BUSINESS MANAGEMENT

MNB1501

OVERVIEW

1. Business world & business management
2. Entrepreneurship
3. Establishing a business
4. Business environment
5. Corporate social responsibility
6. Planning
7. Organising
8. Leading
9. Controlling the management process

BUSINESS WORLD & BUSINESS MANAGEMENT

OVERVIEW

- Role of business in society
- Needs & need satisfaction
- Main economic systems
  - Free market (Capitalism)
  - Socialism
  - Command (Communism)
- Need-satisfying institutions of the market economy
  - Business
  - Government
  - Non-profit
- Nature of business management

ROLE OF BUSINESS IN SOCIETY

- Transform resources into goods & services to meet society's needs
- Influence by business
  - Physical environment
  - Consumers
  - Competitors
  - Economy
- Influence on business
  - Social responsibility
  - Consumerism

NEEDS & NEEDS SATISFACTION

- Unlimited needs
- Limited resources
- Choice – economic principle
    - Greatest benefit (satisfaction) with limited resources
- Need to know society's needs
    - Maslow
        - Physiological, Security, Social, Esteem, Selfrealisation
- Use resources to meet needs
    - Entrepreneurship
    - Capital
    - Natural resources
    - Human resources

BUSINESS MANAGEMENT

- Management of needs satisfying institution
  - Individual organisation
  - Purpose
    - Produce most units of goods/services @ lowest possible cost
- Management functions
  - General
  - Marketing
  - Public relations
  - Financial
  - Human Resource
  - Production/operational
  - Purchasing

ENTREPRENEURSHIP

OVERVIEW

- Entrepreneurs & entrepreneurship
- Role of entrepreneurs & small business owners in society
- Entrepreneurial process

ENTREPRENEUR

- Definition
    - Person/personality type
    - Takes up new venture
    - Willing to accept full responsibility for outcome
    - Harness factors of production to generate products/services
- Reward → profit
- Traits & characteristics
    - Achievement motivation
    - Internal locus of control
    - Innovation & creativity
    - Risk-taking

ENTREPRENEURSHIP

- Process of
  - Identifying, creating or sensing opportunities
  - Finding & combining resources to pursue opportunities
  - Until it becomes successful established business

SMALL BUSINESS

- Management is independent
  - Owner = manager
- Capital provided by entrepreneur or few persons starting the business together
- Activities mainly local
- National Small Business Act
  - Survivalist enterprise
  - Micro enterprise
  - Very small enterprise
  - Small enterprise
  - Medium enterprise
- Role in economy
  - Production of goods and services
  - Innovation
  - Aiding of business
  - Job creation

ENTREPRENEURIAL PROCESS

- Abilities & skills
  - Skill = knowledge demonstrated by action
  - Required skills
    - Strategy, planning, marketing, financial, project management & human relations skills
- Access to resources
  - Financial, human, operating/physical
- Opportunity/idea
  - Start new business or buy existing business?
- Feasibility
  - Collect data to forecast whether opportunity/venture will survive
- Business plan
- Managing business

ESTABLISHING A BUSINESS

OVERVIEW

- Importance of geographical location
- Legal forms of ownership
- Business plans

GEOGRAPHICAL LOCATION

- Location factors
  - Sources of raw material
  - Availability of labour
  - Proximity & access to the market
  - Availability & cost of
    - Transport facilities
    - Power & water
    - Site & buildings
    - Capital
  - Attitude, regulations & tariffs of local authorities
  - Existing business environment
  - Social environment
  - Climate
  - Central government policy
  - Personal preference

FORMS OF OWNERSHIP

- Sole proprietor
- Partnership
- Close corporation
- Company
- Business trust
- Co-operative society
- Joint ventures

DIFFERENTIATING FACTORS

- # owners/directors/members
- Legal personality
- Capital acquisition potential
- Name regulations
- Legal regulations/prescriptions
- Liability of members/shareholders
- Tax liability
- Profit distribution
- Transfer of ownership
- Continuity

