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**Notes Overview**

Business Management 1A 2009 prescribed material

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The Business World and Business Management; Entrepreneurship; Establishing a Business; The Business Environment; Corporate Social Responsibility; Planning; Organizing; Leading; Controlling the management process

**School**

University of South Africa  
(UNISA)

## BUSIENSS MANAGEMENT 1A 2009 PRESCRIBED MATERIAL

Business world can be seen as a complex system which involves reforming resources into products and services. 4 different elements are emphasised:

1. Human activities – organisations own machines and property but have to manged or operated by people
2. Production – transforming certain resources into products and services.
3. Involves exchange – products and services cost money.
4. profit – is the reward for meeting people's needs

Business world is therefore a system of individuals and business organisations that produce products and services to meet people's needs. Business is the means by which society endeavours to satisfy the needs and improve its standards of living.

The most important characteristic of the developed countries is the freedom of individuals to establish a business of their choice and to produce within limits whatever product they so choose.

Market system/market economy – individuals themselves decide what to produce, how to produce and what price of their product will be.

In S.A – most of economic activity is generated by large public owned companies – Eskom etc. Micro enterprises – one person businesses only 5.8% of economic activity.

Business world is under increasing pressure to ensure:

1. Social responsibility – limiting malpractice through regulation. Social responsibility measured by the contribution of a business towards employment opportunities, equity, empowerment.
2. Business ethics – closely related to social responsibility. Business ethics focuses specifically on the ethical behaviour of managers and directors, executives of organisations.
3. Affirmative action or equity regarding organisation workforce – aimed at creating equal employment opportunities \. Employment equity Act 1998
4. Environmental damage – pressure groups to protect environment from all types of pollution.
5. Consumerism – protects consumers against unsafe products and malpractice by exerting moral and economic pressure on businesses.

#### NEEDS AND NEEDS SATIAFACTION –

The continued existence of humans depends on the constant satisfaction of numerous needs. Humans have seemingly unlimited needs. Society however have limited resources to satisfy these needs. HASLOWS HEIRARCHY OF NEEDS -

#### PRODCUTION FACTORS:

1. **ENTREPRENUERSHIP** – collective capacity of entrepreneurs, individuals whom accept risks involved in providing products and services
2. **CAPITAL** – represented by buildings, machinery, computers or other goods produces not for final human consumption.
3. **NATURAL RESOURCES** – often known as land. Amount of natural resources is a given and supply cannot be increased.
4. **HUMAN RESOURCES** – factor of labour. Includes physical and mental talents, skills of people employed to create products and services.

Economic principle – how to ensure the highest possible satisfaction of needs with these scarce resources.

Vital economic questions when assessing the economic problem –

- Which products and services should be produced and in what quantity
- Who should produce these goods
- How should these products and services be produced and what resources should be used
- For whom are these products and services to be produced

Answers to above questions are given by the community. The community decides which institutions should be responsible.

#### ECONOMIC SYSTEMS –

1. **FREE MARKET ECONOMY** – also known as market economy or free enterprise system. It is a system in which most products and services demanded by a community are supplied by private organisations seeking profits. Members of community may possess assets and earn profits on these, allocation of resources is affected by free markets, members of community have free choice of products, services, places of residence and careers, and the state keeps its interference in the system to a minimum. The right to all of above is the driving force of the free market economy. 3 characteristics, capital, distribution of resources, freedom of choice.
2. **COMMAND ECONOMY** - usually adopted as an alternative to free market system. Until recently known as communism. Main characteristic is that state owns and controls the community's resources and factors of production. State provides answer to fundamental economic questions. Individuals own no land factories or equipment. Products and services are therefore limited to what the states offer's
3. **SOCIALISM** – proposed as a solution to a society's fundamental economic problems. Under this system which may be regarded as a compromise between pure market economy and pure command economy, the state owns and controls the principal industries and resources. – generally strategic. Transportation, steel, energy and health services.

**STATE AND ECONOMIC SYSTEMS** - under both free-market and socialism systems the state intervenes to help solve economic problems does not mean that there controlled economy. Intervention by the state should be seen as necessary to provide essential collective products and services such as education. Different communities use different economic systems to meet their needs with their available resources.

