



**Department of Business Management**

# **CONTEMPORARY MANAGEMENT**

Only study guide for  
**MNG2602**

University of South Africa  
Pretoria

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# Introductory remarks

## 1. INTRODUCTION

Dear Student

Welcome to this module (MNG2602). I trust that you will find it interesting and that you will be able to apply the insights you gain here to your work and personal life.

Remember, although you are studying on your own, I am always available to assist you. So, do not hesitate to contact me if you have any problems with this module or even if you would like to share something interesting about the subject with me. You will find my contact details in the tutorial letters for this module.

This module was developed for second-year students and does not stand alone, it forms an integral part of the BCom degree. The purpose of this module is to develop your expertise and abilities in the field of business management. This module in General Management (MNG2601) is prescribed for the second year and follows on General Management (MNG2601) which provided you with foundation for your studies in Business Management. If you decide to specialise in management you will continue your studies with the two management modules in the third year (MNG3701 and MNG3702).

This module will contribute to your expertise and abilities in the field of general management. It introduces you to the world of **middle management** and through experiential learning immerses you in their reality. I believe that this module will contribute to your understanding of **contemporary management issues**.

Middle managers play a vital role in organisations. They are responsible for the **tactical plans** that **support and implement** strategies developed by top management. Should you complete this module successfully, you will have an understanding of how middle managers apply selected management principles and techniques in their organisational contexts.

## 2. MODULE OUTCOMES

***After working through this module, you will be able to:***

- describe the challenges faced by managers of contemporary organisations, functioning in an environment characterised by major, ongoing change.
- evaluate the effect of corporate culture, power and politics, business ethics, corporate social responsibility and corporate governance on an organisation's response to environmental change in its market and macro environment.
- apply the principles of project management as an essential management competency.

- describe how organisations design their structures to adapt to environmental change by becoming flatter, more flexible, diverse and global.

### 3. PREREQUISITE COMPETENCIES

To be **successful** in this module, we assume that you can:

- learn from predominantly written materials in the language of instruction (Afrikaans or English);
- communicate effectively what you have learnt in the language of instruction (Afrikaans or English); and
- with guided support, learn independently and take responsibility for your own learning.

**We also assume that you** understand management concepts and the principles to the level necessary for achieving the outcomes of MNG2602 or equivalent.

### 4. CRITICAL CROSS-FIELD OUTCOMES

***This module will assist you to achieve the following critical cross-field outcomes. You should be able to:***

- identify, analyse, formulate, and creatively and innovatively serve the commercial and economic needs of individuals and society
- work effectively with others as a member of a team, group, organisation or community, and contribute to the group output in tasks originating in the fields of business, commerce and management
- manage and organise your activities and life responsibly and effectively, including your studies in the open and distance learning context
- collect, analyse, organise and critically evaluate information as required in the pursuit of a BCom degree
- communicate effectively using visual, mathematical and/or language skills in the modes of written presentation
- use science and technology effectively and critically, showing responsibility towards the environment, and the health and well-being of others, in the community, national and global contexts
- demonstrate an understanding of the world as a set of related systems by recognising that problem-solving contexts do not exist in isolation, and by acknowledging their responsibilities to those in the local and broader community

### 5. EMBEDDED KNOWLEDGE

After completing this module, you will understand the role of the manager in a contemporary organisation which functions in a business environment characterised by major, ongoing change. The traditional management functions of planning, organising, leading and control are re-examined in the context of the dynamic business environment of the 21st century, where managers face new and unique challenges. The emerging new era of management theory describing and theorising about the changes occurring in contemporary organisations – underpins this module. After the

completion of the module, you will be able to identify and describe the challenges that contemporary managers face and their responses to these challenges to meet organisational goals.

## 6. MODULE-SPECIFIC STUDY PLAN

### Prescribed book

Bevis, T. & Vrba, M.J. (Eds). 2013. Contemporary management principles. Cape Town: Juta. ISBN: 9780702173851

This Study guide, the prescribed book and myUnisa provide the **foundation** for your learning experience. You have to purchase the prescribed book as soon as possible. This book is of vital importance because you will not be able to complete this module successfully without using it. The **Study guide** will **lead** you through the **prescribed chapters** in the book **AND** contains **additional examinable information**. It is therefore crucial that you use the study guide in conjunction with the prescribed book.

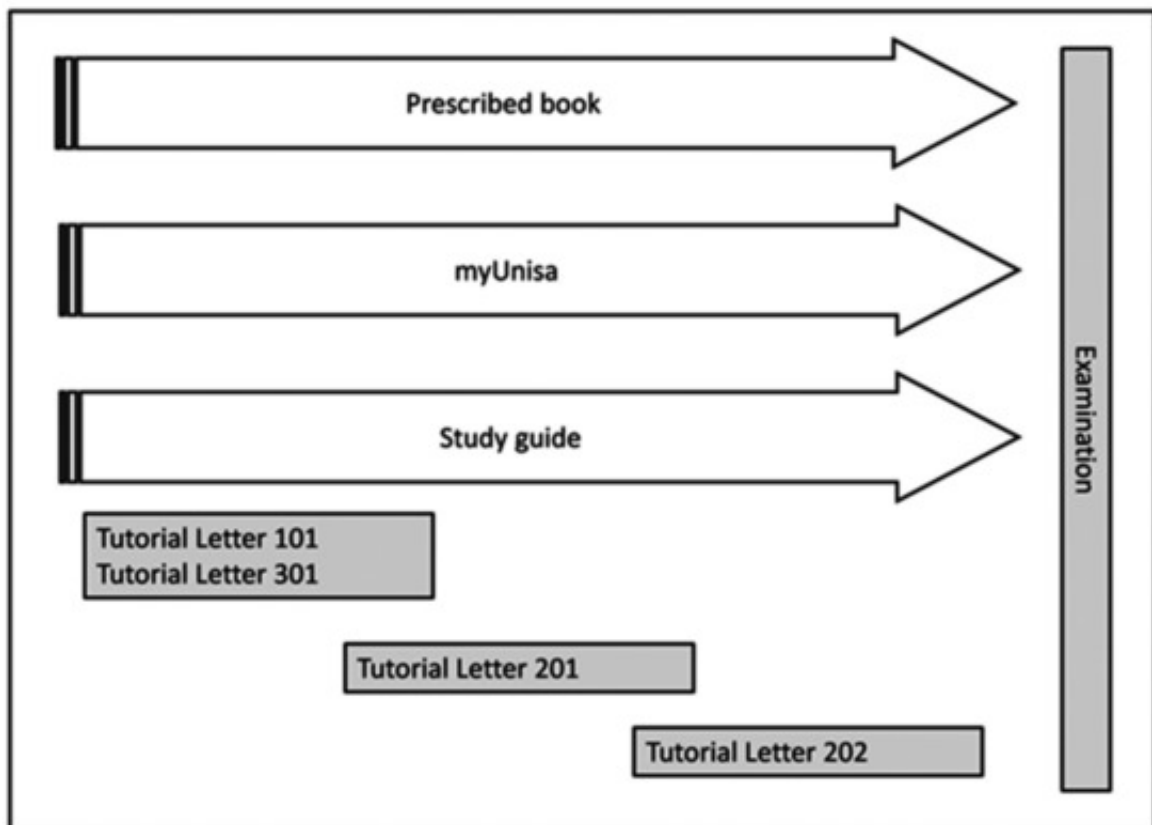


Figure A.1 A graphical depiction of the study materials used in this module

## 7. THE APPROACH TO TEACHING AND LEARNING IN THIS MODULE

You will mostly be studying independently. The main purpose of the Study guide and tutorial letters is to guide you through the learning material, to help you master the

learning outcomes and to prepare you for the assessments. We expect you to master the contents of the prescribed tutorial matter on your own, according to the guidelines provided in the tutorial letters.

You should not only remember information, but also understand, apply, critically analyse, synthesise, and evaluate the knowledge, as well as create a coherent or functional whole. In order to be successful in this module, you have to understand the implications of the level at which the module is presented (level 6). The purpose of studying Contemporary management (MNG2602) is NOT simply to memorise facts, concepts or theories. You have to develop a deep understanding of important concepts and learn how to apply them in real situations, and communicate effectively using visual, mathematical and/or language skills in the modes of written presentation.

In order to develop your understanding, you have to process the information you read. As you read, you have to try to identify the main ideas. You have to think about why they are important, how they relate to one another and their implications for people in real work environments.

***To guide you through the textbook we have developed mindmaps. These mindmaps must be used as a guide only, you have to add and change the mindmaps according to your own understanding of the contents of this study unit.***

As you work through each study unit, it is essential for you to determine whether you understand the ideas and concepts presented in it.

***You can test your understanding in several simple ways:***

- Identify the main ideas in the study unit and explain them to someone else.
- Generate possible questions on the study unit.
- Construct examples to illustrate the ideas presented in a section.
- Answer the sample questions at the end of each study unit and the assignment questions pertaining to the specific study unit.
- When you read information in the prescribed book or in other sources, you should not always simply accept it as the absolute truth. You should question the ideas and information you are studying, in order to develop a better understanding of the real-world situations they describe. By trying to apply these theories to people and work situations that you know well, you will understand why you need to study them: The best way to test your understanding of the ideas that you learn in this module, is to try to apply them to real situations. The first step is to identify examples from your community (local or national) that illustrate the ideas you are studying. For example, you could try to analyse the management environment of an organisation you know well. By trying to identify the organisation's internal strengths and weaknesses (and external threats and opportunities), you can reinforce your understanding of the section on the business environment in the study material.

***We recommend that you first read all the prescribed chapters in the prescribed book to obtain an overview of the contents and an idea of the continuity of, and relationship between, the different topics. You should then study specific sections in the prescribed book as indicated in the tutorial letters.***

## 8. COMPLETING ASSESSMENT QUESTIONS AND ASSIGNMENTS

We consider the completion of the assessment questions in the Study guide, and the assignments, as crucial to the successful understanding and completion of this module.

### ASSESSMENT QUESTIONS

At the end of each study unit, you will find a list of assessment questions based on the work covered in that study unit. You will find most of the answers to these questions in the study material covered in the tutorial letters and prescribed book. We advise you to complete these questions diligently since they present opportunities to prepare you for possible examination questions.

### ASSIGNMENTS

By completing the assignments that appear in Tutorial Letter 101, you will develop a feel for the type of questions you can expect in the examination. The assignment questions afford you the opportunity to apply the theory to a case study or a practical situation relating to a business. The answers and guidelines for dealing with each assignment will appear in the tutorial letters. You should study these guidelines in preparation for any exam questions that may stem from assignment questions.

### ASSESSMENT OF THE MODULE

We will assess your progress during the semester (through your assignments), and in the examination at the end of the semester, against transparent assessment criteria that are directly linked to the outcomes of the module.

Both the assignments' marks, together with your final assessment mark, will count towards your total mark. In Tutorial Letter 101, we provide further details about the assessment and examination requirements for this module.

## 9. WHAT YOU CAN EXPECT FROM UNISA

***You can expect us to do the following:***

### **WE WILL:**

- provide you with up-to-date and relevant study material, which we regularly compare and benchmark against similar local and international programmes.
- keep the study material in line with the needs of industry and commerce by consulting regularly with the profession, and with industry leaders and government officials.
- assist you by affording you the opportunity to develop competencies and skills at a certain level (the outcomes correspond to the National Qualifications Framework [NQF] level 6 and we will assess you by taking the level descriptors of the NQF into account).
- support you whenever you require academic assistance you may contact your



lecturers by making personal appointments to visit them, telephoning them or emailing them.

- provide you with clear indications of what we expect from you in terms of your assessment.
- give you feedback on assignments.

***In the Study guide, we have provided you with additional learning experiences. If you have access to the internet, you should consider visiting the websites listed. This is NOT COMPULSORY, but these websites contain classroom explanations, interesting information and examples relevant to this study unit.***

## 10. MYUNISA

If you have access to a computer or smart-phone that is linked to the internet, you are **urged** to use myUnisa. The myUnisa learning management system is UNISA's online campus that will help you to **communicate** with your **lecturer, other students** and the administrative departments at UNISA all via your computer or smart-phone and the internet.

While **the Study guide** and **prescribed book** will guide you through this module, myUnisa creates a social environment in which you can discuss difficult questions with other students and form study groups. This social interaction can contribute to your own learning.

## 11. A REFLECTIVE JOURNAL

It is necessary for you to write about what you are studying. In this way, you compel yourself to think more deeply about the work and learn to formulate your ideas by reflecting in written form on what you have learnt. It is, therefore, of the utmost importance that you consider the activities and self-evaluation questions in the study guide **AND** that you write down your responses. A good idea would be to file this in your work file to create your own portfolio. Your portfolio plays a vital part in your participation in the discussion forums and in the completion of the simulation questions. It will further aid you in successfully completing your assignments.

## 12. MODULE CONTENT

The ten (10) study units contained in this module (MNG2602) are all **interrelated**. You should consider them as **ten (10) parts of a whole**. The framework of this module is as follows:

STUDY UNIT	CHAPTER IN THE PRESCRIBED TEXTBOOK
1 Features of contemporary organisations and new management challenges	3
2 Managing organisational change and negotiation	5
3 Corporate Culture	6
4 Power, politics, conflict resolution and negotiation	7
5 Business ethics, corporate social responsibility, corporate governance and sustainability	8
6 Diversity in organisations	9
7 Strategic Management	11
8 Project Management	14
9 Value chain & E-business	16
10 Work groups & Teams	18

### 13. CONCLUSION

I am looking forward to being your partner in this exciting endeavour.

*Wishing you every success in your studies.*

*Kind regards*

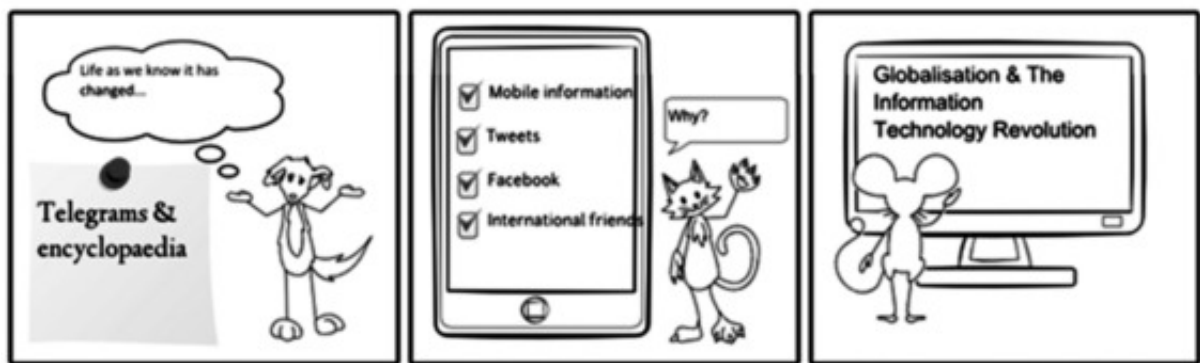
**Your MNG2602 lecturer**

# Study unit 1

## Features of contemporary organisations and new management challenges

### 1.1 BACKGROUND

Look around you and you will see mobile communication devices transmitting information to and from around the world. As a student, you tweet, update your status on Facebook, and you may have friends in China and Uganda that you have never met. You have information readily available because you can Google the answer to any question within two minutes. Life was not always like this. Not so long ago, people still used telegrams to send short messages and had to buy a set of encyclopaedia for their children to enable them to complete their studies successfully. Ten years ago, you would probably not have had friends living in cities across the world that you have never visited.



These changes in our lives can be attributed to two factors, namely:

- globalisation; and
- the Information Technology Revolution

Globalisation is the economic and social interaction process whereby different countries work together to create a global economy. Globalisation involves technological, economic, political, and cultural exchanges between different countries, and is the result of advances in communication, transportation, and infrastructure (the Information Technology Revolution). The result of the process of globalisation is globality.

Students of business management should understand how globalisation, and major on-going advances in technology, affect organisations and the way they do business. In this study unit, you will find out how organisations had to change fundamentally in order to be able to function in the globalising world.

## 1.2 STUDY UNIT CHALLENGES

In this study unit, we challenge you to:

- cite reasons why organisations change
- identify and discuss the forces that stimulate change in organisations
- defend the statement that the bureaucracy fails to provide in the needs of the modern organisation
- expand on the features of the new emerging organisation
- identify and discuss the challenges faced by managers of the new organisation

<b>Work through Chapter 3 in the prescribed book.</b>
---

## 1.3 KEY CONCEPTS

- A **bureaucracy** is a system of administration marked by rules and regulations, red tape and proliferation.
- **Customer capital** is the **value of relationships** that an organisation builds with its customers, – reflected in their loyalty to the organisation and/or its products.
- **Diversity** is the state of being different.
- **Globalisation** is the economic and social interaction process whereby different countries work together to create a global economy.
- A **global organisation** operates in many countries as an integrated unit.
- A **flat structure** is an organisational structure with fewer levels of management.
- **Human capital** is the health, knowledge, motivation, and skills of employees; the attainment of this is an end in itself.
- **Intellectual capital** is the collective knowledge (whether or not documented) of the individuals in an organisation or society.
- An **international organisation** operates in many countries but keeps the operations in each country separated.
- The **Information Technology Revolution** is a term that describes the economic, social and technological trends that occurred because of major technological advances in the world.
- An **open system** is one that interacts with its environment.
- **Structural capital** refers to the competitive intelligence, formulas, information systems, patents, policies, processes, and so on, that result from the products or systems the organisation has created over time.
- **Synergy** occurs when many elements or subsystems work together to create an outcome that is of more value than the total of what the individual input is.
- A **system** is a set of interrelated parts designed to achieve a singular purpose to stay in balance.
- A **system boundary** separates a system from its environment.

## 1.4 INTRODUCTION

Organisations had to **change fundamentally** in order to be able to function in the global world. This is mainly due to **forces** in the environment, which change the way in which organisations operate. Systems theory is the basis from which we study organisations, how we manage them, and it refers to changes in the environment of an organisation that cause **changes in the organisation itself**.

*Systems theory implies that we view the **organisation** as a system consisting of value-adding parts that work together to achieve a common goal and purpose. **Systems theory** focuses on the interaction between the parts of a system. Instead of reducing a system, such as the solar system, into its parts or elements (e.g. sun, earth, Venus), systems theory focuses on the relationships between the parts of the system, how they work together as a whole and the interrelationship between them. The effect of the **interrelationship** between **parts** is that a change in one part could cause a change in one of the other parts.*

## 1.5 FORCES THAT CAUSE ORGANISATIONS TO CHANGE

Study the **six change stimuli** discussed in the prescribed textbook. Figure 1.1 contains a mind-map of the textbook content pertaining to the six major forces for change in organisations. Feel free to add and change the mind map according to your own understanding (we all learn in a different ways).

## 1.6 THE CLASSIC MODEL OF THE FORMAL ORGANISATION

In management literature, some authors state that major changes in the business environment during the past two decades caused a “new” kind of organisation to emerge. In order to study the “new” organisation one should understand the “old” organisation, its strengths and its weaknesses. The “old” organisation features the characteristics of Weber’s Bureaucracy. He developed this organisation model at the turn of the nineteenth century. According to Weber’s model, organisations should subscribe to several **desirable characteristics**, such as:

- division of labour
- hierarchy of authority
- rules and procedures
- impersonality
- employee selection and promotion

Table 1.1 lists the strengths and weaknesses of the bureaucracy

**Table 1.1: The strengths and weaknesses of the bureaucracy**

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>● Predictability</li> <li>● Resilience</li> <li>● Impartiality</li> <li>● Expertise through specialisation</li> <li>● Clear lines of control</li> </ul>	<p>The weaknesses of the bureaucracy lie in its assumptions, namely:</p> <ul style="list-style-type: none"> <li>● large amounts of standard information has to be processed</li> <li>● the needs of customers are known and not likely to change</li> <li>● technology is routine and stable</li> <li>● organisations deliver standard products and services</li> </ul>

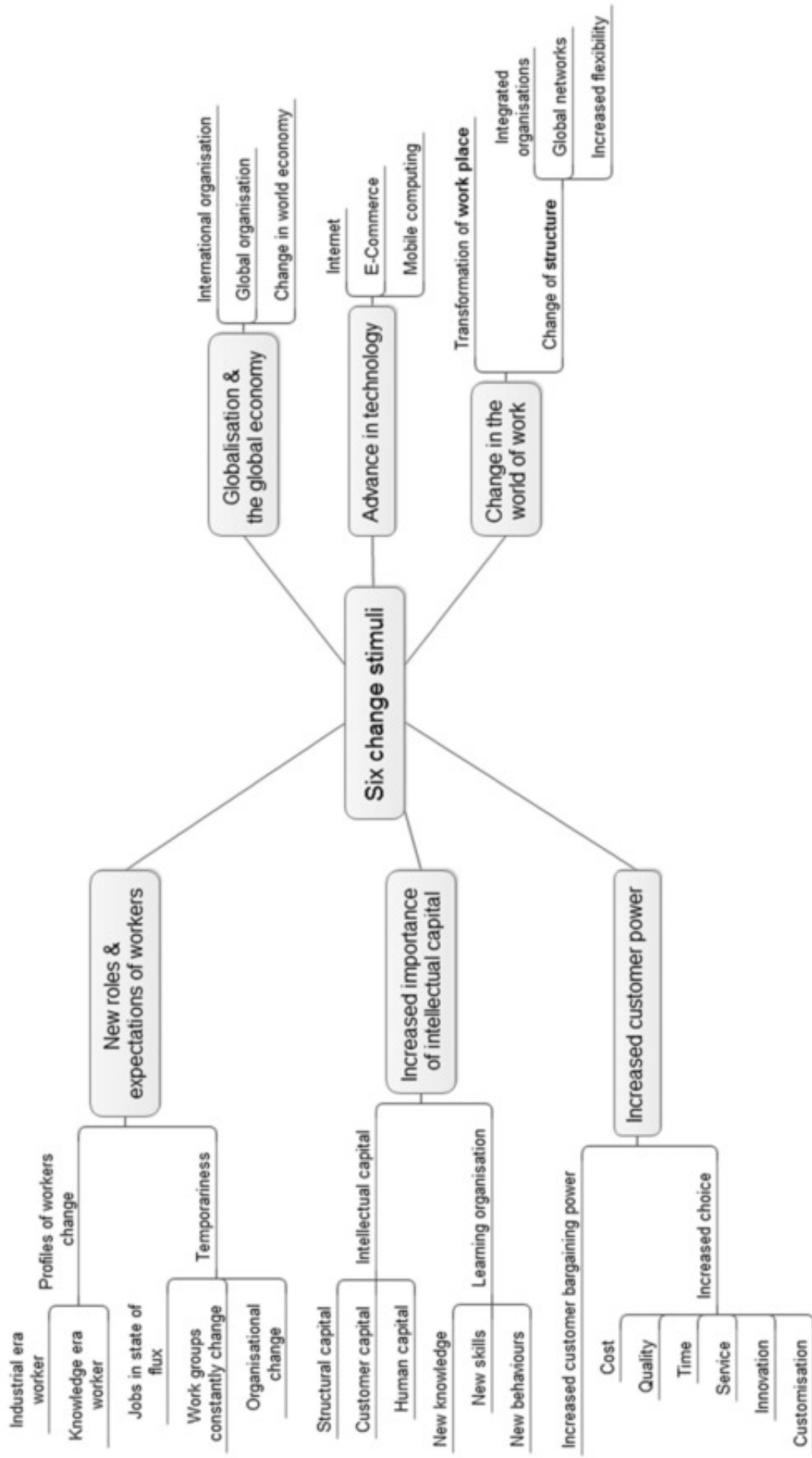


Figure 1.1: The six change stimuli

However, due to rapid environmental change, the very strengths of Weber's model became its weaknesses.

## 1.7 THE NEW ORGANISATIONAL MODEL

The “new” organisation has several features that differ substantially from those characterising the bureaucratic organisation. These are summarised in Table 3.2 of your prescribed textbook. The features that distinguish new organisations from the bureaucracy are that they are flatter and leaner, flexible, networked, global, and diverse. Figure 1.2 provides a mind map of these features.

## 1.8 CONCLUSION

Many South African organisations feature some of the characteristics of “new” organisations. Some organisations adopt some or all of the features, while others are still functioning as traditional bureaucratic organisations. In this study unit, we examine how organisations had to change in order to function in a globalised world.

## 1.9 ADDITIONAL LEARNING EXPERIENCES

If you have access to the internet, you should consider visiting the following websites. This is NOT COMPULSORY, but these websites all contain interesting information and examples pertaining to this study unit.

- Globalisation  
<http://www.youtube.com/watch?v=3oTLyPPrZE4>
- Organisational change  
[http://www.youtube.com/watch?v=Ulx7uUmK\\_Q](http://www.youtube.com/watch?v=Ulx7uUmK_Q)

Interesting **tweeple** (people and/or organisations) that you could follow on Twitter:  
**@Stateofglobe**

## 1.10. ASSESSMENT

This section contains self-assessment questions that you can use to assess your knowledge of the study unit.

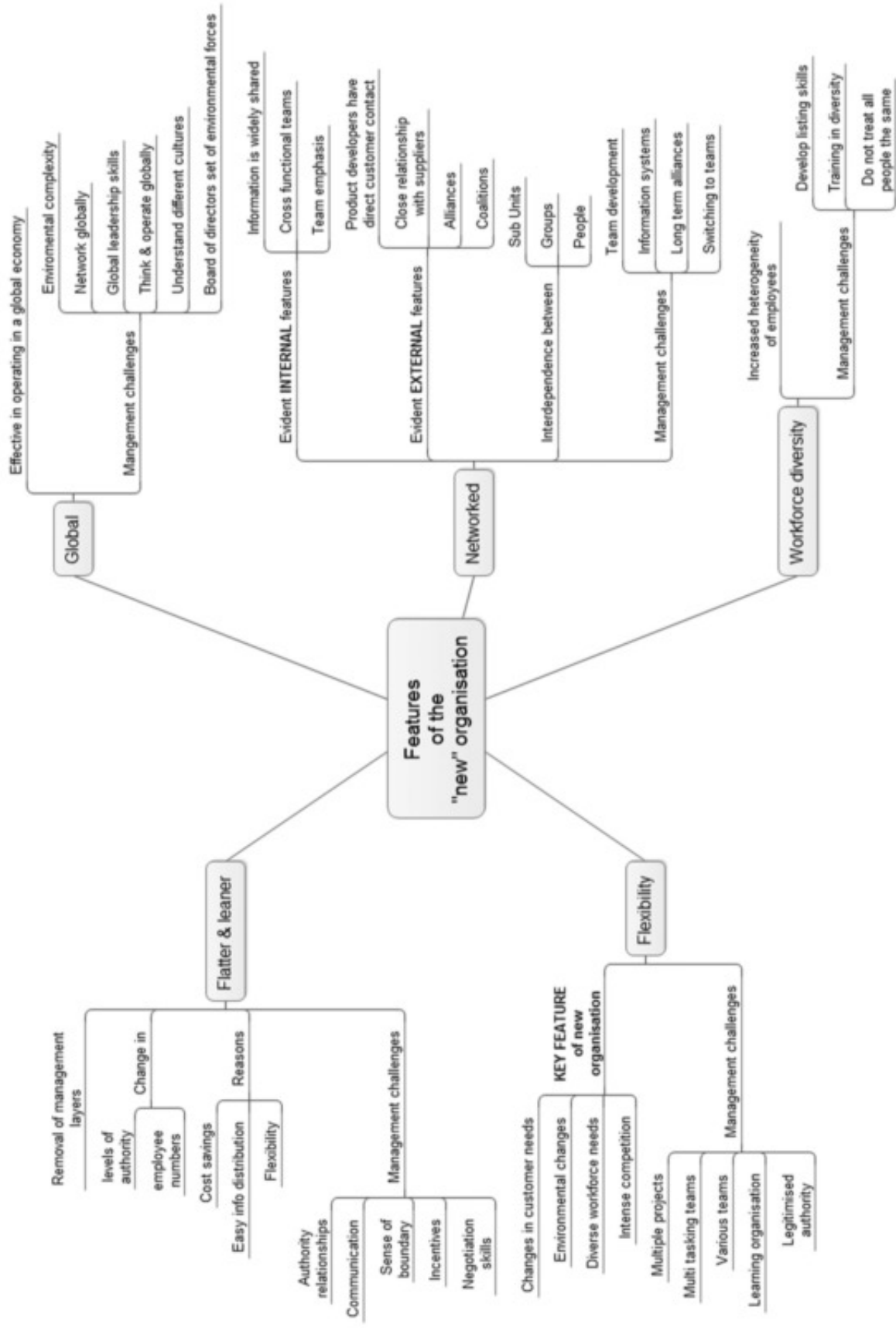


Figure 1.2: The features of the new organisation



## SECTION A: MULTIPLE CHOICE QUESTIONS

- 1.1 Which of the following is **not** a strength of the traditional organisational model?
- 1 predictability
  - 2 clear lines of control
  - 3 impartiality
  - 4 rigid rules
- 1.2 When examining the **dimensions of the workforce** in the old organisation as compared to the new organisation, one could say that workers in the traditional old organisation are \_\_\_\_\_ , while workers in the new organisation should be \_\_\_\_\_ .
- 1 inflexible; flexible
  - 2 compliant; committed
  - 3 homogeneous; diverse
  - 4 efficient; innovative
- 1.3 A(n) \_\_\_\_\_ organisation operates **without the constraint of national boundaries** and seeks to trade in high potential markets.
- 1 international
  - 2 national
  - 3 global
  - 4 multinational
- 1.4 A **networked organisation** exists only when certain factors operate in support of one another. Identify these factors in the list below responsibility
- a responsibility
  - b alliances
  - c goal setting
  - d coalitions
  - e information technology
- 1 a, b, d
  - 2 a, c, e
  - 3 b, c, e
  - 4 c, d, e

1.5 The characteristic of the new organisation that many contemporary organisations exhibit, although they may not have any of the other features of new organisations, is that they are \_\_\_\_\_ .

- 1 global
- 2 networked
- 3 flat
- 4 flexible

### Questions 6 to 8

Match the new challenges for management in **column B** to the features of new organisations in **column A** that it is most likely to affect.

<b>Column A</b> Feature of new organisation	<b>Column B</b> New challenges for management
6. Global organisation	1 Managers must work on more than one project at a time
7. Networked organisation	2 Managers must develop negotiating skills
8. Flat organisation	3 Developing and continuously adapting information systems
	4 Understanding cultural diversity

## SECTION B: PRESCRIBED TEXTBOOK

Try to answer the review questions in the prescribed textbook.

## SECTION C: TUTORIAL LETTER 101

Complete the questions that relate to this study unit from the assignment in Tutorial Letter 101.

## 1.10 END OF STUDY UNIT CASE STUDY

Read the following case study and answer the questions that follow.

