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Notes Overview

Business Management notes convers

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

Study Unit 1: The Business World and Business Management

The role of business in society

- Transformation of resources into goods and services society needs
- Business cannot operate without society
- Needs and values of society influence what business does. i.e. protecting the environment
- Organizations influence behavior patterns of people in a particular society by developing new products. i.e. Impact of cellphones, tablets etc. on social life.
- Success of business has an impact on the prosperity of a society. i.e. mining towns

Needs and need satisfaction

- Humans have many varied and seemingly unlimited needs
- Society has limited resources to satisfy those needs, which requires a choice to be made about how best to utilize the limited resources.
- Most people have limited resources (money) to afford our unlimited wants, so we have to decide how best to utilize the little we have to obtain the greatest satisfaction.
- Decision to obtain the maximum benefit (satisfaction) with the limited resources = **Economic Principal**.
- Consumerism = The social force that protects consumers from unsafe products and malpractices by exerting moral and economic pressure on business.
- According to Maslow, all humans have same basic needs, but not everybody strives to satisfy the same ones.

- According to Maslow, once basic needs (hunger) are satisfied, we strive to satisfy the next level i.e. security etc.
- Unlimited needs (Maslow's hierarchy):
  1. Physiological Needs (hunger, thirst)
  2. Security Needs (protection)
  3. Social Needs (love, recognition)
  4. Esteem Needs
  5. Self-Realisation Needs
- Basic Physical and Psychological needs may overlap
- Limited Resources
  1. Natural Resources (land, forests, water)
  2. Human Resources (labour, physical and mental talents)
  3. Capital (buildings, machinery, computers – Not for final human consumption)
  4. Entrepreneurship (Individuals who accept the risk, also rewarded with profits for the risks)

Main Economic Systems

- Free Market Economy (free enterprise system)
  - Products and services demanded by a community is supplied by private organisations seeking profit.
  - Members of a community may possess assets and earn profits from them
  - Allocation of resources are affected by free markets
  - Community can freely choose between products, services, place to stay etc.
  - Minimum interference from the state.
  - Right for individuals to possess property such as land, buildings equipment vehicles etc.
  - People are free to do with their assets as they wish (freedom of distribution)
  - Freedom of choice – producers can decide whether they can profitably produce products.
- Command Economy
  - Alternative to Market Economy
  - Known as communism
  - State owns and controls resources and factors of production
  - System of communal ownership. Individuals own no land, factories or equipment
- Socialism
  - Compromise between Free Market and Command Economies
  - State owns and controls the principal/strategic industries (steel man, transportation, communication, health and energy)
  - Private initiative controls less important and smaller maters such as trade and construction.
  - Strategic and basic resources should belong to every member of the community (Command Economy), the rest operate within the Free Market Economy.
- Mixed Economy
  - Includes a mix of both public and government control (capitalism and socialism)
  - Degree of private economic freedom with centralized economic planning and government regulation

The prevailing economic system is South Africa is a Socialist-Oriented economy with a High degree of government participation and control

The need-satisfying institutions of the free market economy

- Business Organisations

- Also known as Profit Seeking Businesses
- Most are privately owned (Private Enterprises), but state can also own businesses.
- State owned business = Public corporations (Transnet etc.)

- Government Organisations
  - Do not operate on a profit-seeking basis.
  - Also known as Government Departments
  - Provide a service to the community.
  - Obtain funds from Treasury (people pay for these services through taxes).
- Non-Profit-Seeking Organisations
  - Owned by state and private organisations
  - Do not strive to make a profit
  - Seek just sufficient income to cover costs
  - Sports clubs, welfare, religious etc.

The Nature of Business Management and the Classification of the Study Material for Business Management

- Purpose and task of Business Management = Achieving the maximum output with the lowest possible input of production factors.
- Purpose of Business Management = Produce the most units of products or services at the lowest possible cost
- Task of Business Management = Study of the principals that have to be applied to make a business as profitable as possible. Could include a study of the environmental factors that could have an effect on the success of an organization, its survival or its profitability.
- Economics = Study area of economic problems in the community
- Business Management = Focus on the problems of the individual organisations in the same community.

Study Unit 2: Entrepreneurship

What is an Entrepreneur?