**BUSINESS ORGANISATIONS** – those private need-satisfying institutions of a free-market economy that accept risks in pursuit of profit by offering products and services on the market to the consumer. When we refer to business organisation we refer to private enterprise.

**GOVERNMENT ORGANISATION** – government should intervene as little as possible in a market system and should confine itself to protection and creation of collective non-profit seeking facilities – health care, education etc.

**NPO** - these orgs are the final group of need satisfying institutions that offer services and to lesser extent products not provided by private enterprises. Their existence dependent on the communities support.

**NATURE OF BUSINESS MANAGEMENT** - satisfying unlimited needs with limited resources. Economics is a social science studies of how humans and society exercise choices concerning different ways of using their scarce resources for products and services. As a science economics studies variables. prices, money, income, tax etc.

**Business management** – as an applied science is concerned with the study of those institutions in a particular economic system that satisfy the needs of a community. S.A – mixed market economy – main area of study is therefore private business organisations.

The purpose and task of business management – primary human endeavour is to achieve the highest possible satisfaction of with the least possible needs with scarce resources. (ECONOMIC

PRINCIPLE) PURPOSE OF BUSINESS MANAGEMENT – to produce the highest possible number or units of products and services at the lowest possible cost.

TASK OF BUSINESS MANAGEMENT – to determine how an organisation can achieve the highest possible output (products and services) with the least possible input (labour, capital, land). Entails examining the factors, methods, and principles that enable a business to function as efficiently and productively as possible.

DEVELOPMENT OF BUSINESS MANAGEMENT –

Origins of business management can be traced back to mediaeval mercantilism or even earlier. Perspectives or theories on management are classified into different schools of thought, scientific school, classical school, human relations school, and contemporary management thinking.

Independent science characteristics – clearly distinguishable subject of study that forms a nucleus of a discipline, independent of other sciences, uniform, systemised body of knowledge of facts and scientific laws, constantly tested in practice, generally accepted theory.

THE INTERFACES BETWEEN BUSINESS MANAGEMENT AND OTHER SCIENCES – business management is divided into 7 functions – also known as management areas:

1. general management – examination of management process as a whole
2. marketing management – marketing to business
3. financial management – acquisition and control of money
4. Production and operations management – physical production of products.
5. Purchasing management – acquisition of assets machinery products etc.
6. human resources management -
7. public relations management - create a favourable image of business

MULTIPLE CHOICE QUESTIONS:

1. Entrepreneurs pursue profit, accept risk, make the most of opportunities in the environment, combine expertise and resources to produce products and services
2. Free market economy – characterised by private ownership, free competition and profit motive is recognised. Freedom of association and right to strike.
3. State intervention to solve an economic problem in a market economy does not necessarily mean a move towards a command or centrally controlled economy.
4. Control of strategic organisations cannot be left to profit seeking entrepreneurs only because these strategic organisations must be managed to the benefit of all the citizens
5. Expanding the government's entrepreneurial role does not have a positive influence on the development of a democracy.
6. Government intervention in the economic system that aims at encouraging economic growth and stability.

## CHAPTER 2 – ENTREPRENEURSHIP

In a market economy the driving force behind the economy is the entrepreneurs. They decide the how, what and by whom. An entrepreneur is someone who starts a business and assumes the risk of losing all of his or her resources if the venture fails.

SMME – combination of all businesses – small, medium and micro enterprises and large national and international businesses. Determines the state of the economy.

What is entrepreneurship –

1. persons whom have innovative ideas
2. identify opportunities
3. find resources
4. take financial risk
5. bring about change, growth and wealth in the economy
6. reenergise economies and create jobs
7. start manage and grow small businesses

#### ROLE OF ENTREPRENEURS IN SOCIETY:

Entrepreneurial activity is the essential source of economic growth and social development. Entrepreneurship is the spark that brings together other factors of production into motion.