### Meeting global and local needs

#### A Siemens case study

*Siemens AG is a global electrical and electronics company with a turnover of 53 billion Euro. The organisation employs over 450,000 people worldwide and is based in Munich, Germany. From there, executives oversee work carried out, in the name of Siemens, all over the world.*

*There is hardly an aspect of our lives that is not touched by the company's work.*

*We can toast bread in a Siemens toaster powered by electricity generated and distributed by Siemens, travel on a Siemens train, or pass through traffic lights in a car, which use Siemens technology. Hospitals conduct life-saving MRI scans on patients using Siemens advanced medical imaging technology.*

*Siemens is a multi-sector business. The company specialises in finding new ways to improve our quality of life and work. Businesses, health service trusts, local authorities, government and government agencies all use Siemens expertise. This expertise includes ICT, healthcare, transport and energy.*

*Siemens is multi-national organisation. It operates across 190 separate nation states. Executives in Germany and across the world must make decisions in the best interests of Siemens' stakeholders. Like most multi-nationals, Siemens must make decisions about where their separate activities should take place. For Siemens, it is not efficient to design and manufacture all products in every country. It is more efficient to concentrate manufacturing to keep economies of scale through specialisation. Products can then be shipped anywhere within the group.*

*One danger of being multi-national is the threat caused by currency fluctuations. The price of products supplied from one place to another can vary because of currency changes. The value of the Euro can rise against the US dollar, which can result in Siemens becoming more expensive in Europe than its US competition.*

*Siemens has an internal risk management function to check this threat and steps can be taken to avoid its damaging effects.*

*Siemens customers can buy raw materials from any supplier. The cheapest supplier, however, may not have access to technical expertise and high levels of service. Siemens offers highly technical products with service benefits added in. This sort of service capability drives a competitive advantage over other suppliers.*

*Using its worldwide presence, Siemens aims to meet the needs of a range of global markets. All its companies report to the German parent company. To deliver value to the overall group, each separate company must meet the needs of its own customers, wherever they are.*

*Within every organisation, there is competition between countries for investment. Siemens has established global 'centres of excellence' that can serve the specialist needs of the entire group.*

*Siemens works within a new global strategy, 'Siemens One'. In all its activities, customers can call upon the potential of other Siemens groups. Siemens groups use a team approach where the philosophy is that if one does not possess a skill, another will. If a particular part of the company requires something offered by another elsewhere, then that product or service is supplied.*

*The trend at Siemens is towards providing more company services. Working in long-term relationships with both private and public sector bodies, it is a partner in success. In this way, it is becoming an essential part of continued growth and service improvement.*

*Through buying other companies and strategic alliances with suppliers, Siemens has*

*grown, while acquiring a different skill set that enabled them to become a household name in electronics. Siemens helps businesses concentrate on what they do best, e.g. in media and broadcasting, Siemens has a 10-year deal to provide broadcast and IT services to the BBC. They develop their 'core competency'.*

*Siemens' aim is to be profitable. It seeks to be a global leader in electronics and electrical engineering.*

*Although the global Siemens HQ is based in Germany, Siemens in the UK is responsible for looking after the UK market. Local management is empowered to create relationships with customers. Siemens is proud of its flat struc-*

*ture and flexibility as this allows the company to better meet local needs.*

*Siemens continually acquires new companies to offer what its customers' need, which is increasingly end-to-end integrated solutions that allow them to concentrate on their core business. Siemens, both in the UK and globally, is a dynamic and responsive business.*

**Adapted from:** The Times 100 (2013a).

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[www.businesscasestudies.co.uk](http://www.businesscasestudies.co.uk)

## 1.11 STUDY UNIT REVIEW QUESTIONS

Answer the following questions – based on the Siemens case study.

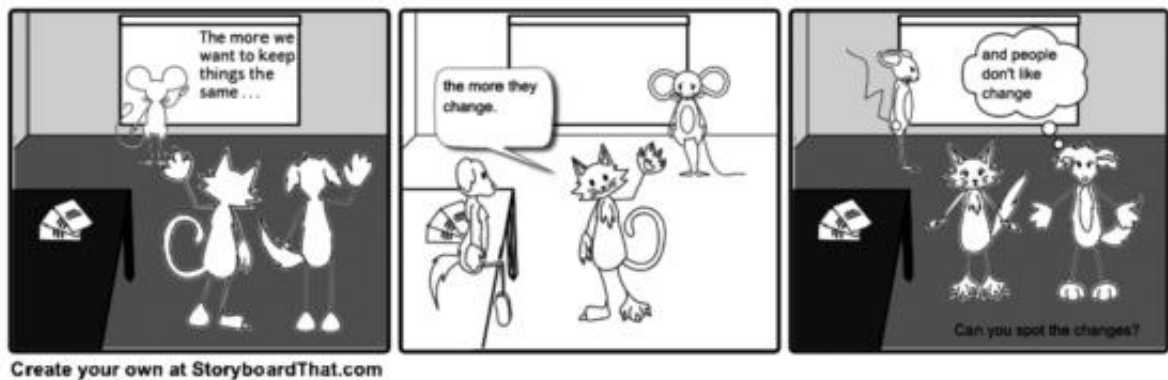
- 1.1 Is Siemens a global or international organisation? Substantiate your answer with evidence from the case study.
- 1.2 Providing evidence from the case study, would you classify Siemens as a “new” organisation?
- 1.3 Identify two change stimuli present in the case study.

# Study unit 2

## Managing organisational change and individual stress

### 2.1 BACKGROUND

The only thing that ever stays the same is change. Change is everywhere. Think about your day so far. How many things are the same as they were yesterday? You are not reading the same study unit and most probably not wearing the same clothes. Considering that change is so evident in the most basic elements of your life, how much more evident would it be in an organisation that employs many people and is a “person” in its own right?



### 2.2 STUDY UNIT CHALLENGES

We are challenging you to:

- identify and discuss the forces of change
- discuss the dimensions of change
- explain why organisations and individuals resist change
- provide advice to managers on how to overcome resistance to change
- discuss the approaches to managing change
- identify the areas of organisational change

**Work through Chapter 5 in the prescribed book.**

### 2.3 INTRODUCTION

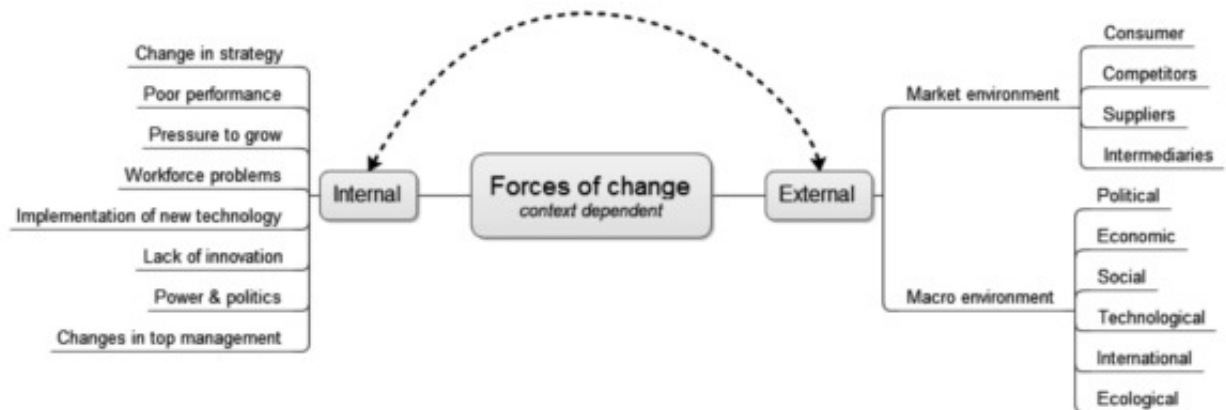
Experiments showed that when a frog was placed in boiling water it would jump out immediately, whereas a frog placed in cool water that was gradually heated to boiling would not jump out of the water, and it would eventually be boiled alive. Organisations, like the frog, must



realise when things are changing, and must adapt to the change or perish. In this study unit, we are going to investigate what causes this change, what change looks like, and why it is so difficult to change an organisation.

## 2.4 FORCES OF CHANGE

Managers must constantly scan both the internal and external environment of the organisation for forces that necessitate an organisation to change. Figure 2.1 is a mind map of these forces.



**Figure 2.1: Forces of change**

## 2.5 DIMENSIONS OF CHANGE

As managers, we need to know what change looks like in order to identify it and manage it appropriately. Change can take many forms as you will see in Figure 2.2 which is a summary of the dimensions of change.

## 2.6 RESISTANCE TO CHANGE

Knowing where change comes from and what it looks like does not make it easier to deal with. People are inherently afraid of change and more often than not they will resist it. Managers must understand this resistance as it can cause barriers to the successful implementation of change. This resistance can come either from individuals in the organisation or the organisation itself. Figure 2.3 is a summary of the causes of change resistance.

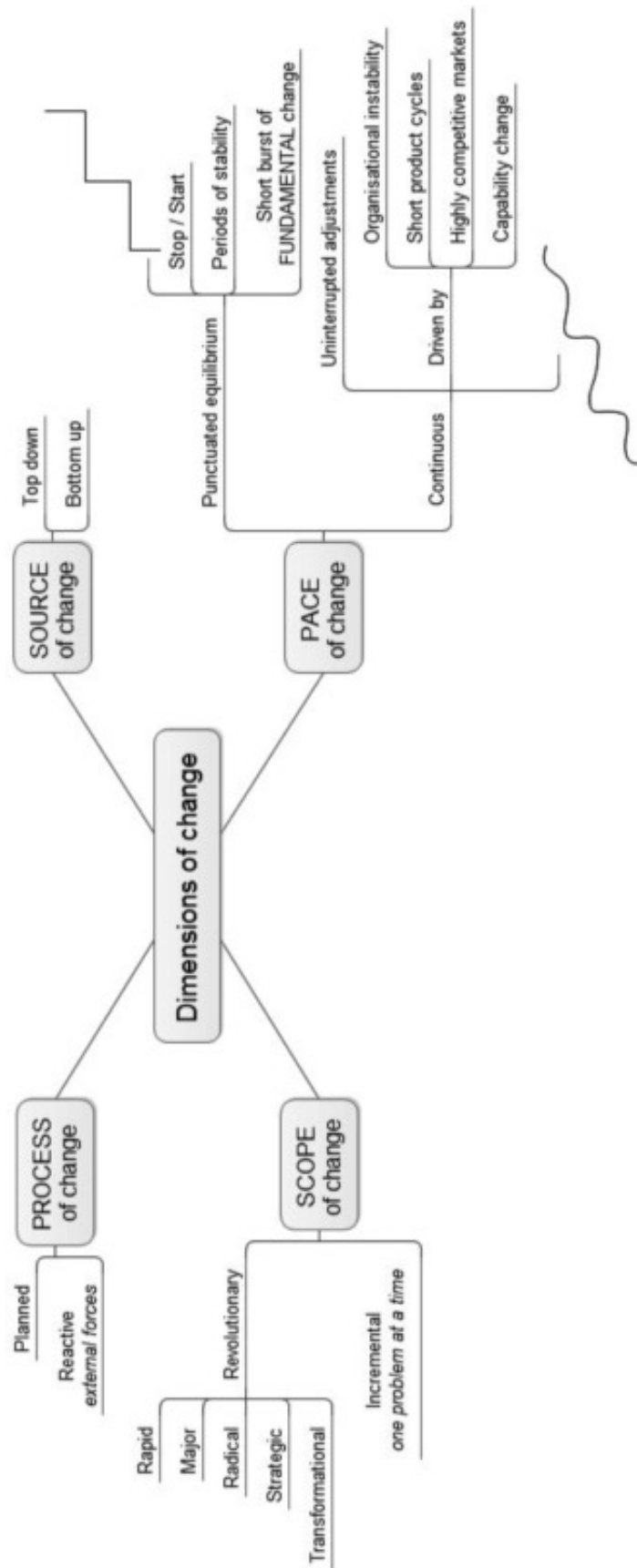
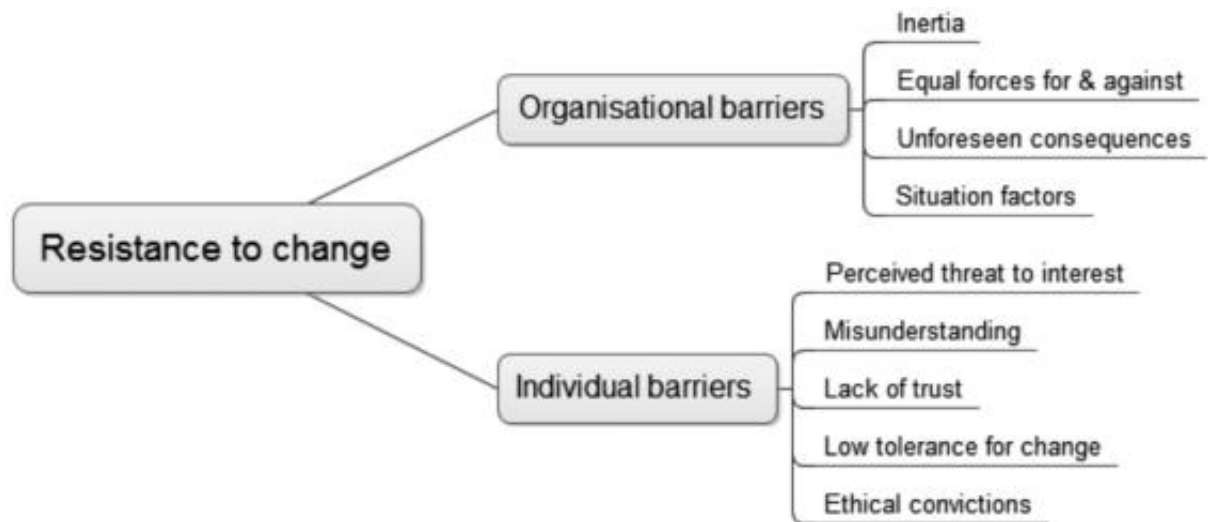


Figure 2.2: Dimensions of change



**Figure 2.3: The causes of change resistance**

## 2.7 OVERCOMING RESISTANCE TO CHANGE

If managers want their initiatives to be implemented, they will have to overcome the resistance to change. Kotter and Schlesinger (1979) offer managers six possible strategies that they can use to overcome change resistance. These strategies are summarised in Figure 2.4.



**Figure 2.4: Six strategies for overcoming resistance to change**

## 2.8 SITUATIONAL FACTORS

When managers implement change, they have to make certain strategic choices. These choices are context dependent. The pace, extent, involvement of others and level of resistance to the change are influenced by the following **situational factors**:

- anticipated strength of resistance
- position and power of change initiator versus those of the resistor
- need for information and communication from others by the change initiator
- potential risks to the short-term performance and survival of the organisation

Refer to Table 5.3 in the prescribed textbook for the various options available to managers.



## 2.9 APPROACHES TO CHANGE

Although change is difficult, managers must still get it done. To get it done most effectively, they should combine Lewin's change model with Kotter's eight-step process of successful change. Lewin's change model consists of the following three steps:

3

- unfreeze
- change
- refreeze

Kotter's process has eight steps and each step is associated with a specific error managers often make:

8

- Create a sense of urgency.
- Form a guiding team.
- Create a clear vision of the outcome.
- Communicate the vision.
- Empower others to act.
- Produce short-term wins.
- Consolidate improvements.
- Create a new culture.

## 2.10 WHERE CAN CHANGE HAPPEN?

In general, change can happen in the four areas that have been summarised in Figure 2.5.

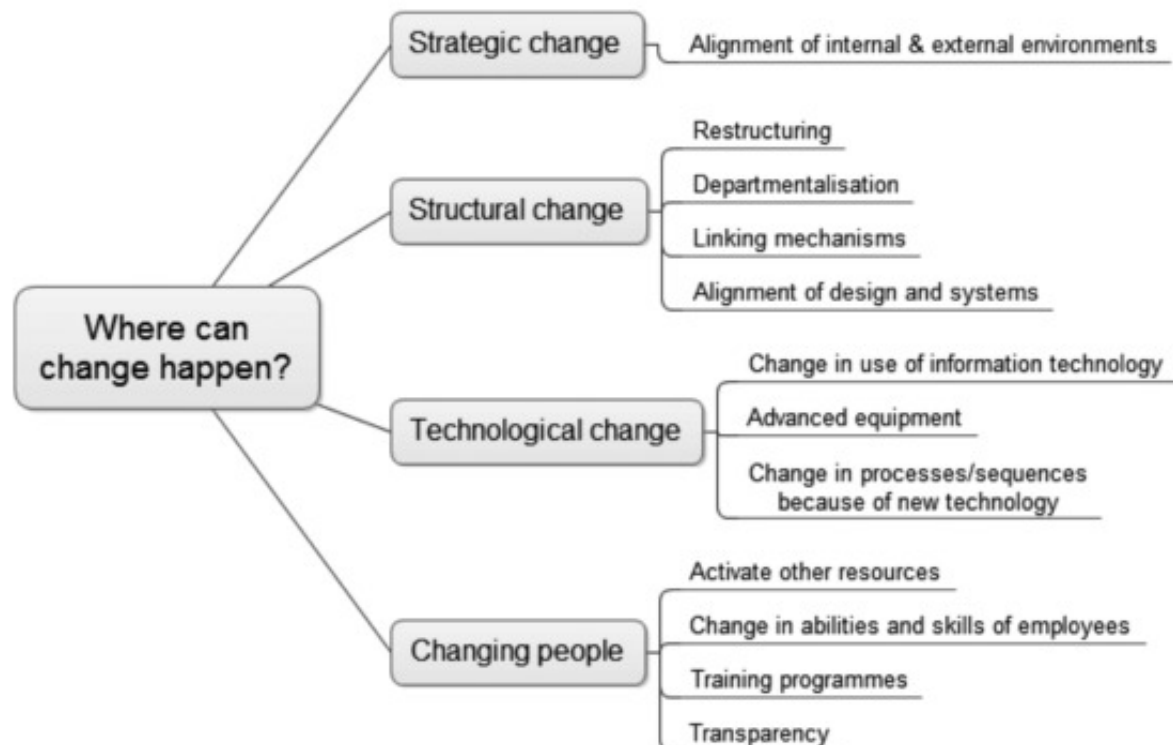


Figure 2.5: Areas of change

## 2.11 MANAGING WORK STRESS

The section on work stress is very interesting and you should all read it; however, it is not examinable.

## 2.12 CONCLUSION

Change is constantly happening in every organisation and in this study unit we investigated change. You now know that people resist change and that this creates problems for managers, who have to manage this resistance to ensure that the change is implemented properly.

## 2.13 ADDITIONAL LEARNING EXPERIENCES

If you have access to the internet, you should consider visiting the following websites. This is NOT COMPULSORY, but these websites all contain interesting information and examples about the content in this study unit.

- Change management

[http://www.youtube.com/watch?v=\\_\\_lIYNMdv9](http://www.youtube.com/watch?v=__lIYNMdv9)

<http://www.youtube.com/watch?v=1NKti9MyAAw>

<http://education-portal.com/academy/lesson/how-internal-and-external-factors-drive-organizational-change.html>

- Resistance to change

<http://www.youtube.com/watch?v=uHR8gw6derg>

<http://www.youtube.com/watch?v=Wdroj6F3VIQ>

- Lewin's change models

<http://www.youtube.com/watch?v=sMxuJ1Q44bA>

<http://www.youtube.com/watch?v=uHR8gw6derg>

<http://education-portal.com/academy/lesson/lewins-3-stage-model-of-change-unfreezing-changing-refreezing.html>

- Kotter's eight-step model

<http://education-portal.com/academy/lesson/applying-kotters-8-step-change-model.html>

<http://education-portal.com/academy/lesson/kotters-8-step-change-model-of-management.html>

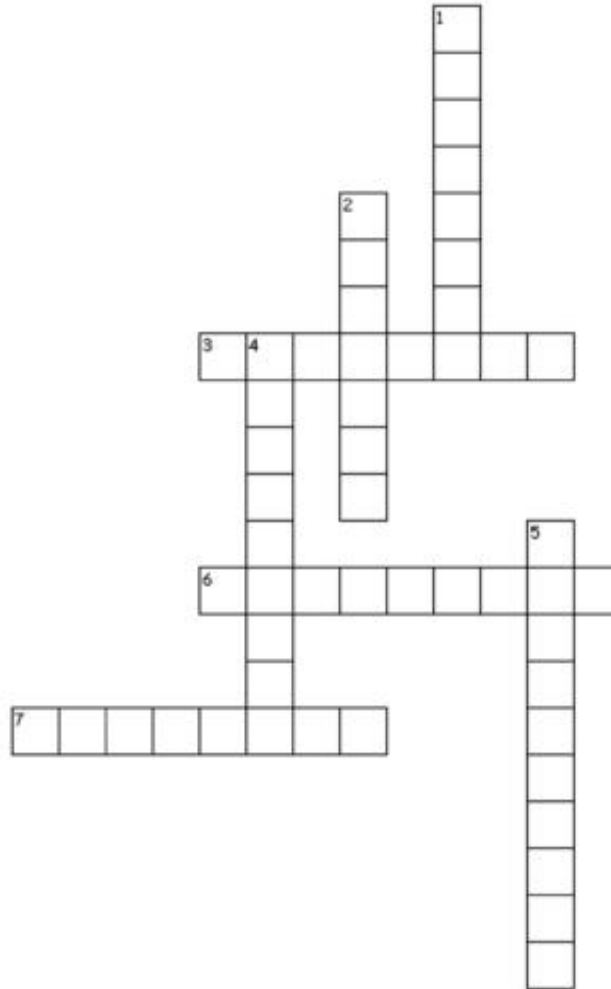
Interesting **tweeple** that you could follow on Twitter:

@KotterIntl

## 2.14 ASSESSMENT

This section contains self-assessment questions that you can use to assess your knowledge of the study unit.

### SECTION A: CROSSWORD



#### Across

3. The third step in Lewin's change model.
6. Punctuated equilibrium is characterised by periods of \_\_\_\_\_ and a short burst of fundamental change.
7. Pressure to grow is an \_\_\_\_\_ force of change.

#### Down

1. The process of change can be either planned or \_\_\_\_\_.
2. \_\_\_\_\_ is an example of an organisational barrier to change.
4. The strategy suggested for use when change is resisted owing to a lack of information.
5. \_\_\_\_\_ change is associated with a change in the alignment of the organisation's design with its systems.

## SECTION B: PRESCRIBED TEXTBOOK

Try to answer the review questions in the prescribed textbook.

## SECTION C: TUTORIAL LETTER 101

Complete the questions that relate to this study unit from the assignment in Tutorial Letter 101.

### 2.15 END OF STUDY UNIT CASE STUDY

Read the case study below and answer the questions that follow.

#### SERCO

*Serco is one of the world's leading service and outsourcing companies. It employs more than 70 000 people and helps governments to improve services. In 1994 Serco took over the management of Pretoria Central Prison, a category B remand centre in the City of Tshwane. The prison had faced many challenges in recent years. New legislation made an annual prison inspection compulsory and the 2012 prison inspection report identified a number of areas where improvements could be made. The report rated the prison at performance level 2, with level 4 being the highest and level 1 the lowest. Staff morale was low, with a high turnover of first-line managers. Change was inevitable and it was important for managers to identify solutions that could bring about change to create improvements. Management decided to address the problems identified in the report one at a time and to make a series of uninterrupted adjustments to the organisation, rather than introduce all the necessary changes at once.*

*Management focused on the high turnover of first-line managers, and asked the remaining first-line managers for their input. However, these managers were hesitant to complete*

*the survey honestly, as they feared the response of their line managers.*

*In an effort to address this fear of first-line managers, top management appointed a consulting group to conduct an analysis into why members of staff were resigning. The consulting group identified various reasons for the high turnover of first-line managers, one of which was the management style of line managers.*

*As a result, line managers were sent on an intensive training programme. Consequently, managers were able to approach challenges in a completely different way. They developed a better understanding of leadership and management, and of their own strengths and development needs as leaders. The programme helped to reduce costs and retain talent. First-line manager turnover fell significantly.*

**Adapted from:** Times, 100. (2013e)

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[www.businesscasestudies.co.uk](http://www.businesscasestudies.co.uk)

### 2.16 STUDY UNIT REVIEW QUESTIONS

The following questions are based on the Serco case study:

2.1 What forces of change are at play?

- 2.2 What are the dimensions of the pending changes to the work conditions of first-line managers?
- 2.3 Identify and classify the barriers to change that are evident in the case study.
- 2.4 Identify and categorise the method used by management to overcome the resistance to change.
- 2.5 On what area did the change focus?

# Study unit 3

## Corporate culture

### 3.1 BACKGROUND

Your mother may have insisted that you attend a cultural event, a concert or an art exhibition, with the purpose of exposing you to some “culture”. This is a misconception because culture. Culture (as defined by social scientists) comprises much more than an appreciation for the finer things in life; it is a fundamental part of life. Culture is the sum of a specific society’s beliefs, norms, attitudes, assumptions, and ways of doing things.



### 3.2 STUDY UNIT CHALLENGES

We are challenging you to:

- describe the concept of culture
- define organisational culture
- explain the levels of culture
- differentiate between the various types of culture in organisations
- discuss the elements of culture
- compare the different types of culture explain how organisations can change culture

**Work through Chapter 6 in the prescribed book.**

### 3.3 KEY CONCEPTS

- **Assumptions** are beliefs, logical constructs, or unconfirmed facts.
- **Culture** is the total pattern of human behaviour and its products, personified in thought, speech, action, and artefacts, and is dependent on people’s capacity for learning and transmitting knowledge to succeeding generations using tools, language and systems of abstract thought.
- **Organisational culture** is the aggregate of beliefs, norms, attitudes, assumptions,

and ways of doing things that members of an organisation share and teach to new members.

- A **ritual** is a set of actions, performed mainly for their symbolic value.
- **Strategic drift** is the tendency of organisations to develop strategies incrementally based on historical and cultural influences, but failing to keep pace with changes in the environment.
- A **symbol** is something that represents an idea, a process, or a physical entity.
- **Values** are important and lasting beliefs or ideals shared by the members of a culture about what is good or bad and desirable or undesirable.

### 3.4 INTRODUCTION

As students of management, we consider any organisation to be a mini society, with characteristics similar to those of a civil society and its “culture” is no exception. In this study unit, we investigate what organisational culture is, the levels and types of culture, the elements of culture and how to change organisational culture.

### 3.5 WHAT IS ORGANISATIONAL CULTURE?

We consider **three definitions** of organisational culture. These three definitions are summarised in Figure 3.1.

### 3.6 LEVELS OF CULTURE

Figure 3.2 is a summary of the three levels of culture as identified by Schein (1988). Schein used an iceberg metaphor to depict the levels of organisational culture, where:

- the tip of the iceberg represents the organisation's **artefacts**
- the part of the iceberg just below the water represents the organisation's **values**
- the mass of the iceberg represents the organisation's **assumptions**

### 3.7 WHAT SHAPES AN ORGANISATION'S CULTURE?

Once you know where to look, you will see that the culture of each organisation is different, and that even within one organisation, different cultures may exist. The culture of an organisation is a unique combination (much like the DNA of a human being) of the **national and regional culture, industry culture**, and various **organisational subcultures**. Figure 3.3 summarises these sources of organisational cultural diversity.

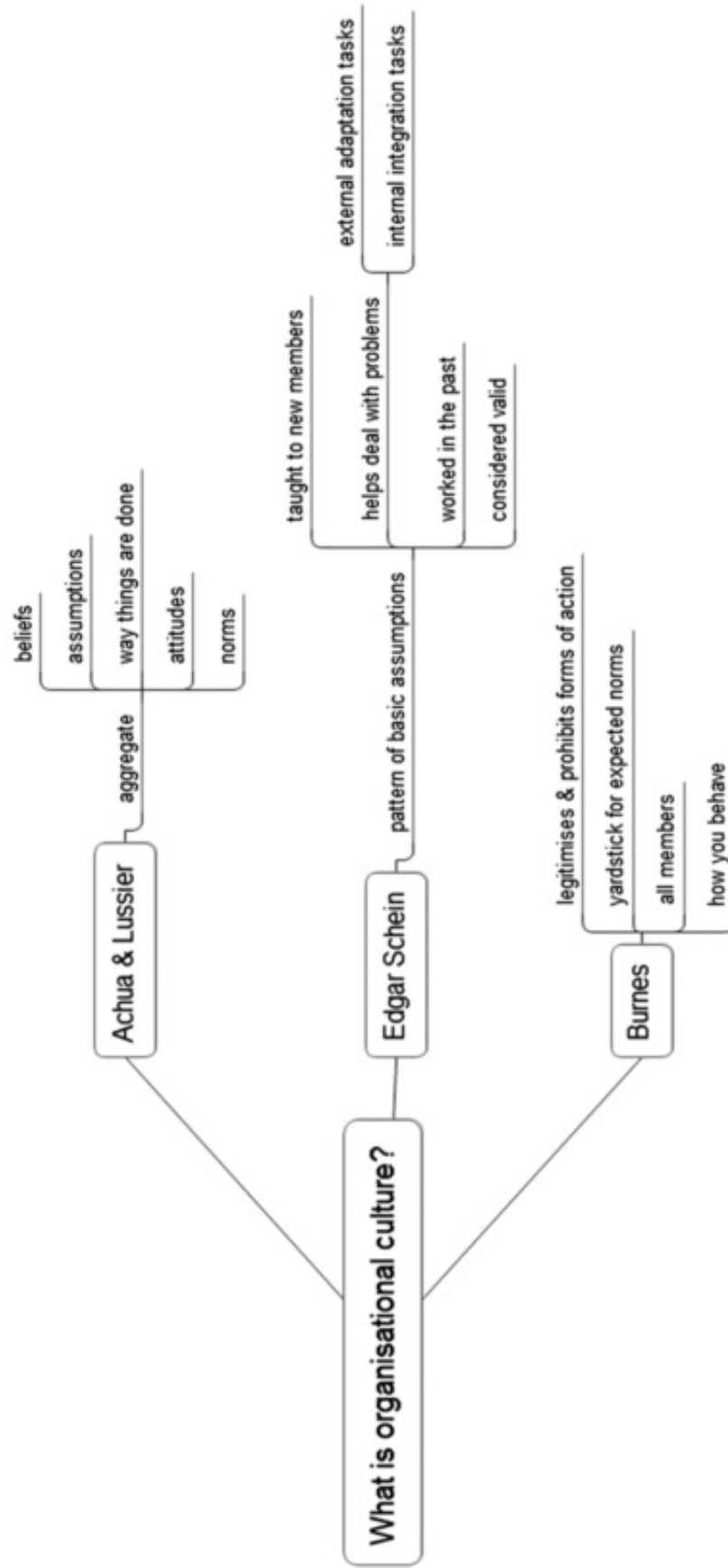


Figure 3.1: Definitions of organisational culture



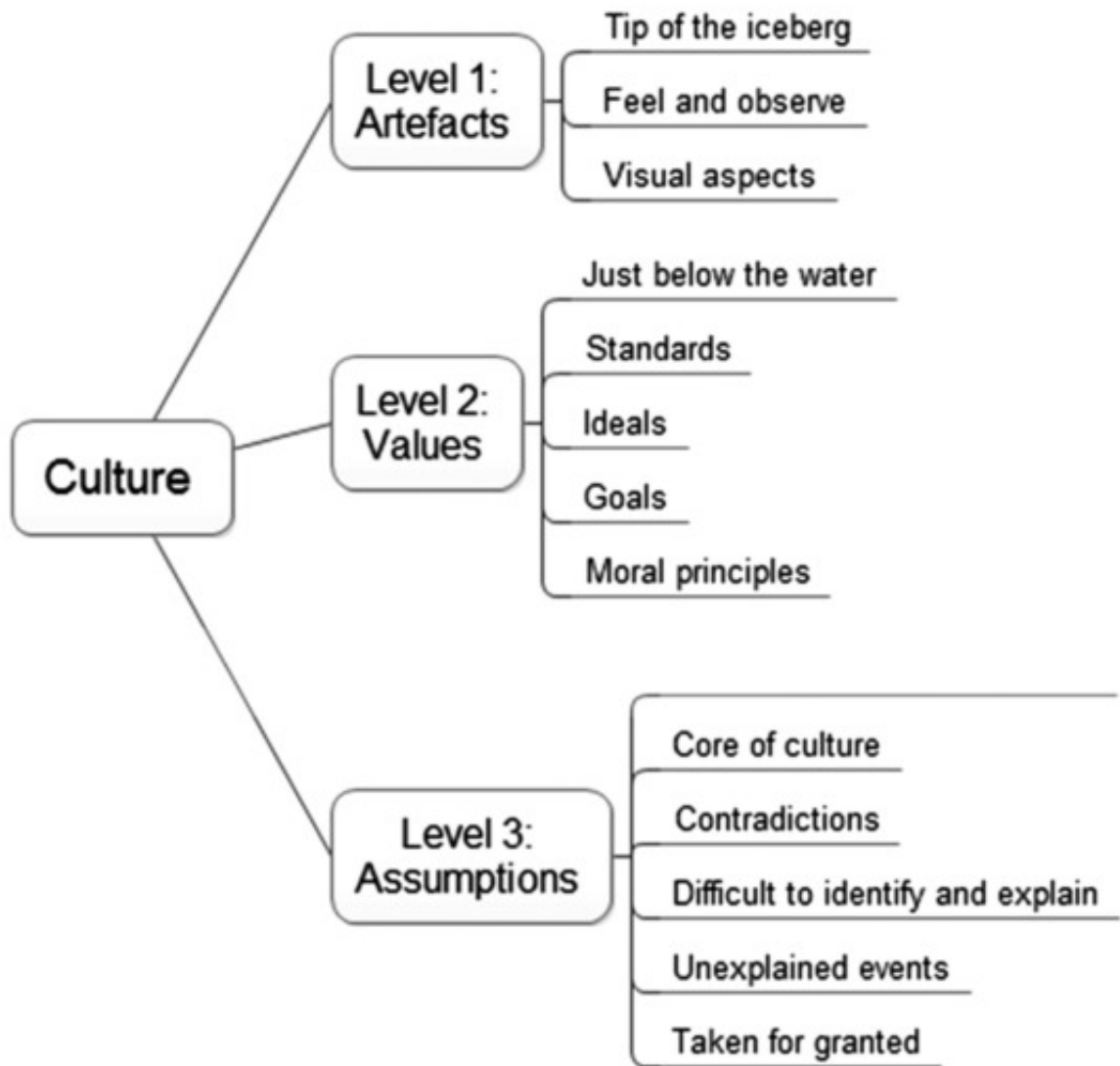


Figure 3.2: Three levels of culture

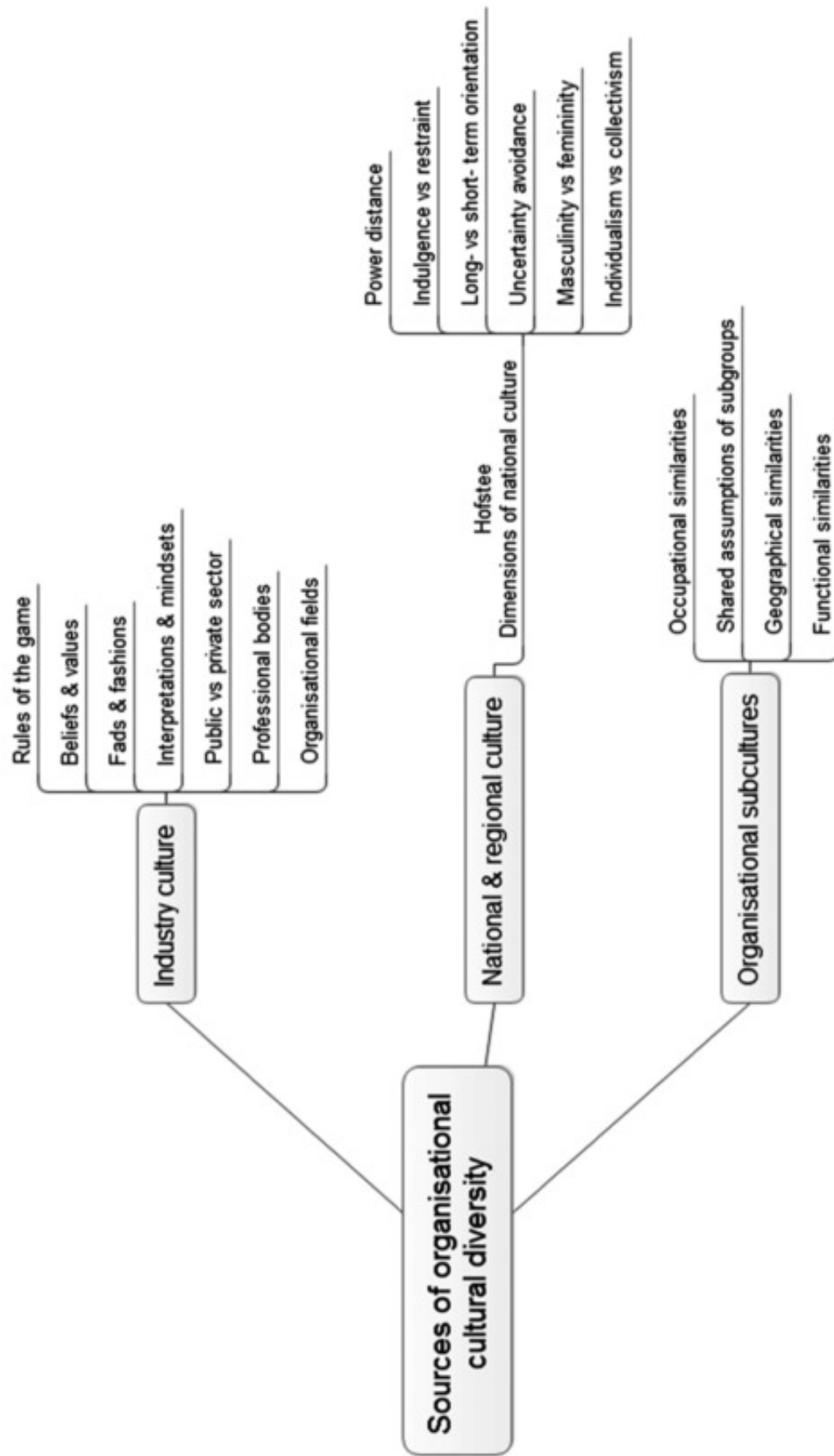


Figure 3.3: Sources of organisational cultural diversity

### 3.8 ELEMENTS OF CULTURE

If you understand the concept of organisational culture, you are ready to find out how new employees learn about the prevalent culture in their organisations. New employees learn an organisation's culture through elements such as **symbols**, **stories**, **language**, and **rituals** which people in the organisation use.