- Entrepreneur decides what, how, by whom and for who products and services should be produced.
- Entrepreneur is someone who starts a business with the intention of making a profit.
- Assumes risk of losing all resources if venture fails.
- Entrepreneurship is the factor of production that mobilises land, labour and capital.
- Characteristics include:
  - Have innovative ideas
  - Identify opportunities
  - Find resources
  - Take financial risks
  - Bring about change, growth and wealth in the economy
  - Re-energies economies and create jobs
  - Start, manage and grow small business
- Reward for taking risk is profit

Entrepreneurship in South Africa

- Relatively new concept in South Africa due to legislation and high unemployment.
- One reason for high unemployment rate is labour law.
- The more flexible the labour market is, the lower unemployment is.
- Other reason for high unemployment is lack of business people to create employment.
- More entrepreneurs = More employment (that's the theory).

Role of Entrepreneurs and small business owners in society

- Not all small business owners are entrepreneurs
- Some small business owners are satisfied with autonomy and earning a reasonable income.
- What differentiate the Entrepreneur are the following traits and characteristics:
  - Achievement motivation
  - **An internal locus of control** (Need to be in charge of own destiny vs. external which believes outcome is out of control i.e. luck, fortune etc.)
  - Innovation and creativity
  - Risk-taking
- Other reasons why people initiate business ventures include:
  - Entrepreneur's characteristics (mentioned above)
  - Entrepreneur's skills and industry experience
  - Opportunities arising due to outsourcing
  - Low interest rates
  - Retrenchment may lead to people starting own businesses etc.

- Management skills required by entrepreneur
  - Strategy skills – Ability to consider business as a whole and how it fits into the market place
  - Planning skills – Consider the future, how it will impact business and prepare for it
  - Marketing skills – Evaluate offerings and determine how they satisfy customer needs (Pricing, promotion and distribution of products)
  - Financial skills – Ability to manage money
  - Project Management skills – Ability to organize projects, set objectives, schedules and manage resources
  - Human Resources skills – Ability to deal with people (leadership, motivation and communication)

Small Business

- Quantitative criteria to define a small business include:
  - Number of employees
  - Sales volume
  - Value of assets
  - Market share
- A small business has at least 2 of the following characteristics:
  - Management of the business is independent (Owner = manager)
  - Capital is provided by the entrepreneur or a few people starting the business together
  - Activities of the business are mainly local
  - Enterprise is small compared with the largest competitors in the specific industry (i.e. corner café vs. Shoprite Checkers)

Category of SMME	Description
Survivalist Enterprise	Operate in informal sector Mainly unemployed Little capital invested, not many assets Not much training Person selling things in townships to keep families alive
Micro Enterprise	Turnover < R300k Basic skills and training Potential to transition to viable small business Use technology
Very Small Enterprise	Fewer than 10 employees Include self-employed artisans (electricians) and professionals
Small Enterprise	Fewer than 100 employees More established, formal and registered, fixed business premises Owner-managed with a more complex management structure
Medium Enterprise	Up to 200 employees Mainly owner-managed but decentralized management structure Operates from fixed premises with all formal requirements

The role of small business in the economy

Entrepreneurs and small business each have a strategic role to play in the economy. This strategic role for small business revolves around the following:

- The production of goods and services

- Innovation
- Aiding of big business
- Job creation

The Entrepreneurial Process

- The decision to become and entrepreneur goes through the following phases:
- Abilities and Skills: Do I have the background knowledge to be able to succeed in business?
- Access to resources: Do I have finance to start a business
- Opportunity/Idea: Is there a chance that the idea will work?
- **Feasibility**: Is my idea feasible in terms of rands and cents?
- Business Plan: Compile a Business Plan to obtain necessary finance.
- Managing the business: Launch the business and manage it.

Corporate Entrepreneurship = When a person or team develops a new corporate business within a business through identifying a new opportunity or business idea.

Corporate Entrepreneurship = Method by which a corporation introduces new and diversified products or services to an existing business.

