

## **THE MARKET ENVIRONMENT CONSISTS OF THE FOLLOWING KEY VARIABLES:**

### **Consumers**

- You need to explain here that the market consists of people with specific needs that have to be satisfied and who have the financial ability to satisfy their needs.
- Consumers are the chief component of the market environment. The organisation's marketing offering is targeted at the consumer.
- There are five groups of consumers or markets, namely; consumer markets, industrial markets, government markets, resale markets and international markets.
- A practical application example can be that Standard Bank indicates in the case study that they have 475 million consumers in 33 countries. They need to make sure that their marketing offer satisfies all of these group's needs.
- We assume that Standard Bank has different products and that each of these products are marketed to a specific segment and that the marketing and the product satisfies this group's needs.

### **Competitors**

- You needed to define competition as a situation in the market environment in which several organisations with more or less the same products or services compete for the support of the same consumers.
- Competition often determine how much of a given product can be marketed and at what price. Competition keeps excessive profits in check, acts as an incentive to higher productivity and encourages technological innovation.
- You could also have discussed that the intensity of competition in the environment is determined by five factors, namely; possibility of new entrants or departures, bargaining power of clients and consumers, bargaining power of suppliers, availability or lack of substitute products or services and the number of existing competitors.
- You could have also discussed the competitive market structures. For the practical example, you can assume in South Africa that Standard Bank is in competition with other South African Banks and you can provide some of these as examples.
- Thus Standard Bank needs to always keep the competitor offerings in mind as well locally as well as globally in the different markets that they compete.

### **Suppliers**

- Suppliers are entities who provide or do not wish to provide products, raw materials, services and even financing to the business. The enterprise requires inputs from the market environment.

- You needed to explain that inputs are primarily material including raw materials, equipment, energy, capital and labour, which are provided by suppliers.
- If a business cannot obtain the necessary inputs of the required quality in the right quantity and at the right price for the achievement of its objectives it cannot hope to achieve success in a competitive market environment.
- A supplier for Standard Bank can be the company that supplies them with the plastic magnetic strip cards that they give to customers or the deposit slips customers use in the bank or the computer systems that are used in the bank.
- All of these elements are needed for Standard Bank to compete in the market.

### **FEATURES OF THE NEW ORGANISATION AND THE CHALLENGES MANAGERS OF NEW ORGANISATIONS HAVE TO FACE**

<b>FEATURES</b>	<b>MANAGEMENT CHALLENGES</b>
<b>Global</b>	<ul style="list-style-type: none"> <li>• Develop and use global strategic skills manage change and transition</li> <li>• Manage cultural diversity</li> <li>• Design and function in flexible organisation structures,</li> <li>• Work with others and in teams,</li> <li>• Communicate effectively</li> <li>• Learn and transfer knowledge in an organisation</li> </ul>
<b>Networked, internally and externally</b>	<ul style="list-style-type: none"> <li>• Individual managers must develop their skills as team members and team leaders</li> <li>• Team structures and processes must be developed for each kind of team in the organization</li> <li>• Networks with outside organisations involve forming alliances with customers, suppliers, and competitors and an organization must develop systems to manage information flows with the organisations with which it forms alliances</li> </ul>
<b>Flat and lean</b>	<ul style="list-style-type: none"> <li>• Managers must develop negotiating skills, to enable them to negotiate win-win situations for all involved in flat structures</li> </ul>

	<ul style="list-style-type: none"> <li>• The organisation must provide alternative incentive systems and new concepts of career planning that involve more horizontal than vertical movement</li> <li>• More frequent and effective communication between senior and junior managers</li> </ul>
<b>Flexible</b>	<ul style="list-style-type: none"> <li>• Multitasking</li> <li>• Flexible labour practices</li> </ul>
<b>Diverse</b>	<ul style="list-style-type: none"> <li>• Managers will need to shift their philosophy from treating everyone alike to recognising differences and responding to those differences in ways that will ensure employee retention and greater productivity</li> <li>• Training in diversity</li> <li>• Developing listening skills</li> </ul>

## ORGANISATIONS

- Organisations are open systems, which imply that organisations influence their environments and vice versa.
- During the previous century, the environment was much more stable and the traditional form of organisation, the bureaucracy worked well.
- Contemporary organisations function in an environment characterised by major, ongoing change, hence the emergence of “new” organisation forms.

## FORCES THAT CAUSE ORGANISATIONS TO CHANGE

- Organisations worldwide are changing because the environments in which they operate have changed drastically over the past decade or two and the pace of change is accelerating.

### The Forces That Stimulate Change Are:

- Globalisation and the global economy
- Advances in technology
- Radical transformation of the world of work
- Increased power and demands of the customer
- Growing importance of intellectual capital and learning
- The learning organization
- New roles and expectations of workers

**WEBER'S MODEL PROVIDED A BLUEPRINT OF HOW AN ENTIRE ORGANISATION COULD OPERATE BY SUBSCRIBING TO SEVEN DESIRABLE CHARACTERISTICS:**

- Division of labour.
  - ✓ All duties are divided into simpler, more specialised tasks so that organisations can use human and other resources more efficiently.
- Hierarchy of authority.
  - ✓ The organisation has a hierarchical structure that ranks job position according to the amount of power and authority each possesses.
- Power and authority
  - ✓ It increases at each higher level and each lower-level position is under direct control of one higher level.
- Rules and procedures.
  - ✓ A comprehensive set of rules and procedures that provide the guidelines for performing all organisational duties is clearly stated and employees must adhere strictly to them.
- Impersonality.
  - ✓ The rules and procedures apply to all employees impersonally and uniformly.
- Employee selection and promotion.
  - ✓ All employees are selected based on technical competence and promoted according to their job performance.
- In addition, according to this traditional model, the organisation's **environment is analysed in terms of one country**, even in multinational organisations.

Discuss the basic concepts of organisational politics, namely interest and power.