#### ENTREPRENEURS NEEDS:

1. personally responsible for solving problems
2. set their own goals and reach for these goals through their own effort
3. to have feedback on the degree of success
4. to have personal accomplishments
5. to have control over their own time and to use time and money creatively.
6. locus of control – need of a person to be in control
7. innovation and creativity – production of something new or original results from the ability to see. Creativity can involve the adjustment or refinement of existing procedures or products of opportunities and new ideas.
8. risk taking – variables such as inflations, new laws,
9. other traits – high level of energy etc.

#### THE SMALL BUSINESS: SME

Owned and managed independently and in no way predominates in the industry

Refer to small businesses such as hairdressers, grocers, etc. criteria defining small businesses :

1. number of employees – fewer than 200 employees
2. sales volume – annual turnover of less than 64 million
3. value of assets – capital assets of less than 10 million
4. market share – direct managerial involvement by owners.

#### Strategic role of SME:

1. producing of products and services
2. innovation
3. aiding big businesses
4. job creation

#### ENTREPRENEURIAL PROCESS:

1. decision to become an entrepreneur
2. do you have the necessary skills and abilities
3. resources – do you have them
4. opportunities and ideas – above average chance idea will work
5. feasibility – feasibility analysis study
6. business plan
7. proceed with implementation

#### SKILLS REQUIRED:

1. strategy skill – organise and understand business as a whole
2. planning skill – consider future might offer
3. marketing skill – image of business
4. financial skill – manage money
5. project management skill – organise projects etc.
6. human relations skill – ability to deal with people

resources needs are – financial resources, human resources, and operating resources or physical resources.

#### NEW VENTURE IDEAS IN THE ENVIRONMENT:

Trend in the environment include economic, political and social trends. Economic trends – low exchange rate etc., social trends – unemployment rate, violent crimes etc.

#### REQUIREMENTS FOR A GOOD INVESTMENT OPPORTUNITY:

1. must be a market need for product – opportunity focused
2. sustainable competitive advantage
3. potential to grow
4. opportunity must be rewarding to investor and entrepreneur
5. timing of the opportunity must be right

#### BUYING AN EXISTING BUSINESS:

Several advantages, image of businesses, if business making money new owner will break even quicker than with a new business, planning can be based on previous financials, inventory equipment already in place.

FRANCHISING – entrepreneur starts a business that has been proven in the marketplace. Entrepreneur becomes the franchisee. The franchisor gives the franchisee the right to operate a business using the franchise company's name.

CORPORATE ENTREPRENEURSHIP - is entrepreneurship in an existing business. It happens when a person or team develops a new corporate business within a business through identification of a new opportunity or business idea.

#### FEASIBILITY OF IDEA OR OPPORTUNITY:

Feasibility study is the collection of data that helps forecast whether an idea, opportunity or a venture will survive. It precedes the business plan. Enables entrepreneur to decide on whether to go ahead or not.

Business plan – once the entrepreneur decide to go ahead at this stage the idea becomes reality and is put into a business plan.

### CHAPTER 3

#### THE ESTABLISHMENT OF A BUSINESS:

Legal form of ownership:

#### BUSINESS MANAGEMENT 1A – NOTES:

1. Entrepreneurship is the process of mobilizing and risking resources to utilize a business opportunity or introduce an innovation in such a way that the needs of society for products and services are satisfied , jobs are created , and the owner of the venture profits from it

#### CHAPTER 3: THE ESTABLISHMENT OF A BUSINESS

The legal form of ownership – entrepreneur can conduct business through various forms of enterprise. Enterprise = organizational structure through which business is conducted.

Considerations in choosing a form of enterprise:

1. Legal personality – juristic person has a separate legal personality from members. Has own rights, assets and obligations. Limited liability (members only stand to lose their capital invested)
2. Extent of liability of the business owner – ideally entrepreneur would like to insulate his personal assets from his business creditors.
3. degree of control or management authority – entrepreneur allowed to exercise over business
4. potential for capital acquisition – some business are extremely capital intensive and some are not
5. legal and regulatory requirements – depend on size related factors such as turnover etc
6. taxation – income tax , cgt , transfer duty etc
7. transferability – requirements to transfer members interest etc