Advantage of purchasing an existing business is:

- Existing customer base
- Customers familiar with the business
- Experienced employees will come with the business
- Planning can be done based on historical data
- Supplier relationships exist
- Inventory and equipment already in place
- Financing may be available from owner

Study Unit 3: Establishing a Business

Importance of Geographical Location for the success of a business

Factors to consider:

- Sources of raw materials
- Availability of labour
- Proximity of an access to the market
- Availability and cost of transport facilities
- Availability and costs of power and water
- Availability and costs of a site and buildings
- Availability of capital
- Local authority – Attitude, regulation and tariffs
- Existing business environment – Maintenance services, banks, postal

- Social environment – Housing, education, medical
- Climate
- Central Government Policy
- Personal preferences

Legal forms of ownership in South Africa

Forms of Ownership = Forms of Business

Companies and Close Corporations are Juristic Persons, while Sole Proprietorships and Partnerships are not.

Considerations in choosing a form of enterprise:

- Entity's Legal (Juristic) Personality
    - Exists independently from members,
    - Recognized as a legal subject next to individuals
    - It has its own rights, assets and obligations
    - Members are not liable to debt
- Limited liability of owners or members when legal action is taken
    - Claims are made against the company and the assets for payment of the company debts, and against the personal estates of the company's members or directors.
    - Trusts are generally not considered to be a juristic person as assets are held in trustee's personal estate.
    - Trusts enjoy limited liability
- Degree of Control that the management or entrepreneur can exercise
    - Sole proprietor enjoys total management autonomy
    - Companies – formal division between ownership and control
    - Partnerships and CC's - participative management structures
    - Trusts – Managed by trustee, trust deed can apportion control between trustee, establisher of the business trust and the trust beneficiaries.
- Potential for capital acquisition
    - Public company is ideally suited to raising large sums of capital
    - Other enterprise forms, capital is provided by a limited number of persons in their own positions.
- Compliance with Legal formalities and regulations
    - Can impose a significant financial and administrative burden on the business
    - Different forms of business attract different legal and regulatory requirements
- Taxation
    - Rates for income tax, capital gains tax and transfer duty vary depending on the kind of taxpayer.
    - VAT is levied irrespective of the enterprise form.
- Ease with which business or entrepreneur's interest can be transferred
    - Shares in publicly listed companies are easy to transfer.
    - In private companies, CC's and partnerships, the transfer of interest is dependent on the approval of the remaining members or partners.
    - Beneficiaries of a trust may transfer their rights in accordance with the trust deed.

Four C's when banks evaluate a business loan application

- Capital

- Collateral
- Character
- Conditions

Types of Ownerships

- Sole Proprietorship
- Partnership
- Close Corporation – Created by the Registration of a Founding Statement
- Company
- Business Trust
- Co-operative Society
- Joint Ventures

TYPE	**ADVANTAGES**	**DISADVANTAGES**	
SOLE PROPRIETOR – 1 person	Simple to create , least expensive , owner has total decision making authority , no special legal restrictions , easy to discontinue	Owner personally liable without limitation , limited diversity in skills and capabilities, owner has 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 intends 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

Study Unit 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:

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

Business environment consists of 3 distinct environments:

1. Microenvironment
   - Vision, 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.

Competitors

Nature and Intensity of competition in particular industry are determined by the following 5 factors:

1. Possibility of new entrants (or departures)
2. Bargaining power of clients or consumers
3. Bargaining power of suppliers
4. Availability or Non-Availability of substitute products or services
5. Number of existing competitors

Opportunity – can be defined as a favorable 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.

Study Unit 5: Corporate Social Responsibility

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:

- 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
- sustainable development – refers to the need to improve the lives of poor people and to protect the natural environment
- corporate social responsibility (CSI) – spending a small part of profit on good causes
- corporate citizenship – making profits
- sustainability reporting = refers to the increasing expectations for companies to publicly report not just on financial matters but also on social and environmental issues
- Corporate governance – refers to how a company's objectives and strategy and decision-making are developed, implemented and monitored. Relates also to the extent and way a company is accountable to its shareholders and stakeholders
- King III report measures good Corporate Governance and includes the following important principals:
    - Good governance is about effective leadership
    - Sustainability is the primary moral and economic imperative for the 21st century
    - Innovation, fairness and collaboration for sustainability
    - Sustainability reporting is a key facet of good corporate governance
- 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
- Recognising and responding to emerging niche markets allow companies to translate good corporate social responsibility into corporate social opportunity.
- energy saving technology – benefit is cost saving
- 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
- eco-efficiency – saves company costs (recycled material , solar panel technology
- competitive advantage and value creation – focusing on environmental and social issues will protect existing business interests and thus conserve value
- Stakeholders = internal (executive board members , management and other employees) , external stakeholders = shareholders , consumer public , suppliers, wider community)
- Primary stakeholders = commonly have some contractual or financial relationship with the company
- secondary stakeholders – have less direct impact , NGO or media
- 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
- Stakeholder engagement process – Prepare, Plan, Design, Engage, Evaluate, Apply.

