals

Approaches to setting goals

Hierarchical approach

- Managers at upper level sets goals

Bottom-up approach

- Referred to as distinct management approach
- Goals set by means of objectives set by management
- Can be used at any level of management
- Motivates employees

Developing plans: choice of alternatives

Influence of external factors

- Market factors, legislation, economic trends

Strong and weak points of the business

- Should never expose weak points of business to threats

Cost of each alternative

- Plan should be weighed against the advantages offered by it

Levels of planning

Strategic planning

- Carried out by top management
- Time frame of 3 to 10 years
- Focus on business as whole
- Future orientated
- Includes constant adaptation to the environment
- Not concerned with small details

Long term strategy:

- Concentration (directing all resources to single product)
- Market development (existing markets developed more intensely)
- Product development (new products being developed)
- Innovation (constantly changing and improving products)
- Horizontal integration (similar businesses are taken over, gives access to new markets and get rid of competition)
- Vertical integration (take over suppliers)
- Joint venture (two or more firms embark on some project which is too big for one to tackle)
- Diversification (setting up or taking over of completely different entity)
- Rationalisation (cutting cost by terminating unprofitable products)
- Divestiture (selling of parts of business to make it possible to reach goals)
- Liquidation (final strategy, shut down business)

Functional planning

- Medium term planning carried out by middle management

Short term planning

- Also referred to as operational planning
- Done for periods of no longer than 1 year
- Developed by lower management
- Concerned with day-to-day performance

7: Organising

Importance of Organising

- Entails a detailed analysis of work to be done and resources to be used to accomplish goals
- Divides the total workload
- Promotes the productive deployment and utilisation of resources
- Coordinates the activities of the whole business

Fundamentals of organising

Design jobs for employees

- Determination of employees responsibilities
- Compilation of job specification

Grouping employees into teams or departments

- Product departmentalisation
- Location departmentalisation
- Customer departmentalisation

Authority Relationships

Line Authority

- Delegated down through the line of command

Staff Authority

- Indirect and supplementary authority
- Individuals or sections with staff authority
- Legal adviser, marketing research section

Reporting Relationships

Who reports to whom? – Chain of command

Span of management – number of subordinates who report directly to a manager

Narrow or high management structure

- Managers underutilised
- Excessive control over subordinates

- Difficult to coordinate task of many managers

Broad management structure

- Management has little time to spare

Factors that influence organising

Environment in which business operates

- Stable environment
- Turbulent environment
- Technology dominated environment

Relationship between strategy and structure

- Strategy provides direct input in the design of the org structure

Size of the business

- Structure depend on number of employees
- Increase in size of business creates a need for specialisation, more departments and more levels of management

Staff employed by the business

- Competence en role of staff
- Competence result of training or experience

Organisational culture

- Beliefs and values shared by people in business
- Personality of business

8: Leading people in the organisation

Components of the leading function

Authority

- Right of manager to give commands and demand action from employees

Power

- Managers ability to influence his or her employees behaviour
 - Coercive power (enforcing power through fear)
 - Reward power (Bonus)
 - Legitimate power (power granted by a particular position)
 - Referent power (personal power or charisma)
 - Expert power (expertise, knowledge)

Responsibility

- Obligation to achieve organisational goals by performing required activities

Delegation

- Process of assigning responsibility and authority for achieving organisational goals

Accountability

- Evaluation of how well individuals meet their responsibilities

Leadership Theories

Traits

- Strong leaders have certain basic traits
- Traits vary from one leader to another

Behaviour approach

- Autocratic
- Democratic (involves employees in decision making)
- Laissez-faire (leave decision making to employees)

Contingency or situation approach

- Best leadership style for given situation

5 Dimensions of trust of leadership

- Integrity
- Competence
- Consistency
- Loyalty
- Openness

Motivation

- Inner desire to satisfy a unsatisfied need
- Intrinsic process and therefore managers cannot motivate their employees
 - Can however create a working environment that will motivate employees

Variables that determine performance:

- Motivation
- Ability
- Opportunity to perform
- *Performance = ability x motivation x resources*

Informal and formal groups

Informal groups

- Interest groups (members share common interest)
- Friendship groups (exist to satisfy social needs)

Formal groups

- Command groups (formal organigram and line of authority, ex – managers and his employees)
- Task groups (created to complete specific task)

Characteristics of groups

- Size effects overall performance (if group is to big social loafing occurs)
- Composition can influence a group's performance
- Status in a group can be formal or informal (can give status to group members who are relatively low on hierarchical structure of org)
- Norms are standards shared by members
- Cohesiveness refers to the way group stands together as a unit

Teams

Problem –solving teams

- Employees from same department meet regularly to discuss ways of improving quality, efficiency and work environment

Self-managed work teams

- Take on responsibility from former manager

Cross-function teams

- Comprises of employees at same management level, bur from different work areas

Communication

Effective communication

- Sender is source of message
- Message should be simple and clear
- Communication channel is the way in which the message is received

12: Controlling the Management Process

Organisations use control procedures to ensure that they are progressing towards their goals and that their resources are being used properly

Importance of Control

Task of Planning

- Control without planning is impossible

Constant increasing size of the business

- As business grows more people is employed, more equipment is bought, new products are developed

Managers and subordinates are capable of making mistakes

- Control process detects these mistakes

Delegation of task to subordinates

- Managers always have to check if subordinates are doing their job

Enables Management to cope with change and uncertainty

- Because of variables in the environment it is difficult to reach goals according to plan

Competition is a significant factor

- Control helps organisation to stay competitive

Ensure resources are deployed in such a way to reach its goals

- If there is no control resources will be wasted

Control results in better quality

The control process

Step 1: Establish standards

- Profit standards
- Market standards
- Productivity standards
- Staff development

Step 2: Measure actual performance

- Must be quantifiable
- Absolutely reliable

Step 3: Evaluate Deviations

- Determination of performance gap between performance standard and actual performance

Step 4: Take corrective action

- Performance can be improved to reach standards
- Strategy can be revised
- Standards can be lowered

Focus on Control

Physical resources

- Inventory

- Economic ordering quantity (EOQ) (ordering most economic quantity)
- Material requirement planning (MRP) (estimate made of demand)
- Just-in –time (JIT) (orders for finish products is converted into orders for raw materials)
- **Quality Control**
 - Step 1: Definition of quality goals and standards
 - Step 2: Measuring quality
 - Step 3: Rectifying deviations and solving problems

Financial Resources

- **Concerned by resources that flow into, is held by and flow out of business**
- **The budget – Support management in coordinating resources, provides guidelines, defines or set standards, evaluation of resource allocation**

Information resources

- **Only with timely and accurate information can management implement plans**

Human Resources

- **Main instrument used to control HR is performance measurement**
- **Specific ratio analysis used as control instrument**

Characteristics of effective control system

- **Integration**
- **Flexibility**
- **Accuracy**
- **Timeliness**
- **Unnecessary complexity**