BUSINESS PLANS - OBJECTIVES

- Main objectives:
  - Identify nature & context of business opportunity
  - Explain: how to develop opportunity
  - Attract investors
- Additional objectives
  - Evaluate chance of success systematically & realistically
  - Identify key variables for success & primary failure risks
  - Describe – manage business successfully
  - Management instrument to compare actual results with targeted performance

BUSINESS PLANS - COMPONENTS

- Cover page
- Executive summary
- Content
  - Brief & accurate description of venture
  - Body
- Financial analysis
  - Projected profits
  - Required assets
  - Financial requirements

BUSINESS ENVIRONMENT

OVERVIEW

- Organisation & environmental change
- Composition of business environment
- Micro-environment
- Market or task environment
- Macro-environment
- Environmental scanning

BUSINESS ENVIRONMENT

- Definition
  - Sum of all variables
  - May influence successful existence of organisation
- Sub-environments
  - Macro-environment
    - Greater external environment
    - Management has least control
  - Market environment
    - Immediate external sub-environment
    - Direct influence on business
    - Consumers, competitors & suppliers
  - Micro-environment
    - Business itself – Management → complete control

BUSINESS ENVIRONMENT CHARACTERISTICS

- Variables are mutually related
- Increasing instability
- Uncertainty about future
- Complex environment

MICRO-ENVIRONMENT

- Components
  - Mission & objectives of business
  - Organisational functions
    - Purchasing, logistics
    - Marketing
    - Finance
  - Human resources
    - Skills & experience
    - AIDS awareness – Why?
      - Better growth opportunities
      - Increased productivity
      - Decreased cost of healthcare
      - Continued work force diversity
      - Lower employee turnover
      - Improved employee morale

MARKET/TASK ENVIRONMENT

- Immediate consumer, supplier & intermediary market
- Components
  - Consumer – wants + needs
  - Suppliers – material, capital, labour
  - Intermediaries – gap between manufacturer & consumer, e.g. wholesaler
  - Competitors – rival businesses
- Opportunities & threats

MACRO ENVIRONMENT

- Changes : megatrends
  - Influence all businesses in all countries
- Variables (6)
  - Technological environment
  - Economic environment
  - Social environment (e.g. urbanisation)
  - Physical environment
  - Institutional-governmental environment
  - International environment

ENVIRONMENTAL SCANNING

- Process
  - Measurement, projection & evaluation
  - Change in different sub-environment
- Identify & monitor opportunity/threat
- Continuous basis

CORPORATE SOCIAL RESPONSIBILITY

OVERVIEW

- Terms & trends
- Citizenship imperative
- Business case for CSR
- Corporate governance
- Stakeholders and stakeholder engagement
- Sustainable development
- Link between CSR & various business functions

TERMS & TRENDS

- Triple bottom line
- Sustainable development
- Corporate social investment
- Sustainability reporting
- Corporate governance

CITIZENSHIP IMPERATIVE

- Global drivers
  - United Nations Global Compact
  - Global Reporting Initiative
  - AA1000 Framework
  - Other relevant initiatives
- SA initiatives & imperatives
  - Legislation
  - King Code on Corporate Governance
  - JSE Social Responsible Investment Index
    - Role of investors & emerging requirements of investors & civil society to demonstrate more socially responsible behaviour
  - Industry charters

BUSINESS CASE FOR CSR

- Contribute to company's profitability
- Benefits of CSR:
  - Savings resulting from energy-saving technology
  - + reputation → customer loyalty, higher quality employees & improved relations
  - Competitive advantage & value creation

- SWOT analysis
  - Strengths
  - Weaknesses
  - Opportunities
  - Threats

CORPORATE GOVERNANCE

- Way in which business
    - Makes decisions
    - Manage affairs
- Transparent leadership
    - Answerable & accountable to stakeholders
- Roles
    - Board of directors – fiduciary relationship
        - Executive & non-executive
        - Chairman
    - Management
        - Chief Executive Officer (CEO)
- CSR Policy
    - Values-based system
    - Stakeholder-engagement process
- King I, II and III