Study Unit 6: Planning

- Planning is the starting point of the management process
- Successful managers anticipate change in the environment and plan accordingly
- Different tasks of a manager are:
  1. Planning
  2. Organising
  3. Leadership
  4. Control
- Benefits of planning:
  - Planning provides direction
  - Planning reduces the impact of change
  - Planning promotes co-ordination
  - Planning ensures cohesion
  - Planning facilitates control
- Costs of planning:
  - Planning may create rigidity
  - Planning consumes management time
  - Formal plans may replace intuition and creativity
  - Planning could cause delays in decision making
- 3 Dimensions:
  - 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 –

Managerial Goals and Plans

- Importance of goals
  - Provide guidance and agreement on the direction of the organization
  - Facilitate effective planning in terms of reduced resource deployment
  - Can inspire and motivate employees
  - Provide effective evaluation of employee and organization performance
- MBO = Management By Objectives = goal-setting technique whereby managers and employees jointly set goals for the business.

Planning Process

- Steps in the Planning Process are:
  - Establish Goals
  - Develop alternative plans
  - Evaluate alternative plans
  - Select a plan
  - Implement the plan
  - Do reactive planning, if necessary, when changes occur in the environment
- Managers at different levels has different focuses:
  - **Top-level Management** – Long-Term Strategic goals and Strategic plans for the entire organization

- **Middle-level Management** – Use Strategic goals and Strategic plans as input to develop medium-term Tactical goals and Tactical plans for their departments
- **Lower-level Management** – Use Tactical goals and Tactical plans to develop Short-term Operational goals for their sections.

Strategic Goals

- The Vision implies that the managers need to think about new possibilities that will carry their organisations into the future.
- Mission Statement = The mission or over-arching goal of the organization.
- Long-Term Strategic Goals = derive from the organisation's mission statement. They are complex and deal with organization as a whole.

Strategic Plans – Top Management

- In order to achieve strategic goals, top management develop strategic plans.
- Strategic plans focus on organization as a whole and NOT on a specific function or operation although the ultimate aim is to create synergy.
- Corporate Strategies = Grand Strategies = Identifies what business the organization should be in, thus focusing on the scope of the organization and how resources are deployed.
- Examples of Corporate Strategies:
  - **Market-development strategies** – Develop existing markets for its present products more intensively or else develop new markets for existing products.
  - **Product-development strategies** – Develops new products for existing markets or modifies existing products to gain more approval amongst consumers.
  - **Concentration-growth strategy** – Directing all resources and skills to the profitable growth of a single product
  - **Innovation strategy** – Constantly improving products to take advantage of the initial high profitability of a better product
  - **Horizontal-integration strategy** – Taking over similar organisations – Gives access to new markets and gets rid of competition
  - **Vertical-integration strategy** – Takes over a business that supplies or distributes in order to control the supply or distribution channel.
  - **Joint-venture strategy** – Two or more firms embark on a project that is too big for one firm to tackle alone
  - **Diversification strategy** – Take over other firms to enter into new activities or set up a completely new entity
  - **Turnaround strategy** – When profits decline, companies may cut costs by getting rid of unprofitable products or assets and improving ineffective management
  - **Divestiture strategy** – Selling a business or parts of it in line with its mission
  - **Liquidation strategy** – Admitting failure and in order to keep shareholder's losses to a minimum.

Tactical Goals and Plans – Middle Management

- Tactical goals are medium-term or short-term goals derived from the long-term (strategic) goals
- Tactical plans have a more specific focus because they deal with people and actions.

Operational goals and plans – Lower Management

- Operational goals (short-term goals) refer to a period of NO LONGER than 1 year.
- Operational goals deal with day-to-day activities of an organization and allocation of resources.
- Operational plans (short-term plans) are plans to achieve operational goals.