Organisational politics stem from the realisation that organisations are political places in which individuals and groups compete for the *same scarce resources*, which gives rise to *competition* and *conflict*. The disagreements and conflict between individuals and groups necessitate *political action* in the form of *negotiation*, *coalition building* and the *use of power and influence*. What people want and what is at stake for them denote their *interests*. *Power* denotes the potential of a person to influence the behaviour of others, to change the cause of events, to overcome resistance, and to get people to do things they would not normally do.

## Distinguish between individual and collective interests.

*Individual interest* involves an individual acting in his or her best interest. For example, he or she may look at a change intervention and consider how the change could affect his or her own position, such as better remuneration, advancement in the organisation or perhaps obtaining more power and influence. *Collective interests*, however, derive from organisational design, which defines the shared borders of interest groups (the organisational structure and the positions of power created by the structure). Organisational members typically belong to more than one collective interest group and will support or block decisions that affect their interests in the various groups of which they are members.

## Identify and discuss the sources of power.

The sources of power in organisations derive from organisational hierarchy, influence, coercion and control over resources – and provide those who wish to pursue their interests with adequate means to do so. Referent power refers to an individual who has power because of his or her personal characteristics or “charisma”. Expert power refers to an individual’s power that stems from the possession of scarce and valued expertise. The excellent past performance and record of accomplishment of an individual or a group is a source of power. People gain legitimate power because of their formal positions in organisations, which allow them to make decisions pertaining to resource allocation, information flows (who receives important information and who not), performance evaluations, task alignment and conflict resolution. Coercive power belongs to an individual who can offer or restrict benefits or inflict punishment or control the behaviour of another person. Reward power rests with an individual who has the ability to give a reward, such as a salary, a promotion, time off or access to a resource. In addition, control of decision processes, control over knowledge and information, influence and using symbolism and the management of meaning are potential sources of power.

## ***WHAT ARE BUSINESS ETHICS?***

Business ethics are an example of applied ethics. In simple terms, one can say that business ethics involve the study of values and conduct in the business environment. Ethical questions arise when there is a conflict of interest in the business environment. Managers, in particular, cannot avoid ethical issues in business any more than they can avoid them in other areas of their lives.

## ***LEVELS OF ETHICAL DECISION MAKING***

Understanding ethical dilemmas by identifying the level at which the issues originate, can add clarity for those who must decide what course of action to take. In business, most issues managers face, occur at one of the following five levels, which are not mutually exclusive.

- Individual
- Organisational
- Association
- Societal
- International

These levels can and often do overlap. It is helpful to identify the ethical level when confronting an issue and to ask whose interests, values, beliefs and economic interests are at stake.

## ***DIFFERENT APPROACHES TO ETHICAL DECISION MAKING***

There are three fundamental ethical approaches that business managers can use in their ethical decision making when selecting particular alternatives and justifying difficult actions.

- The utilitarian approach (the effects of a particular action on those directly involved are judged in terms of what provides the greatest good for the greatest number of people)
- The human rights approach (an ethically correct decision is one that best maintains the rights of those affected by it)
- The justice approach (equity, fairness and impartiality are the basis of ethical decisions)

## ***STEPS IN THE ETHICAL DECISION MAKING PROCESS***

The steps highlighted below can help a decision maker to make an ethical decision. The decision ultimately taken may still be the wrong one, but at the very least, a rational process was followed and the decision taken represents the best judgement of the decision maker.

- Identify the problem.
- Determine whose interests are involved.
- Determine the relevant facts.
- Weigh the various interests.
- Determine the expectations of those involved.
- Determine the range of choices.
- Determine the consequences of these choices for all those involved.
- Make your choice.

## ***MANAGING ETHICS IN THE ORGANISATION***

The organisation can manage ethics in the organisation in the following ways:

- leading by example
- following a code of ethics
- having ethical structures in place
- whistle blowing

## ***ETHICS AND SOCIAL RESPONSIBILITY***

The relationship between a manager's ethical standards and the organisation's social responsibility is that ethics provide the individual manager's guide for assessing the "rightness" of potential actions by the organisation. In a sense, ethical standards are filters that screen the organisation's actions according to what is right and wrong. Ultimately, managers must weigh each demand made on the organisation, according to their own ethical standards and the organisation's code of ethics, which provide the basis for their decision making on the complex issues of social responsibility.

## **CORPORATE SOCIAL RESPONSIBILITY**

Corporate social responsibility implies that a manager, in the process of serving his or her own business interests, is obliged to take actions that also protect and enhance society's interests, without compromising the ability of future generations to meet their own needs. The overall effect is to improve the quality of life in the broadest possible way, regardless of society's definition of quality of life. The manager should be concerned with social and economic outputs and the total effect of the organisation's actions on society.

## ***LEVELS OF SOCIAL RESPONSIBILITY***

- social obligation (an organisation engages in socially responsible behaviour when it pursues profit within the constraints of the laws imposed by society)
- social reaction (organisations must be accountable for the ecological, environmental and social costs incurred by their actions)
- social responsiveness (an organisation actively seeks to prevent and find solutions to social problems according to this view)

## ***TO WHOM IS BUSINESS RESPONSIBLE?***

The actions, decisions, policies, practices or goals of the organisation either influence individuals or groups or the organisation. These individuals or groups are stakeholders in the organisation.

- **Primary stakeholders** are those identified in the microenvironment and market environment, and include owners, stockholders and the board of directors, employees, suppliers and customers.
- **Secondary stakeholders** are those found in the organisation's macro-environment and include local communities and the country as a whole.



## ***SUSTAINABILITY REPORTING***

Sustainable reporting is a move away from a company's reporting exclusively on its economic performance to "triple bottom line" reporting, which includes reporting on economic performance, environmental factors and social activities.

## **CORPORATE GOVERNANCE**

Organisations are managed and controlled by a system of reference (corporate governance) from which the organisation's values and ethics emerge. Sound corporate governance is a prerequisite for attracting investments, and the prescribed book discusses some of the Code of Governance for South Africa (King III).