### 3.9 TYPES OF ORGANISATIONAL CULTURE

Numerous **classification systems** exist for categorising the different **types** of organisational culture. In this study unit, we investigate **four** types of culture, as they are summarised in Figure 3.4.

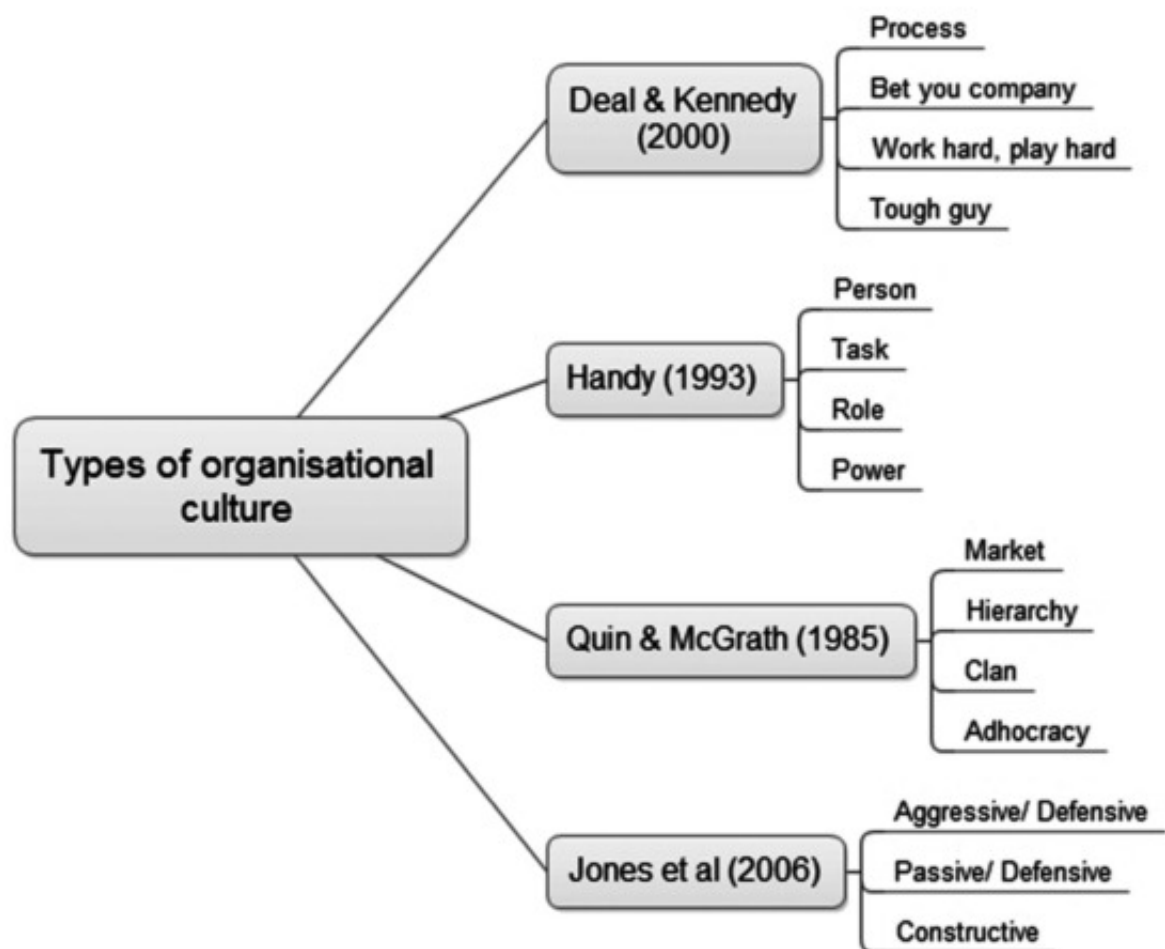
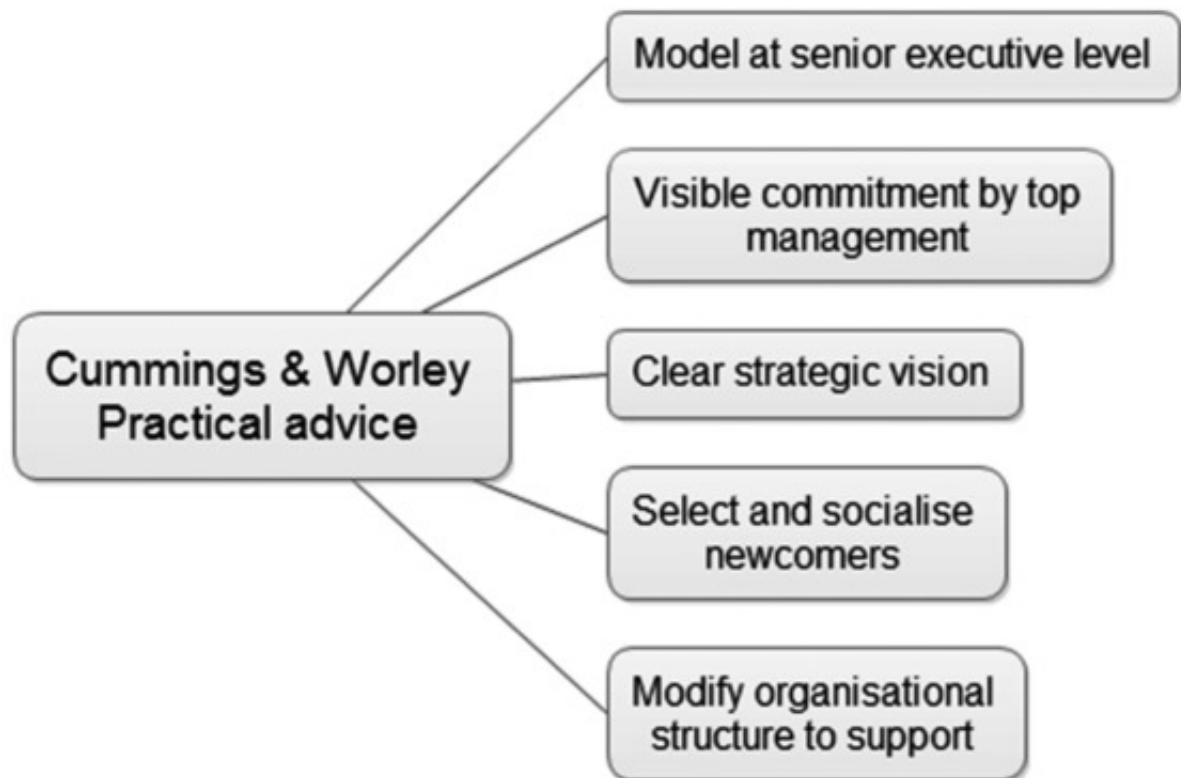


Figure 3.4: Cultural classification systems

### 3.10 CHANGING AN ORGANISATION'S CULTURE

An organisation's culture develops over a **long period** and it is a product of the interaction between its workforce, management, industry and history. For this reason it

is very **difficult** to **change** a culture. However, a change in **circumstances** could **trigger** the need to change an organisation's culture. Figure 3.5 summarises methods management can use to change an organisation's culture.



**Figure 3.5: How to change an organisation's culture**

### 3.11 CONCLUSION

The culture of an organisation develops over time. The people who work in an organisation, its managers and workforce create the culture, which forms over a long period of time. What the organisation stands for (its values) and the dreams that it seeks to turn into reality (its vision) are fundamental in creating a dynamic culture.

In this study unit, we explained the **terms** “culture” and “organisational culture”. We differentiated between the various **levels** of culture and looked at **what shapes** an organisation's culture. We explored the various **elements** of culture and investigated the different **types** of culture. We concluded this study unit with a discussion of how to **change** an organisation's culture.

### 3.12 ADDITIONAL LEARNING EXPERIENCES

If you have access to the internet, you should consider visiting the following websites. This is NOT COMPULSORY, but these websites all contain interesting information and examples about the content in this study unit.

- What is an organisational culture?  
<http://www.youtube.com/watch?v=6AFn0vFtLC0>

- Levels of organisational culture

<http://www.youtube.com/watch?v=6ZB3jJIGWuk>

<http://www.youtube.com/watch?v=qfV0DYUji6k>

Interesting **tweeple** that you could follow on Twitter:

@McKinsey@AMAnet

@HarvardBiz

### 3.13 ASSESSMENT

This section contains self-assessment questions that you can use to assess your knowledge of the study unit.

#### SECTION A: MULTIPLE CHOICE QUESTIONS

- 3.1 \_\_\_\_\_ can be **defined** as the total pattern of human behaviour.
- 1 Norms
  - 2 Values
  - 3 Beliefs
  - 4 Culture
- 3.2 Organisational \_\_\_\_\_ is/are the pattern of basic **assumptions**, which a group has invented to cope with its problems of \_\_\_\_\_ and \_\_\_\_\_ and that have worked well enough to be considered valid.
- 1 culture; external adaptation; internal integration
  - 2 culture; external integration; external adaptation
  - 3 values; external adaptation; internal adaptation
  - 4 values; external adaptation; internal integration
- 3.3 The **artefacts** of an organisation's culture are \_\_\_\_\_ but not always \_\_\_\_\_.
- 1 tangible; visible
  - 2 visible; understandable
  - 3 visible; accurate
  - 4 tangible; accurate
- 3.4 Hofstee's \_\_\_\_\_ dimension of **national culture** refers to a preference in society for achievement, heroism, assertiveness and material reward for success.
- 1 masculinity
  - 2 power distance
  - 3 individualism
  - 4 uncertainty avoidance

3.5 A \_\_\_\_\_ is something that represents an idea, a process or a physical entity.

- 1 story
- 2 ritual
- 3 symbol
- 4 metaphor

3.6 Quin and McGrath use rational decision-making and goal-centred employees as **criteria** for the \_\_\_\_\_ culture.

- 1 adhocracy
- 2 clan
- 3 process
- 4 market

## SECTION B: PRESCRIBED TEXTBOOK

Try to answer the review questions in the prescribed textbook.

## SECTION C: TUTORIAL LETTER 101

Complete the questions that relate to this study unit from the assignment found in Tutorial Letter 101

## 3.14 END OF STUDY UNIT CASE STUDY

Read the following case study and answer the questions that follow.

### Creating a high performance culture

#### A Siemens case study

*Siemens AG is a global electrical and electronics business with a turnover of nearly £60 billion. The company employs just under half a million people around the world. It is based in Munich, Germany. In the UK, Siemens has its headquarters in Bracknell, Berkshire, and has around 100 sites across the UK employing 20 000 people. The Siemens head office is a token of their engineering excellence, boasting the most advanced green technology available.*

*Siemens is departmentalised in a matrix-type structure based on products and industry.*

*An organisation is nothing without its people. As an employer of one of the world's most efficient and motivated workforces, Siemens is committed to its employees. Its half a million employees work in a broad range of roles.*

*If people are properly managed, they will motivate themselves to do a good job. Siemens believes in the full engagement of people in the workplace. Excellent people need to be managed in an excellent way. Siemens believes that engagement combines commitment and organisational citizenship. (Engagement is another way of saying actively involved.)*

*A key pillar of the Siemens strategy, alongside its performance and portfolio, operational excellence, and corporate responsibility, is the way it manages, develops, and motivates its employees.*

*The part of the Siemens business strategy that relates to people management is referred to as people excellence. At the heart of people excellence is building a high performance culture. Nothing helps an individual more than to be given responsibility and to know they are trusted.*

*Almost without exception, people management theorists have shown that real motivation comes from within an individual. Individuals develop such motivation when they feel that*

*their efforts are valued and that they are doing something worthwhile. This is why People Excellence at Siemens is so important.*

*Feeling part of a successful team is part of the engagement process. Individuals who feel valued want to contribute to the success of the organisation. Siemens' operations are based on a teamwork culture. This emphasis on the team is set out clearly in a quote from the global chief executive officer of Siemens, Klaus Kleinfeld:*

*"Many times in my life I have seen how one individual can make a big difference, particularly when working in a great team. The quality of our people and of our teams is our most valuable resource, particularly in today's changing world where knowledge flows round the globe with lightning speed and is easily available."*

*The high performance culture is the way of working at Siemens and it involves everyone. The global talent pool is made up of all Siemens' employees. Within Siemens, everyone has the opportunity to develop their own specialities and to acquire further expertise. The SLE provides the highest calibre leadership and management training.*

*People Excellence involves developing everybody that works for your organisation, not just the high-fliers. Siemens' talent management philosophy involves making sure that every employee is provided with the guidance and support to achieve their full potential. New employees receive a booklet with organisational slang at their first induction meeting; this aids them to do their best, every day, from the start.*

*Everyone works together to achieve the organisation's objectives as well as meeting their own personal goals. Everyone shares the same vision and dreams. Within this cul-*

ture they are able to progress and take on greater responsibility within the company.

People really matter. Organisational results stem from high performance. People only perform well when they operate in a culture which nurtures and supports them and helps them to work towards the achievement of their ambitions. Siemens employees are not encouraged to take a lot of risk. However, they are urged to provide fellow employees with quick feedback, as this enables quick adjustments to decisions and avoids waste.

Siemens' high performance culture provides the framework and support in which high performance people can show their commitment to a high performance organisation.

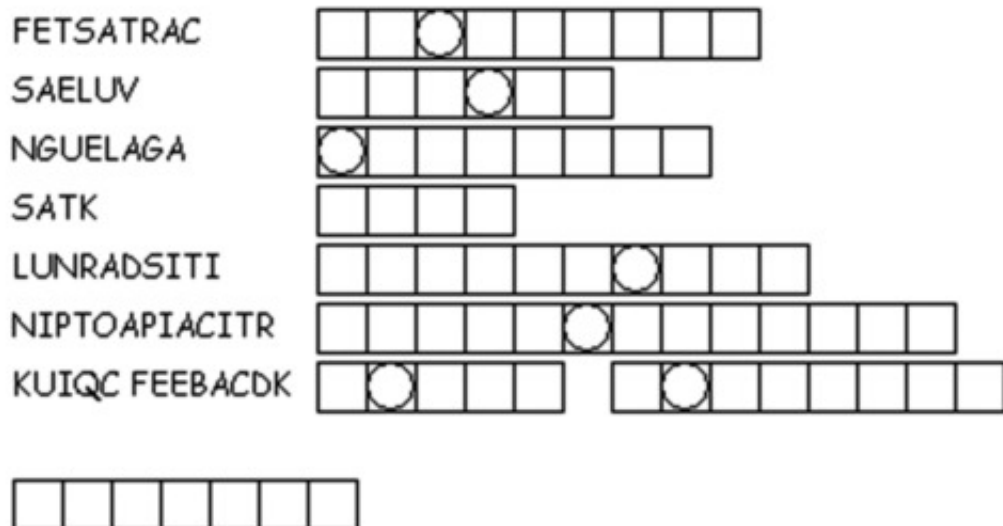
**Adapted from:** Times 100, (2013b)

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### 3.15 STUDY UNIT REVIEW QUESTIONS

Read the Siemens case study and find the final message by answering the questions below and unscrambling the clue words. The clue words follow the same order as the questions below. Then use the circled letters to find the final message.



- 3.1 The green head office of Siemens depicts the Siemens culture at \_\_\_\_\_ **level**.
- 3.2 Siemens' people excellence strategy depicts the Siemens culture at \_\_\_\_\_ **level**.
- 3.3 Siemens employees receive a slang booklet at their first induction meeting. This is an example of the \_\_\_\_\_ **element** of the Siemens culture.
- 3.4 According to **Charles Handy's** classification, the culture at Siemens is a \_\_\_\_\_ culture.
- 3.5 There are culture differences between departments at Siemens. This is an example of \_\_\_\_\_ factors **shaping** an organisation's culture.
- 3.6 According to the **Quin and McGrath** classification system, the Siemens culture is that of a **clan**. This culture is rooted in \_\_\_\_\_ and consensus.
- 3.7 The Siemens culture is a **work-hard/play-hard** culture, characterised by \_\_\_\_\_ and a low tolerance for risk-taking.

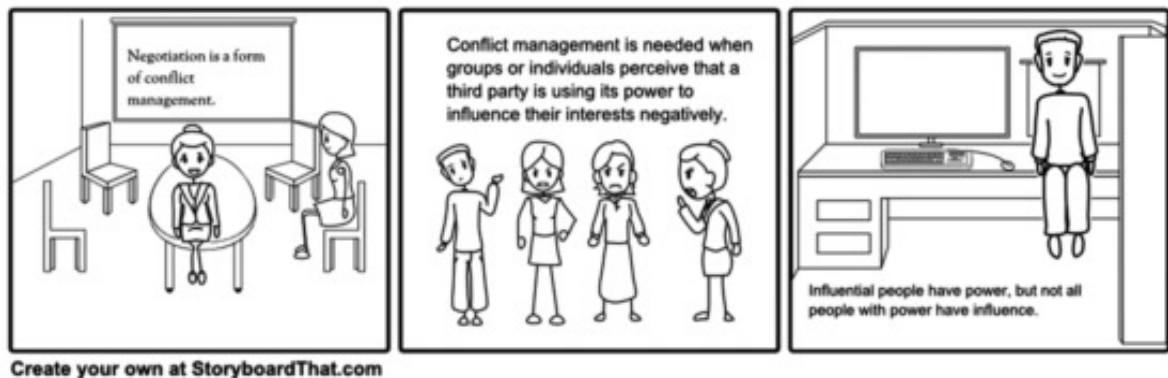


# Study unit 4

## Power, politics, conflict resolution and negotiation

### 4.1 BACKGROUND

Have you ever come across a secretary who has made it impossible for you to get an appointment with her boss, or heard of a low-ranking employee who is able to get you an appointment with the chief executive officer of a listed company? We have all watched television series where individuals, other than management, influence the behaviour of others, even that of management. They are able to do this because they possess some form of power and they use their power to influence others.



### 4.2 STUDY UNIT CHALLENGES

We are challenging you to:

- define and discuss power and organisational sources of power
- explain the relationship between power and interest
- discuss how people use influence tactics and political action to protect their interests
- explain the various sources of organisational conflict and identify the conflict management strategies
- provide guidelines on how to apply the two phases of the negotiation process: planning and the actual process

**Work through Chapter 7 in the prescribed book.**

### 4.3 KEY CONCEPTS

- When one party perceives that another party opposes or negatively influences its interests, it may result in **conflict**.

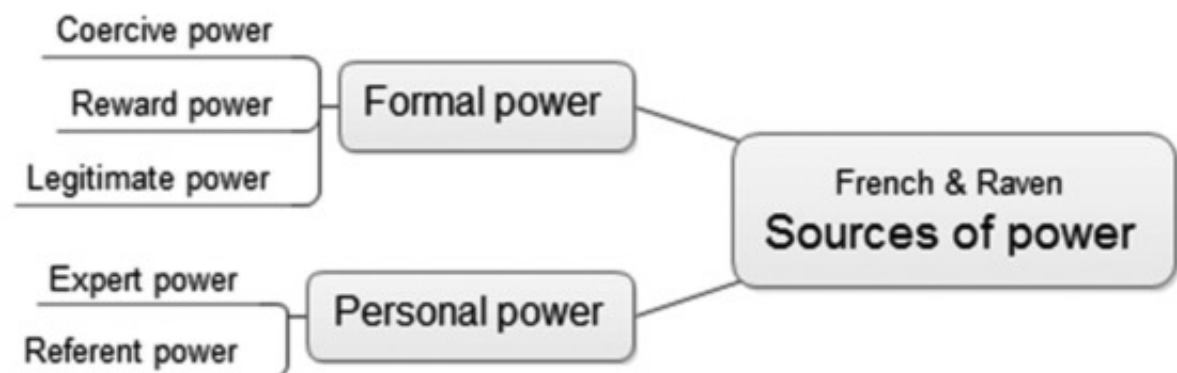
- **Conflict management** involves doing things to limit the negative aspects of conflict and to increase its positive aspects.
- **Influence** is the capacity or power of people or things to be a compelling force on, or produce effects on the actions, behaviour, opinions, etc., of others.
- An **interest** can be an advantage, claim, duty, liability, right and/or title associated with a tangible or intangible item.
- **Negotiating** is a process in which two or more parties are in conflict and attempt to reach an agreement.
- **Political behaviour** includes activities that are not required as part of an employee's formal role, but that are performed to attempt to influence the distribution of advantages or disadvantages in the organisation.

## 4.4 INTRODUCTION

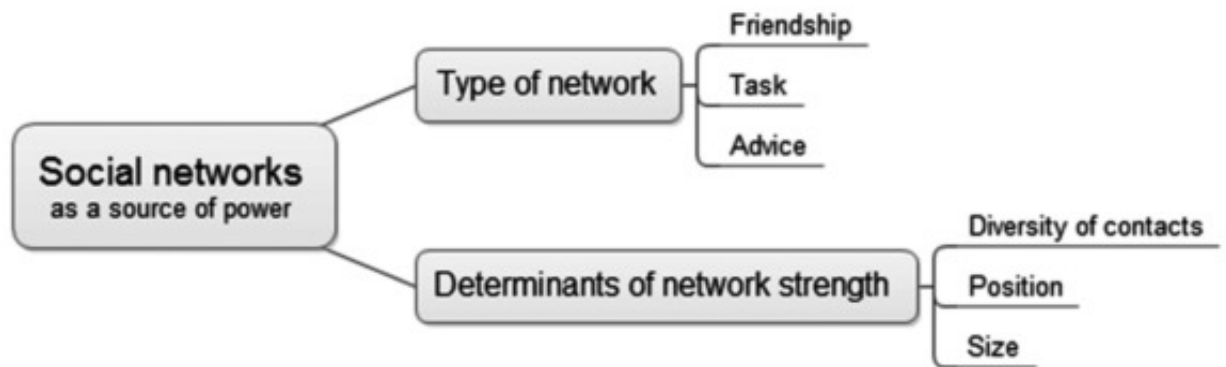
People use **power to influence** others to reach goals that are in their **interest** to **pursue** and to influence decisions regarding the allocation of resources. In this study unit, we investigate how a person gains **power** and uses it to **influence** others, and how people **use** influence tactics to manage **conflict** and **negotiate** effective solutions to organisational problems..

## 4.5 POWER

A person can have power without influence, but not influence without power. When people use their power for their **own gain** (me-orientation **personal power**), it has a negative “face”. However, when – people use their power for the good of the group (social or we-orientation **social power**), that power has a positive “face”. The mind maps provided in figures 4.1, 4.2 and 4.3 summarise the sources of power people accrue in organisations.



**Figure 4.1: French and Raven's five sources of power**



**Figure 4.2: Social networks as sources of power**

## 4.6 INTERESTS

People need power to **protect** their **interests** (what they perceive to belong to them), either their own (**individual** interest) or that of others (**collective** interest). To be able to protect their interests, **people** use power to **influence** the **outcome** of specific situations. This forms the basis of any **political action** within an organisation.

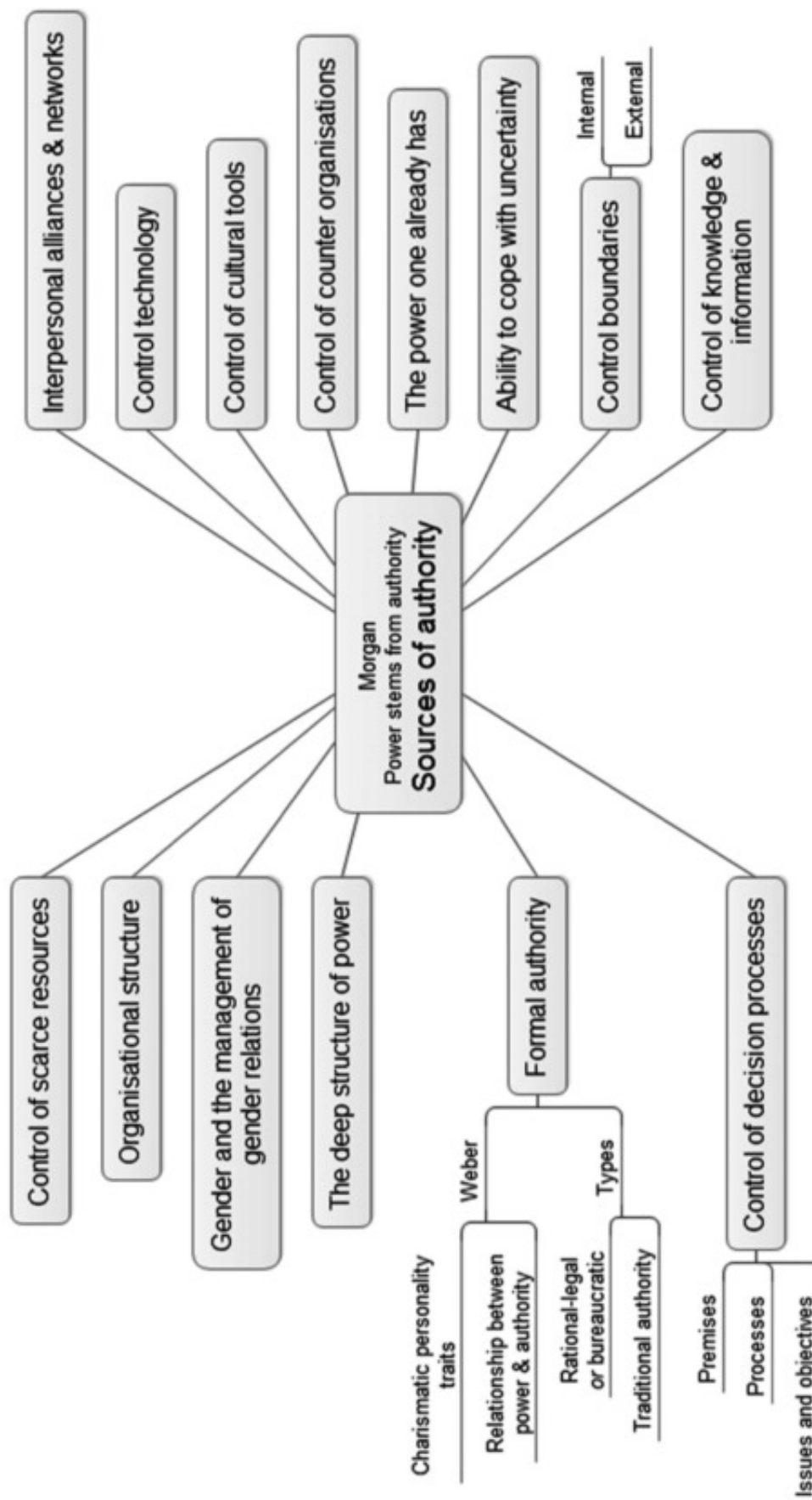


Figure 4.3: Morgan's sources of authority

## 4.7 INFLUENCE

Knowing the source of their power and whose interests they want to protect, enable people to influence in the outcome of a situation. Power is a **prerequisite** for influence, and when the target has a **dependency** on the agent, the agent can use influence to get the desired outcome. Figure 4.4 indicates the different tactics an agent can use to create this dependency.