TYPE	ADVANTAGES	DISADVANTAGES
SOLE PROPRIETOR – 1 person	Simple to create , least expensive , owner has total decision making authority ,	Owner personally liable without limitation , limited diversity in skills and capabilities, owner has

	no special legal restrictions , easy to discontinue	limited access to capital , lack of continuity
PARTNERSHIP – 2 or more maximum 20 people	Ease of formation , diversification of skill and ability , increased opportunity for accumulation , minimal legal formalities	Members – personally liable , relative difficulty in disposing of an interest in partnership , lack of continuity
CC -	Relative ease of formation , limited liability of the members , increased capital acquisition potential , continuity	Membership is limited to ten , juristic persons cannot be members
COMPANY -	Limited liability , raise large amounts of capital , separation of ownership and control , continuity , transferability	High degree of legal regulation , high operational costs
BUSINESS TRUST – founder of trust places assets under control of trust	Ease of formation , limited liability , extreme flexibility , absence of legal regulation , continuity	Limited access to capital potential for conflict

3 options available to entrepreneur –

1. entering into a franchise agreement
2. buying an existing business
3. establishing a business from scratch

Business plan – written document that identifies and describes nature of business. .details how the entrepreneur intend to exploit the opportunity.

Benefits of a business plan –

1. systematic realistic evaluation of the new ventures chances of success
2. a way of identifying the key variables that will determine the success of the new venture as well as the primary risks
3. A game plan for managing the business successfully.
4. a management instrument for comparing actual results to targeted performances
5. a primary tool for attracting money

Reasons for a business plan:

1. to sell the business
2. to obtain bank financing
3. to obtain investment funds
4. to arrange strategic alliances
5. to obtain large contracts
6. to attract key employees
7. to complete mergers and acquisitions



Banks – look for capital, collateral, character and conditions when considering financing.

Considerations that determine amount of planning –

1. style and ability
2. preferences of management team
3. complexity of the product or service
4. competitive environment
5. level of uncertainty

Important components of business plan:

1. executive summary
2. general description of the venture
3. products and services
4. marketing plan
5. management plan
6. operating plan
7. financial plan
8. supporting materials

The analysis of the new ventures market:

1. concepts
2. identification of a target market
3. research and forecasting in the target market
4. marketing plan or strategy for the selected market segment

Location factors:

1. sources of raw materials –
2. availability of labour
3. proximity of and access to\availability and cost of transport facilities
4. availability and costs of power and water
5. availability and costs of a site and buildings
6. availability of capital
7. attitude ,regulations and tariffs of local authorities
8. the existing business environment
9. the social environment
10. climate
11. central government policy
12. personal preferences

## CHAPTER 4 – THE BUSINESS ENVIRONMENT

Society depends on business orgs for most of the products and services it needs, including employment opportunities. Business obtains resources from society and the environment.

The organizational and environmental change:

Change has become the only constant reality and only definite phenomenon in management.

The 3 composition of the business environment:

Business environment – defined as all the factors or variables both inside as well as outside the business organization, which may influence the continued and successful existence of the organization. Business environment refers to both the internal as well as external factors that impact on the business organization, largely determine its success.

Business environment consists of 3 distinct environments:

1. Microenvironment – mission and objectives of the organization, the organization and its functional management (e.g. marketing, financial and purchasing management), resources (human resources, capital know-how – includes tangible resources, intangible resources, organizational capabilities) – THESE VARIABLES ARE UNDER THE DIRECT CONTROL OF MANAGEMENT.
2. Market environment – is encountered immediately outside the business organization. The market consists of consumers , their needs , purchasing power (consumers personal disposable income) and behaviour , suppliers , intermediaries , competitors – (4 factors of competition are possibility of new entrants , bargaining power of clients and consumers , bargaining power of suppliers , availability or non-availability of substitute products and services , number of existing competitors)
3. Macro-environment – technological environment (identification of important technological trends, an analysis of potential change in important current and future technology , an analysis of the competitive impact of important technologies , an analysis of the org's technological strengths and weaknesses , a list of priorities that should be included in a technology strategy for the org.) economic environment (economic growth rate , gdp , inflation , monetary policy), social environment (demographic change – (change in the change and composition of population) , urbanization – movement of people from rural areas towards cities , physical environment - refers to the physical resources that people need to support life and development, institutional – political environment management decisions are continually affected by the course of politics , international environment.