## **WHAT IS DIVERSITY?**

**Diversity is about demographics.** In South Africa, we have moved from a situation in which the law regulated where people could live, what kind of work they could do and with whom they could socialise, to a situation in which the human rights of people are protected by a modern constitution. These changes have had a major impact on the way organisations function, which people they employ and with whom they do business.

**Diversity is about profitability.** Diversity fosters teamwork and helps organisations identify and meet the needs of their customers and consumers. The organisations that have understood and used their understanding of diversity innovatively have found that they have a competitive advantage in the marketplace.

**Diversity is about values.** Diversity has to do with human rights, civil rights and people's deeply held beliefs. We admit that valuing diversity is a personal decision and focus on diversity as a business decision.

**Diversity is about behaviour.** Regardless of our personal beliefs, our organisations expect us to work in the most productive possible manner, and valuing diversity is much more productive than not valuing it.

**Diversity is a long-term process.** Diversity is a large-scale change effort that extends far beyond training, and must therefore be viewed as a long-term process. Organisations that make a long-term commitment to a comprehensive strategy that includes training will not be disappointed and will be able to see lasting benefits.

## ***WHAT IS WORKFORCE DIVERSITY?***

Many people in South African organisations are experiencing difficulties meeting the challenge of adapting to people who are different from themselves. The term used to describe this challenge is "workforce diversity", which means that organisations are becoming more heterogeneous in terms of gender, race, ethnicity, ability, age and other aspects of "differentness".



## **REASONS FOR THE INCREASED FOCUS ON MANAGING WORKFORCE DIVERSITY**

New trends in the workforce result in an increased focus on managing workforce diversity. The trends are as follows:

- changing demographics in the labour force
- legislation and legal action
- the globalisation movement
- increased awareness that diversity improves the quality of the workforce

### ***APPROACHES TO MANAGING DIVERSITY***

The idea that diversity should be managed originated in the 1960s, and since then the following three approaches have been identified (Smit et al 2011:281–282):

- the golden rule approach
- the “right the wrongs” approach
- the “value of differences” approach

### ***SPHERES OF ACTIVITY FOR DIVERSITY MANAGEMENT***

The three steps in implementing a diversity strategy in an organisation are:

- building a corporate culture that values diversity
- changing structures, policies and systems to support diversity
- providing diversity awareness and cultural competency training

## **PROJECT MANAGEMENT**

Project management can be defined as a management tool used to plan, organise, implement and control activities in order to attain a predefined objective. Project management uses knowledge, skills, tools and resources to execute activities to meet clients’ needs and expectations. To this end, a project manager needs to keep planned activities on schedule, within an approved budget, and deliver the quality of the product and/or service required, taking all sources of risk into consideration. Project management thus has the following four important elements:

- cost
- time
- quality
- risk

Managing a certain project entails planning, organising, co-coordinating and controlling the activities and resources relating to it. These resources may include the following:

- human resources
- money
- equipment
- machinery
- information systems
- time

Project management can be used in the following situations:

- to effect improvements and change
- when a task is complex
- when a task requires the integration of activities across functional lines
- when more resources are needed than are available
- when a unique once off task is involved
- to implement a strategy

Project management has the following advantages:

- Control is exercised over all the activities of the project, which leads to higher overall productivity.
- Effective project management may lead to a shorter completion period.
- The costs of each activity of the project can be controlled.
- Effective project management can improve the quality of the product or service.
- Transparency can be improved when all role players are involved

## **PERSPECTIVES OF PROJECT MANAGEMENT**

### ***INTERNAL PERSPECTIVE OF PROJECT MANAGEMENT***

Project management has both an internal and an external perspective.

Internal projects are those launched in an organisation, inter alia, to use scarce resources more effectively, improve existing procedures and methods, ensure more effective service and improve the quality of the final product and/or service. To launch internal projects, the project manager needs to allocate resources, tasks and responsibilities to an individual or group in order to complete the task within a certain time. However, the project manager remains primarily responsible for the successful execution of the project.

Although the community should benefit indirectly from effective project management, internal project management has no direct benefits to the community. External projects, however, affect communities directly.

Before an organisation starts a certain project, it needs to answer the following questions:

- Is the organisation flexible enough to implement project management?
- Will the organisation be able to handle the level of quantity and complexity of the project(s)?
- Lastly, what are the requirements of the client or community?

In executing complex projects, organisations usually adopt a matrix organisational structure in selecting the project team members. Coordination is of vital importance here.

Internal project management has the following advantages:

- Undivided attention can be given to a specific project by every person working on the project.
- The initial and final responsibility for the successful execution of the project can be assigned to an independent division.

Internal projects can be executed at three different levels in an organisation, namely at the strategic, tactical and operational levels:

- At the strategic level, top managers consider the organisation's external and internal environment, and formulate the overall direction of the organisation.
- At the tactical level, middle managers translate the organisation's direction into initiatives which will later become different projects.
- At the operational level, line managers play the role of project managers who are responsible for the actual planning, execution and control of a project.

### ***EXTERNAL PERSPECTIVE OF PROJECT MANAGEMENT***

Any community strives to develop and improve its quality of life. Given the inequalities between communities in a developing society such as South Africa, upliftment and development programmes are needed. Project management can be used to co-ordinate such development programmes.

## **KEY ROLE PLAYERS IN PROJECT MANAGEMENT**

In any project, two types of role players can be distinguished, namely key and supporting role players. Key role players in the project management process are the strategic manager, the tactical or programme manager and the operational or project manager. The project team consists of a group of people with different but complementary skills. The project centre is responsible for monitoring programmes and projects. Lastly, the client is the person who or institution which initiated the request and is the owner of the final product or service of the project.