Figure 4.4: Influence tactics

## 4.8 POLITICAL BEHAVIOUR

To succeed, managers need **expertise** and **political skills**. A person who has **political** skills could **convert power** into **action** and **influence** the distribution of **advantages** or **disadvantages** in the organisation. In organisations, two types of political behaviour occur: **legitimate** and **illegitimate** political behaviour. Figure 4.5 summarises the different actions associated with the two types of political behaviour

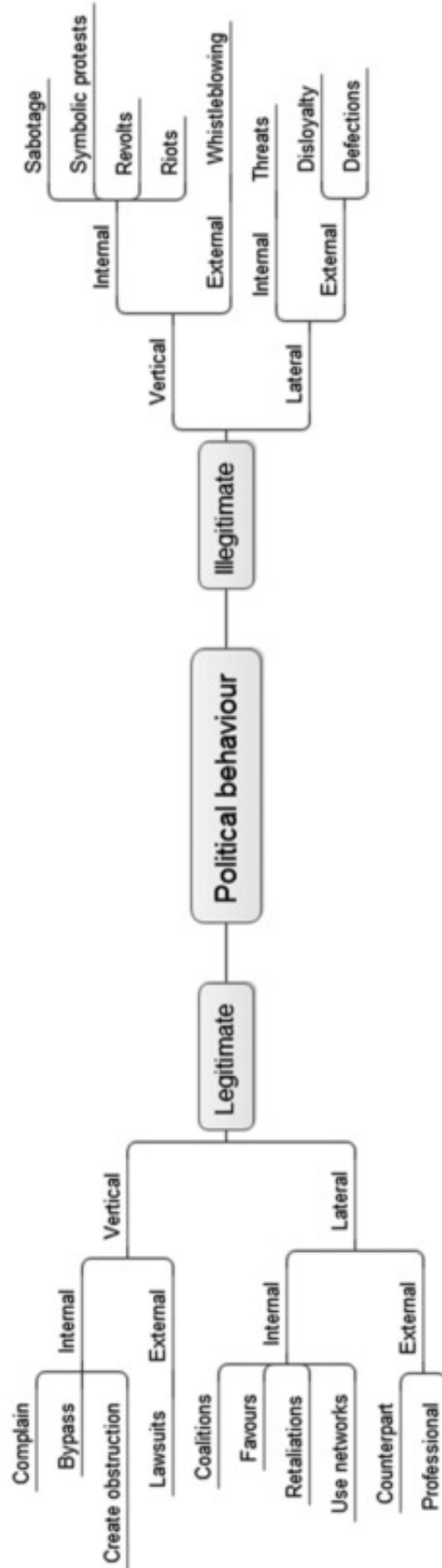


Figure 4.5: Legitimate and illegitimate behaviour in organisations

A manager can mobilise support for political action from employees and other managers by:

- recognising opposing ideas and finding ways to reconcile them
- identifying who the change will effect and mapping their sources of power and influence
- identifying possible supporters and blockers
- identifying stakeholders and possible coalitions
- obtaining buy-in from decision-makers
- actively creating and using networks
- negotiating solutions

## 4.9 CONFLICT MANAGEMENT

When a third party uses power and influence to negatively affect the interests of a group or an individual, it may result in conflict. Conflict can be **functional** or **dysfunctional**, depending on its influence on the organisation's operations. Figure 4.6 depicts possible **causes** of **conflict**.

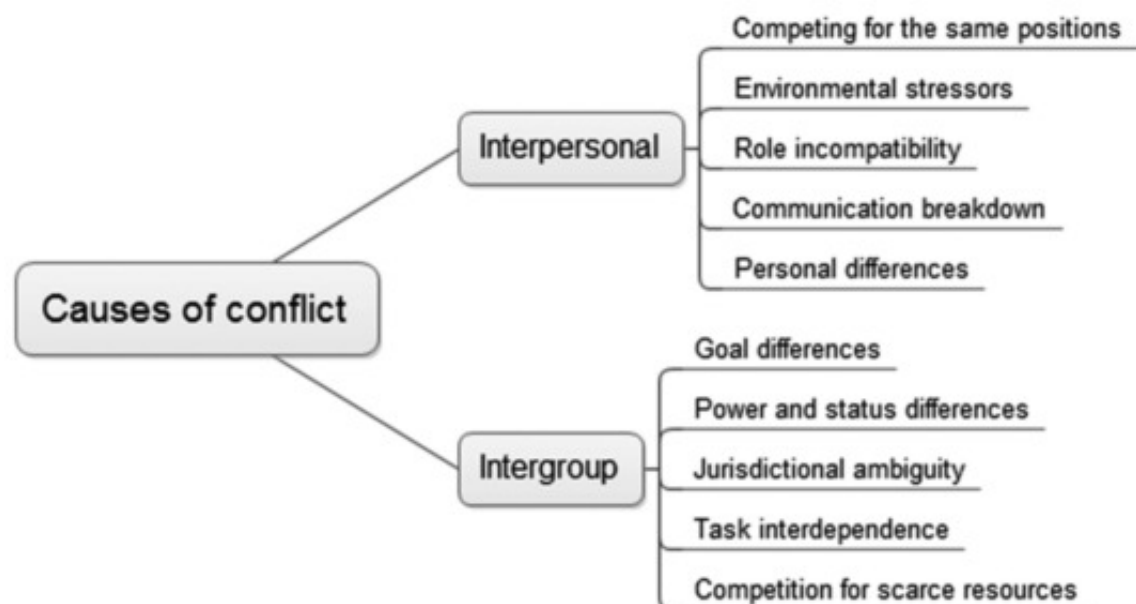


Figure 4.6: Causes of conflict

Managers can employ five different **conflict management strategies**, namely:

- avoidance
- accommodation
- compromise
- competition
- collaboration

## 4.10 NEGOTIATION

When a conflict arises, management may need to **negotiate** an **agreement** between the parties in conflict. The negotiation process consists of two phases, as summarised in Figure 4.7.



**Figure 4.7: Negotiation process**

## 4.11 CONCLUSION

In this study unit, you learnt that in organisations, **people** gain power and use their influence to protect their individual or collective interests. When people use their influence to **affect** the interest of others negatively, it may result in **conflict**. Managers use their **conflict management** and **negotiation** skills to resolve any conflict that may affect the effective functioning of their organisations.

## 4.12 ADDITIONAL LEARNING EXPERIENCES

If you have access to the internet, you should consider visiting the following websites. This is **NOT COMPULSORY**, but these websites all contain interesting information and examples about the content in this study unit.

- Power and politics  
<http://www.youtube.com/watch?v=7peFKioBCVI>  
<http://www.youtube.com/watch?v=5VeJ-XrbBwU>  
<http://www.youtube.com/watch?v=yvFGuA6qtrM>  
<http://toolkit.smallbiz.nsw.gov.au/chapter/8/41>  
[http://hstalks.com/main/view\\_talk.php?t=1758c=250](http://hstalks.com/main/view_talk.php?t=1758c=250)



Interesting **tweeple** that you could follow on Twitter:

@JeffreyPfeffer

### 4.13 ASSESSMENT

This section contains self-assessment questions that you can use to assess your knowledge of the study unit.

## SECTION A: MULTIPLE-CHOICE QUESTIONS

4.1 Acceptable organisational political action includes all of the following, **except** \_\_\_\_\_ .

- 1 the use of power for the achievement of organisational goals
- 2 actions to gain 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

4.2 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

4.3 "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" is the definition for \_\_\_\_\_ .

- 1 individual interest
- 2 collective interests
- 3 power
- 4 politics

4.4 The bases for collective interests in organisations include all of the following, **except** \_\_\_\_\_ .

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

4.5 Identify the **incorrect** statement

- 1 Conflict is seldom present in well-managed organisations.
- 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 organisation, the more conflict will develop between competing individuals.

4.6 Power derives from all of the following sources, **except**, \_\_\_\_\_ .

- 1 organisational hierarchy
- 2 coercion
- 3 control over resources
- 4 conflict between groups

4.7 A scientist, with superior knowledge of complicated scientific processes, working for an organisation developing cutting-edge solutions to complex scientific problems and processes has \_\_\_\_\_ power.

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

4.8 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

4.9 The influence that stems from individual social networks is most evident in \_\_\_\_\_ .

- 1 bureaucratic organisations
- 2 organisations with flat structures
- 3 organisations where authority is centralised
- 4 organisations with tall structures

## SECTION B: PRESCRIBED TEXTBOOK

Try to answer the review questions in the prescribed textbook.

## SECTION C: TUTORIAL LETTER 101

Complete the questions that relate to this study unit from the assignment found in Tutorial Letter 101

### 4.14 END OF STUDY UNIT CASE STUDY

Read the following case study and answer the questions that follow.

#### **RWE npower**

*RWE npower is a leading energy company in the UK. It is part of the German-owned RWE, one of Europe's leading utilities. Part of RWE's strategy is to deliver cleaner, affordable, and secure energy supplies for the UK while improving profitability.*

*RWE npower has over 11 000 employees across 60 sites in the UK. It provides more than 10% of all electricity in England and Wales. In the UK, RWE npower provides electricity and gas services to both B2C (business-to-consumer) and B2B (business-to-business) markets through its retail brand, npower. In 2007, npower supplied over six million residential consumers and 400 000 business customers. Business customers included large corporations such as BT, Ford and Wembley Stadium. Service organisations, such as schools and hospitals, also rely on npower.*

*The UK energy market is highly competitive. Both private and business customers can choose from several suppliers to get the best service and price.*

*Jay, a young graduate engineer, and the son of the CEO, has been at RWE npower for a relatively short time. He is responsible for the decisions that will achieve the required Strategic Spare Parts Project targets. As a mechanical engineering graduate, he has been involved in many different areas of work, ranging from preparing tenders and contract management, to hands-on work activities that include routine maintenance, plant inspections, overhauls, and improvements. In his words, "Working at RWE*

*npower as an engineer is very different to the usual view of workmen in overalls. Engineers at RWE npower can be involved in anything from new build projects or existing plant site activities to office based work and/or projects".*

*Jay needed to make decisions based on an assessment of the risks linked to making changes or not doing anything at all. He had to evaluate which spare parts were "critical" and what was the best way of managing their supply.*

*A wide range of staff were involved in the project:*

- *Jay consulted with the senior asset manager and his team to obtain financial data relating to insurance costs should they fail to meet their contractual obligations.*
- *Site managers and engineers gave information on what spares were stored on different sites and at what cost. They also shared the availability losses arising from past problems with not having necessary spares.*
- *The operations procurement manager negotiated the most cost-effective deal for the company.*

*Jay found that for 75% of spare parts, there was sufficiently low risk to allow time for normal ordering, purchase and installation and that 25% of spare parts were essential for effective energy supply.*

*Jay concluded that the majority of spares for*

power could be sourced as and when needed without greatly affecting the power supply. However, if the essential spares were not available, heat and power supplies could be affected for a long time. These items were confirmed as critical. With this information, Jay concluded that it was possible to find an alternative way of managing the spares process and make improvements. He went on to investigate the best ways to achieve these improvements.

Site managers who need spare parts are of the opinion that Jay's findings will negatively affect their ability to do their work. Experience, which Jay does not have, has taught them to keep two sets of spare parts at hand. They feel that Jay's lack of experience and influence with his father is a dangerous combination and have decided to turn to their union to resolve this conflict.

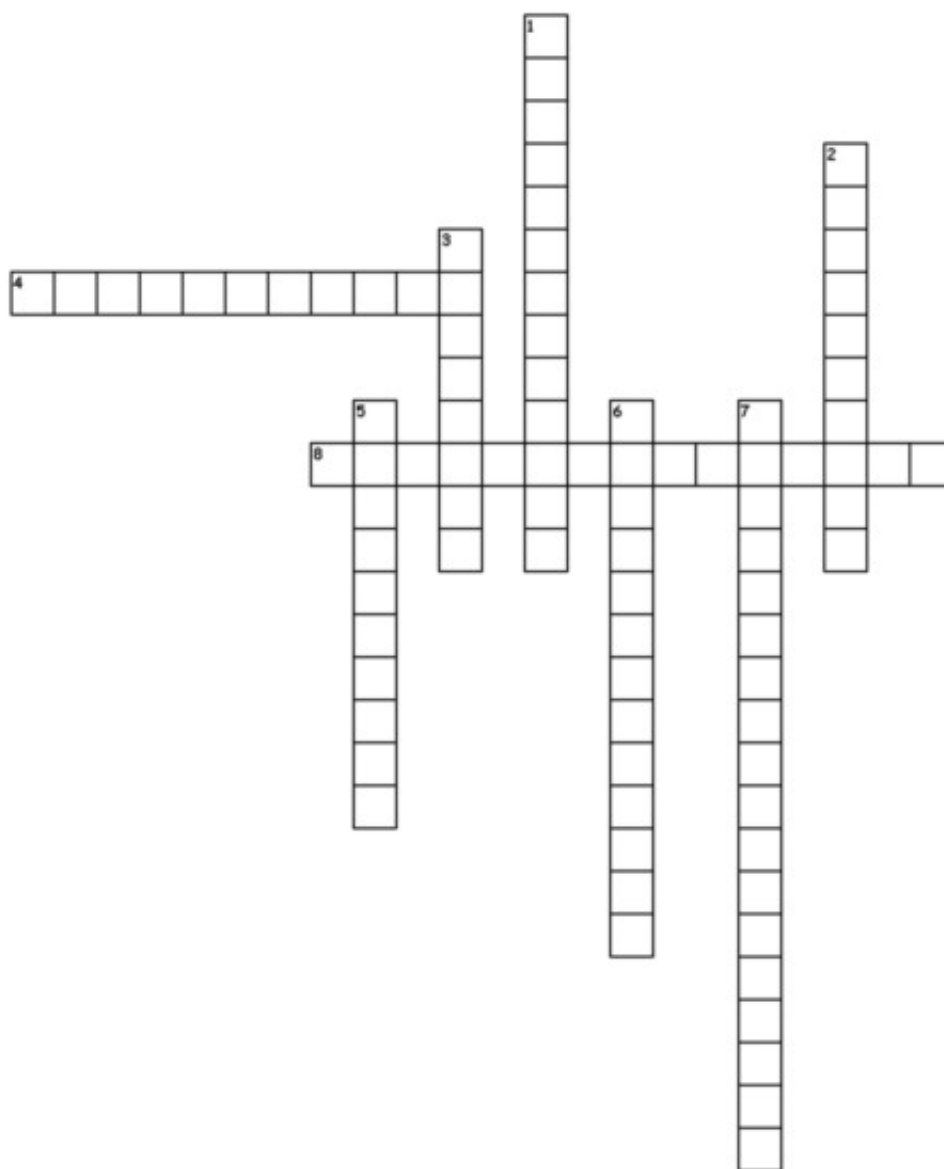
**Adapted from:** Times 100 (2013c).

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## 4.15 STUDY UNIT REVIEW QUESTIONS

Complete the following crossword puzzle based on the RWE power case study.



**Across**

4. Jay has this type of authority (Morgan).
8. Jay gains authority by controlling this process.

**Down**

1. Jay decides to resolve the conflict with site managers by meeting with them and addressing their differences. This is a strategy to manage \_\_\_\_\_ conflict.
2. The operational manager protected \_\_\_\_\_ interest when he negotiated the most cost-effective deal.
3. Jay should research the site managers during the \_\_\_\_\_ phase of negotiation.
5. Jay has this type of power (French and Raven).
6. Due to miscommunication, site managers feel that Jay's findings negatively affect their interests. This is an example of a \_\_\_\_\_ cause of conflict.
7. Jay uses these influence tactics to get management to support his findings.

# Study unit 5

## Business ethics, corporate social responsibility, corporate governance and sustainability

### 5.1 BACKGROUND

Because "children can identify up to 1 000 corporate logos, but fewer than ten plants or animals native to their backyards" (The Children in Nature website), it can be assumed that organisations, and not governments, culture or parents, are teaching children what is right or wrong, good or bad. Organisations have, thus, knowingly or unknowingly assumed a greater **responsibility** than profitability namely, **sustainable development**.

The Burtland Commission of 1987 defined sustainable development as meeting the needs of the present without compromising the ability of future generations to meet their own needs.



In this study unit, you will learn how organisations can create good **corporate governance** practices to fulfil their **responsibility** to society in an **ethical** and **morally** acceptable way.

### 5.2 STUDY UNIT CHALLENGES

We are challenging you to:

- describe the interplay between business ethics, corporate social responsibility and corporate governance
- define morality, ethics and business ethics by using examples
- explain the three dimensions of ethical analysis relevant to business ethics
- define the three most common approaches to normative ethics
- define and motivate the case for the narrow and broad view of corporate social responsibility
- discuss contemporary approaches to corporate social responsibility

- compare the statutory with the voluntary approach to corporate governance
- define and discuss the three value dimensions that form the basis for the King III report

**Work through Chapter 8 in the prescribed book.**

### 5.3 KEY CONCEPTS

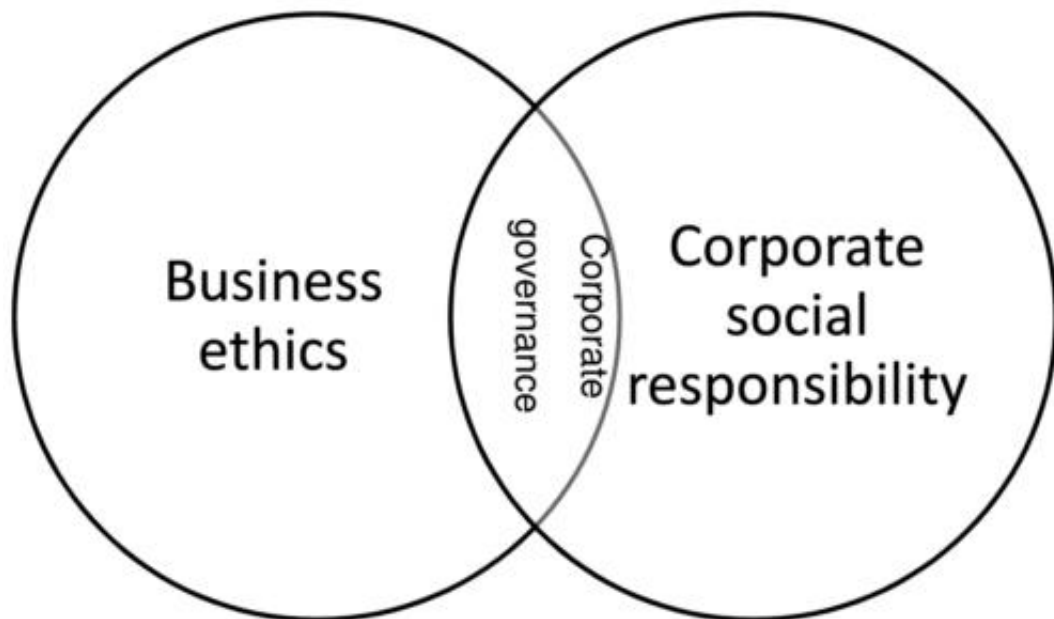
- **Business ethics** is the study and evaluation of moral standards within the context of business operations.
- **Corporate governance** entails directing and controlling a company's operations and relationships effectively and ethically.
- **Ethics** is the process of objective and critical analysis of our moral beliefs to determine whether sound or unsound principles underpin them.
- The ***homo economicus*** model suggests that humans are rational beings who seek to maximise both monetary and non-monetary utility.
- **Macro ethics** is the study and evaluation of the social, economic, political, environmental and cultural systems (and the interrelations between these systems), which enable and constrain business activities and shape our practices.
- **Morality** refers to the standards of an individual or group relating to what is right and wrong, good and bad, and what deserves respect and what not.
- **Negative duty** in the corporate social responsibility (CSR) context refers to refraining from harming society.
- **Normative ethical theory** defines and systematises the principles that we employ when making moral decisions and judgements.
- **Organisational culture** is the tacit and explicit organisational norms and rules that direct individual behaviour.
- **Positive duty** in the CSR context refers to actively contributing to the wellbeing of society.
- The **promissory relation** is the agreement that executives will act in the economic interest of shareholders.
- The **social contract** is the implicit agreement in which society grants a business "licence to operate" through public consent, with the expectation that business will meet certain societal needs.

### 5.4 INTRODUCTION

Individuals learn their **morality** (the difference between right and wrong) from their parents and family, teachers, and the communities into which they are born. The organisations that operate within communities and their environments also affect the moral standards of the communities. However, individuals have the choice to evaluate these **moral standards** to determine whether sound or unsound principles underpin them. This evaluation refers to the concept of **ethics**. **Business ethics** is the evaluation of moral standards within an organisational context.

The **Companies Act** considers ethical business operations as integral to achieving business success and sustainability, and compels organisations to institute social and ethical committees to ensure that they fulfil their **ethical responsibility**. King III

suggests that solid **moral standards** and the effective and ethical management of corporate responsibilities to stakeholders and society constitute good corporate governance. Ethics and corporate social responsibility are essential elements of effective corporate governance. Figure 5.1 depicts the interplay between business ethics, corporate social responsibility and corporate governance.



**Figure 5.1: The interplay between business ethics, corporate social responsibility and corporate governance**

In this study unit, we explore the concepts of business ethics, corporate social responsibility, corporate governance and sustainability in more detail.

## 5.5 BUSINESS ETHICS

Business ethics is the analysis of the moral dimension of an organisation's operations. Sound business ethics conducts an **ethical analysis** of the **individual**, **contextual**, and **systematic** (macro-environmental) dimensions of business operations.

Because the ethics of managerial decision-making is often complex and managers frequently disagree on what comprises an ethical decision, the following two topics are particularly relevant:

- the approach the **individual manager** can use in determining which alternative to choose in a decision-making situation
- what **organisations can do** to ensure that managers follow ethical standards in their decision-making

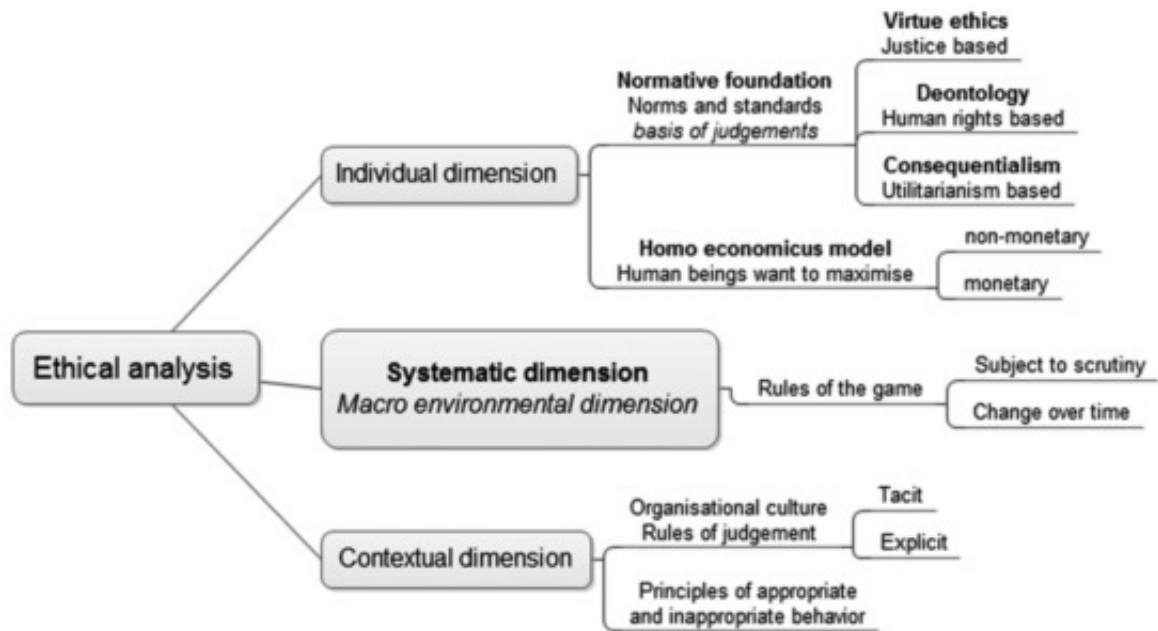
Business managers can use three fundamental ethical approaches in their ethical decision-making when they need to justify difficult decisions and actions.

- When the **utilitarian approach** is adopted, the effects of a particular action on those directly involved is judged in terms of what provides the greatest good for the greatest number of people.



- The **human rights approach** asserts that human beings have fundamental rights and liberties that nobody else's decision can take away from them. An ethically correct decision is, therefore, one that best maintains the rights of those affected by it.
- The **justice approach** holds that equity, fairness and impartiality are the basis of ethical decisions.

Business ethics, as presented in the prescribed textbook, can be summarised using the mind map in Figure 5.2.



**Figure 5.2: Ethical analysis**

Business ethics is concerned with conducting an ethical analysis to make an ethical decision. The resulting decision may still be the wrong one, but at the very least, one can argue that the decision maker followed a **rational process** and that the decision represents the best possible judgement of the decision-maker.

## 5.6 CORPORATE SOCIAL RESPONSIBILITY

There are two conflicting views of CSR, namely the narrow and the broad view. Figure 5.3 is a mind map summarising the most important points associated with these views.

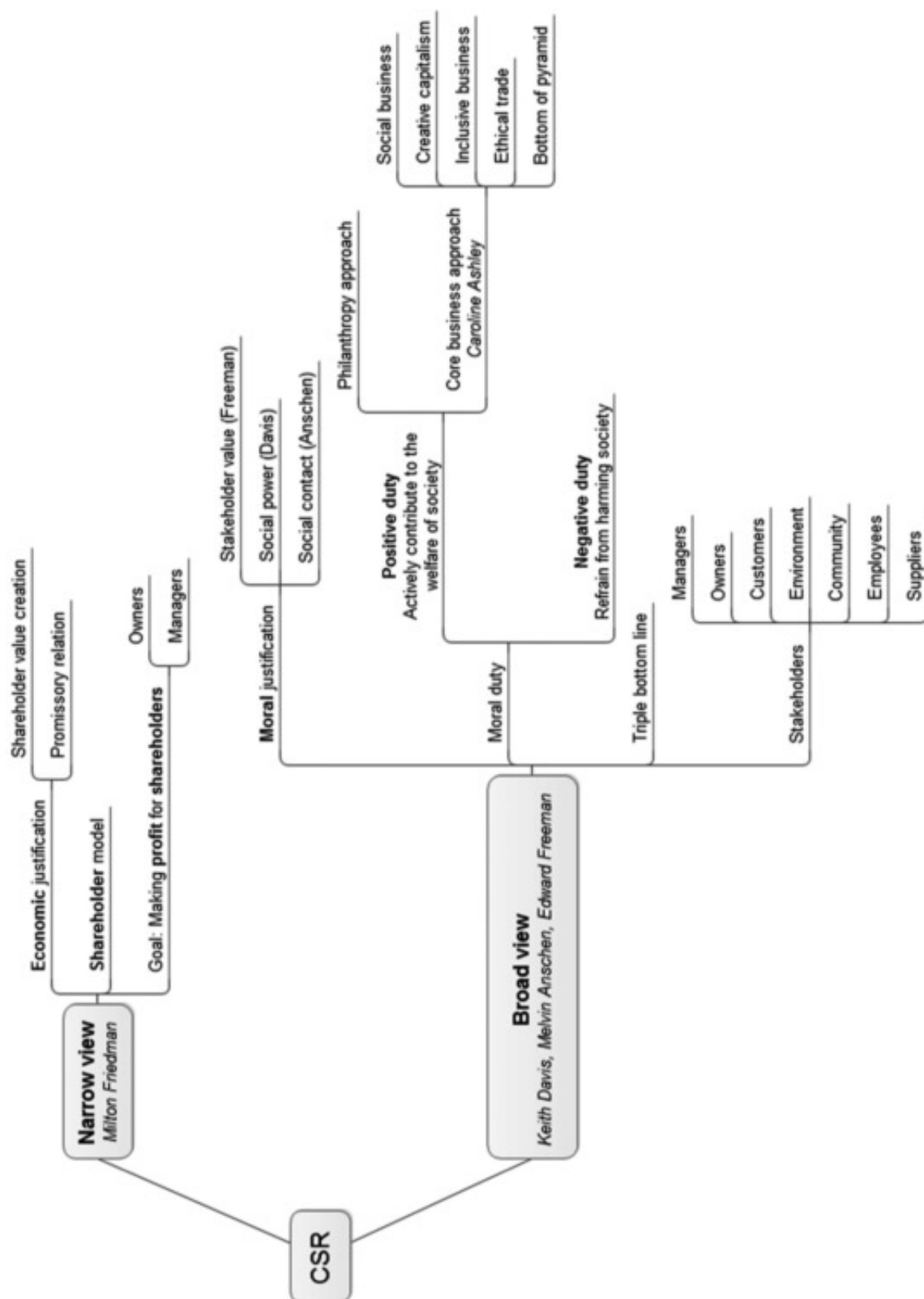


Figure 5.3: Two conflicting views of CSR

The **broad** view of CSR suggests that organisations should **voluntarily** operate **sustainably**. Operating an organisation sustainably suggests operating in a way that meets or **exceeds** the **ethical, legal, commercial, and public expectations** that **society** has of the **organisation**.



Over the past years, businesses have accepted what is known as **triple bottom line (3BL)** accounting as a measure for **sustainability**. 3BL is an accounting system that considers more than the traditional financial “bottom line”. It not only considers financial outcomes, but suggests that a company measures its performance in terms of its social and environmental responsibilities as well.

3BL, although an improvement on the traditional economic paradigm, still depicts a **“weak” sustainability**. It shows that there is an overlap between the three pillars of 3BL – **people, profit and planet** – but suggests that there are still areas where they are unconnected.



The alternative to 3BL (**“weak” sustainability**) is **“strong” sustainability**. Strong sustainability suggests that the **economy (profit)** is **imbedded** in **society (people)**, and that society and the economy are imbedded in the **environment (planet)**. Society and economy are therefore interdependent on the environment and cannot function without a healthy environment.

Society refers to two groups influenced by organisations:

- **Primary stakeholders** are those identified in the **micro-environment 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.

## 5.7 CORPORATE GOVERNANCE

Corporate governance provides a basis to:

- protect shareholders
- treat stakeholders fairly ensure transparency and accountability

The World Bank suggests that **responsibility, accountability, fairness, and transparency** are the four pillars of good corporate governance. However, contemporary society has called for the formalisation of corporate governance resulting in two widely accepted ways of formalising the concept namely, the **statutory** and **voluntary approaches**. The mind map provided in figure 5.4 summarises these two approaches.

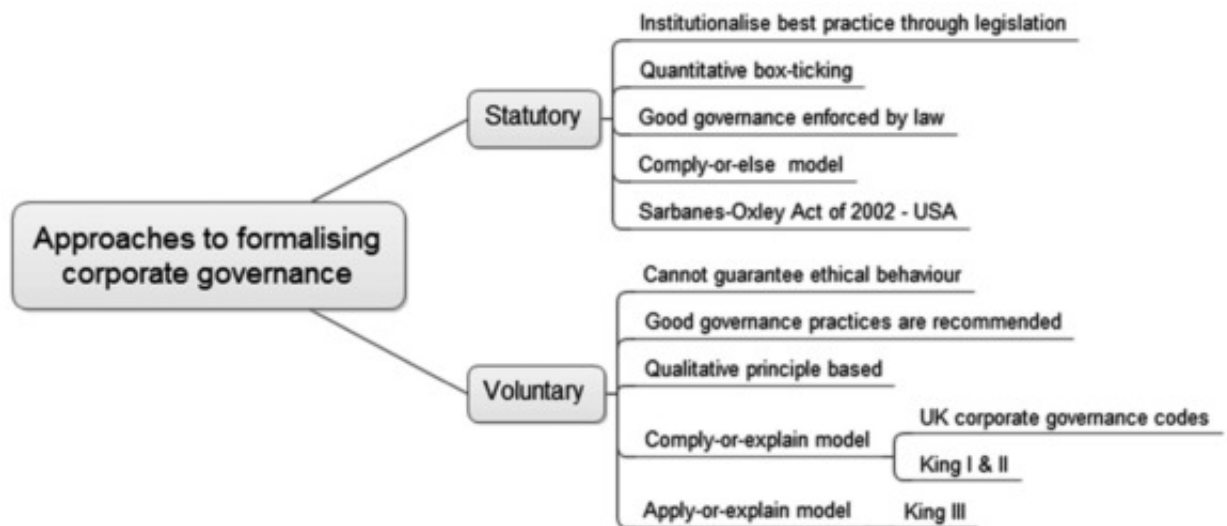


Figure 5.4: The statutory and voluntary approaches to corporate governance

## 5.8 KING III

The King III report came into effect in March 2010 and represents South Africa's guide to best practice in corporate governance. King III places the responsibility for corporate governance on the shoulders of the **board of directors**, rather than on the organisation itself. The report sets out the two main responsibilities of a board of directors, namely, strategic direction and control. The report deals with three value dimensions: **corporate citizenship**, **ethical leadership**, and **sustainability**. The **mind map** in Figure 5.5 provides a summary of the three dimensions of King III.