Study Unit 7: Organising

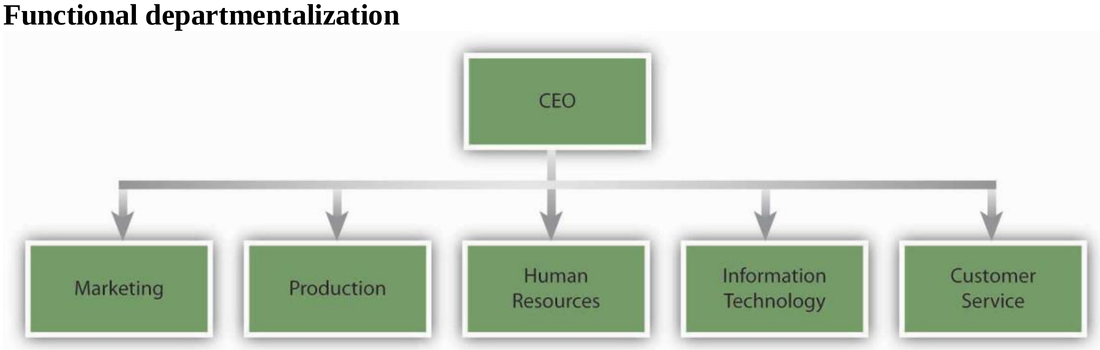
- Organising = Establishment of a structure in the organization
- Includes sub-division of organization into divisions or departments
- Involves allocation of tasks to various positions in each department
- Organising leads to the creation of an Organisational Structure

Importance of Organising

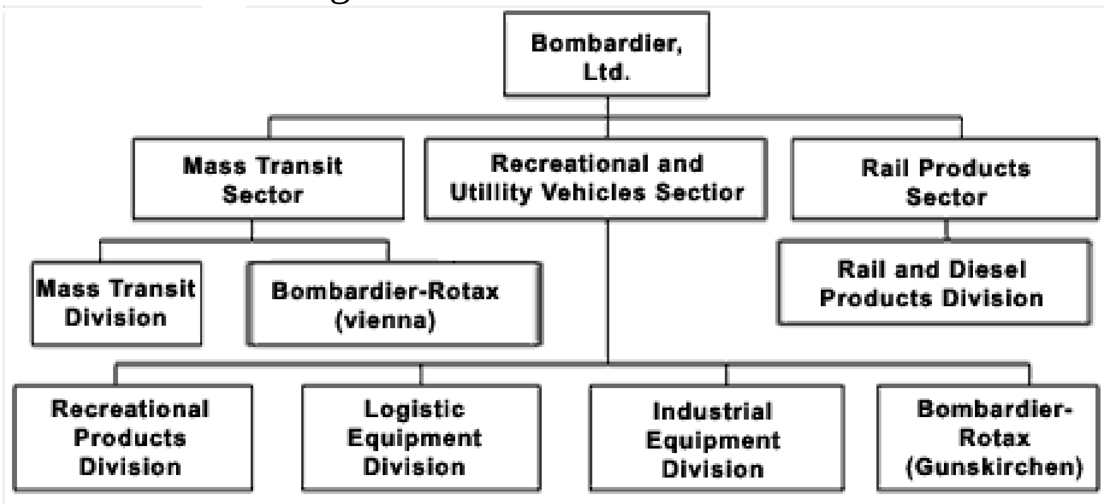
- Entails detailed analysis of work to be done and resources to be used to accomplish the aims of the business
- Divides total workload into activities to be performed by an individual or group. Tasks are allocated according to abilities and qualifications resulting in higher productivity
- Promotes the productive deployment and utilization of resources
- Related activities and tasks of individuals are grouped together rationally into departments (marketing, finance etc.)
- Development of an organizational structure results in a mechanism that co-ordinates the activities of the whole business into complete, uniform and harmonious units.