### ***STRATEGIC MANAGER***

The strategic manager, together with the managerial team, analyses the organisation's internal and external environments. They then define the strategic direction and priorities of the organisation as a whole, taking all potential sources of risk into consideration.

### ***TACTICAL (PROGRAMME) MANAGER***

The tactical or programme manager translates the strategic priorities and goals (as formulated by the strategic manager) of the organisation into potential programmes, consisting of various projects. The tactical manager assists the project manager with any issues that occur during the implementation of the project. Corrective action must be taken on issues that influence the project's progress and successful completion.

### ***OPERATIONAL (PROJECT) MANAGER***

The operational manager is responsible for the planning, execution, control and finalisation of the project. He or she compiles a project plan which states how, when, where and by whom the various tasks will be done.

### ***THE PROJECT TEAM***

The project team should comprise people with different skills to assist the project manager in the planning and implementation of a project. Each member of the team has an individual responsibility aimed at the project's implementation.

## **THE PROJECT MANAGEMENT PROCESS**

To enable managers, and in particular managers in the public sector, to launch or control a project effectively, practical steps in a logical framework and structure should be followed. These steps are discussed below.

### ***Step 1: Identify the need for a project***

The first step in the project management process is to identify the need for a project. Several methods, which can be divided into formal and informal methods, are used. Examples of formal methods are questionnaires, scientific surveys and opinion polls. Examples of informal methods are debates at community committees, discussions and observations.

When identifying the need for a project, it is essential that any information should be based on corroborative facts and not merely on personal opinions and/or assessments. The stakeholders who will be affected by the end results of the project must find the project acceptable and they must support it.

### ***Step 2: Choose the project team and appoint a project manager***

Once the need for a particular project has been identified, the next step is to appoint a project team. When deciding on the members of the project team, depending on the nature of the project, it is vital that they should be knowledgeable in several specialised areas. For example, a financial specialist would be required to manage and control the budget, a human resource expert would be needed to manage the people and a public relations expert would be the best person to create a positive and favourable image among all stakeholders. An effective and efficient project manager is needed to ensure that the community will be served and to ensure that the project will attain its objectives within the limited budget and time.

*Project managers should have the following characteristics:*

- The ability to see the project as a whole, its purpose and the activities needed to achieve its aim
- Organisational experience
- Experience in leadership and motivation
- Contact with all stakeholders, such as the community, project members and suppliers
- The ability to coordinate the project's activities as well as its diverse pool of resources
- Effective communication, negotiation and procedural skills
- The ability to delegate and control the activities of the project team

**Step 3: Define the project**

The first task of the project manager and the project team is to define the project so that each member of the team exactly knows what is expected of him or her. A project definition should include details of the following:

- The beneficiaries of the project
- The purpose of the project
- The scope of the project
- Any factual information and community approval
- The planned completion date
- The resources required to execute the project
- The available resources of the project
- The estimated costs of ,say, material, components, transport and human resources
- Any sources of risk that may be an obstacle to attaining the purpose of the project within the time and cost constraints

**Step 3: Define the project**

The first task of the project manager and the project team is to define the project so that each member of the team exactly knows what is expected of him or her. A project definition should include details of the following:

- The beneficiaries of the project
- The purpose of the project
- The scope of the project
- Any factual information and community approval
- The planned completion date
- The resources required to execute the project
- The available resources of the project
- The estimated costs of ,say, material, components, transport and human resources
- Any sources of risk that may be an obstacle to attaining the purpose of the project within the time and cost constraints

**Step 4: Plan the project**

In order to achieve the purpose of the project, it should be divided into logical progressive steps. The members of the project team must gather information on all aspects of the project. Project planning mainly involves a project schedule, a project budget and supporting documentation.



### ***Drafting a schedule of activities***

The following two techniques can be used to draft a schedule of activities, namely the Gantt chart and the programme evaluation and review technique (PERT). The Gantt-chart is a graphic planning and control method in which a project is broken down into separate tasks. Estimates are then made of how much time each task requires as well as the total time needed to complete the entire project. The start and end dates of the tasks are indicated on the chart. Once the basic activities have been determined, a target completion date must be set for each activity. The next step is to determine the duration of each activity. Once the activities, as well as the activity duration, completion time and latest starting time have been determined, the Gantt-chart can be drawn up. Project managers can monitor the progress of the project by comparing actual progress against planned progress.

PERT is a planning tool that uses a network to plan projects involving numerous activities and their interrelationships. The key components of PERT are events, activities, time, the critical path and possible cost. These components are explained in the following example:

If a construction company were to be awarded the project by the South African government to upgrade the N3 highway between Heidelberg and Villiers, the construction of the highway would comprise several *events* for the company. Each event would require multiple *activities*.

*Time* can be measured in a variety of ways. In this case, because of the length of the project, it would be measured in weeks and months to determine the *critical path*. Knowledge of a critical path is essential because it determines the length of time it will take to complete the highway by identifying how long each activity will take.

In the example at hand, it may be essential for the construction company to complete the highway before the beginning of the December school holidays. There may even be a penalty payable to the government if the event is not completed by a certain date. The critical path is the longest or most time-consuming sequence of events and activities in a PERT network. This should enable management to work out the time it will take to construct the highway to ensure that it is completed on time.

The following four steps should be followed in developing a PERT network:

**Step 1.** All the activities and events that must be completed to realise the objective should be listed. Each should be assigned a letter. In constructing the highway, relevant events for the construction company would include the following: the design of the highway, approval of the plans, preparing detours for traffic, closing off certain sections of the highway, demarcating the boundaries of the highway, felling trees and so on. Each event comprises an activity or activities.

**Step 2.** The time to complete each activity, and therefore each event, should be determined.

**Step 3.** The tasks should be arranged in the sequence in which they should be completed.

**Step 4.** The critical path should be determined.

PERT enables managers to monitor a project's progress, identify possible bottlenecks and shift resources as necessary to keep the project on schedule.