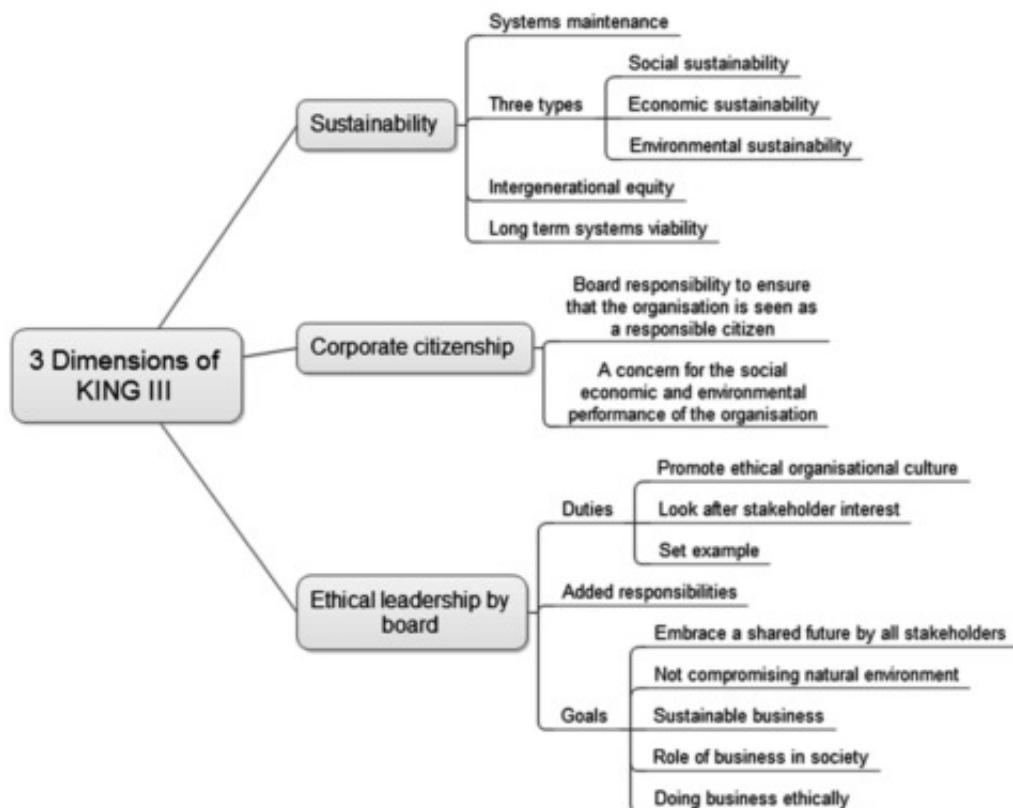


Figure 5.5: Three dimensions of KING III

## 5.9 CONCLUSION

Organisations are responsible for more than profit to shareholders, and in this study unit, we investigated the reasons for this. We also introduced you to the concepts of good **corporate governance** practices as a way in which organisations could use these practices to fulfil their responsibility to society in an **ethical** and **morally** acceptable way.

## 5.10 ADDITIONAL LEARNING EXPERIENCES

If you have access to the internet, you should consider visiting the following websites. This is NOT COMPULSORY, but these websites all contain interesting information and examples about the content in this study unit.

- Corporate social responsibility  
<http://www.youtube.com/watch?v=Z6LoMtwYHCA>  
<http://education-portal.com/academy/lesson/business-ethics-corporate-social-responsibility.html>
- Triple bottom line  
<http://www.youtube.com/watch?v=Ekf3kDioVPw>  
<http://vimeo.com/groups/17646/videos/5832500>  
<http://www.youtube.com/watch?v=4f5yFRgYT8Y>
- Business ethics  
<http://www.youtube.com/watch?v=y9VAY6HJ2R4>
- Stakeholder analysis  
<http://www.youtube.com/watch?v=uKozswXz7qM>
- Sustainability  
<http://www.youtube.com/watch?v=gLBE5QAYXp8>

Interesting **tweeple** that you could follow on Twitter:

@GuardianSustBiz

@CorpGovResearch

@CorpGovLeaders

## 5.11 ASSESSMENT

This section contains self-assessment questions that you can use to assess your knowledge of the study unit.

## SECTION A: SHORT QUESTIONS

### Questions 1 to 2

Match the **approach** to ethical decision-making in **Column A** to the correct statement in **Column B**.

Column A Approach	Column B Statement
5.1 Human rights approach	1 Using this approach, the organisation considers who pays the costs and who gets the benefits
5.2 Utilitarian approach	2 The manager weighs the potentially positive results of the action against the potentially negative results
	3 The manager makes decisions based on common sense and the inherent morality of human beings
	4 An ethically correct decision is one that best protects the rights of those affected by it

5.3 The \_\_\_\_\_ is a primary stakeholder of an organisation, whereas the \_\_\_\_\_ is a secondary stakeholder.

- 1 employee; customer
- 2 customer; local community
- 3 local community; the country
- 4 employee; shareholder

### Questions 4 to 10

Consider the following statements carefully and then decide whether they are **true or false**:

5.4 A value-driven culture is essential for effective business ethics management.

- 1 True
- 2 False

5.5 Investors are willing to pay a premium for shares in well-governed companies in emerging markets.

- 1 True
- 2 False

5.6 The *homo economicus* model suggests that rational human beings seek to maximise only monetary utility.

- 1 True
- 2 False

5.7 Different normative ethical theories lead to similar outcomes.

- 1 True
- 2 False

5.8 Thomas Donaldson is the main advocate of the narrow view of sustainability.

- 1 True
- 2 False

5.9 Edward Freeman is known as the father of stakeholder theory.

- 1 True
- 2 False

5.10 Creative capitalism refers to the practice by organisations to develop products for billions of poor customers while reducing poverty.

- 1 True
- 2 False

## SECTION B: PRESCRIBED TEXTBOOK

Try to answer the review questions in the prescribed textbook.

## SECTION C: TUTORIAL LETTER 101

Complete the questions that relate to this study unit from the assignment found in Tutorial Letter 101

## 5.12 END OF STUDY UNIT CASE STUDY

### **Business ethics and sustainability in the steel industry A Tata Steel case study**

*Steel is a unique and vital material. It touches almost every part of modern life. It is a key element of our infrastructure. From buses to buildings, from canned food to computers, almost everything we see around us is either made of steel or is made using steel. Steel is essential to modern society. Tata Steel is the second largest steel producer in Europe and has its main steelmaking plants in the UK and Holland. It supplies steel and related services to major industries, such as construction, vehicle production, and packaging. The European operations are a subsidiary of Tata Steel Group,*

*one of the world's top ten steel producers. The combined Group has around 80 000 employees.*

*Respecting and safeguarding the environment is a central principle held by all Tata Group companies and can go hand-in-hand with profitable business.*

*Tata Steel has five core values, which define the ethics of the company: integrity, understanding, excellence, unity and responsibility. These values are evident in everything they*

do and they drive the ethical behaviour of the company. For Tata Steel, taking responsibility for tackling the challenges of sustainability follows naturally from this ethical stance.

The Tata Steel definition of sustainability is “an enduring and balanced approach to economic activity, environmental responsibility, and societal benefit.” Sustainability is about meeting the challenges of ensuring that future generations can enjoy the same kind of lifestyle people enjoy today. This naturally involves taking a long-term perspective on balancing economic, environmental, and social impacts of business.

A commitment to ethical behaviour is often shown in the corporate social responsibility (CSR) policy of a business. Businesses are no longer judged solely on their ability to deliver goods and services, but also on the manner of delivery and how they impact on society and the environment. The Tata Steel sustainability policy states as follows:

“Our policy is to conduct our activities in relation to economic progress, social responsibility, and environmental concerns in an integrated way in order to be more sustainable and to meet the expectations of our stakeholders.”

There are current laws and regulations that encourage ethical and sustainable practices. For example, anti-pollution laws place strict limits on levels of CO<sub>2</sub> emissions. Tata Steel, like any other company, must ensure that it abides by these laws, but with its high ethical standards, it aims to go beyond the minimum required by law, making a positive contribution wherever possible.

This approach to CSR ensures that Tata Steel can tackle the relevant sustainability challenges, and in particular, satisfy all its relevant stakeholders. This is good for the environment, for the people that work with and for Tata Steel, for the communities in which Tata Steel operates, and also for customers; and, therefore, for business and profits. Through saving energy and waste, Tata Steel can work more efficiently and reduce costs.

Acting responsibly also benefits its reputation. This enhances the image of Tata Steel as an environmentally committed and responsible

business, giving good PR in a competitive world market. Tata Steel also develops and sells products that enhance long-term sustainability and, at the same time, provides additional margins.

Steel is one of the best materials to use to ensure sustainability. Steel is a unique material because it is truly recyclable when steel is recycled it becomes new steel and not an inferior product. Since steel does not downgrade when recycled, it can be reused over and over again. Steel is the most recycled material on earth. The impact of making steel can be viewed as an investment in a material which will be used again and again, rather than one-off, making steel a very “green” material.

Tata Steel has continued to invest effort and resources in relation to the five key priorities that underpin its vision, with regard to climate change. These priorities are to:

- continue to achieve emission reductions
- invest in longer-term breakthrough technologies for producing low-carbon steels
- develop new products and services that generate lower CO<sub>2</sub> emissions through the life cycle
- actively engage the entire workforce in this challenge
- lead by example within the global steel industry

While Tata Steel is taking a responsible approach to its own operations, in terms of choices made by its customers and end-users of its steel, it is vital that balanced decisions be taken. This means not just looking at CO<sub>2</sub> emissions, but at the whole range of environmental, social, and economic considerations. It also means taking a “life cycle” approach to decision-making assessing products in terms of how they are manufactured, utilised, and finally disposed of. Often, just one phase is included, typically just manufacturing or just the use-phase. However, Tata Steel promotes life-cycle thinking, which means that it bases its decisions on the manufacturing, usage and the end-of-life phases for any material or product.

The benefits of taking responsibility for sustainability include an enhanced reputa-



tion, which, in turn, leads to greater customer loyalty. The benefits are also evident in terms of efficiency, with businesses using fewer raw materials, less power and more recycling. Both of these have an impact on profits and shareholder confidence.

Taking responsibility for sustainability is one way for Tata Steel to compete – by differentiating it from those competitors who are not able to promote such a positive stance. Moreover, taking these ethical and sustainable approaches helps the company to leverage its position and encourage sustainable decisions in others. This can help to promote Tata's products.

The benefits are also felt by employees, who are better motivated to work for a company that they perceive as "doing the right thing", including working with governments and regulators to help achieve environmental targets.

Tata Steel has shown that it is committed to sustainable and environmental practices as part of its overall aim to act responsibly. It shows commitment and progress towards key targets of sustainability, as well as encouraging sustainable decision-making in its customers and within their markets.

The key to the success of this approach is to recognise the unique properties of steel as a recyclable material and to ensure that measurements of sustainability are taken over the entire life cycle of a product, not just the use-phase.

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## 5.13 STUDY UNIT REVIEW QUESTIONS

Answer the following questions, based on the Tata Steel case study:

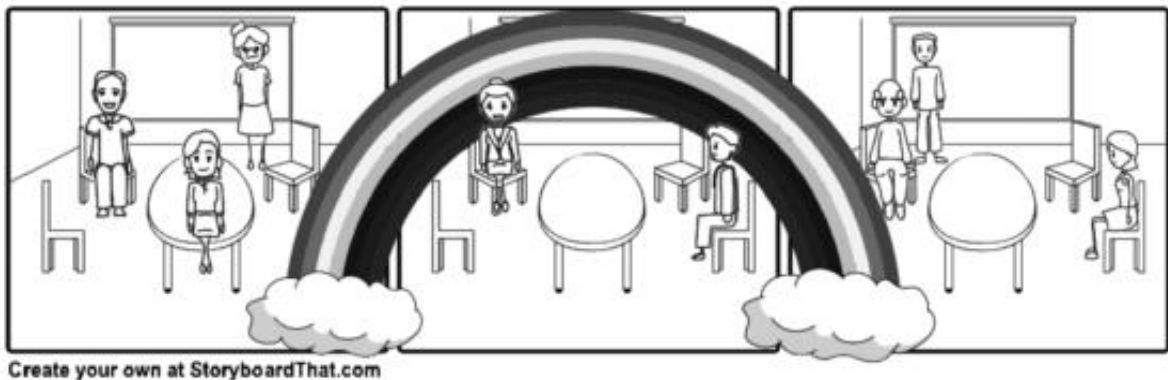
- 5.1 Identify the sustainability challenges faced by Tata Steel.
- 5.2 Describe the CSR practices of Tata Steel.
- 5.3 Identify the benefits gained by Tata Steel from its CSR practices.

# Study unit 6

## Workforce diversity

### 6.1 BACKGROUND

The world we live and work in is constantly changing and as a result of these changes we meet many different types of people. Societies are becoming increasingly varied, with people from different backgrounds living peacefully in one country. The rainbow nation of South Africa is one example of such a heterogeneous society.



### 6.2 STUDY UNIT CHALLENGES

We are challenging you to:

- define and explain the various dimensions of diversity
- provide reasons for the increased focus on managing workforce diversity
- explain the need for diversity management in South Africa
- recommend strategies for managing diversity
- suggest ways to perform diversity training in an organisation

**Work through Chapter 9 in the prescribed book.**

### 6.3 KEY CONCEPTS

- **Diversity** refers to a mosaic of people who bring variety to the groups with which they engage.
- The **golden rule** of diversity is treating others as you would want to be treated.
- **Organisational diversity** entails working with people whose values, attitudes, beliefs, perceptions, languages and customs are very different from one's own.
- The **platinum rule** of diversity is treating others as they want to be treated.
- **Pluralism** is, in the general sense, the acknowledgement of diversity.
- A **pluralistic society** is any society in which citizens can legally and publicly hold

multiple competing ethical views and are allowed to choose for themselves what ethical beliefs, if any, they wish to hold.

## 6.4 INTRODUCTION

Organisations are becoming more diverse. This is mainly because of various trends in the “new” workforce. These trends are:

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

If managers are not able to control this increase in variety, it will result in costly misunderstanding, miscommunication, misperception, misinterpretation and misevaluation. In this study unit, diversity will be defined and you, as management students, will learn how to cope with workplace diversity.

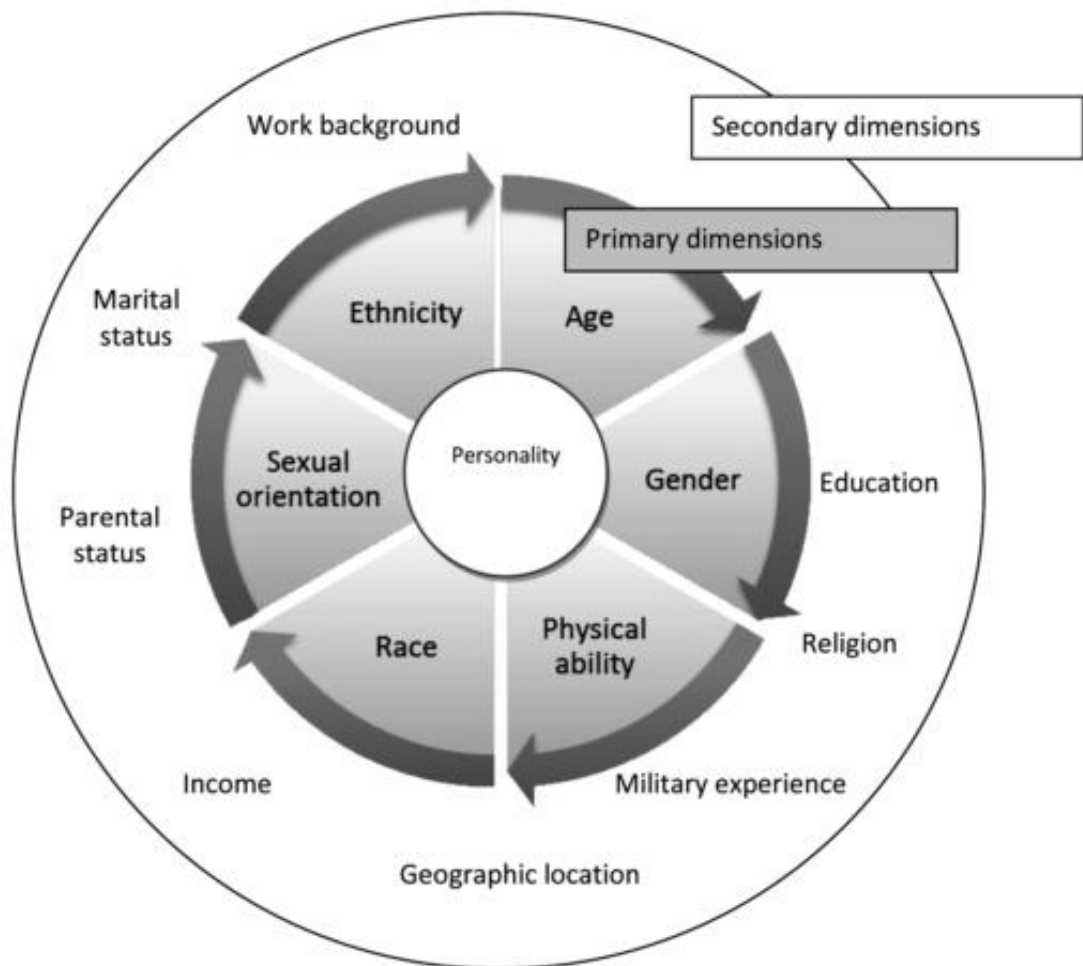
## 6.5 WHAT DIVERSITY IS NOT

It is easier to understand what diversity *is* by first investigating what it is *not*. Diversity is not:

- culture
- equal employment opportunities
- affirmative action
- an absence of standards
- a vendetta against white males

## 6.6 WHAT DIVERSITY IS

Diversity is a complex variety of experiences and perspectives and can simply be defined as all the ways that people differ. These differences are often divided into primary and secondary dimensions. Both these dimensions are part of the personal identity of a person. They have a strong influence on our values, needs, priorities, aspirations and perceptions. They influence how we see our environment and how we behave. They also have a strong influence on how others see us, and this, in turn, influences how we see ourselves. The primary dimensions are basic dimensions that the person cannot change, while the secondary dimensions are those aspects that an individual can choose to change. Figure 6.1 graphically depicts these two dimensions.



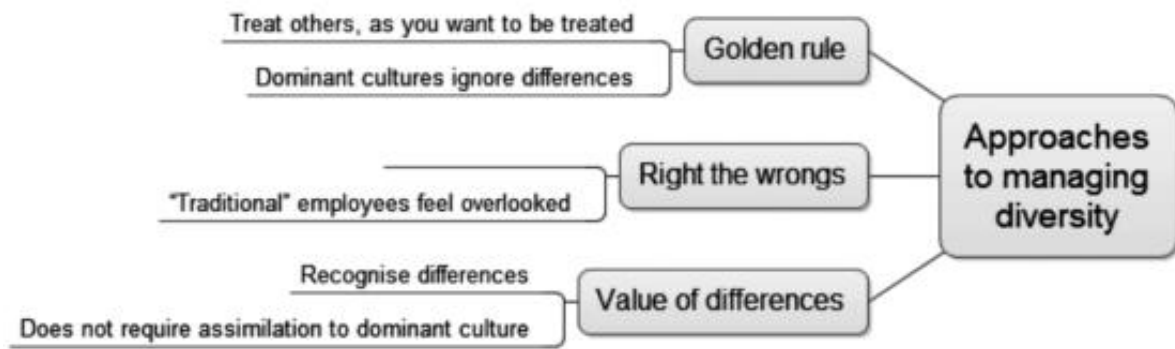
**Figure 6.1: The primary and secondary dimensions of diversity**

Simply put, diversity is:

- about demographics
- about profitability
- about values about behaviour
- a long-term process

## 6.7 MANAGING DIVERSITY

Now that you understand what diversity is, it is important to note that the various dimensions will affect the performance, motivation and success of organisations. It will also affect how you interact with others and your management style. Figure 6.2 summarises the three approaches managers can follow when managing diversity.



**Figure 6.2: Three approaches to diversity management**

## 6.8 THE BENEFITS OF MANAGING DIVERSITY

Managing diversity is different from valuing diversity because it addresses the organisational processes that can reinforce or hinder the ability to create an environment that values diversity. Managing diversity can yield enormous results in innovation, new ideas and improved productivity. The Six arguments for managing diversity are summarised in Figure 6.3.



**Figure 6.3: The benefits of managing diversity**

## 6.9 DIVERSITY PARADIGMS/STRATEGIES

Organisations perceive the task of managing diversity in different ways. These perspectives or strategies are summarised in Figure 6.4.



**Figure 6.4: Diversity paradigms**

## 6.10 THE OPPORTUNITIES AND CHALLENGES OF DIVERSITY

The opportunities and challenges of diversity are summarised in Figure 6.5.



**Figure 6.5: The opportunities and challenges of diversity**

## 6.11 DIVERSITY TRAINING

Diversity training is specifically designed to better enable members of an organisation to function in a diverse and multi-cultural workforce. In order for managers to respond to the challenges of working with diverse populations, they must recognise the difficulties that employees may have in coping with diversity. When managing diversity, managers must adapt various organisational processes, such as recruitment and appointment, promotion, communication and power allocation in organisations. Diversity training enables members of an organisation to function in a diverse and multi-cultural workforce. Figure 6.6 summarises the key points related to diversity training.



Figure 6.6: Diversity Training

## 6.12 SPHERES OF ACTIVITY FOR DIVERSITY MANAGEMENT

Once management has accepted the need for a strategy to develop a truly diverse workplace, they have to take three major steps to implement such a change, namely:

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

## 6.13 CONCLUSION

Diversity can be thought of as "differentness" and in people it describes those human qualities that are different from our own and outside the groups to which we belong. Diversity management is about inclusion. Inclusion reflects an organisational culture that values the differences between people. This type of culture is tolerant and practical in recognising these differences and enabling every worker to utilise their personal strengths.

Organisations are increasingly employing a mosaic of different people. Managers must be aware of these differences and control any negative impact it might have on the performance of the organisation. Top management can create a competitive advantage for the organisation by supporting and training employees to work through difficulties they may encounter in coping with diversity.

## 6.14 ADDITIONAL LEARNING EXPERIENCES

If you have access to the internet, you should consider visiting the following websites. This is NOT COMPULSORY, but these websites all contain interesting information and examples about the content in this study unit.

- Diversity management  
<http://smallbusiness.chron.com/manage-diversity-workplace-3038.html>  
[http://www.edchange.org/multicultural/papers/rosado\\_managing\\_diversity.pdf](http://www.edchange.org/multicultural/papers/rosado_managing_diversity.pdf)
- Dimensions of diversity  
<http://www.youtube.com/watch?v=MAQ3KecyDq0>  
<http://www.youtube.com/watch?v=rpChSyqmUcw>  
<http://www.youtube.com/watch?v=9fS0ebaZMvE>

Interesting **tweeple** that you could follow on Twitter:

@StanfordBiz

@BillGates

@MandelaDaily



## 6.15 ASSESSMENT

### SECTION A: MULTIPLE-CHOICE QUESTIONS

6.1 Which one of the following is **not** a secondary dimension of diversity?

- 1 military experience
- 2 sexual orientation
- 3 education
- 4 gender

6.2 Which statement is true regarding diversity?

- 1 Diversity is initiated by the government and is driven by laws.
- 2 Diversity is not a problem, but an opportunity.
- 3 Diversity means that organisations have to lower their employment and promotion standards.
- 4 Diversity focuses on eliminating discrimination and righting past wrongs.

6.3 Diversity is about \_\_\_\_\_ .

- 1 profitability, values and behaviour
- 2 demographics, culture and values
- 3 equal employment opportunities and affirmative action
- 4 human behaviour, employment equity and beliefs

6.4 Which statement is incorrect?

- 1 Diverse organisations develop favourable reputations as prospective employers of women and previously disadvantaged groups.
- 2 The presence of gender and cultural diversity in a group leads to freer discussions and reduces the risk of 'group think'.
- 3 Diversity of perspectives should improve the level of creativity.
- 4 Homogeneity in decision making and problem solving groups can produce better decisions.

6.5 As the newly appointed director of Pluto's Construction, Katlego stated the following:  
*"At Pluto's we do not have enough employees from previously disadvantaged groups such as black people, women and disabled individuals. Our main objective now is to hire those people and help make up for the years of negligence due to apartheid."*

Katlego is using the \_\_\_\_\_ approach to diversity.

- 1 right the wrongs
- 2 value of differences
- 3 golden rule
- 4 equal employment opportunities

### Questions 6 and 7

Match the **diversity paradigm** in **Column A** to the **appropriate statement** in **Column B**.

COLUMN A Diversity paradigm	COLUMN B Statement
6.6 Discrimination fairness	1. Incorporate diversity into the heart and fabric of the mission and culture of the organisation.
6.7 Learning effectiveness	2. Create equal opportunities and treat all employees fairly.
	3. Match the internal employee demographics to those of the customer base and marketplace which the organisation serves.
	4. Does not affect the mainstream business of the organisation.

6.8 Which **one** of the following is **not** a reason for organisations to design and implement diversity training and development initiatives?

- 1 Diversity plays an important role in retaining top talent.
- 2 Diversity fosters learning and effectiveness in organisations.
- 3 Diversity is an aspect of corporate social responsibility.
- 4 Diversity is necessary to balance the differing views of Eurocentric and Afrocentric approaches to management.

## SECTION B: PRESCRIBED TEXTBOOK

Try to answer the review questions in the prescribed textbook.

## SECTION C: TUTORIAL LETTER 101

Complete the questions that relate to this study unit from the assignment found in Tutorial Letter 101.

## 6.16 END OF STUDY UNIT CASE STUDY

### **Tarmac** **Competitive advantage through diversity**

In 1901 county surveyor, Thomas Hooley, noticed a fallen barrel of tar that had split open in the road. The mess had been covered by waste slag from a nearby ironworks. At once Hooley observed that an excellent patch of road surface had been formed. A year later he had taken out a patent for mixing slag with tar and in 1903 formed the company that became Tarmac.

Today Tarmac is still the UK market leader in road surfacing. It is also the country's largest quarrying company and key producer of aggregates (gravel), ready-mixed cement and mortar. Tarmac the company and Tarmac the brand are to be found on major construction projects all over the country.

With sales approaching £2 billion in 2010 Tarmac has just over 5 000 UK employees. As a firm in the heavy building materials industry, the company traditionally had a strong male bias in its workforce, but this is changing. Many posts are now open to men and women across a huge range of job roles.

For Tarmac to succeed in a competitive marketplace, people are a critical resource. This is because the diverse talents of staff make Tarmac distinctive in the marketplace. Technical knowledge, corporate experience and the understanding of customer needs all make a critical difference. Drawing staff from the widest possible pool of talent is key to building and sustaining a competitive advantage.

The idea of equal opportunities is concerned with eliminating discrimination. The purpose is to ensure workers have equality of access to recruitment, training and promotion opportunities in the workplace. This increases the pool of potential employees for firms. Recruitment decisions are therefore based on getting 'the right person for the job'.

Tarmac has a rigorous policy of equal opportunities. No current or potential employee should experience any discrimination arising from:

employee should experience any discrimination arising from:

- background
- gender
- ethnic origin
- age
- religion
- sexual orientation
- political belief
- disability

Tarmac has taken this a step further. It is now building a culture and vision that is known by the term 'Diversity and Inclusion'. In this context, diversity means all the complex ways in which people are different. This includes visible differences such as gender or ethnic origin. The term also captures less obvious differences between people: religious or political beliefs, sexual orientation or education and social background. When a person comes to work, they bring with them their own thinking and learning style, personality type, experience, ambitions even their own sense of humour. A diverse workforce better reflects Tarmac's target market. It can be more adaptable to changes in the market because of the range of skills and experiences to draw from. A greater cultural understanding can also lead to the provision of a better level of service.

To embrace all these differences, Tarmac is pursuing a strategy of inclusion. This means creating a working culture that values the differences between people. It does not try to stifle or devalue the individuality of staff. Such a culture is tolerant, but also practical, in recognising these differences and enabling every member of a team to draw on their personal strengths.

The heavy building materials industry has developed a stereotype of older, male employees. This is not inclusive. To achieve change, effective training and the active example of leadership right up to CEO level are essential. Senior managers aim to pro-

vide diversity and inclusion support, guidance and resources for employees. Like any other business, Tarmac has to add value. While Tarmac is highly efficient in controlling its costs, the company's real achievement lies in offering customers something special. This comes through the strength of relationships, the quality of service, the ingenuity of solutions and the reliability of its staff and systems.

Tarmac's stance on diversity also promotes family-friendly working patterns for both male and female employees, as well as anti-bullying or harassment policies. This approach is supported by a commitment to training and development.

All employees receive core training to do their job effectively and safely. A full annual appraisal identifies personal goals and training needs. Tarmac offers a wide range of internal courses for all levels of staff. There are many opportunities to gain external qualifications, including NVQs, BTECs and degrees. Diversity and inclusion are a key dimension to HR management. It is also embedded in Tarmac's overall business strategy. This is driven by a compelling goal: 'Achieve the Exceptional'. This is achieved through diverse talent and leadership within Tarmac.

Tarmac is deeply committed to a vision of diversity and inclusion among its staff. How-

ever, there are challenges to be addressed. Diversity is dynamic and Tarmac's workforce changes regularly. A diverse staff at one location may become much less diverse through promotions, resignations and retirement. In addition, economic conditions also change. Recruitment unavoidably slowed quite sharply following the recession and the public spending cuts of 2010/2011.

There are no simple answers to these problems. Tarmac, however, is a pioneer in making diversity and inclusion central to its HR policy and wider business strategy. The quarrying and heavy building materials industries have been historically dominated by able-bodied men. This makes it a challenging area to develop a diversity policy, yet that only makes the need greater. A very significant part of Tarmac's overall competitive advantage depends on the collective interaction, talent and insight of its workforce. Diversity and inclusion are not just a set of boxes to be ticked. They are a part of culture that enables Tarmac to stand out from competitors.

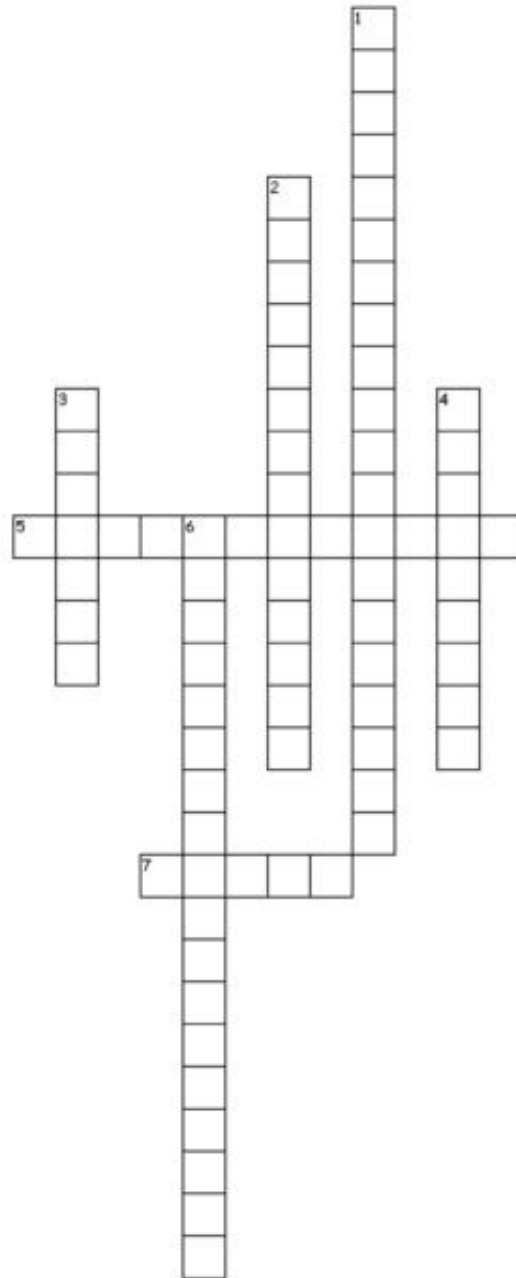
**Adapted from:** Times 100, (2013f).