STAKEHOLDERS

- People/groups affected by OR having effect on company
- Internal
    - Board of directors
    - Management
    - Employees
- External
    - Shareholders
    - Customers
    - Public
    - Suppliers
    - Government
- Primary
    - On-going support is crucial to organisation's survival (e.g. employees)
- Secondary
    - Less direct impact on organisation (e.g. media)

LEVELS OF ENGAGEMENT

- Determined by:
  - Goals
  - Mode of communication
  - Nature of relationship
  - Engagement approach
- Levels
  - Remain passive
  - Monitor
  - Inform
  - Transact
  - Consult
  - Involve
  - Collaborate
  - Empower

KEY APPROACHES OF STAKEHOLDER ENGAGEMENT PROCESS

- Involvement – respect roles & find new participants
- Candour – comprehensive
- Relevance – focus on issues of greatest importance
- Learning – uncover new perspectives
- Action – act on results

STAKEHOLDER ENGAGEMENT PROCESS

1. ## Prepare
   - Identify & understand territory – most important issues
2. ## Plan
   - Set objectives & parameters
   - Identify & prioritise stakeholders to engage with
   - Accountability, mode of discussion & measure of success
3. ## Design
   - Engagement plan – agenda & logistics to meet engagement objectives
4. ## Engage
   - Execute engagement plan
5. ## Evaluate
   - Assess outcome of engagement
6. ## Apply
   - Information sharing & integrate outcome of engagement process

SUSTAINABLE DEVELOPMENT

- Meet needs of present without compromising the ability of future generations to meet their own needs
  - Needs & limitations
  - Systems thinking
    - Connect space & time
- International conferences
  - Rio Earth Summit (1992)
  - United Nations Global Compact (1999)
  - Millennium Development Goals (2000)
  - World Summit on Sustainable Development (2002)

LINK BETWEEN CSR & BUSINESS FUNCTIONS

- CEO/Top Management
  - Strategy, financial performance
- Operations
  - Produce goods in timely, cost-effective manner
  - New marketing opportunities & increased competitiveness
  - Total quality management (TQM)
- Finance
  - Access to capital, budget
- Procurement
  - Preferential Procurement Act, BEE
- Human Resources
  - Policies & procedures
  - Training opportunities, disciplinary practices, non-discrimination
- Risk Management
  - Increased demand for transparency, globalisation of risk & heightened surveillance
- Marketing & public relations
  - Effective development & delivery of satisfactory product offering to the market
  - Branding
  - Cause-related marketing (e.g. MySchool Card)

PLANNING

OVERVIEW

- Why planning is needed
- Managerial goals & plans
- Planning process
- Setting organisational goals & developing plans

WHY PLAN?

- Give direction (Roadmap)
  - Goals – desired future state (fixed period of time)
    - Road map
  - Plans – How to achieve goal
    - Blueprint for achieving goals
    - How to use resources & time
- Different functional areas work together
  - Coordination
  - Cohesion
  - Stability
- Force organisation to look at future
  - Technology
  - Look into future, anticipate change & reflect how it will influence the organisation.

MANAGERIAL GOALS

- SMART
  - Specific
  - Measurable
  - Attainable
  - Relevant
  - Time-bound
- Managerial levels
  - Top (Strategic)
  - Middle (Functional)
  - Lower (Operational)
- Management by Objectives (MBO)
  - Managers & employees jointly sets goals for business

PLANNING PROCESS

SETTING ORGANISATIONAL GOALS

- Organisational goal
  - Specific achievement to be attained
  - At specific future date
- Influenced by
  - Organisation's mission (purpose)
  - Business environment
  - Management's values
  - Management's experience
- Types
  - Strategic (long-term)
    - Top management: future-orientated
    - Focus on organisation as a whole
    - 3-10 years
  - Tactical (functional)
    - Middle management
    - 1-3 years
  - Operational (short-term)
    - Lower-level management
    - Maximum period of 1 year