IMPORTANT DIAGRAM ON PAGE 93 OF TEXT BOOK

Opportunity – can be defined as a favourable condition or trend in the market environment that can be exploited to advantage by a deliberate management effort.

Importance of environmental scanning:

1. the environment is continually changing – therefore purposeful monitoring is necessary to keep abreast of change
2. Scanning is necessary to determine what factors and patterns in the environment pose threats to the present strategy of a business.
3. Scanning is also necessary to determine what factors in the environment present opportunities for the more effective attainment of the goals and objectives of a business.

4. Business that systematically scan the environment are most successful than those that do not.

Factors that determine environmental scanning:

1. nature of environment
2. basic relationship between business and its environment
3. The source and extent of change.

## CHAPTER 5 – INTRODUCTION TO GENERAL MANAGEMENT:

Management can be defined quite simply as the process followed by managers to accomplish a business's goals and objectives. Management does four things – it decides what has to be done, how it must be done, when it should be done, it checks that orders have been carried out.

PLANNING, ORGANISING, LEADING AND CONTROL.

Role of management – an org consists of people and resources and certain goals that have to be reached.

Importance of management:

1. Management directs a business towards its goals
2. management sets and keeps the operations of business on a balanced course
3. management keeps the organization in equilibrium with its environment
4. management is necessary to reach the goals of the organization at the highest possible level of productivity

Different levels of management:

1. top management – comprises of small group of executives who control business , they have final authority and responsibility – example board of directors , partners , managing director , ceo
2. Middle management – responsible for functional areas of the business, primarily for executing policies, plans and strategies determined by top management – examples are functional heads, marketing manager, purchasing manager, personnel manager.
3. Lower management – supervisory management – responsible of smaller segments of the business, promotions manager, supervisors.

Skills needed at different managerial levels:

1. conceptual skill – mental capacity to view business and its parts in a holistic manner
2. interpersonal skills – ability to work with other people
3. technical skills – ability to use the knowledge or techniques of a particular discipline

Role of managers:

1. Interpersonal role – representative figure , leader , relationship
2. decision making role – entrepreneur , troubleshooter , allocate of resources , negotiator
3. information role – monitors , analyse , spokesperson

Main schools of thought on management:

1. the scientific school
2. management process school (six function of business , technical , commercial , financial , accountancy , security , general management)
3. human relations or behavioural school
4. quantitative school
5. systems approach
6. the contingency approach – seeks to eliminate the defects of other theories

## CHAPTER 6: THE BASIC ELEMENTS OF PLANNING:

3 Dimensions:

- the determination dimension – must determine what it wants to achieve by a specific date in the future
- Decision-making dimension – goals determine the actions that are necessary.
- Future dimension –

Importance of planning:

1. planning give direction
2. compels managers to look to the future
3. ensures that businesses keep abreast of technology
4. ensures cohesion
5. promotes stability

Planning process:

1. goal setting – identification of mission and formulation of goals in an environmental context
2. developing plans– choices between alternative plans of action to reach goals
3. implementation – execution of the plan throughout the rest of the management process

Importance of goals:

1. they provide direction for everyone in the org
2. goals effects their aspects of planning in the org
3. goals serve as motivation for people to achieve

4. provide a benchmark for performance measurement and control purposes

Types of goals:

- mission – determined by the owners of business
- Tactical or functional goals – set by middle management – focus on how to carry out task necessary to achievement of strategic goals.
- operational goals – set by lower management – concerning such matters as a special for a particular month or quarter

Two approaches to setting goals:

1. Hierarchical approach – managers of upper levels determine goals to be worked for
2. Bottom –up or management by objectives/distinct management approach – facilitates the setting of goals and the planning and controlling that follows from this.