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## 6.17 STUDY UNIT REVIEW QUESTIONS

Complete the following crossword puzzle based on the Tarmac case study:



### Across

5. A low staff turnover can reduce recruitment and training \_\_\_\_\_ .
7. \_\_\_\_\_ are persons or groups with a direct interest in the decisions or behaviour of an organisation.

## Down

1. \_\_\_\_\_ is the process to assess the performance of an employee, often based on comparing outcomes with targets.
2. The ability to earn superior profits through lower cost or distinctive product quality that competitors cannot readily copy.

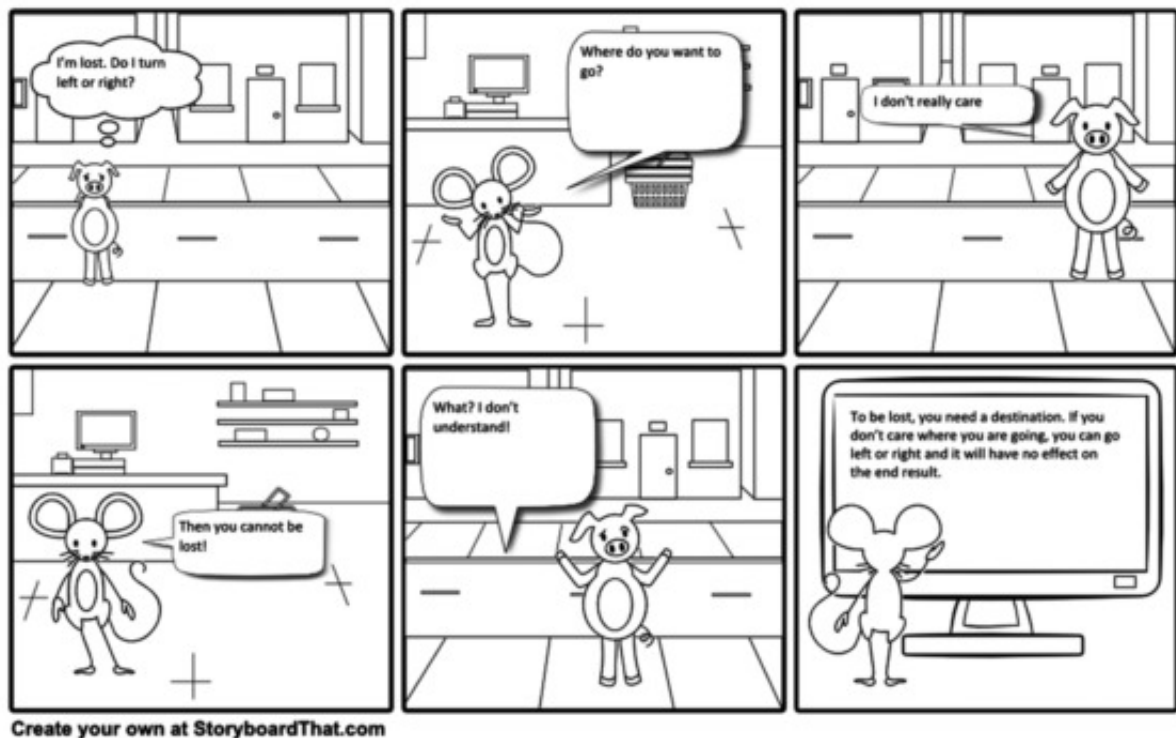
3. \_\_\_\_\_ is offering the same opportunities for employment regardless of gender, race, religion, disability or age.
4. A set of assumptions, beliefs and patterns of behaviour that is characteristic of an organisation or group of people.
6. The business function responsible for the deployment, training and development of people as a strategic resource within the organisation.

# Study unit 7

## Strategic management

### 7.1 BACKGROUND

You have probably climbed into a car with friends with no idea where you were heading or what you were going to do that day. During the trip, you did not know if you were getting lost and you could not determine whether the day was a success or a failure as you had made no plans and had no goals. It is much the same for an organisation. To know if it is succeeding or failing, it should have a goal and a plan to reach that goal. In business terms, we would say an organisation should have a vision, mission and objectives and a strategy to reach them.



In this study unit you will learn how to create **strategies** and how to **manage** (steer) an organisation to reach its vision, mission, goals and objectives.

### 7.2 STUDY UNIT CHALLENGES

We are challenging you to:

- differentiate between a strategy and strategic management
- discuss the various phases of the strategic management process

**Work through Chapter 11 in the prescribed book.**

## 7.3 KEY CONCEPTS

- An **acquisition** is made when control of an organisation is taken by purchasing 51% (or more) of its voting shares.
- **Goals** are observable and measurable end results that have one or more objectives to be achieved within a more or less fixed time frame.
- A **grand strategy** is a comprehensive, long-term plan of essential actions that a firm needs to take to achieve its major objectives.
- A **merger** is the voluntary amalgamation of two firms on roughly equal terms into one new legal entity.
- **Mission statements** are written declarations of an organisation's core purpose and focus which generally remain unchanged over time.
- An **objective** is a specific result that a person or system aims to achieve within a time frame and with available resources.
- **Productivity** is a measure of the efficiency of a person, machine, factory, system, etc, in converting inputs into useful outputs.
- A **vision** is an aspirational description of what an organisation would like to achieve or accomplish in the long-term future.

## 7.4 INTRODUCTION

The word “**strategy**” originates from the Greek word *strategos*, meaning “general”. When we study business, **strategy** refers to a **plan** made at various levels of the organisation and communicated downward. To be able to create a strategy, we must take the **general's view** of the organisation, department or business group. This means that you should **stand back** and look at the organisation, its interaction with the surrounding environment and its competitive position.



Now that you understand **where you are**, you should understand the **purpose** of the organisation, usually articulated as the organisation's **vision statement**. A vision statement should be able to tell you where the organisation is **heading** in the long term. We can refer to the **mission statement** of an organisation to determine if the organisation's products/services, market and technologies are aligned with its vision statement. Together, the vision and mission statement indicate the **purpose** of the organisation.

The mission statement answers three critical questions:

- What is our business?
- Who are our clients?
- How will we provide our product or service?

A **strategy** is a plan that tells you exactly **how** to achieve your purpose. Strategies should enable organisations to “win” in the marketplace while they remain acceptable to all stakeholders. Strategies that do this are known as **winning strategies**. Figure 7.1 graphically depicts the elements of a winning strategy.





**Figure 7.1: A winning strategy**

Strategies are the result of the **strategic management process**. This process consists of four distinct phases that are **iterative**, meaning that although there is an order to these phases, they are not necessarily conducted in sequence. These **four phases** are:

- strategic analysis
- strategy formulation
- strategy implementation
- strategic control

## 7.5 THE STRATEGIC MANAGEMENT PROCESS

The focus of this study unit is on the four phases of the strategic management process and the steps associated with each of the phases. Figure 7.2 is a mind map of the phases and their associated steps.

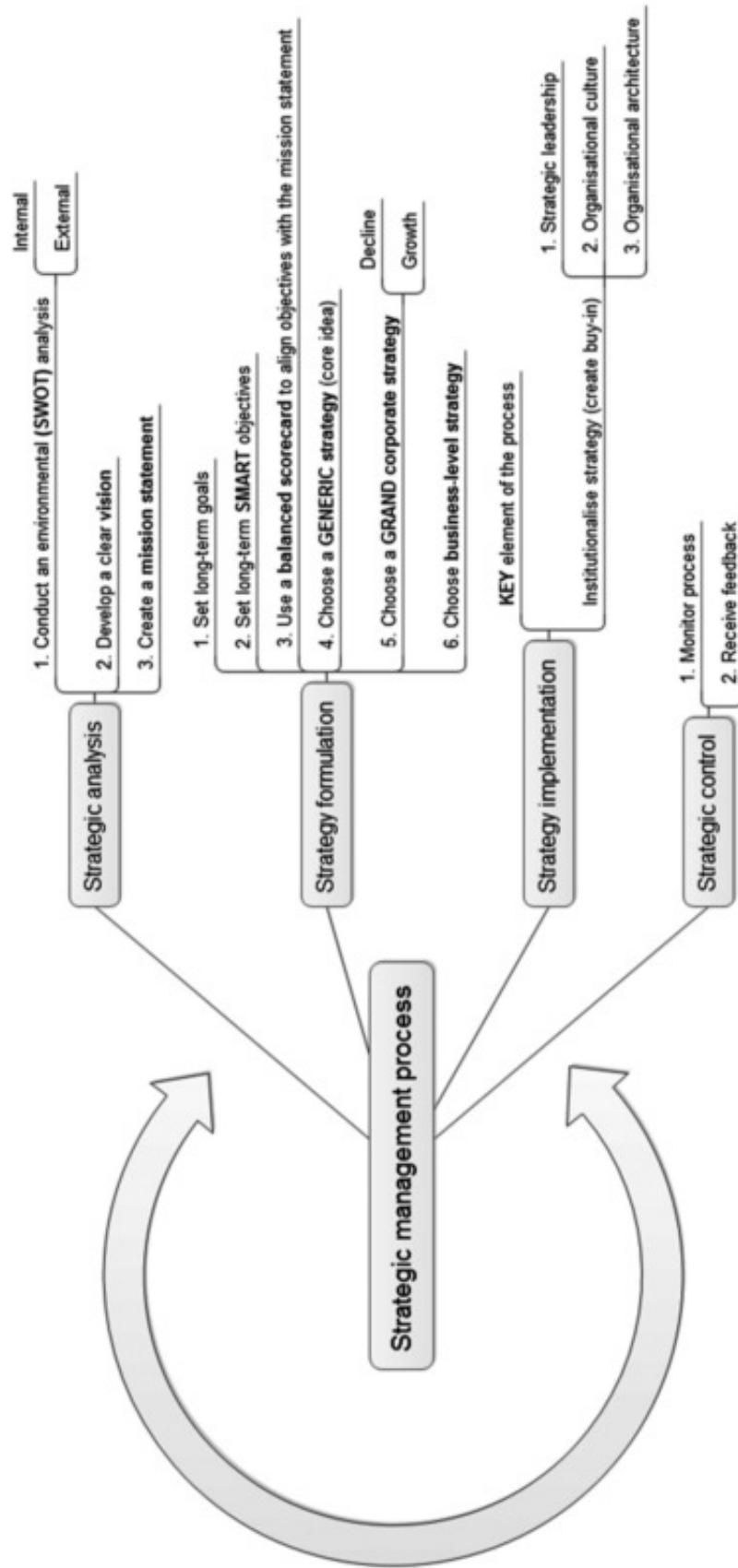


Figure 7.2: The strategic management process

## 7.6 STRATEGIC ANALYSIS

The first step in the strategic management process is an environmental or situational analysis. Managers must understand the **environment** in which an organisation operates. This understanding will enable managers to **position an organisation in the minds of its customers and create a competitive advantage**. The environment, however, is constantly changing, as are the organisation's customers. It is, therefore, essential for managers to constantly **monitor** the environment for changes that can create either a **gap (opportunity)** or a **problem (threat)** for the organisation – **environmental scanning**.

Knowing what is happening outside the organisation is only one of the things managers need to know. They must also know what **resources, skills** and **capabilities** (referred to as resources from now on) they have. The organisation has the following types of resources:

- resources that every organisation in the industry **MUST** have (key success factors)
- resources that **ONLY** the organisation has that makes it better than its competition (strengths)

The resources the organisation **lacks** to be better than its competitors are known as **weaknesses**. These four elements (**strengths, weaknesses, opportunities and threats**) are then combined into a **SWOT analysis**.

### Conducting a SWOT analysis



**Step 1:** What is happening in the macro environment – PESTLE analysis?

**Step 2:** What is happening in the market environment?

**Step 3:** Will these changes affect the organisation?

**Step 4:** Will this situation create an **opportunity** (advantage) for the organisation OR will it **threaten** (disadvantage) the organisation?

### IF IT IS AN OPPORTUNITY

**Step 5:** What does the organisation have that will help it take advantage of the opportunity (**strengths**)?

**Step 6:** What does the organisation have that will hinder it in its pursuit of the opportunity (**weaknesses**)?

### IF IT IS A THREAT

**Step 5:** What does the organisation have that will help it to fend off the threat (**strengths**)?

**Step 6:** What does the organisation have that will make the effect of the threat worse (**weaknesses**)?

The goal of a **strategic analysis** is to understand the current position of the organisation from the “general's” perspective. Managers must, therefore, analyse the organisation's current position in terms of its:

- internal and external environment (SWOT analysis)
- competitors
- customers
- suppliers
- vision
- mission

Once you know where you are, you must decide where you are heading. Is your vision and mission still aligned with the environment? Are they still **feasible**? Once you have answered all these questions, you can move on to the next phase in the strategic management process, namely, **strategy formulation**.

## 7.7 STRATEGY FORMULATION

Once you know what is going on in the environment, you must formulate a plan to make use of opportunities and fend off potential threats. To do this, you first need to formulate **long-term (strategic) goals** and **objectives**. **Goals** are the **targets** set by an organisation while **objectives** are what the organisation wants to accomplish. Objectives should be **SMART**.

### 7.7.1 Setting SMART objectives

The SMART criteria should be used to formulate effective objectives:

**Specific** – You must state **exactly what** you want to do.

**Measurable** – There must be something included in your goal that you **can measure**.

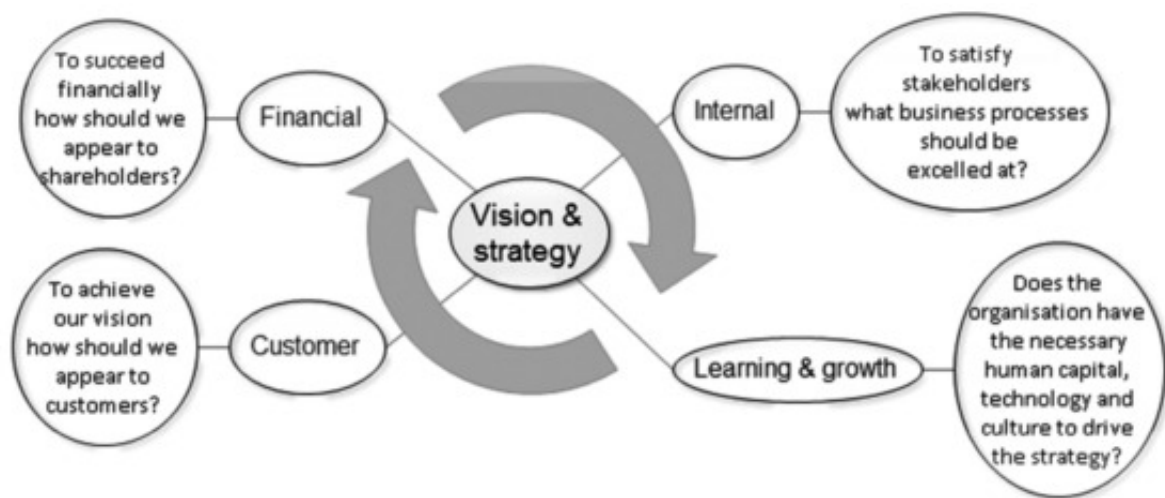
**Attainable** – It must be something that the organisation can do.

**Realistic** – It must not be a wild dream that you will never be able to fulfil.

**Time** – There must be a time constraint on your goal.

### 7.7.2 The Balanced Scorecard

The Balanced Scorecard is usually used as a strategy performance measurement tool. This concept, as put forth by Drs Robert Kaplan and David Norton, can be used to guide managers in creating **long-term (strategic) objectives** which are aligned with the organisation's mission statement. It will also allow managers to link strategies to appropriate performance measures. Figure 7.3 is a diagram of the balanced scorecard framework.

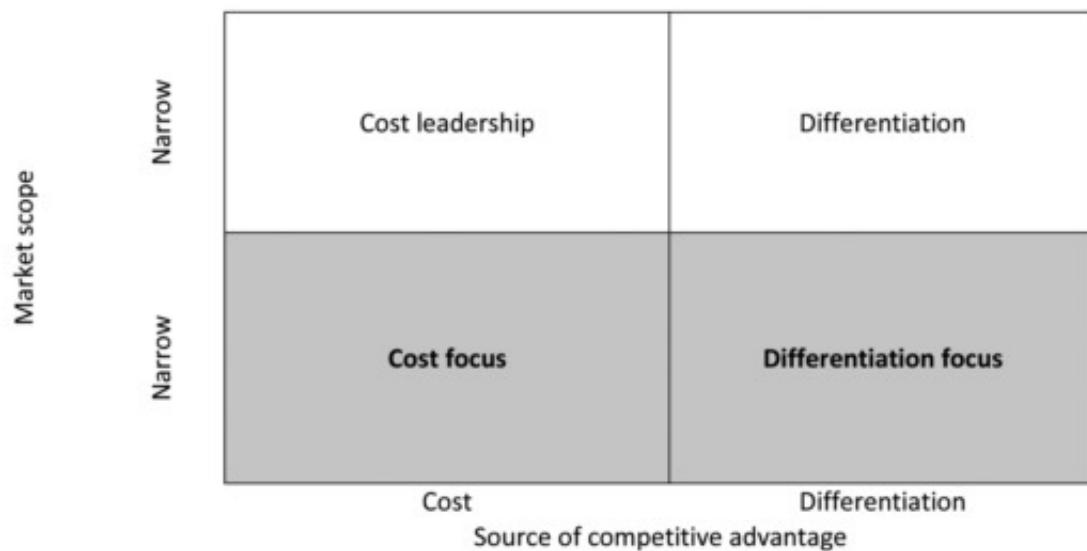


Adapted from: Kaplan and Norton (1996)

**Figure 7.3: Balanced scorecard framework**

### 7.7.3 Generic strategies

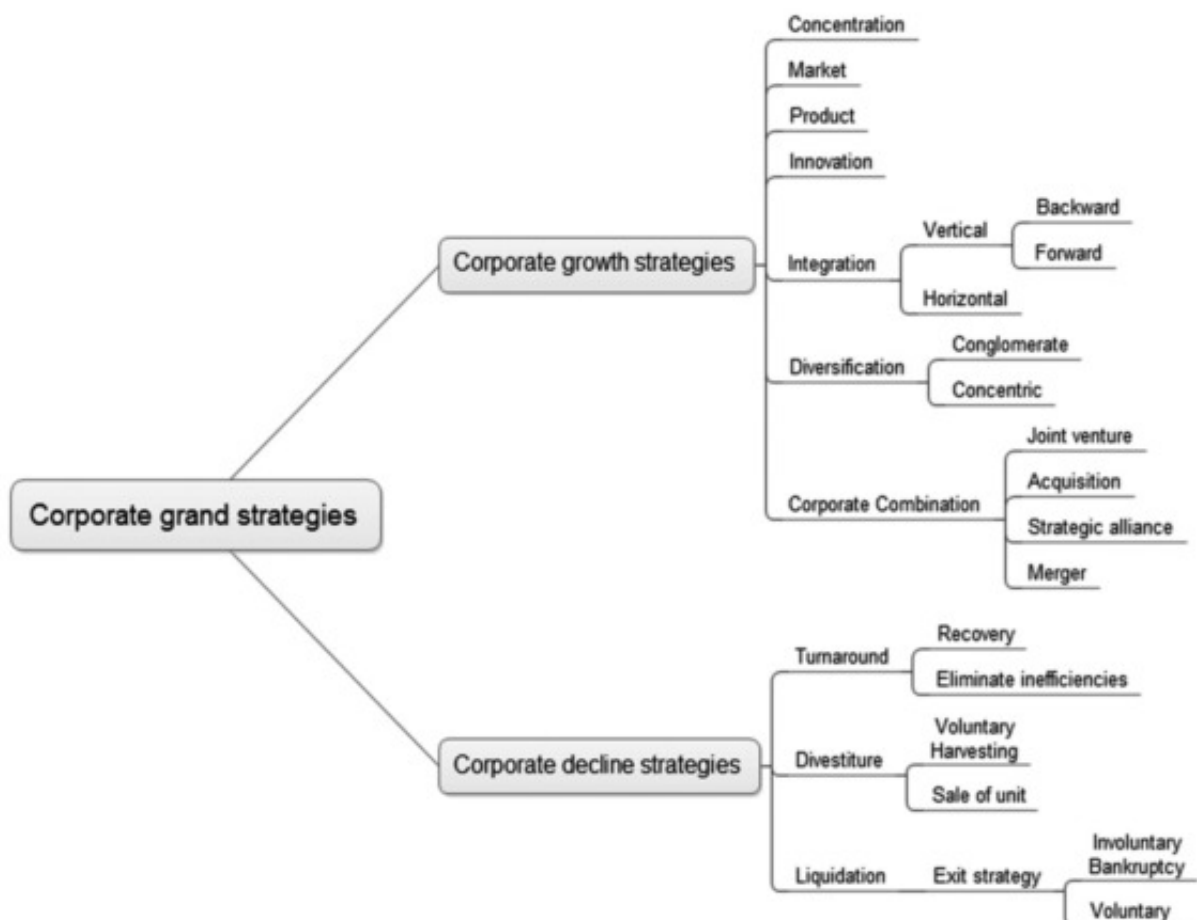
Now that the organisation knows where it is heading, corporate and business strategies should be developed. Managers should first decide **on how the organisation will best compete in the marketplace**. This is known as the organisation's core idea or **generic strategy**. Figure 7.4 is a diagram of Michael Porter's four generic strategies.



**Figure 7.4: Michael Porter's generic strategies**

#### 7.7.4 Grand strategies

Once managers know what generic strategy they must use, they must decide on a **corporate grand strategy** for each **business unit**. Figure 7.5 is a diagram of the various corporate grand strategies available to managers.

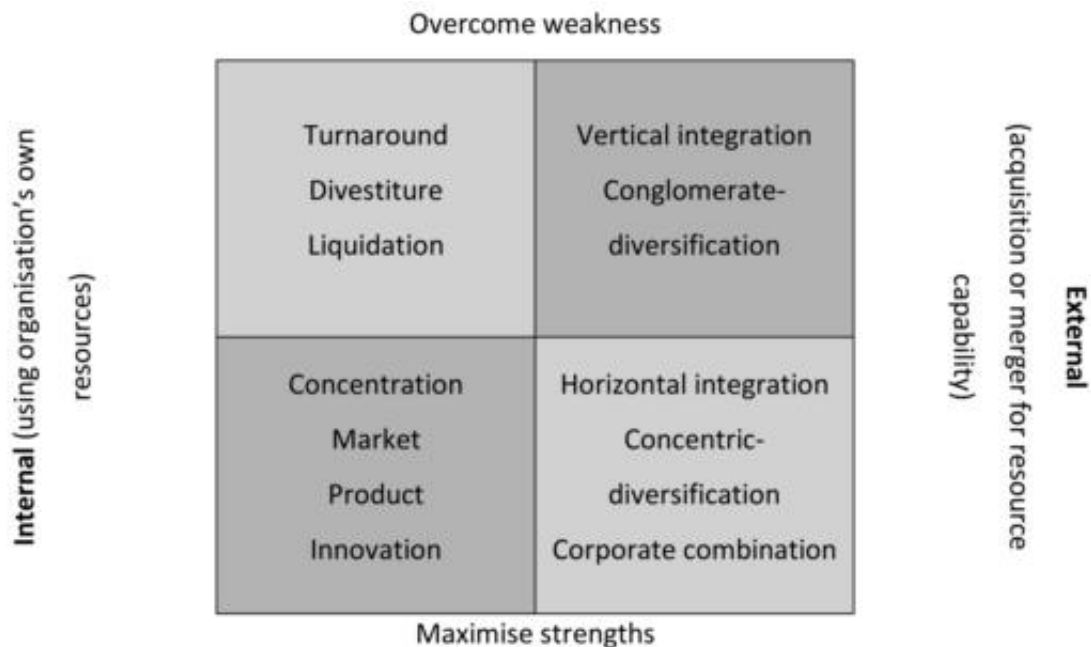


**Figure 7.5: Types of corporate grand strategies**

### 7.7.5 Selecting a grand strategy

Various techniques are available to guide managers in selecting a grand strategy, such as the SWOT analysis, business portfolio analysis, the portfolio analysis, and the BCG growth share matrix.

Figure 7.6 is a grand strategy selection matrix, which can be used by managers when they need to select a grand strategy.



**Figure 7.6: Grand strategy selection matrix**

Once managers have selected one or more of the grand strategies, they must develop **business-level strategies** (medium- and short-term objectives and plans) for each business unit.

## 7.8 STRATEGY IMPLEMENTATION

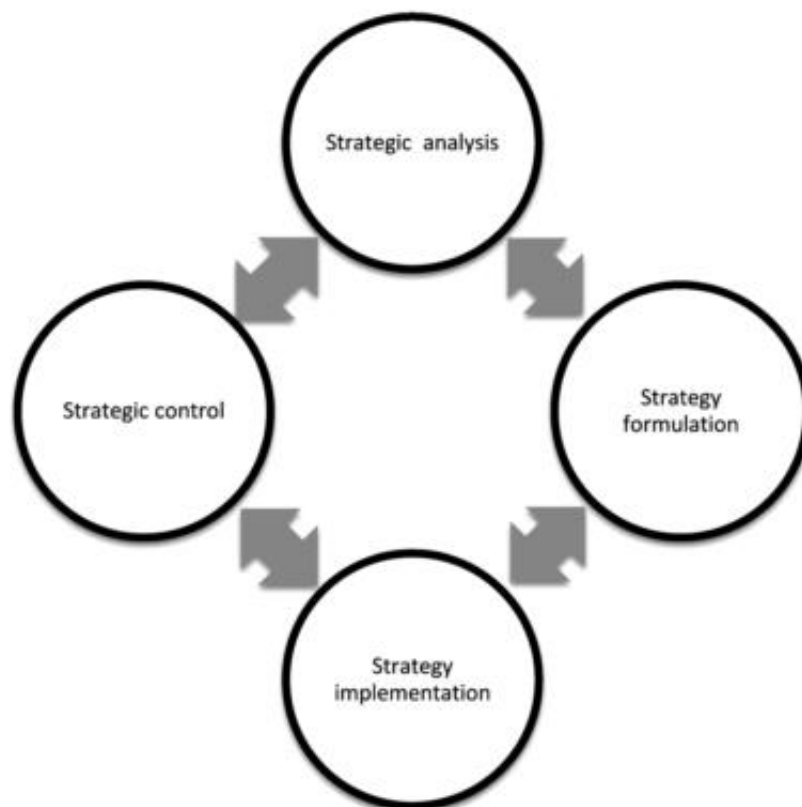
You may have some of the best strategies in the world, but if you cannot implement them, they are of no value. **Strategy implementation** is the **most important** phase of the strategic management process.

Once medium- and short-term objectives have been set, managers can begin to implement a strategy. To do this, they need every member, work group, department and division to **buy in to** and **support** their strategy with all its associated objectives and actions. Creating this **buy-in** is known as **institutionalising** a strategy. It is only possible to institutionalise a strategy if there is a fit between the strategy, **strategic leadership**, **organisational culture** and **organisational architecture** of an organisation.

## 7.9 STRATEGIC CONTROL

The last phase of the strategic management process is **strategic control**. Here managers determine if their plans have worked. To **measure success or failure**, managers must measure total effectiveness and productivity, as well as management effectiveness. The **balanced scorecard** is very efficient at measuring strategic success or failure, i.e., **measuring** to what extent management's plan is allowing the organisation to attain its vision and mission.

The strategic management process is not linear, but **circular**, suggesting that once management know how they have performed, they can start to **analyse their performance** and make the necessary **adjustments**. This brings them back to the first phase of the strategic management process, **strategic analysis**. Figure 7.7 depicts the circular nature of the strategic management process.



**Figure 7.7: Strategic management process**

## 7.10 CONCLUSION

In this study unit, you were introduced to the world of **strategy** and **strategic management**. You should now be able to choose a **grand** and **corporate strategy** that best fits an organisation's mission statement, and know how to **steer** an organisation to **reach** its vision, mission, goals, and objectives.



## 7.11 ADDITIONAL LEARNING EXPERIENCES

If you have access to the internet, you should consider visiting the following websites. This is NOT COMPULSORY, but these websites all contain interesting information and examples about the content in this study unit.

- Strategic planning  
[http://www.youtube.com/watch?v=sU3FLxnDv\\_A](http://www.youtube.com/watch?v=sU3FLxnDv_A)
- Strategic management  
<http://www.youtube.com/watch?v=rJ2tmqRkiCM>
- Balanced scorecard  
<http://www.youtube.com/watch?v=AdXt8BfiGJg>
- Vision statements  
<http://www.youtube.com/watch?v=ioY-YSOKBtY>
- SWOT analysis  
<http://www.youtube.com/watch?v=GNXYI10Po6A>
- Generic strategies  
[http://www.youtube.com/watch?v=-FA-eJvHP\\_](http://www.youtube.com/watch?v=-FA-eJvHP_)  
<http://www.youtube.com/watch?v=hQAoB2oKbjI>
- BCG share matrix  
<http://vimeo.com/27043386>  
<http://www.youtube.com/watch?v=A0zldVKVnqg>

Interesting **tweeple** that you could follow on Twitter:

@MichealEPorter

@GuardianSustBiz

@Hackmanagement

@HarvardHBS

## 7.12 ASSESSMENT

This section contains self-assessment questions that you can use to assess your knowledge of the study unit.

## SECTION A: MULTIPLE-CHOICE QUESTIONS

- 7.1 Woolworths make use of a \_\_\_\_\_ strategy, which means that they can charge higher prices for their products as their customers perceive the products to be of a better quality than those of their competitors.
- 1 differentiation
  - 2 low cost leadership
  - 3 focus
  - 4 growth
- 7.2 Which of the following is **not** a growth strategy?
- 1 concentration strategy
  - 2 innovation strategy
  - 3 divestiture strategy
  - 4 product development strategy
- 7.3 Which statement is **incorrect**?
- 1 The turnaround strategy focuses on eliminating inefficiencies in an organisation by means of cost and asset reduction.
  - 2 A harvesting strategy is used when an organisation wants to maximise cash flow in the short-term, regardless of the long-term effect.
  - 3 Horizontal integration is used when one or more organisations are taken over for reasons such as scale-of-operations or a larger market share.
  - 4 Conglomerate diversification involves the addition of a business related to an organisation in terms of technology, markets or products.
- 7.4 Wal-Mart's entry into the South African market by purchasing a 51% stake in Massmart Holdings Limited is an example of a(n) \_\_\_\_\_ .
- 1 merger
  - 2 acquisition
  - 3 strategic alliance
  - 4 joint venture
- 7.5 Apple Computer has a large share in the rapidly growing market for portable music players. According to the Boston Consulting Group growth/share matrix, Apple Computers is a \_\_\_\_\_ .
- 1 star
  - 2 cash cow
  - 3 question mark
  - 4 dog

## SECTION B: PRESCRIBED TEXTBOOK

Try to answer the review questions in the prescribed textbook.

## SECTION C: TUTORIAL LETTER 101

Complete the questions that relate to this study unit from the assignment found in Tutorial Letter 101.

### 7.13 END OF STUDY UNIT CASE STUDY

To further your understanding of the strategic management process, read the following case study and the study unit review questions.

#### **Building a competitive advantage**

##### **A Bryant Homes case study**

*A major difficulty facing homebuilders in recent years has been the government's insistence on a change in emphasis in local development plans. There is a move away from building on greenfield sites, and a new emphasis on urban renewal and new housebuilding on brownfield sites. For Bryant Homes, this has created a fresh challenge: how best to make its higher density brownfield homes distinct from rival offerings so that it stays 'ahead of the game'.*

*The market for new housing has improved steadily over the last few years. Consumers have benefited from these improvements; they are offered more attractive designs, better use of space through improved design, and a higher specification.*

*However, the market is now very crowded, and any innovation by one company is soon copied. Bryant Homes has risen to the challenge of a situation in which consumers were talking about builders as 'much of a muchness'. The company has engaged in a positioning exercise designed to make clear to customers that Bryant Homes has a distinct market position that is different from, and superior to, that of rivals. Bryant has reviewed many aspects of its operations, and its customers can now see that Bryant Homes has a clear competitive advantage over rivals.*

*Bryant has become far more market focused. It now carries out extensive market research to*

*discover what the market is looking for. The challenge was to identify a compelling insight through which to reframe the way people think about new homes. All homebuilders tend to speak to potential customers in the same way, showing them exterior shots of dream homes and characterful designs. One problem for many homebuyers is that it seems to them that different companies are all supplying highly similar products. For example, Bryant's market research found potential buyers making comments such as 'You see three of the same on one newspaper page!' Bryant realised that, in order to excite its audience, the company would need to go beyond the standard methods of communicating with them.*

*Bryant has been able to restore its premium position, which used to be based on competitive pricing, in a new environment of urban renewal and building on brownfield sites by adopting the following practices:*

*Address the audience challenge with a simple universal recognisable truth (SURT). Research showed that there are differences between what people look for when buying a home, and those factors that affect their long term quality of life. At a simple level, the main factors that people consider when buying a home are price, number and size of bedrooms, curb appeal, and spaciousness.*

However, other factors that influence quality of life are also very important, e.g., privacy, views, aspect, light, and garden. Bryant has, therefore, set out its SURT as: 'Enjoyment of life at home is about much more than bricks and mortar'.