**Step 5: *Implement the project***

In a rapidly changing environment, it is essential that the project implementation should follow the planning phase as soon as possible. During the implementation phase, all the planned activities are performed by people responsible – they give feedback to the project team, allocate resources and exercise control.

Project managers play a crucial role in project implementation. They need to:

- co-ordinate activities
- take the lead
- motivate project team members
- constantly monitor the progress of the project, evaluate deviations and take corrective action if necessary
- ensure that the project team members and the community remain enthusiastic and motivated

**Step 6: *Evaluate the project***

The final step in project management is evaluation. Although we discuss this as a final step, project evaluation should be done throughout the project management process to ensure that the planned objectives are being achieved.

The progress of the project in terms of time, cost, quality and risk as predefined in the project plan should be monitored. Project evaluation should take place continually to identify deviations and make recommendations for improvement.

What can a project manager do in order to determine the effectiveness and efficiency of a specific project?

On completion of a project, the project manager should ask the following questions in order to determine the efficiency and/or effectiveness of project management:

- Were the predetermined objectives attained?
- Was the project completed within the planned period of time?
- Was the project completed within the planned budget?
- Was the quality of the final product or service on a par with the quality that was planned for?
- Were all sources of risk addressed?
- Is the client happy with the final product or service?

## GROUPS AND TEAMS

A group refers to two or more individuals, interacting and interdependent, who come together to achieve particular goals. People join groups to satisfy their needs, which include the following:

- Groups offer security to people.
- An individual can achieve a certain status by joining a group that others view as important because the group provides recognition and status for its members.
- An individual's feelings of self-esteem can be raised by being accepted into a highly valued group.
- Joining groups can satisfy the social (or affiliation) needs of people.
- Groups represent power because group action can achieve what individuals often cannot achieve by themselves.
- People also join groups to achieve goals that they cannot achieve alone.

### ***INFORMAL GROUPS***

An informal group is one that develops out of the day-to-day activities and interactions of people working in the same organisation. Informal groups can be either interest groups or friendship groups.

- An interest group focuses on the needs of the group itself. The reason for its existence is the shared interests of the members. Interest groups may exist for only a short time until their goal is either accomplished, or abandoned. Other interest groups may last for a relatively long period on a continuing basis.
- The main reason for the existence of a friendship group is that its members have social needs to satisfy, or they have common interests.

### ***FORMAL GROUPS***

Organisations deliberately create formal groups to accomplish specific tasks and to achieve the goals of the organisation. Formal groups are defined by the organisation's structure, where work assignments are allocated to specific work groups.

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

A work group has the following characteristics:

- The skills of group members are random and varied.
- A group has a strong leader, such as a manager.
- Individual group members are accountable and rewarded for their own performance.
- The performance of the group is the sum of all the individual group members' performance.

There are two types of formal work group: command groups and task groups.

- A command group comprises a manager and the subordinates who report directly to him or to her.
- A task group signifies people working together to complete a specific task, and it can cross hierarchical boundaries. All command groups are also task groups, but because task groups can cut across the organisation, not all task groups are necessarily command groups.

## STAGES IN GROUP AND TEAM DEVELOPMENT

Newly formed or changed groups or teams go through certain stages of group development.

- Forming stage
- Storming stage
- Norming stage
- Performing stage
- Adjourning stage

## VARIABLES THAT INFLUENCE GROUP AND TEAM BEHAVIOUR

### Organisational context

A group is a sub-system of a larger organisational system; therefore, part of the group's behaviour can be attributed to the organisational context in which it functions. The factors in the organisational context that influence the functioning of a group include: goals and strategies; authority structures; policies, procedures, rules and regulations; organisational resources; personnel selection processes performance management system; organisational culture; and physical work setting.

### Group member resources

For a group to perform well, its members should possess the necessary technical knowledge and skills, but also be skilled in interpersonal issues, such as conflict management and resolution, problem solving, and communication. Managers in South Africa also need to be able to manage diversity.

### Group structure

Each group has a certain structure that determines how individual group members and the group as a whole function. The following are seven factors that influence a group's structure:

- Leadership
- Roles
- Norms
- Status
- Cohesiveness
- Size
- Diversity

### Group processes

Group processes include group decision making, communication, leader behaviour, power dynamics, and conflict interaction.

- Group decision making. Two by-products of group decision making that strongly influence group processes – groupthink and groupshift.
- Groupthink occurs when individual group members do not express their own realistic assessment of a decision in cases where the group's consensus differs from their own.
- Groupshift occurs when group members take group decisions that carry either more risk (adventurous) or less risk (conservative) than the decision that individual members would make.

**Communication**

Effective communication reduces ambiguities and clarifies a group's tasks.

**Power and politics**

Power plays an important part in group processes, because certain group members have more power than others and, as a result, can influence other group members to do things they would not have done otherwise. This can have either a positive or a negative influence on group decision making, depending on the inclination of the individual who possesses the power. Political behaviour refers to an attempt to influence the distribution of advantages in the organisation.

**Conflict**

Although organisations design structures to promote cooperation, most organisations experience internal conflict. Conflict need not always be negative (quite the contrary), but it has the potential to affect the goal attainment of groups negatively. Conflict can also prevent stagnation; stimulate creativity, release tensions and initiate change.

**Group tasks**

- The tasks of groups range from simple (routine and standardised) to complex (novel and non-routine).
- Tasks also vary in terms of the required degree of interdependence between members and between various groups.
- Another variable that influences the performance of groups is task uncertainty which occurs when groups are unsure of the direction the organisation is taking or because of future events that may affect them and their activities in the organisation.

***CHARACTERISTICS OF WORK TEAMS*****Complementary competencies**

Team members should have complementary competencies (knowledge, skills, and value orientation).

**Commitment to the common purpose**

The distinctive characteristic of a team is a shared commitment by its members to their joint performance.