CORPORATE STRATEGIES

- Market-development strategy
- Product-development strategy
- Concentration-growth strategy
- Innovation strategy
- Horizontal-integration strategy
- Vertical-integration strategy
- Joint-venture strategy
- Diversification strategy
- Turnaround strategy
- Divestiture strategy
- Liquidation strategy

ORGANISING

OVERVIEW

- Introduction to organising
- Importance of organising
- Fundamentals of organising
- Factors that influence organising & how organisations are designed

ORGANISING

- Establishment of structure within which organisation's activities can be carried out
- Organisational structure
  - Set of formal tasks
  - Formal reporting relationships
    - Lines of authority
    - Responsibility
    - # hierarchical levels
    - Span of management control
  - System to co-ordinate employees across departments

IMPORTANCE OF ORGANISING

- Detailed analysis of work to be done & resources to be used
  - Systemise tasks, resources, methods & procedures
- Divides workload
  - Allocate according to abilities/qualifications of employees
- Promote productive deployment & utilisation of resources
- Related activities/tasks grouped together
- Co-ordinate organisational activities
  - Complete, uniform harmonious units.

FUNDAMENTALS OF ORGANISING

- Specialisation
  - Job rotation
  - Job enlargement
  - Job enrichment
- Departmentalisation
  - Business
  - Product
  - Location
  - Customer
  - Matrix
- Span of management
- Responsibility & authority
- Coordination

INFLUENCING FACTORS

- Stability of business environment
  - Stable or turbulent
  - Technology
- Strategy of business
- Size of business
- Competence of employees
- Organisational culture

LEADING

OVERVIEW

- Nature of leadership
- Leadership theories
- Motivation
- Groups & teams
- Communication

NATURE OF LEADERSHIP

- Leadership
  - Influencing & directing behaviour of subordinates
  - Willing to strive to accomplish business goals/ objectives.
- Leader
- Characteristics
  - Authority
  - Power
  - Responsibility
  - Delegation
  - Accountability
 - Follower commitment

POWER

- Coercive
  - Enforce power through fear
- Reward
  - Influence employees with something of value to them
- Legitimate
  - Power granted to particular position
- Referent
  - Personal power or charisma
- Expert
  - Manager's expertise, knowledge or information

LEADERSHIP THEORIES

- Trait
- Behavioural
  - Leadership styles
    - Iowa: Autocratic, democratic, laissez-faire
    - Ohio:
      - Initiating structure (define roles)
      - Consideration (extent relationships based on trust & respect)
    - Michigan: Production-orientated or employee-orientated
    - Managerial grid: concern for production v people
- Contingency or situational
  - Fiedler: Contingency theory
    - Leadership style is fixed. Change leader or situation
  - Hersey & Blanchard: Situational theory
    - Appropriate leadership style determined by employee work maturity
    - Styles: Telling, selling, participating & delegating