Fundamentals or organizing

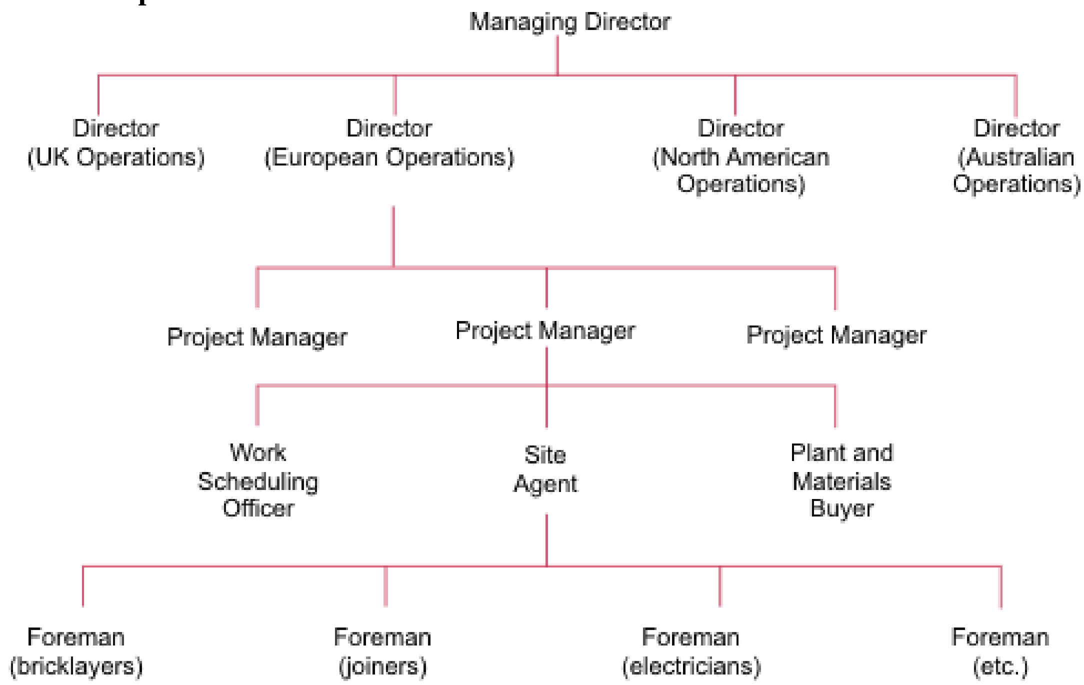
- Designing jobs = Point of departure when designing jobs for employees is to break the organization down into more specialized tasks or areas
- Specialisation (units) = division of labour into specialized units (finance, marketing etc.)
- Departmentalisation promotes specialization, since it is necessitated be the logical grouping of activities that belong together.
- Departmentalisation
    - **Functional departmentalization**



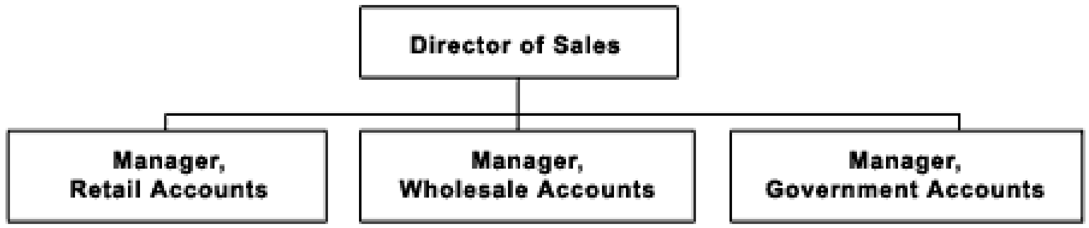
    - Product departmentalization


Bombardier, Ltd.
Mass Transit Sector
Recreational and Utillity Vehicles Sectior
Rail Products Sector
Mass Transit Division
Bombardier-Rotax (vienna)
Rail and Diesel Products Division
Recreational Products Division
Logistic Equipment Division
Industrial Equipment Division
Bombardier-Rotax (Gunskirchen)

- **Location departmentalization**



- **Customer departmentalization**



<u>Span of Management</u>

- Reporting lines = Chain of command
- Span of Management = How many people will report to one manager
- Narrow span of Management
  - Will result in tall organizational structure
  - Managers are under-utilised
  - Excessive control over subordinates
- Wide span of Management
  - Will result in flat organizational structure
  - Difficult to co-ordinate and control tasks of a large number of subordinates.