Types of planning:

1. Strategic planning/long term planning – top management , 3 to 10 year or more , future oriented , focused on the business as a whole , long term (strategies are – concentration strategy , market development , product development , innovation , horizontal integration , vertical integration , joint venture , diversification , rationalization , divestiture , liquidation)
2. Functional planning/ tactical planning – middle management , various functional departments to realize their goals
3. short-term planning – not longer than a year ,lower management

## CHAPTER 7 – ORGANISATION:

Organizing means that management has to develop mechanisms in order to implement the strategy or plan. Organizing like planning is an integral and in disposable component of the management process

Importance of organizing:

1. entails detailed analysis of work to be done and resources to be used to accomplish the aims of the business
2. divides total workload into activities that can comfortably be performed by an individual or a group
3. promotes the productive deployment and utilization of resources
4. the development of an organizational structure results in a mechanism that coordinates the activities of the whole business into complete uniform harmonious units

Fundamentals of organizing:

1. designing jobs for employees – determination of employees responsibilities in an org and the compilation of a job specification that explains what he or she must do
2. departmentalization – formation of departments – 5 types

- a) functional organizational structure – activities belonging to each management function are grouped together
- b) product departmentalization – departments designing one specific product are grouped together in accordance to product or service
- c) location departmentalization – logical structure for a business that manufacture and sells its goods in different geographical regions
- d) customer departmentalization – business concentrates on some special segment of the market
- e) matrix organizational structure – no organizational structure will accommodate all the orgs needs of a particular business

Authority relations: - authority is the right to command or give orders. Authority is the power that has been legitimized by the organization

Line authority – is authority delegated down through the line of command – managing director has line authority over all managers

Staff authority – is an indirect and supplementary authority. Individuals and sections with staff authority

- Stable environment – one that does not change much or is not subjected to unexpected changes
- Turbulent environment – changes are the norm
- Technologically dominated – particular technology forms the basis for a business product

## CHAPTER 8 – LEADING PEOPLE IN THE ORGANISATION

The nature of leadership – leadership is one the most researched and most controversial topics in management. Leadership is not the same as management. Managements is broader in scope comprising four management functions and leading is only one of them

Components of the leading function:

1. authority – gives commands to and demand action from employees , needs to ensure that employees work together to achieve orgs goals
2. power – ability to influence employees behaviour (types of power – coercive power (power to enforce compliance through fear) , reward power (example bonus) , legitimate power (managers can insist employees work) , referent power (managers personal power, charisma) , expert power (expertise ,knowledge)
3. responsibility – obligation to achieve organizational goals
4. delegation – assigning responsibility

Leadership styles:

1. autocratic

2. democratic – leader that involves employees in decision making, delegates authority , encourages participation
3. laissez-faire – leaders leave all decisions to their employees and do not follow up
4. production oriented leaders – emphasis the technical or task aspects of the job
5. employee orientated leaders – emphasis interpersonal relations

5 dimensions of trust:

1. integrity – honesty and truthfulness
2. competence – technical and interpersonal knowledge and skills
3. consistency – managers reliability ,predictability
4. loyalty – willingness to protect another person
5. Openness – one can rely on a manager to tell the whole truth.
  - Charismatic leadership – have traits such as ability , self-confidence , strong convictions
  - Visionary leadership – ability to create and articulate a realistic,credible,attractive vision for the future of the business
  - Transactional leadership – leaders exchange rewards for employee compliance
  - transformational leadership – leaders effect on followers in that followers feel trust , admiration , loyalty
  - motivation – is an inner desire to satisfy an unsatisfied need
  - performance = ability x motivation x resources
  - informal groups – interest groups – group members usually share common interest or friendship groups –usually exist to satisfy the social needs of members
  - formal groups – command groups = (formal organigram ,line of command) , task groups = created to complete a specific task

Characteristics of groups:

1. size – affects overall performance
2. social loafing – tendency to put in less effort
3. composition
4. status -
5. norms
6. cohesiveness

Work Teams or group: a unit of two or more people who interact primarily to share information and make decisions that will help each group member perform within his or her own area of responsibility

1. problem solving teams – same department employees who meet regularly to discuss ways of improving quality
2. self-managed work teams - planning, scheduling and control
3. cross functional teams – employees at the same hierarchical level

Communication: sender –message – channel – receiver

CHAPTER 12: CONTROLLING THE MANAGEMENT PROCESS

Organizations use control procedures to ensure that they are progressing towards their goals, this chapter deals with the final component of the management process – CONTROL