BASIC MODEL OF MOTIVATION
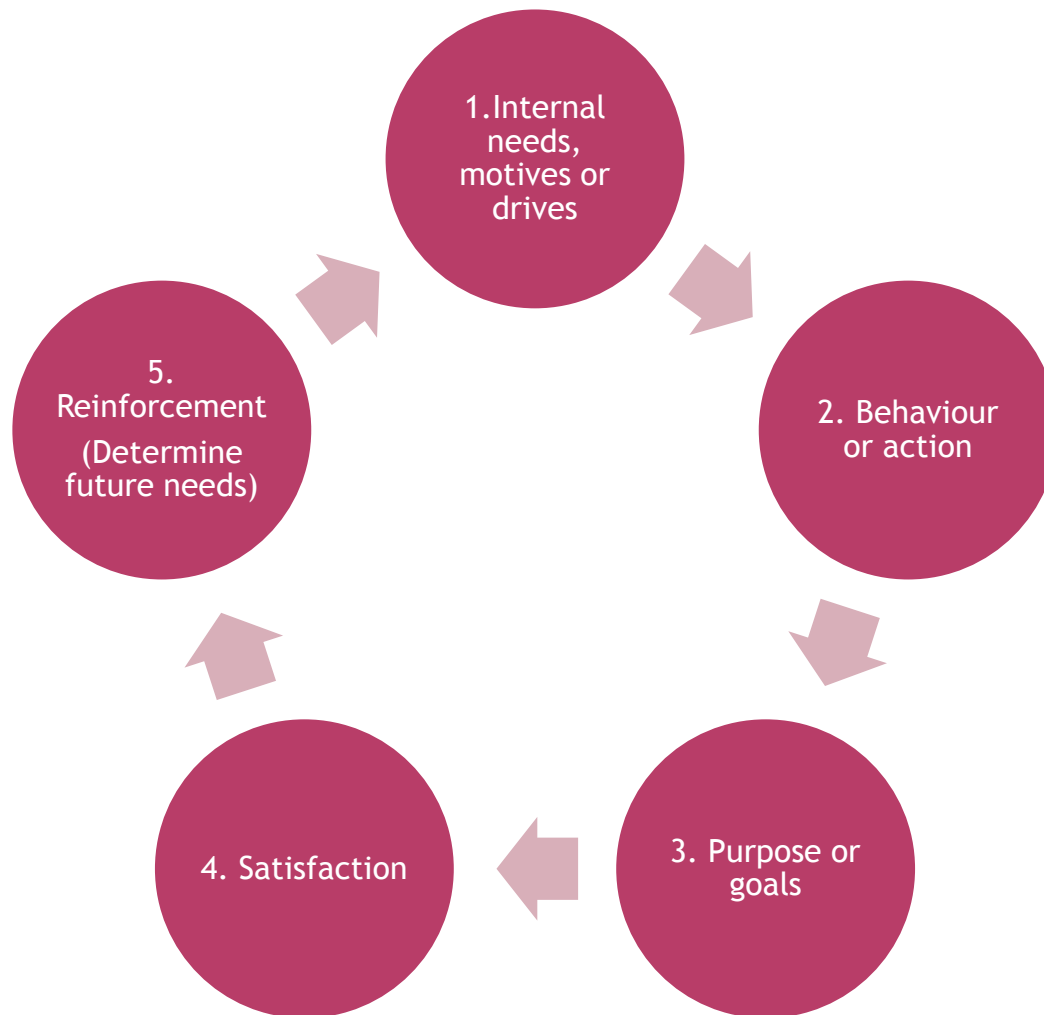
MOTIVATION
MASLOW HIERARCHY OF NEEDS

- ## Physiological
  - Basic requirements for survival & biological functioning
  - Food, drink, sex & air
- ## Security (safety)
  - Protection from physical & emotional harm
  - Clothing, job security
- ## Social
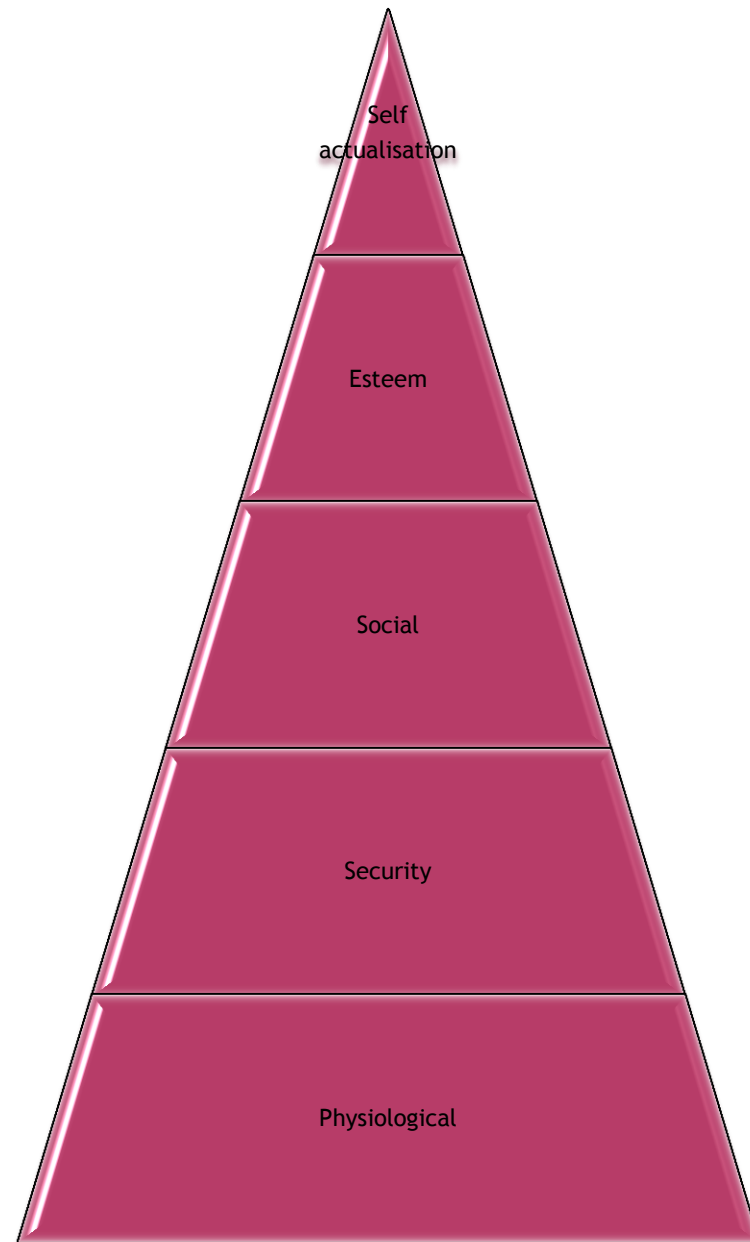 - Affiliation needs
  - Friendship, love
- ## Esteem
  - Need for + self image & recognition
- ## Self-actualisation
  - Realising potential
  - Skills development, creativity

Self actualisation

Esteem

Social

Security

Physiological

GROUPS & TEAMS

Groups	Teams

Groups
- 2 or more individuals, regularly interact
- Work for common purpose

- Information sharing
- Informal groups
  - Interest groups
  - Friendship groups
- Formal groups
  - Command groups (organisational chart – line of authority)
  - Task groups (specific task/ project)

Teams
- Small number of employees
- Complementary competencies
- Work together in project
  - Common purpose
  - Dependent on each other
  - Individually & mutually accountable for team performance

TEAM TYPES & CHARACTERISTICS

- Team types
  - Problem-solving
  - Self-managed
  - Cross-functional
- Characteristics
  - Clear understanding of team's goals, technical skills & abilities needed
  - Members capable of adjusting their skills