<u>Authority relationships</u>

- Responsibility = Duty to perform the task or activity assigned
- Authority = The right to command or to give orders
- Line authority = Authority delegated down the chain of command (MD has line of command over Fin Director, HR Director and then to the next level)

- Staff authority = Indirect and supplementary authority. (i.e. Legal advisor will advise and recommend. Source of authority is usually specialist knowledge)

Factors that influence Organisational Structure

- Plans can only be implemented successfully if the organizational structure makes this possible.
- Planning, leading and control are facilitated if management has an effective and dynamic organizational structure.
- Factors that influence Organisational Structure:
  - Environment in which the business operate
    - Stable environment (not much change)
    - Turbulent environment (Changes are the norm rather than exception)
    - Technology dominated environment (When technology forms the basis for a business' product – Sophistication of technology affects structure)
  - Relationship between strategy and structure – Strategy provides a direct input into the design of the organizational structure. Structure cannot be separated from strategy. **Structure should always follow strategy**.
  - Size of the business – An increase in the size of the business also creates a need for greater specialization, more departments and more levels of management.
  - Staff employed by the business
  - Organisational culture

Study Unit 8: Leading

- Leadership = The process of influencing employees to work willingly towards the achievement of organizational goals.
- Leadership = Influencing and directing the behavior of subordinates in such a way that they willingly strive to accomplish the goals or objectives of the business.
- The components of leadership include:
  - Authority – Without authority managers cannot manage
  - Power – Managers who are strong leaders influence their employees because they have power and can therefore exercise their authority fully.
    - Top management – Position power down chain of command
    - Managers – Personal power that followers bestow on them
- Power continuum from Position Power to Personal Power:
  - Coercive Power – Enforce compliance through fear (criminals)
  - Reward Power – Ability to influence employees with something of value (Salary raise, bonus etc.)
  - Legitimate Power – The power an organization grants to a particular position
  - Referent Power – Employees obey managers with referent power because they like, respect and identify with them
  - Expert Power – Power as a result of manager's expertise, knowledge and professional ability.

Motivation

- Motivation process starts with an unsatisfied need and moves in a certain sequence:
  - Unsatisfied need for higher status in organization
  - Motive is the desire to advance to first line management
  - Certain behavior such as working late or doing course
  - Consequence of behavior could be that he/she gets a promotion (Or NOT)
  - Satisfaction of need or if NOT, dissatisfaction of need
  - Satisfaction is usually short-lived
  - As soon as one need is satisfied, another usually surface.

Teams & Groups

The following are different types of teams:

- Problem-solving teams – Employees from same department meet regularly to discuss ways of quality etc.
- Self-managed teams – Take on the responsibility of former managers. Team members address problems in the work process
- Cross-functional teams – Employees at same hierarchy level from different work areas.
- High-performance teams
  - Clear understanding of goals and technical skills and abilities
  - Members capable of adjusting skills
  - Mutual trust among members
  - Good communication and negotiation skills
  - Leaders who encourage bay clarifying goals and help members realize potential.

- Communication: sender –message – channel – receiver

Study Unit 9: Controlling the Management Process

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 ,
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

Purpose of control:

- Without control, effective planning cannot take place
- Enables companies to adapt to environmental change and allows then to cope with change and uncertainties
- Helps to limit the accumulation of errors due to poor decision making
- As business size increase it becomes difficult to identify areas of weak performance
- Helps to minimize costs and increase output
- Effective control system allows management to identify problems before they become critical
- Allows management to check if tasks were carried out successfully
- Increasing competition necessitates more effective cost and quality control.
- Control results in better quality.

Control process

1. Setting standards – derived from goals
2. Measuring actual performance
3. Evaluating deviations – performance gaps
4. Rectifying deviations – corrective actions

Four key areas of control:

1. Physical resources
2. Human resources
3. Information resources
4. Financial resources

- Physical resources control
    - Inventory management – Economic Ordering Quantity (EOQ), Materials-Requirement Planning (MRP) and Just-In-Time (JIT)
        - JIT = Just-In-Time = It is a control system based on actual orders for finished products are converted into orders for raw materials and components which arrive just in time for the manufacturing process
    - Quality control
- Financial resource control
    - Budget

Characteristics of an effective control system

- Integration – Control system needs to be integrated with planning. Also needs to be flexible, accurate, objective, timely and simple
- Flexibility – Control system should be able to accommodate change
- Accuracy – Control system should be designed in such a way that it provides an objective and accurate picture of the situation
- Timelines – Timely control data are not obtained by means of hasty, makeshift measurement
- Simplicity – Unnecessary complex control systems are often obstacles because they have a negative influence on the sound judgment of competent managers.