Managers at all levels and all departments should be involved in the process of control

Importance/necessity of control:

1. the nature of the management process itself and in particular the task of planning – control is intimately linked to planning
2. the constantly increasing size of the business –
3. managers and subordinates are capable of making poor decisions and committing errors
4. competition is a significant factor
5. control is applied to ensure that the organizations resources are deployed in such a way that the organization reaches its goals

Steps of control process:

1. establish standards – performance and control standards are a planned target against which actual performance can be compared (profit standards , market share standards , productivity standards , staff development standards)
2. measure actual performance
3. evaluate deviations – performance gap
4. take corrective action - if actual achievements do not match the standards management has 3 possible actions (actual performance can be improved to reach the standards , strategies can be revised to accomplish the standards , performance standards can be lowered or raised to make them more realistic in the light of prevailing conditions)

Focus of control – focal points:

1. physical resources – inventory control , quality control (the definition of quality goals and standards , measuring quality , rectifying deviations and solving quality problems) , control of equipment
2. human resources – involves orderly selection and placement , control over training , personnel development , performance appraisal
3. financial resources – budgets (supports management in coordinating resources, departments and projects , provides guidelines on the application of the organizations resources , defines or sets standards that are vital to control process , makes possible the evaluation of resources allocation , departments or units) , sales , production costs , market share

Characteristics of an effective control system:

1. integration – control system is more effective when integrated with planning , flexible and accurate
2. flexibility – should be able to accommodate change
3. accuracy – provides objective and accurate picture of the situation
4. timelines – timely control data should be supplied regularly
5. unnecessary complexity – these kind of systems are often an obstacle because they can have a negative influence on the sound judgement of competent managers



STUDY UNIT 10 – CORPORATE CITIZENSHIP (STUDY GUIDE)

We are all citizens of some country or another and being a citizen brings with it certain rights and responsibilities (right to vote, enjoy freedom of religion etc)

Definitions:

1. triple bottom line - companies bottom line traditionally refers to its financial profit or loss but triple bottom line includes social and environmental impacts as well
2. sustainable development – refers to the need to improve the lives of poor people and to protect the natural environment
3. corporate social responsibility (CSI) – spending a small part of profit on good causes
4. corporate citizenship – making profits
5. sustainability reporting = refers to the increasing expectations for companies to publicly report not just on financial matters but also on social and environmental issues
6. Corporate governance – refers to how a company’s objectives and strategy and decision-making are developed, implemented and monitored. Relates also e extent and way a company is accountable to its shareholders and stakeholders
7. Global reporting initiative (GRI) – aim is to provide a set of reporting guidelines and indicators that cover all the key issues of concern regarding corporate citizenship
8. energy saving technology – benefit is cost saving
9. reputational gain – being a good corporate citizen has positive implications on a company’s reputation , gains customer loyalty , attracting higher quality employees , improving relationships with investors
10. eco-efficiency – saves company costs (recycled material , solar panel technology
11. competitive advantage and value creation – focusing on environmental and social issues will protect existing business interests and thus conserve value
12. Stakeholders = internal (executive board members , management and other employees) , external stakeholders = shareholders , consumer public , suppliers, wider community)
13. Primary stakeholders = commonly have some contractual or financial relationship with the company
14. secondary stakeholders – have less direct impact , NGO or media
15. stakeholder engagement process allows stakeholders to determine what they want from the company and what they consider to be the issues and culture of the company

QUESTIONS FROM PAST ASSIGNMENTS AND PAPERS:

1. Profit is the driving force behind entrepreneurs and their businesses in a free market
2. in the socialistic economy the state can stabilize economic fluctuations
3. within the free-market economy the economic environment is unstable
4. socialism – the state owns and controls principle industries such as transportation , health services and energy
5. primary task of business management is to determine how an enterprise can achieve the highest possible output with the least possible inputs
6. state economic systems – government intervention in the economy system aims at encouraging economic growth and stability , control of strategic organizations cannot be left to profit-seeking entrepreneurs
7. economic principle – a business’s effort to provide the greatest possible need satisfaction with limited available resources