  - Mutual trust & unified commitment
  - Good communication & adequate negotiating skills
  - Team leaders encourage team members
    - Clarify goals & help members to realise their potential

COMMUNICATION

- Sender
- Message
- Channel
- Receiver

CONTROLLING THE MANAGEMENT PROCESS

OVERVIEW

- Introduction
- Purpose of control
- Control purpose
- Types of control
- Characteristics of effective control system

INTRODUCTION

- Nature of control
  - Ensure that
    - Organisation's goals & objectives are reached
    - Resources are used as productively as possible
- Task of control
  - Narrowing gap between planned & actual achievements
  - Obtain information to assess whether objectives reached
  - Corrective action
  - Rooted in planning stage

IMPORTANCE OF CONTROL

- Avoids poor planning
- Helps to adapt to environmental change
- Limits accumulation of error
- Caters for increasing organisational size & complexity
- Minimises cost

CONTROL PROCESS

- Set standards (derived from goals)
- Measure actual performance
- Evaluate deviations
- Take corrective action & rectify deviations

TYPES OF CONTROL

- Inventory
- Quality
- Financial resources
- Information resources
- Human resources

EFFECTIVE CONTROL SYSTEM CHARACTERISTICS

- Integrated
- Flexibility
- Accuracy
- Timeliness
- Simplicity