**Shared mission and collective responsibility**

The team concept implies that all team members know and share the mission of the organisation and that the team members accept collective responsibility for the performance of the team.

**Individual and mutual accountability and rewards**

Team members are both mutually and individually accountable and rewarded for the team's performance.

**Synergy**

The individual efforts of team members result in a level of performance that is greater than the sum of their individual inputs.

### **Shared leadership**

Teams share leadership. A specific person will be identified as a leader but will empower members to take responsibility for performing the management functions while focusing on developing effective group structures and processes and developing team skills. Team leaders will also be involved in planning and conducting meetings and handling problem members. Their role changes from managing to coaching and facilitating.

### **Equality**

Teams are characterised by equality – in the best teams everyone suppresses their individual ego for the good of the team.

## ***REASONS WHY ORGANISATIONS USE TEAMS***

The reasons why so many organisations are moving away from work groups to work teams, include the following.

- Innovation
- Speed
- Cost
- Quality

## **TYPES OF TEAMS**

The four most common forms of teams found in organisations are problem-solving teams, self-managed work teams, cross-functional and virtual teams.

- **Problem-solving teams**

Problem-solving teams are typically composed of employees from the same department who meet for a few hours each week to discuss ways of improving quality, efficiency, and the work environment.

- **Self-managed work teams**

Self-managed teams function autonomously; they may make and implement decisions and take full responsibility for outcomes.

- **Cross-functional teams**

Cross-functional teams comprise employees on the same hierarchical level, usually in the same organisation, but could also include people from other organisations.

- **Virtual teams**

Virtual teams comprise geographical and/or organisationally dispersed co-workers who use telecommunications and information technologies to accomplish an organisational task.



## DEVELOPING INDIVIDUALS INTO TEAM MEMBERS

There are several options available to organisations wishing to introduce teams in the workplace:

- Selection process – appoint people who will work well in teams.
- Training – train people to work in teams.
- Reward systems – develop reward systems that reward team effort.

### Differentiate between the terms “internal value chain” and “value system”.

The internal **value chain** of an organisation refers to the interrelated functions and activities that are performed in order to create value for the customer. The internal value chain of an organisation in a particular industry is embedded into a larger stream of activities called the **value system**. The value system includes suppliers, and distributors.

### Explain the term “sustainable competitive advantage”.

Competitive advantage can be defined as the ability of an organisation to provide greater value to customers than its competitors can. Competitive advantage grows out of the way that organisations organise and perform discrete activities. A sustainable competitive advantage occurs when other organisations try unsuccessfully to duplicate an organisation's competitive advantage over the long term. Sustainable competitive advantage therefore ensures the survival of the organisation over the long term.



## Discuss the seven basic internet business models.

An organisation can formulate an e-business strategy around one or a combination of seven basic internet business models (Kreitner, 2009: 187).

- The commission-based business model. This model is based on commissions that are charged for brokerage or intermediary services. The model adds value by providing expertise and/or access to a wide network of alternatives.
- Advertising-based business model. Based on this model, advertisers pay for web content. The model adds value by providing free or low-cost content, including customer feedback, expertise and entertainment programming, to audiences that range from very broad to highly targeted advertising. In the case of very broad targeted advertising, advertisements will have a general content, whereas in the case of highly targeted advertising, advertisements will have a specialised content.
- Make-up based business model. The make-up based business model involves selling marked-up merchandise. The model adds value through selection, distribution efficiencies and the leveraging of brand image and reputation. This model often uses entertainment to enhance sales.
- Production-based business model. This model entails selling manufactured goods and custom services. It adds value by increasing production efficiencies, capturing customer preferences and improving customer service.
- Referral-based business model. According to this model, fees are charged by referring customers. The model adds value by enhancing an organisation's product or service offering, tracking referrals electronically, and generating demographic data. Expertise and customer feedback are often included with referral information.
- Subscription-based business model. The subscription-based model charge fees for unlimited use of the service or content. It adds value by leveraging strong brand name, providing high quality information to specialized markets or access to essential services.
- Fee-for-service-based business model. The last business model charge fees for metered services. It adds value by providing service efficiencies, expertise, and practical outsourcing solutions.

Discuss the internal value chain of an organisation. Illustrate your answer with a diagram.

### The internal value chain

An important contributing factor to the long-term survival of an organisation is the value that the organisation is creating for its customers. Within any organisation, a variety of functions and activities need to be performed in order to create value. Michael Porter developed the term **value chain** to describe the interconnectedness and interrelatedness of these internal functions and activities. The following examples illustrate the interrelatedness of these internal functions and activities.