Bryant Homes operates in a highly competitive environment that has recently been reshaped by government legislation. The company has had to develop a new strategy to ensure its premium position in the market. It is not enough simply to provide the best product at a particular moment in time; it is also vital to have a clear set of objectives and sense of purpose that enables the company to have clear and focused communication with all its stakeholders in a way that inspires confidence.

Recently, Bryant has improved its communications process by developing a sophisticated new

website. It has also engaged in national advertising campaigns aimed at putting across the message using the strapline. 'Anything else is just a house'. This conveys the message that the company is far more than a home builder: it is a creator of living environments based on communal areas, views, environmental layout, local sensitivity and neighbourliness, as well as the traditional factors of price, availability and location. Bryant also purchased a 51% share in a conveyancer.

Bryant is now communicating a much clearer message to stakeholders about how it is different from rivals, and how the company has a clear understanding of the importance of creating homes that are not merely bricks and mortar; they are complete living environments.

**Adapted from:** Times 100 (2013e)

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[www.businesscasestudies.co.uk](http://www.businesscasestudies.co.uk) “

## 7.14 STUDY UNIT REVIEW QUESTIONS

The following questions are based on the Bryant Homes case study:

### Questions 1 to 4

Consider the following list of variables and answer questions 1 to 4:

- a Government requiring urban renewal
- b High levels of capital expenditure
- c Development of internet marketing
- d Reputation and brand image
- e Lack of a focused strategic plan
- f Overcrowded market place
- g Perception that Bryant dictates what customers would have
- h Emphasis in new house building on Brownfield sites
- i Size of company

7.1 Variables \_\_\_\_\_ can be regarded as the **strengths** of Bryant Homes.

- 1 b, d and i
- 2 b, c and d
- 3 d, c and i
- 4 b, c and h

7.2 Variables \_\_\_\_\_ can be regarded as **opportunities** for Bryant Homes.

- 1 a and d
- 2 c and h
- 3 c and f
- 4 d and h

7.3 Variables \_\_\_\_\_ can be regarded as **weaknesses** of Bryant Homes.

- 1 b and e
- 2 e and g
- 3 b and f
- 4 e and f

7.4 4. Before its repositioning, Bryant followed a \_\_\_\_\_ **generic strategy**.

- 1 focused cost
- 2 cost
- 3 focused differentiation
- 4 differentiation

7.5 After its repositioning, Bryant followed a \_\_\_\_\_ **generic strategy**.

- 1 focused cost
- 2 cost
- 3 ocused differentiation
- 4 differentiation

7.6 Purchasing a 51% stake in a conveyancer is an example of a(n) \_\_\_\_\_ **strategy**.

- 1 product development
- 2 horizontal integration
- 3 unrelated diversification
- 4 concentration

# Study unit 8

## Project management

### 8.1 BACKGROUND

Everyone has participated in some kind of project, be it a complex work-related project or a simple school project. During these projects, you might have been the project manager or merely part of the project team. Managers often make use of projects to implement strategies, and project management allows strategies to be broken down into programmes. These programmes are further broken down into smaller projects, which are easier to plan, organise, implement and control.



### 8.2 STUDY UNIT CHALLENGES

We are challenging you to:

- define project management
- explain the various perspectives on project management
- identify the key role-players in project management
- oversee the implementation of the project management process

**Work through Chapter 14 in the prescribed book.**

### 8.3 KEY CONCEPTS

- A **budget** is a plan that deals with the future allocation and utilisation of various resources with regard to project activities over a given period.
- A **client** is a person or organisation using the products or services of the organisation.
- The bar- or otherwise called, **Gantt Chart**, is a graphic representation showing the project activities on a calendar, scaled to accommodate the timeline.
- The **Project Evaluation and Review Technique** (PERT) diagram, also called the network diagram, is developed by arranging the project activities into related paths.
- A **programme manager** manages a portfolio of projects and is responsible for the organisational benefits derived from the programme.

- **Project management** is a management tool used to plan, organise, implement and control activities in order to attain a predefined objective.
- A **project manager's** sole responsibility is bringing his/her project in on time, within budget and meeting set project requirements.

## 8.4 INTRODUCTION

The management of any project entails the planning, organising, co-ordinating and control of various project activities and their associated resources, to achieve a predefined goal or objective. Project managers identify these resources by taking a holistic view of the project and identifying all the elements that will eventually contribute to the achievement of the set objective.

## 8.5 WHEN ORGANISATIONS USE PROJECTS

It is more effective for organisations to use projects, rather than continuous processes, 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 the task is a unique once-off task
- to implement a strategy
- in situations with a defined start and finish

## 8.6 ADVANTAGES OF PROJECT MANAGEMENT

Organisations use project management because of the numerous advantages associated with it. These advantages are depicted in Figure 8.1.



**Figure 8.1: Advantages of project management**

## 8.7 TWO PERSPECTIVES ON PROJECT MANAGEMENT

Society expects organisations to be good corporate citizens and as such, communities are expected to benefit from the operations of the organisations in these communities. Projects will either benefit communities directly (external projects) or indirectly (internal projects). Figure 8.2 summarises both the internal and external perspectives of project management.

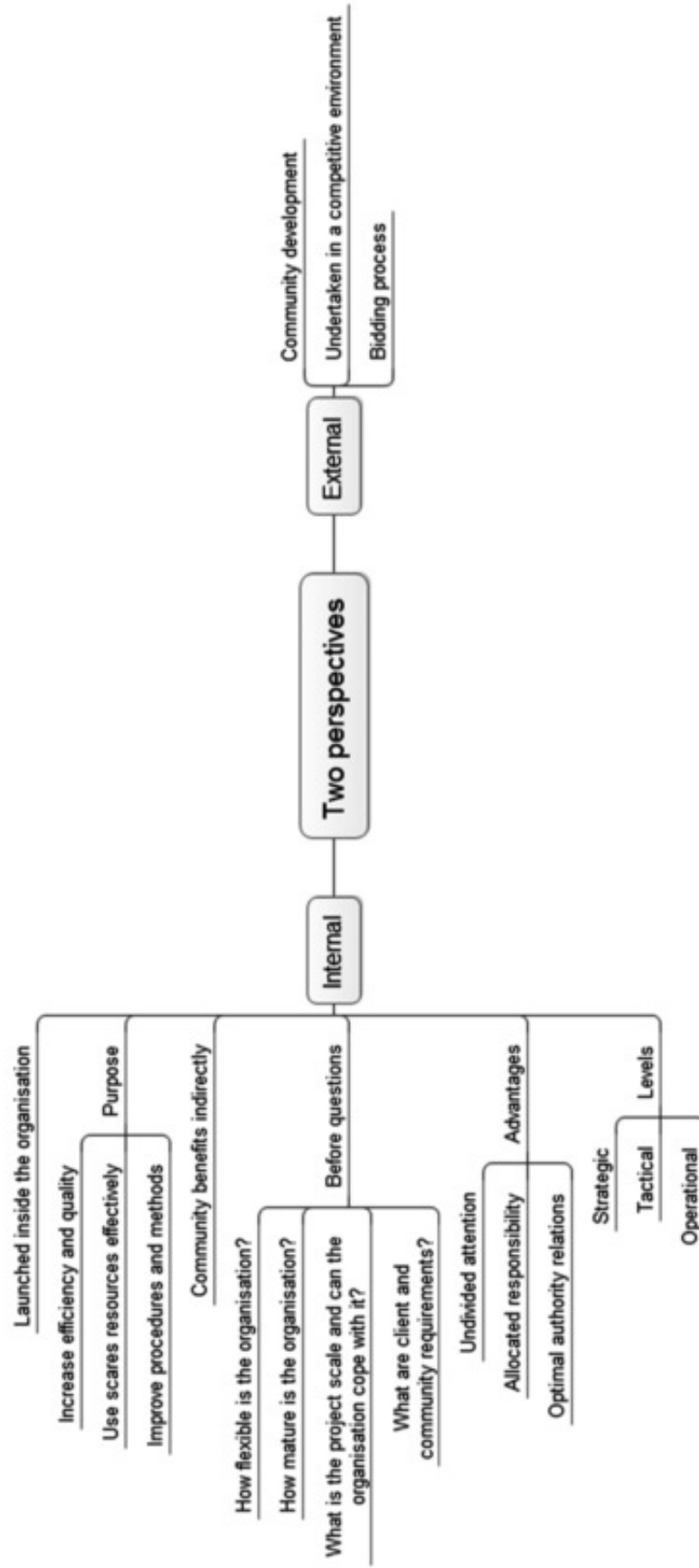
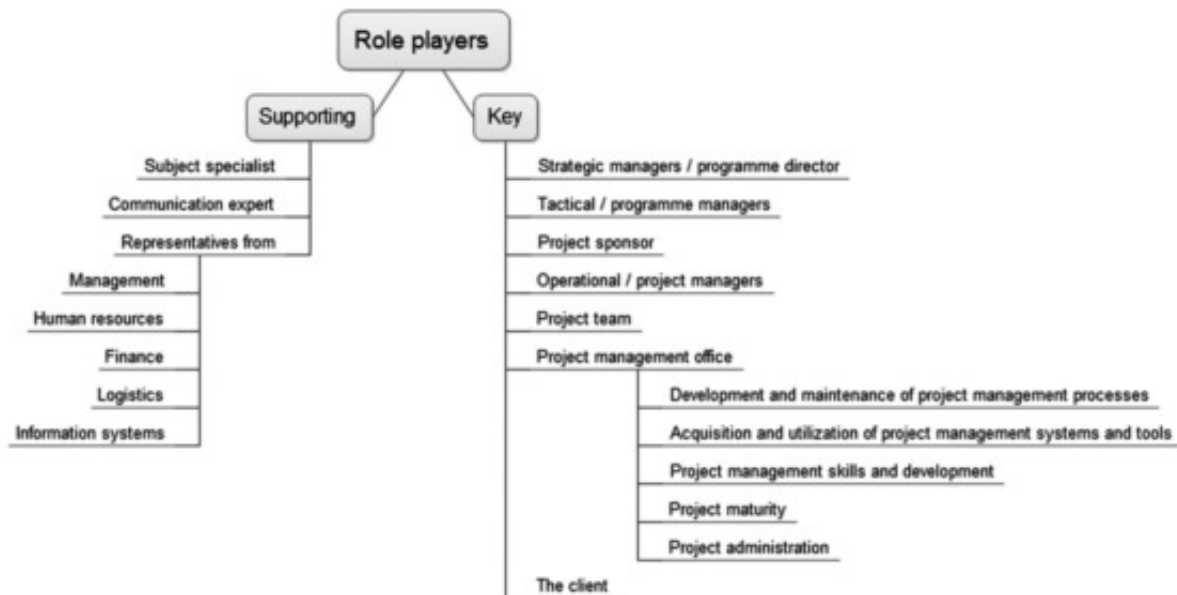


Figure 8.2: Two perspectives on project management



## 8.8 ROLE PLAYERS

There are two types of role players in a project: key and supporting role players. These role players are summarised in Figure 8.3.

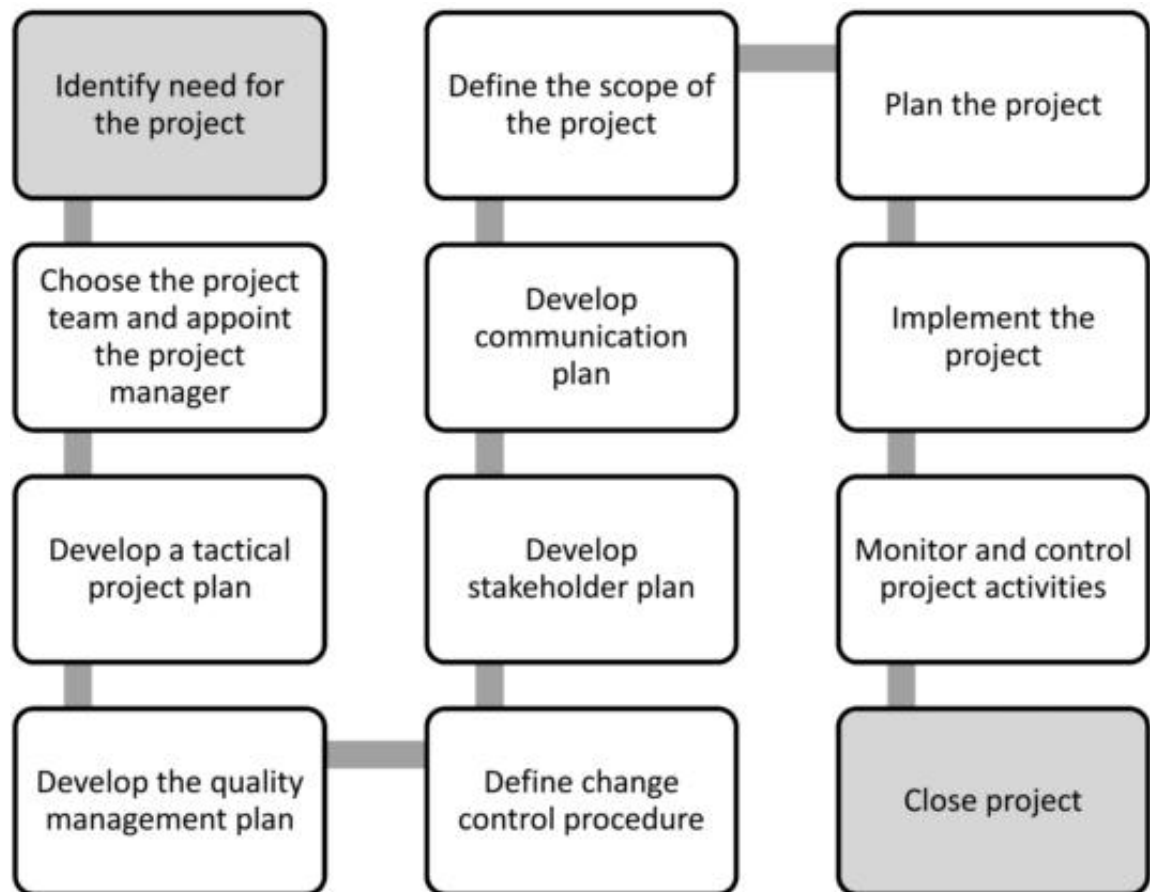


**Figure 8.3: Project role players**

## 8.9 THE PROJECT MANAGEMENT PROCESS

Project management is a process that consists of several interrelated steps which follow in a logical sequence. During this process, various tools are used in sequence, which means that the output of the first becomes the input of the next tool. These steps are illustrated in Figure 8.4. It is important that you study these steps in detail in the prescribed textbook.

The following sections contain short discussions of selected tasks and tools that are used in the project management process. You should, however, study all the tasks and tools and their associated order in the prescribed textbook.



**Figure 8.4: The project management process**

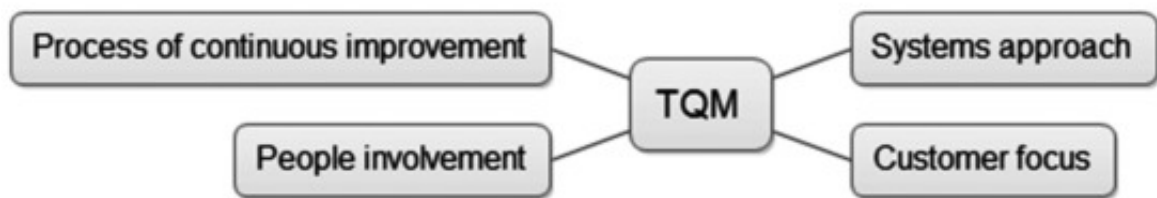
### 8.9.1 Choosing a project manager

When choosing a project manager, the organisation should look for a person with the following characteristics:

- the ability to see the project as a whole
- organisational experience
- experience in leadership, management, teamwork and motivation
- the ability to contact and build relationships with all stakeholders
- project management skills
- effective communication, negotiation and procedural skills
- the ability to delegate and control the activities of the project team
- the ability to manage adversity and apply risk management in the process

### 8.9.2 Total quality management

Quality does not happen automatically, it must be planned for. A widely used approach to the management of quality is total quality management (TQM). The main pillars of TQM are summarised in Figure 8.5.



**Figure 8.5: The main pillars of TQM**

### 8.9.3 Management of change

It is inevitable that there will be change in projects, whether they are scope changes or project extensions. Therefore, managers should develop a change control procedure and appoint a change control committee.

### 8.9.4 Stakeholder analysis

To ensure that the right people are consulted, managers must identify anybody with an interest in the project who can also influence project deliverables. The attitudes of these stakeholders, together with their level of interest and influence, should be ranked to determine the risk associated with the particular stakeholders. Management should then use this information to compile a stakeholder tactical plan.

### 8.9.5 Communication plan

Using the outputs from the stakeholder analysis, the project team can now design an effective communication plan. This will enable them to send the most appropriate type of communication, using the correct medium at the right frequency, to the various stakeholder groups.

### 8.9.6 Project charter

When defining the scope of a project, the project manager may use a project charter. The main purpose of a project charter is to identify all the inclusions and exclusion of a project. During the planning phase, inclusions are used as an input into the work breakdown structure (WBS). A project charter can include the following information:

- the beneficiaries of the project
- the purpose and objective of the project
- the scope of the project
- the quality parameters of the project
- any factual information and community approval
- the planned completion date the resources required to execute the project
- the resources available for the project
- the estimated costs
- any possible sources of risk
- assumptions made

### 8.9.7 Work breakdown structure (WBS)

The project charter is used to create the work breakdown structure (WBS). The main purpose of the WBS is to break the project down into a set of activities. These activities are the inputs that are used to create a project schedule.

### 8.9.8 Project evaluation and review technique (PERT)

A PERT diagram arranges the project activities into a sequential order, from start to finish. It also depicts the number of days allocated for an activity and the funds available for it.

### 8.9.9 Bar chart/Gantt chart

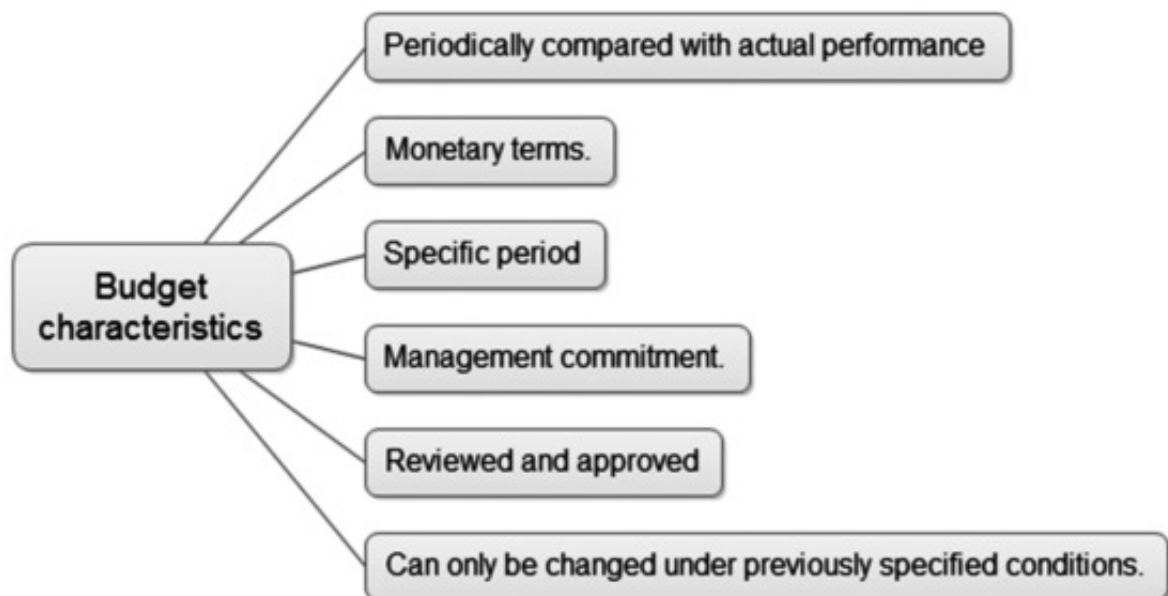
A Gantt Chart graphically depicts the information contained in a PERT diagram on a calendar.

### 8.9.10 Procurement plan

Informed by the project charter and associated bill of materials, the procurement plan address the policies and procedures around how the project will conduct, control and close the procurement function.

### 8.9.11 Budget

A budget is a tool that project managers use to allocate resources and translate project plans into quantitative terms. The characteristics of a budget are illustrated in Figure 8.6.



**Figure 8.6: Characteristics of a budget**

### 8.9.12 Supporting documents

Supporting documentation or instruction manuals assist team members in carrying out activities in each phase of the project. Figure 8.7 indicates when such documentation is needed.



**Figure 8.7: The need for supporting documents**

## 8.10 CONCLUSION

Projects play an important role in contemporary organisations. Projects are, however, constrained by time, cost, requirements, quality and risk. In this study unit, you learned that project management is a process, with a predefined start and finish. You now know that there are two types of projects, internal and external, who the role players in projects are and what the project management process is. This will enable you to oversee the implementation of a project.

To determine the efficiency and effectiveness of your project management skills, the following questions should be asked on completion of a project:

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

## 8.11 ADDITIONAL LEARNING EXPERIENCES

If you have access to the internet, you should consider visiting the following websites. This is **NOT COMPULSORY**, but these websites all contain interesting information and examples about this study unit.

- Project management

<http://www.youtube.com/watch?v=qkuUBcmmBpk>

<http://www.youtube.com/watch?v=DPFTJayYrnk>

Interesting **tweeple** that you could follow on Twitter:

@PRINCE2PROJECT

@ProManagement2

@ManageProjects

## 8.12 ASSESSMENT

### SECTION A: MULTIPLE-CHOICE QUESTIONS

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

- 1 A single-use plan
- 2 Project management
- 3 A programme
- 4 Budgeting

8.2 Project management consists of four important elements, namely \_\_\_\_\_ .

- 1 cost, time, quality and risk
- 2 planning, organising, leading and control
- 3 standardising, control, budgeting and management
- 4 negotiation, end-user involvement, planning and coordination

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

- 1 Effective project management may lead to a shorter completion 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.

- 8.4 The following key role player in project management analyses the internal and external environments of the organisation:
- 1 the operational manager
  - 2 the tactical manager
  - 3 the client
  - 4 the strategic manager
- 8.5 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
- 8.6 The \_\_\_\_\_ translates the strategic priorities and goals (as formulated by the strategic manager) of the organisation into potential programmes, consisting of various projects.
- 1 strategic manager
  - 2 client
  - 3 financial manager
  - 4 tactical manager

## SECTION B: PRESCRIBED TEXTBOOK

Try to answer the review questions in the prescribed textbook.

## SECTION C: TUTORIAL LETTER 101

Complete the questions that relate to this study unit from the assignment in Tutorial Letter 101.

## 8.13 END OF STUDY UNIT CASE STUDY

### PintCo

*This is a business tale that explains what it takes to turn around troubled projects. The year was 2005 and times were good. The business environment was vibrant and the economy was strong. Large businesses were committing large amounts of capital and resources to implement new strategies, establish new capabilities, and open new markets. It was no different at PintCo, where Jack worked as the Director of Customer Relationship Management.*

*On Monday morning, Jack walked into the office, just like on any other day. He dropped his briefcase in his office, grabbed a cup of coffee and headed down the hall to meet with his boss, Brandon, about one of the company's troubled projects. Although Jack had substantial experience, he had only recently joined PintCo after being hired away from a chief competitor. He was still learning about some of the nuances of his current employer.*

*After the typical morning banter, Brandon and Jack got to the topic at hand. "Jack, I'll get straight to the point. I need to you to take over the Customer Master File Project from Paul," Brandon said. He continued, "We hired you because of your significant project management expertise. I know that you've turned around a lot more difficult situations than this." An hour later, Jack emerged from Brandon's office and set out to learn more about the challenge that Brandon had posed to him.*

*Jack was an experienced business leader and project manager. He had seen more than his fair share of problematic projects; some he turned around, while others had spun hopelessly out of control. He would be able to tell very quickly how this one would go, based on the makeup and culture of the project team.*

#### **Trouble waters**

*Over the course of the next few weeks, Jack took over the Customer Master File project, met with key project team members, and conducted dozens of interviews with key stakeholders. Only a few weeks after Brandon had handed*

*the keys for this troubled project to him Jack was back in Brandon's office to give a rather stark update about the situation.*

*"Brandon, I've talked to the project team and to key stakeholders, and I know why this project is in trouble," Jack started. "If you truly want me to turn this project around, I'll need your support to make some critical changes."*

*Brandon, a 20-year veteran at PintCo, knew what was coming. He had seen too many projects start, flounder, and then fail at the company. He didn't want to hear that another project was on the brink of failure, but he asked anyway, "What did you find out, Jack, and what can I do to help?"*

*Jack drew a deep breath and began to explain his findings. "Brandon, as you know this project has been running for nearly 6 months now and it is already behind schedule and over budget." Jack went on, "In talking to the project team and other stakeholders, I don't see the situation getting better without making some pretty significant changes."*

*Jack's experience helped him to quickly identify a number of critical issues with the project, which he carefully outlined for Brandon:*

- *"The scope of the project is not well defined.*
- *The IT architects are sitting in their ivory towers and disagree with the project's direction.*
- *The project team is not functioning as a team.*
- *There is a lack of clear executive sponsorship.*
- *Steve from Marketing is trying to manipulate this project for his own political gain."*

*"I'm not going to sugarcoat this for you, Brandon," Jack explained. "I've seen this situation far too often in my career, and if we*



don't change the situation, this project will fail gloriously."

### **Foundations for success**

Brandon knew that what Jack said was true, and he also knew that changing the situation would be difficult, painful, and potentially costly. He reluctantly agreed with Jack, and together they laid out several key changes.

"Thanks for working with me on this, Brandon," Jack said. "Just to confirm, let me summarise the changes that we have agreed to implement:

- First, we're going to stop the current project and recreate a clear and well-defined scope and get consensus and buy-in for the new scope.
- Second, we're going to end the architectural holy wars by assigning key IT architects to the project on a full-time basis.
- Third, we're going to co-locate the team and assign members on a full-time basis to the project. No more part-time participation.
- Fourth, Brandon, you agree to be much more visible and an active participant to drive key decisions for the project.
- Finally, Brandon, you are going to have a heart-to-heart with Steve from Marketing, and if necessary, with his boss to eliminate any political agendas that could derail the project."

Brandon and Jack both agreed with the plan. Jack knew that some of these changes would be unpopular, but without them the project would be doomed. He left Brandon's office with a

sense of relief and apprehension. There was still a lot of hard work and heavy lifting yet to be done.

### **Celebrations**

Six months later, Jack ran into Brandon in the break room as they both were angling for their morning coffee refill. "Jack!" Brandon shouted while patting Jack on the back. "Congratulations on getting the Customer Master File Project into pilot. By all accounts, it has been a resounding success!"

"Thank you," Jack smiled and answered, "but you know it was pretty much touch and go after we met in your office to plan the project turnaround. There were a lot of unhappy campers and several of them didn't like the idea of being assigned solely to the project, if you recall."

"But we quickly converted them, and now I see a project team that is firing on all cylinders," Jack added. "In fact, Sharon told me she was ready to quit six months ago, and now she's happier than ever and up for promotion!" Jack explained.

"I love it when a plan comes together," Jack said proudly as he turned to walk away and take on his next big project.

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## **8.14 STUDY UNIT REVIEW QUESTIONS**

Complete the following questions based on the PintCocase study.

- 8.1 What questions did Jack have to answer to determine whether the original project was failing? Did he use these questions?
- 8.2 Identify the key role players and the roles they play in the case study.
- 8.3 In the case study Jake conducted a stakeholder analysis. During what step of the project management process would this normally be done, and what other analysis should Jack have done during this step?

# Study unit 9

## Value chain and e-business

### 9.1 BACKGROUND

You, as an MNG2602 student, are my customer, or rather Unisa's customer, and I hope that you feel that you are getting value for your money from this course. Value is a perception, which is created in the mind of the customer, where the customer believes that he or she has received a fair return or equivalent in goods, services, or money for something exchanged. In the case of MNG2602, I would have created value if you believe that the amount of work covered and the support received from me is equivalent to or greater than the amount you paid for this course. Organisations must create value, in the minds of their customers, if they want to make a profit or even sell a product or a service. This is mainly because if customers do not value your product or service, they will not buy it. In this study unit, you will learn how organisations create value for their customers.



### 9.2 STUDY UNIT CHALLENGES

We are challenging you to:

- define the internal value chain of an organisation
- explain the value system
- explain how various e-business models can add value to an organisation

**Work through Chapter 16 in the prescribed book.**

### 9.3 KEY CONCEPTS

- The **business model** spells out how a company plans to make money and how it is competitively positioned in an industry.

- **Competitive advantage** can be defined as the ability of an organisation to provide greater value to customers than its competitors can.
- **E-business** is not just about e-commerce transactions; it's about redefining old business models, with the aid of technology, to maximise customer value.
- An **e-business model** is an approach to conducting electronic business through which a company can sustain itself and generate profitable revenue growth.
- **E-commerce** covers outward-facing processes that touch customers, suppliers and external partners (e-commerce is buying and selling using an electronic medium).
- **Inbound logistics** is the movement of materials from suppliers and vendors into production processes or storage facilities.
- The **value chain** is the interlinked value-adding activities that convert inputs into outputs which, in turn, add to the bottom line and help create competitive advantage.
- **Outbound logistics** is the process related to the movement and storage of products from the end of the production line to the end-user.
- The **supply chain** is the total flow of materials, information and cash, from the supplier's suppliers, right through an enterprise to the customer's customers.

## 9.4 INTRODUCTION

The goal of any organisation is to create more value in the minds of its customers than its competitors (create a competitive advantage). To stay competitive and survive, organisations have to create value in the minds of their customers that their competitors cannot easily imitate (sustainable competitive advantage). We already know that customers measure value as the fairness of exchange, but how do organisations create this value and how do they do it better than their competitors do?

Value is created by organisations either when they are able to produce a product or service:

- at a **lower cost** than their competitors; or
- in a unique way, so that customers are willing to pay a **premium price** for it.

The key factor of value creation is that it is **produced**. Organisations produce value for customers (externally) by configuring their internal value chain.

## 9.5 INTERNAL VALUE CHAIN

Michael Porter in his book, "Competitive advantage: creating and sustaining superior performance" (1985), describes the value chain as the activities the organisation performs and the various links between these activities. The ability of an organisation to perform particular activities and to manage the linkages between these activities is a source of competitive advantage.

Porter distinguishes between primary activities and support activities. Primary activities are directly concerned with the creation or delivery of a product or service. They can be grouped into five main areas: inbound logistics, operations, outbound logistics, marketing and sales, and service. Each of these primary activities is linked to support activities, which help to improve their effectiveness or efficiency. There are four main areas of support activities: procurement, technology development (including R&D),

human resource management, and infrastructure (systems for planning, finance, quality, information management, etc.). The organisation creates value for its 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.