8. feasibility study – when starting ones business you collect information from community about idea and needs
9. sole proprietorship – owner personally liable for the debts of the business
10. cc – created by registration of a founding statement
11. private company – must have at least one director
12. SME – has fewer than 200 employees and capital assets less than 10 million
13. environmental scanning is necessary to keep abreast of change and to determine which factors pose threats to existing goals and to determine which factors represent opportunities to promote current goals
14. single most dominant cause of business failure is –managerial incompetence
15. key skills required for sound management – conceptual skills , interpersonal skills , technical skills
16. contingency approach – application of management principles is dependent on the situation confronting the manager at a particular point in time
17. scientific school – productivity could be increased through the application of observation ,job analyse, the redesign of jobs and financial incentives
18. human relations movement – found that increased productivity is not always attributable to well-designed tasks and sufficiently high wages
19. managements process school 0 identified the most important functions in a business so that universal management principles could be developed for each function
20. contemporary approached to management – include re-engineering , total quality management(TCM) , strategic management
21. strategic planning – the process of developing a broad plan on how a business is going to compete in the industry
22. operational planning – the process of formulating shorter terms plans for implementing an organizations overall strategic plan
23. middle managers – managers that are between top and lower level managers
24. lower level managers – managers who don't have managers for subordinates
25. planning – the process of setting goals , objective and deciding on methods for achieving them
26. top management – board of director
27. director – conceptual skill
28. decision making role – manager as an entrepreneur and troubleshooter
29. planning includes how to achieve a particular goal
30. organizing involves telling workers how to perform a particular task
31. leading included the motivation of staff
32. controlling enables management to detect deviations
33. characteristics of strategic planning – time frame of ten years , focused on an organization as a whole , future orientated
34. entrepreneur is some that – pursues profit , accepts risks , make most of opportunities , combines expertise and resources to produce
35. free market economy – is characterized by private ownership , free competition , right to strike
36. government intervention in the economic system aims at encouraging economic growth and stability
37. control of strategic organizations cannot be left to profit seeking entrepreneurs
38. internal stakeholders – new venture management , employees
39. external stakeholders – customers , investors , banks

40. government forms part of the political sub environment
41. inflation is part of the economic environment
42. unemployment = part of economic sub environment but also influences social environment
43. pollution is one of the problems encountered in the physical environment
44. Strengths of a company can be good product. Good management. good relations with customers
45. weaknesses of companies can be small operation , cash flow problems , bad management
46. planning process – goal setting , developing of plans and implementation
47. strategic planning – broad plan of how the organization is going to compete in its industry
48. top management – managers who have middle management as subordinates
49. management by objectives – process whereby management and employees jointly set goals and where the process towards attainment of these goals is periodically assessed
50. goal – a specific achievement to be attained at a future date
51. operational plan – process of formulating shorter-term plans for implementation in an organization strategic plan
52. lower management – managers who do not have managers for subordinates
53. line authority is the authority delegated down through the line of command
54. legitimate power is granted to all managers
55. trade unions is formed to satisfy the security needs of the employees
56. factors of control system – nature of business , activities of the business , size of the business , structure of the business steps of the control process – establish standards , observe actual performance , evaluate deviations , take corrective action
57. importance of control – rapidity of change , increasing size of businesses , delegation of task to subordinates , possibility of managers and subordinates making poor decisions and making mistakes
58. socialism – state owns the most important businesses
59. entrepreneur – combines all factors of production to produce products and services
60. financial segment of a business plan includes breakdown of startup costs and the amount of money you expect the business to earn in the first year
61. micro-environment elements – business striving to obtain an ever-increasing market share , human resources management policy , the purchasing management policy
62. competition factors – threat of new entrants , bargaining power of buyers , threat of substitute products and services , bargaining power of suppliers , number of existing competitors
63. economic growth rate directly affects the income of the consumers of final products and services
64. the high growth rate of the S.A population dilutes the income of consumers
65. a poor economic growth rate causes impoverishment of consumers
66. middle management are responsible for specific functions such as marketing and financing
67. top management are more involved in the management of personnel than managers on other levels
68. planning – organizing – leading – control
69. sound management = conceptual skills , interpersonal skills and technical skills

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