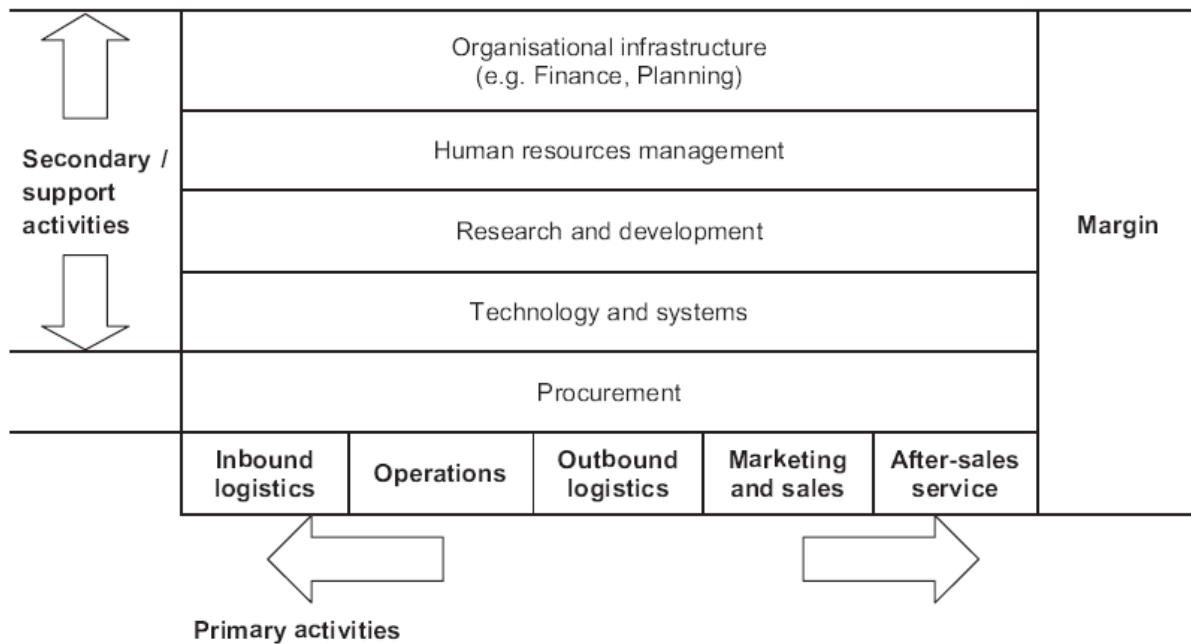
- The top management of the organisation formulates the vision and mission statement, determines the long-term goals, identify corporate strategies and allocate resources to achieve its long-term goals, vision and mission.
- Research and development (R&D) is responsible for new product design.
- The supply management of the organisation coordinates the upstream supply base, continuously finding the right suppliers and building relationships with them.
- The operations function of the organisation transforms the inputs of the organisation (acquired from various suppliers) into more highly valued products and/or services.
- Logistics moves and stores materials and half-finished products so that they are available when and where they are needed.
- The marketing function of the organisation manages the downstream relationships with customers, identify customers' needs and communicates to them how the organisation can meet their needs, where, when and at what price.

- The human resources function of the organisation determines the need for human resources in order to attain the organisation's vision, mission and goals, recruit, select, appoint, develop and retain the organisation's employees.
- The accounting function of the organisation maintains business records that provides management and other stakeholders (such as government, shareholders, credit providers and so on) with information needed to control the finances of the organisation.
- The financial function acquires, allocate and control the capital required to operate the organisation.
- Information technology is used throughout the organisation to build and maintain systems needed to capture and communicate relevant, timely and accurate information to all decision makers.

The organisation creates value for their buyers through performing these activities. The ultimate value that an organisation creates is measured by the amount that buyers are willing to pay for its products or services. An organisation is profitable if this value exceeds the collective cost of performing all the required activities.

The activities performed in competing in a particular industry, are grouped according to the value chain into two broad classes or types of organisational activities:

- Primary activities. The primary activities of the value chain are those involved in the ongoing production, marketing, delivery and servicing of the product.
- Secondary activities. The secondary activities of the value chain are those activities involved in providing purchased inputs, technology, human resources, some combination of technologies, and draws on the infrastructure of the organisation such as general management and finance.

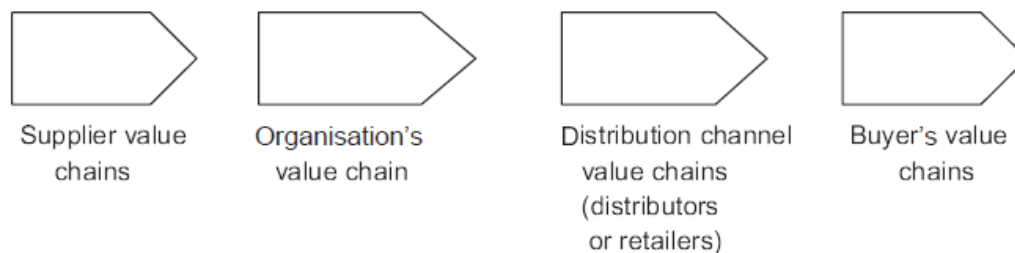


Source: Adapted from Porter, ME. 1990. The competitive advantage of nations. New York: The Free Press. p.41.

## THE VALUE SYSTEM

An organisation internal value chain in a particular industry is embedded into a larger stream of activities, called by Michael Porter a **value system**. The value system includes suppliers, and distributors. Suppliers provide input such as raw materials, components, machinery, and purchased services) to the organisation's value chain. On its way to the ultimate consumer, the organisation's product often passes through the value chains of distribution channels or middlemen. Ultimately, products become purchased inputs to the value chains of their buyers, who use the products in performing a set of activities of their own.

### The value system



Source: Adapted from Porter, ME. 1990. The competitive advantage of nations. New York: The Free Press. p.43.

Competitive advantage is a function of how well an organisation can manage this entire system. Linkages not only connect the internal activities of an organisation, but it also creates interdependencies between an organisation and its suppliers and distribution channels. An organisation can create competitive advantage by better optimisation or coordination of these links outside the organisation.

The value chain and value system allows managers a deeper look at their own internal activities and the linkages, with the activities of their particular industry, as a source of competitive advantage.

## MULTIPLE CHOICE QUESTIONS AND SOLUTIONS

### Question1

Acceptable organizational political action includes all of the following, expect.....

1. the use of power for the achievement of organizational goals
2. actions to obtain dominance over others
3. the use of influence to protect the interests of one's group (such as a department)
4. negotiation and coalition forming

#### Question2

A low ranking individual can probably influence the behaviour or beliefs of others by using .....

1. an informal social network
2. the formal hierarchy
3. vertical downward communication
4. negotiation and coalition building

#### Question 3

The potential to influence behaviour, to change the cause of events to overcome resistance and to get people to do things they would not otherwise do defines .....

1. individual interest
2. collective interest
3. power
4. politics

#### Question 4

The bases for collective interests in organizations include all of the following, expect .....

1. individuals acting in their own interests
2. demographic groups defined by factors such as age and gender
3. professions represented in an organization
4. division of labour such as full time and part time workers

#### Question 5

Identify the incorrect statement

1. conflict is seldom present in well managed organizations
2. conflict is the result of individuals and groups competing for the same scarce resources
3. organograms provide some clues as to why people engage in political action in order to advance in their careers
4. the fewer positions available higher up in the organization, the more conflict that will develop between competing individuals

#### Question 6

Sources of power derive from all of the following, except .....

1. organisational hierarchy

2. coercion
3. control over resources
4. conflict between groups

Question 7

A scientist with superior knowledge about complicated scientific processes working for an organisation developing cutting edge solutions to complex scientific problems processes refers to ..... power.

1. referent
2. expert
3. legitimate
4. reward

Question 8

Which one of the following is not a source of power?

1. using symbolism and the management of meaning to further one's own interests
2. having control over knowledge and information
3. having an excellent past track record
4. being a good team player

Question 9

The influence that stems from individual social networks is extremely powerful in .....

1. bureaucratic organizations
2. organizations with flat structures
3. organizations where authority is centralized
4. organizations with tall structures

Question 10

..... determines the power obtained by an individual through his or her social network.

1. the size of his or her network
2. the number of contracts between the person and important decision makers
3. the efficiency of his or her network
4. all the variables listed in alternatives 1, 2 and 3 are correct.

Question 11

..... can be defined as a management tool used to plan, organize, implement and control activities in order to attain a predefined objective.

1. a single use plan
2. project management



3. a programme
4. budgeting

Question 12

Project management thus has four important elements, namely .....

1. cost, time, quality and risk
2. planning, organizing, leading and control
3. standardizing, control, budgeting and management
4. negotiation, end user involvement, planning and coordination

Question 13

To be able to manage a certain project, which of the following resources are necessary?

- a) human resources
- b) money
- c) equipment
- d) machinery
- e) information systems
- f) time

1. a, b and d
2. a, b, c and d
3. b, d, e and f

4. all of the options

Question 14

Which one of the following is not an advantage of project management?

1. effective project management may lead to a shorter competition period
2. the costs of some of the activities of the project can be controlled
3. effective project management can improve the quality of the product or service
4. the involvement of role players may improve transparency

Question 15

Identify the incorrect statement:

1. At strategic level, top managers consider the organisation's internal environment in order to formulate the overall direction of the organization
2. At tactical level, middle managers translate the direction of the organization into initiatives which will later become different projects

3. At operational level, line managers play the role of project managers who are responsible for the actual planning, execution and control of a project
4. None of the above

Question 16

The following key role player in project management analyses the internal and external environments of the organization

1. the operational manager
2. the tactical manager
3. the client
4. the strategic manager

Question 17

The project centre is responsible for .....

1. managing the project's budget
2. monitoring the project's progress
3. informing the client of the outcome of the project
4. rewarding project members

Question 18

The ..... translates the strategic priorities and goals (as formulated by the strategic manager) of the organization into potential programmes, consisting of various projects.

1. strategic manager
2. client
3. financial manager
4. tactical manager

Question 19

Which of the following are examples of formal methods for determining the need for a project?

- a) questionnaires
  - b) scientific surveys
  - c) opinion polls
  - d) debates at community committees
  - e) discussions
  - f) observations
1. a and b
  2. a, b and c
  3. b, c and e

4. d, e and f

Question 20

Which of the following are examples of informal methods for determining the need for a project?

- a) questionnaires
- b) scientific surveys
- c) opinion polls
- d) debates at community committees
- e) discussions
- f) observations

- 1. a and b
- 2. a, b and c
- 3. b, c and e
- 4. d, e and f

Sustainability can be defined as \_\_\_\_\_.

- 1 managing an organisation effectively and efficiently
- 2 the organisation's ability to survive over the long term
- 3 the ability of an organisation to provide greater value to customers than its competitors can
- 4 attaining the goals and objectives of the organisation

Answer: 2

An organisation's competitive advantage can be defined as \_\_\_\_\_.

- 1 the ability of an organisation to provide greater value to customers than its competitors can
- 2 the organisation's ability to produce more outputs with fewer inputs
- 3 its contribution to the value chain in its industry
- 4 the application of effective management principles

Answer: 1

According to the value chain developed by Michael E Porter, **primary activities** are:

- a operations
- b human resources management
- c sales
- d after-sales service
- e procurement
- f research and development

- 1 a b d
- 2 a b c d
- 3 b d e f
- 4 a c d

Answer: 4

According to the value chain developed by Michael E Porter, **secondary activities** are:

- a operations
- b human resources management
- c sales
- d after-sales service
- e procurement
- f research and development

- 1 a b d
- 2 a b c d
- 3 b d e f
- 4 b e f

Answer: 4

In the value chain developed by Michael E Porter, organisational infrastructure refers activities related to:

- 1 Finance
- 2 Procurement
- 3 Marketing
- 4 Production

Answer: 1

Which one of the following is **not** an advantage of the efficient coordination of organisational activities?

- 1 On-time delivery is achieved without involving high or unnecessary inventory costs.
- 2 Transaction costs are increased.
- 3 It provides useful information for control purposes.
- 4 It reduces the combined time required to perform activities.

Answer: 2

E-Business can be defined as \_\_\_\_\_.

- 1 selling products through the internet to customers
- 2 a business using the internet for greater efficiency in every aspect of its operations
- 3 a business that markets its product through the world wide web
- 4 none of the above

Answer: 2

\_\_\_\_\_ commerce is selling products and services to customers over the Internet.

- 1 e-business
- 2 business-to-government
- 3 business-to-business
- 4 business-to-consumer

Answer: 4

\_\_\_\_\_ commerce refers to electronic transactions between organisations.

- 1 Business-to-government
- 2 Business-to-business
- 3 Business-to-consumer
- 4 Business-to-supplier

Answer: 2

The \_\_\_\_\_-based business model sells manufactured goods and custom services.

- 1 referral
- 2 mark-up
- 3 commission
- 4 production

Answer: 4