## 9.6 VALUE CHAIN ENGINEERING

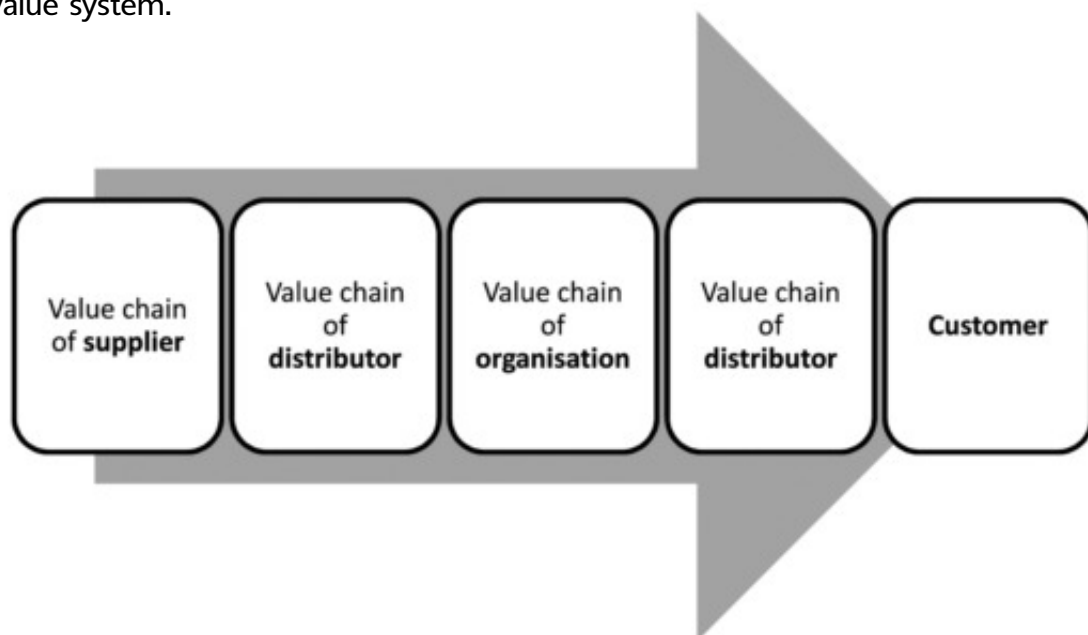
Organisations can manipulate their value chain to strengthen their competitive position in the market. They can do this by being either:

- internally focused: striving to minimise the cost of operational inputs while optimising their operational outputs; such an organisation generally pushes relatively cheap products onto the market and creates value by reducing costs
- externally focused: being driven by customer's wants, the organisation adapts its value chain to create a quality product required by the customer

Value engineering is looking at the activities the organisation performs and its linkages and adapting these activities and links to best create value for customers.

## 9.7 VALUE SYSTEM ENGINEERING

The organisation and its internal value chain are embedded into a wider stream of activities, the organisational supply chain. The supply chain consists of all the external parties and links between them, involved with a product or service from point of origin (raw material) to point of consumption (the customer). Each of these external parties has their own internal value chain and the combination of the supply chain's value chains is called a value system. Today, organisations largely compete in the market on the strength of their value systems. Figure 9.1 graphically depicts an organisation's value system.



**Figure 9.1: Value system**

## 9.8 E-BUSINESS

In Study Unit 1, we considered the information technology revolution as one of the forces of change that affects the way organisations do business. The internet is a major contributor to the recent change in the way organisations create value, with organisations that are increasingly starting to conduct commerce over the internet. Electronic commerce or “e-commerce” covers the range of on-line business activities for products and services, both business-to-business and business-to-consumer. E-commerce is divided into two components:

- Online shopping: the scope of information and activities that provides the customer with the information they need to conduct business with you and to make an informed buying decision.
- Online purchasing: the technological infrastructure for the exchange of data and the purchase of a product over the internet. Online purchasing is a platform used in business-to-business e-commerce for providing customers with an online method of placing an order, submitting a purchase order, or requesting a quote.

Many companies have an e-commerce site, but are not yet an e-business. E-commerce is the online selling component of a website. E-business is the integration of a company’s activities, including products, procedures, and services, with the internet. You turn your company from a business into an e-business when you integrate your sales, marketing, accounting, manufacturing, and operations with your website activities. An e-business uses the internet as a fully integrated channel for all business activities.

## 9.9 E-BUSINESS TRADING MODELS

E-business trading models refer to **whom** the organisation does business with. The three models relevant to this study unit are:

- business-to-consumer e-commerce (B2C)
- business-to-business e-commerce (B2B)
- consumer-to-consumer e-commerce (C2C)

## 9.10 E-BUSINESS REVENUE-GENERATING MODELS

E-business revenue-generating models refer to **how** the organisation **makes its money**. The various revenue-generating models are summarised in Figure 9.2.

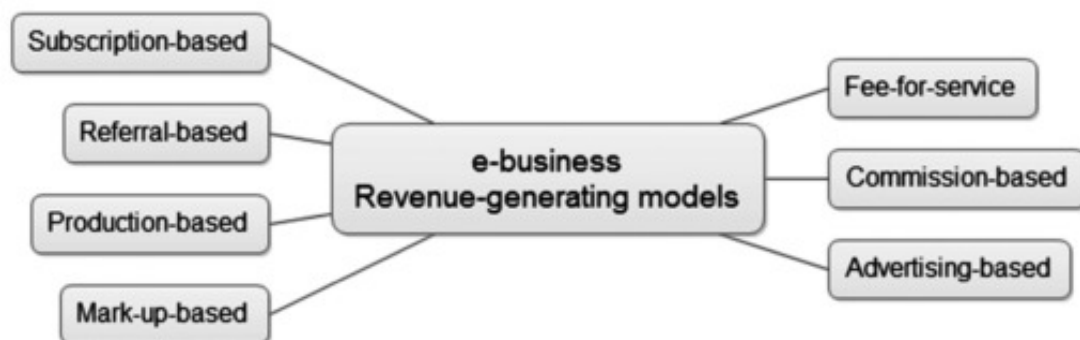


Figure 9.2: E-business revenue-generating models

## 9.11 E-BUSINESS SHOPPING MODELS

E-business shopping models refer to **what** the online website offers the organisation's customers. The various shopping models are summarised in Figure 9.3.



**Figure 9.3: E-business shopping models**

## 9.12 E-BUSINESS ADVANCED TECHNOLOGIES

All three the models discussed above focus on the e-commerce part of an e-business. However, to become an e-business rather than a business with an online presence, the organisation must perform its value-adding activities over the internet as well. To do this, it relies heavily on various information processing systems. The six systems relevant to this study unit are summarised in Figure 9.4.

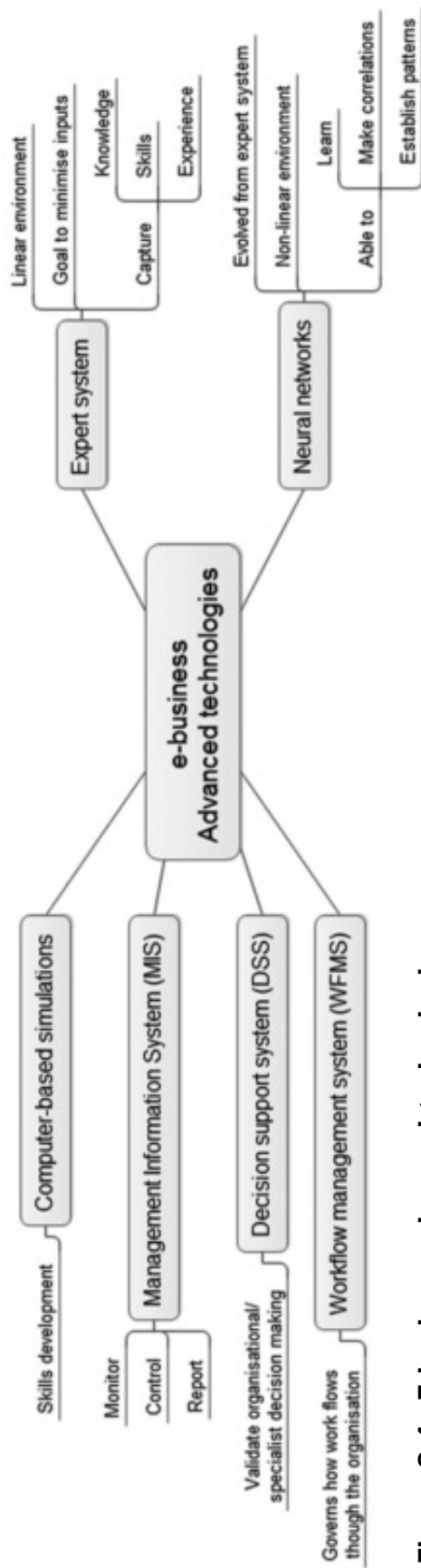


Figure 9.4: E-business advanced technologies

## 9.13 E-BUSINESS AND VALUE CREATION

Structure follows strategy. Once an organisation decides to create a web presence, be it through e-commerce or e-business, it must constantly manage its website, as consumers of today generally first consult the web before making purchasing decisions. To stay competitive, organisations must therefore:

- create value using the internet
- use search engine optimisation
- make use of e-marketing platforms such as Google's Pay-per-click, Facebook and Twitter

## 9.14 CONCLUSION

This study unit showed you how organisations must create value to stay competitive and indicated that organisations can use the internet to create value. In the ever-changing environment organisations find themselves in today, they must be flexible enough to adapt their value chains and value systems and make use of e-business and e-commerce initiatives to create a sustainable competitive advantage.

## 9.15 ADDITIONAL LEARNING EXPERIENCES

If you have access to the internet, you should consider visiting the following websites. This is NOT COMPULSORY, but these websites all contain interesting information and examples about the content in this study unit.

- Value chain  
[http://www.youtube.com/watch?v=n6FIX\\_sz-t0](http://www.youtube.com/watch?v=n6FIX_sz-t0)  
[http://www.youtube.com/watch?v=n6FIX\\_sz-t0](http://www.youtube.com/watch?v=n6FIX_sz-t0)  
[http://www.youtube.com/watch?v=uhS\\_Ujj8Jk](http://www.youtube.com/watch?v=uhS_Ujj8Jk)  
<http://www.youtube.com/watch?v=s7i4FrkUK4g>  
<http://www.youtube.com/watch?v=0WKmJfvPYSU>
- E-business  
<http://www.youtube.com/watch?v=wLodQ67LwiE>  
<http://www.youtube.com/watch?v=xKJjyn8DaAw>  
<http://www.youtube.com/watch?v=hPPsnDudy8>

Interesting **tweeple** that you could follow on Twitter:

@scdigest

@businessinsider



## 9.16 ASSESSMENT

### SECTION A: MULTIPLE-CHOICE QUESTIONS

- 9.1 \_\_\_\_\_ can be defined as the ability of an organisation to provide greater value to customers than its competitors can.
- 1 The value chain
  - 2 Inbound logistics
  - 3 Supply management
  - 4 Competitive advantage
- 9.2 Which **one** of the following is **not** a way for organisations to gain a competitive advantage?
- 1 perform activities in a unique way that creates greater buyer value
  - 2 place greater importance on promotions and marketing of their product
  - 3 use new technologies
  - 4 perform activities at a lower cost than its competitors
- 9.3 An organisation's \_\_\_\_\_ is an interdependent system or network of activities, connected by various linkages.
- 1 value chain
  - 2 competitive advantage
  - 3 value system
  - 4 sustainable advantage
- 9.4 Who is responsible for the development of the value system?
- 1 Charles Darwin
  - 2 W Edwards Deming
  - 3 Michael Porter
  - 4 Adam Smith
- 9.5 Which statement is incorrect?
- 1 Electronic business can be defined as a business using the internet for greater efficiency in every aspect of its operations.
  - 2 B2B e-commerce stands for 'business-to-buyer' e-commerce.
  - 3 Consumer-to-consumer e-commerce is made possible when an internet-based business acts as an intermediary between and among consumers.
  - 4 E-business contributes to a greater competitive advantage for the organisation.

9.6 A(n)\_\_\_\_\_ based business model often uses entertainment to enhance sales.

- 1 advertising
- 2 referral
- 3 production
- 4 make-up

9.7 A(n) \_\_\_\_\_ based business model adds value to the organisation by leveraging a strong brand name and providing high-quality information to specialised markets.

- 1 commission
- 2 subscription
- 3 fee-for-service
- 4 advertising

9.8 Bid or Buy is an example of \_\_\_\_\_ e-commerce.

- 1 C2C
- 2 B2B
- 3 B2C
- 4 C2B

## SECTION B: PRESCRIBED TEXTBOOK

Try to answer the review questions in the prescribed textbook.

## SECTION C: TUTORIAL LETTER 101

Complete the questions that relate to this study unit from the assignment in Tutorial Letter 101.

## 9.17 END OF STUDY UNIT CASE STUDY

### Nestlé

Nestlé is the world's leading nutrition, health and wellness company. It employs around 330 000 people and has 461 factories in 83 countries around the world; almost half of these are in developing countries.

In the UK, Nestlé employs more than 7 000 people across 19 sites. The company is one of the major exporters in the UK and Ireland exporting over £300 million's worth of products every year to over 50 countries around the world.

Nestlé is a household name within the UK, producing some of Britain's most popular brands such as KIT KAT, NESCAFÉ, SMARTIES, GO CAT and SHREDDIES. Over one billion KIT KATs are produced in the UK every year.

Nestlé has a series of corporate business principles designed to guide the way in which the organisation and its employees operate. These principles are at the basis of Nestlé's culture and aim to protect the trust of its consumers and other stakeholders. The principles and their associated policies are concerned with activities related to:

- consumers
- human rights and labour practices
- employees
- suppliers and customers
- the environment

Nestlé works within the secondary sector of industry, creating and supplying products to customers. It converts raw materials into finished goods for consumers to enjoy. Raw materials used in many of Nestlé's products are sourced from the primary sector. For example, Nestlé brands such as KIT KAT, AERO and SMARTIES contain cocoa sourced from cocoa farmers around the world.

Nestlé works with cocoa farmers in order to help them run profitable farms and eliminate child labour, whilst developing a sustainable supply of cocoa for Nestlé products. Creating shared value has become an integral part of the way in which Nestlé does business. It is based on compliance with international laws and

codes of conduct as well as the company's business principles, while maintaining a focus on environmental sustainability. However, creating shared value goes beyond compliance and sustainability. It aims to create new and greater value for society and shareholders in the areas where the company can have the biggest impact nutrition, water and rural development. These are core to its business activities and vital for its value chain:

- Water: because the on-going quality and availability of water is critical to life, to the production of food and to Nestlé's operations.
- Rural development: because the overall wellbeing of farmers, rural communities, workers and small businesses and suppliers is intrinsic to the long-term success of Nestlé's business.
- Nutrition: because food and nutrition are the basis of health and of Nestlé's business as the leading nutrition, health and wellness company.

Nestlé actively seeks engagement and partnerships with external stakeholders to optimise its positive impact. It aims to use the power of its core activities and partnerships for the joint benefit of the people in the countries where it operates and for its shareholders.

Global principles and goals set by organisations such as the United Nations also help to shape a company's approach to corporate social responsibility. For example, Nestlé's corporate business principles incorporate the 10 United Nations Global Compact Principles on Human Rights, Labour, the Environment and Corruption. Nestlé is an active member of several of the Compact's working groups and initiatives.

Around two-thirds of Nestlé's worldwide expenditure is on raw materials. Nearly 40% of this is spent on three main ingredients: milk, coffee and cocoa. Cocoa is the main ingredient in chocolate and as such is vital to Nestlé. It comes from cocoa beans that grow in a pod on a cocoa tree.

*Nestlé operates within complex supply chains. Its cocoa supply chain goes from cocoa bean to chocolate bar. This path starts with cocoa from farmers, who grow the crops; to cooperatives, which manage the sale of the crops; to pro-*

*cessors and manufacturers, such as Nestlé, which create chocolate products; to retailers, such as supermarkets, and finally to consumers who purchase the products.*

**Adapted from:** Times 100. (2013g)

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## 9.18 STUDY UNIT REVIEW QUESTIONS

Google Nestlé and read the case study to answer the following questions:

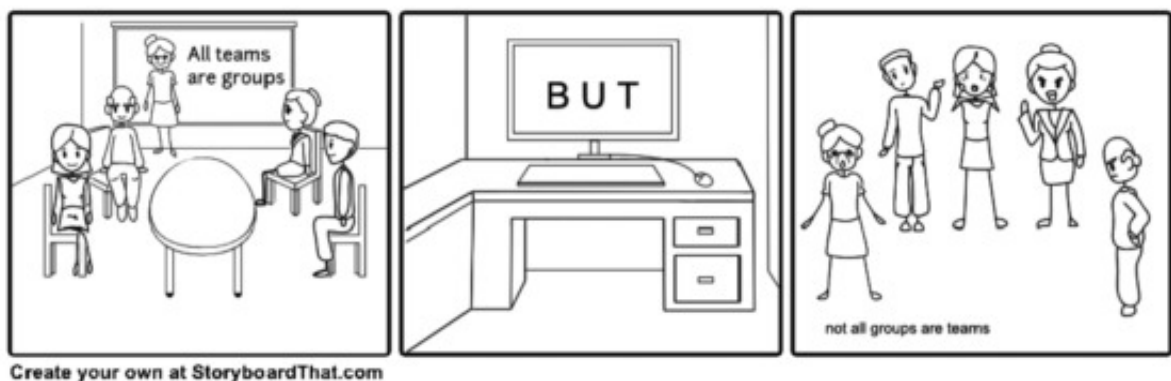
- 9.1 Graphically depict Nestlé's value system for creating Kit Kats.
- 9.2 How does Nestlé create value?
- 9.3 Graphically depict the generic value chain for an organisation in Nestlé's industry.
- 9.4 What type of e-business trading model is Nestlé using?
- 9.5 What type of e-business revenue-generating model is Nestlé using?
- 9.6 What type of e-business shopping model is Nestlé using?

# Study unit 10

## Groups and teams

### 10.1 BACKGROUND

Teams are special kinds of groups, where team members have complementary competencies, are committed to a common purpose, and have a shared mission and collective responsibility. Teams share a synergy that is absent from groups. Consider the example of a soccer game. A group of friends come together to play an informal soccer game on a Sunday afternoon. At this game, all the players are playing for fun and to keep fit. However, when the same group of friends compete in a tournament against other teams, they are no longer a group, but a team.



### 10.2 STUDY UNIT CHALLENGES

We are challenging you to:

- distinguish between groups and teams in an organisation
- explain the important role that groups and teams play in a contemporary organisation
- differentiate between the various types of informal and formal groups that we find in an organisation
- explain why people join groups
- depict and explain the stages in group and team development
- identify a group's stage of development according to the stage characteristics
- explain the different variables that influence group and team behaviour
- describe a work team in terms of its characteristics
- defend the use of teams in an organisation
- differentiate between problem-solving, self-managed, cross-functional and virtual teams
- recommend ways of introducing teams in the workplace

**Work through Chapter 18 in the prescribed textbook.**

## 10.3 KEY CONCEPTS

- **Cohesiveness** refers to group solidarity the way in which a group stands together as a unit rather than as individuals.
- A **group** refers to two or more individuals who are interacting and interdependent, who come together to achieve a particular purpose.
- A **norm** is a generally agreed-upon standard of behaviour, which group members are expected to follow.
- **Status** is the perceived ranking of one member relative to other members of the group.
- A **work group** is a unit of two or more people who interact primarily to share information and make decisions that will help each group member perform within his or her own area of responsibility.
- A **work team** consists of a small number of employees with complementary competencies who work together on a project, are committed to a common purpose, and are accountable for performing tasks that contribute to achieving an organisation's goals.

## 10.4 INTRODUCTION

We know that organisations are able to create value, which their competitors cannot, through the uniqueness of their human resources. Individuals in organisations are the “activating resources” because they activate the other resources such as financial (going to the bank to organise a loan), physical (switching on a machine) and informational resources (by accessing and using information).

In modern organisations, these individuals form formal or informal groups. People join groups to satisfy their need for security, status, self-esteem, affiliation and power, and to achieve goals they cannot achieve on their own. In this study unit, we will investigate how managers can best use groups and teams to create value in their organisations.

## 10.5 TYPES OF ORGANISATIONAL GROUPS

Figure 10.1 depicts the two categories of organisational groups and the types of groups within them.

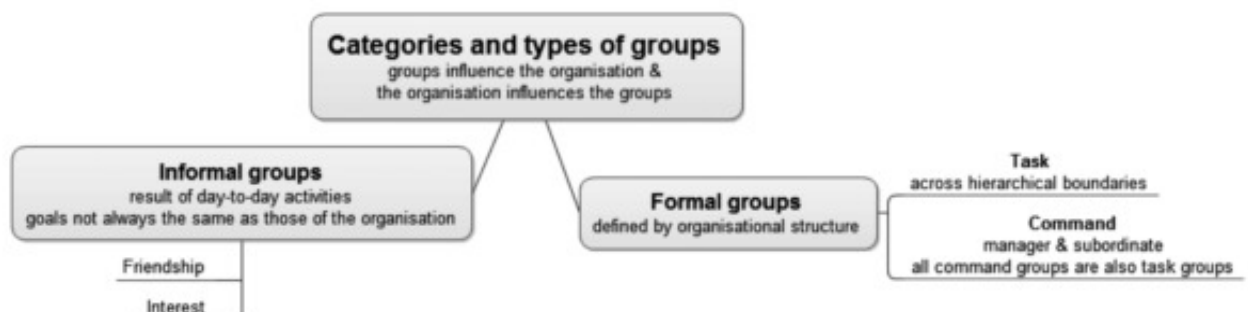


Figure 10.1: Categories and types of groups

**Formal** or **work** groups have the following characteristics:

- The skills of the group are random and varied.
- They have a strong leader.
- Individual members are held accountable and rewarded.
- Group performance is the sum of the performance of all group members.

## 10.6 STAGES IN WORK GROUP DEVELOPMENT

Work groups develop in stages, over time, into well-functioning groups. The mind map provided in Figure 10.2 summarises the different stages in work group development.

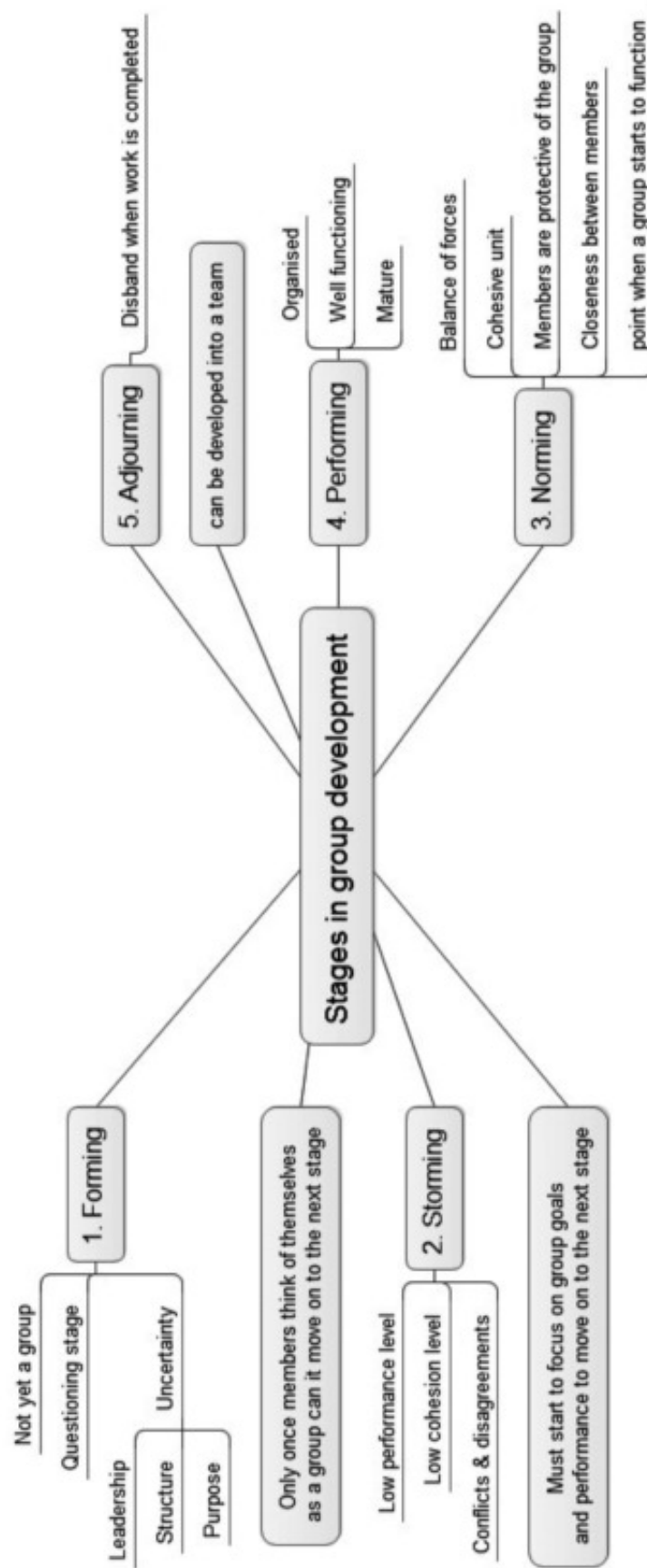


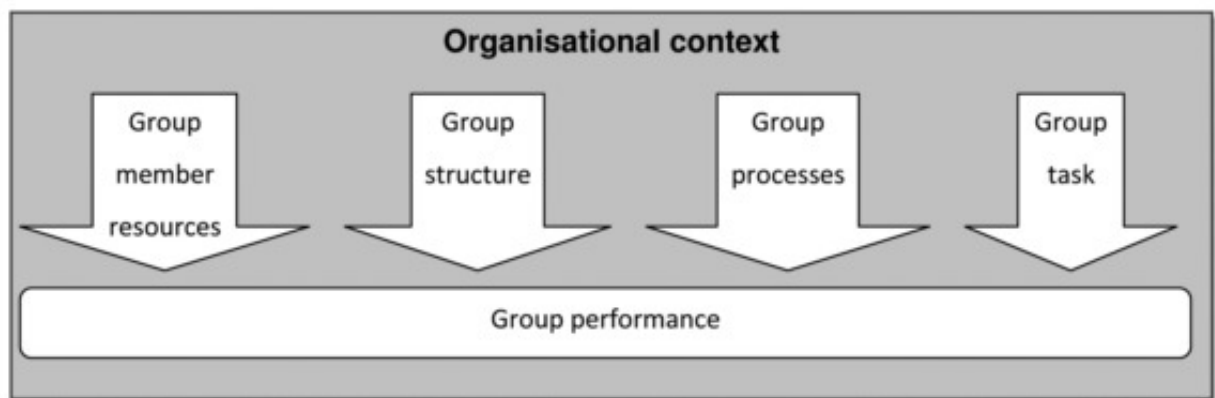
Figure 10.2: Stages in work group development



## 10.7 THE FACTORS THAT INFLUENCE WORK GROUP PERFORMANCE

Group behaviour is affected by a number of variables, and the the Group Behaviour Model (see figure 10.3 and figure 10.4) show the relationship between these variables. According to the **group behaviour model**, the following factors or variables influence the level of group performance:

- organisation context
- group member resources
- group structure
- group processes
- the group task



**Figure 10.3: The Group Behaviour Model**

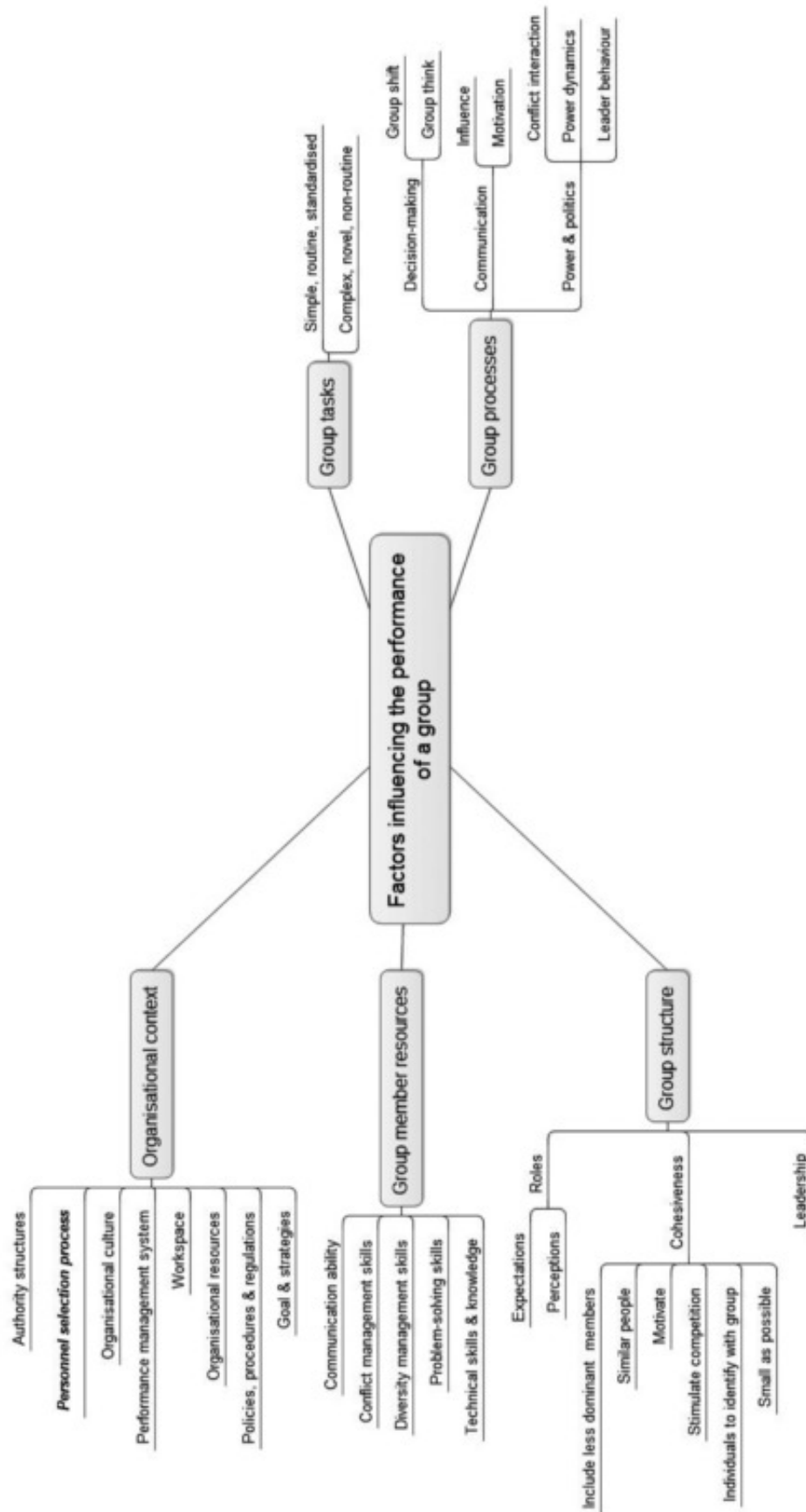


Figure 10.4: A mind map of the Group Behaviour Model

## 10.8 TEAMS

Teams differ from groups in a number of specific aspects. Note that teams are not the answer to all organisational problems, but under the correct conditions, and in specific types of organisations (such as 'new' organisations) they can be very effective because:

- teams enhance the creativity and innovation of their members, resulting in better problem-solving abilities
- teams reduce the time required for product development
- self-managed teams reduce cost and respond faster to customer requests
- excellent quality of work is the result of shared accountability in teams

Teams have the following characteristics:

- complementary competencies
- commitment to the common purpose
- shared mission and collective responsibility
- individual and mutual accountability
- synergy between members
- shared leadership
- equality of members

## 10.9 TYPES OF TEAMS

Table 10.1 lists four types of teams in organisations, and the features that differentiate them.

**Table 10.1: Types of team and their characteristics**









Type of team	Characteristics
Problem-solving teams	<ul style="list-style-type: none"><li>● same department</li><li>● meet on a regular basis</li><li>● focus on the improvement of quality, efficiency and work environment</li></ul>
Self-managed work team	<ul style="list-style-type: none"><li>● function autonomously</li><li>● make and implement decisions</li><li>● full responsibility for outcomes</li></ul>
Cross-functional teams	<ul style="list-style-type: none"><li>● members are at the same hierarchical level</li><li>● solve complex problems</li><li>● members are usually from the same organisation, but can include members from another</li></ul>
Virtual teams	<ul style="list-style-type: none"><li>● geographically dispersed members</li><li>● communicate and accomplish tasks using telecommunications and information technology</li></ul>

## 10.10 TEAM MEMBERS

Teams are most effective when they are comprised of members with complementary

knowledge, competencies and personalities Organisations often use Belbin's Team Selection Method to compose their teams, ensuring that their skills are complementary and unique.

Belbin suggests that teams should have the following team members in order to be well balanced:

Roles		Characteristics
The chairperson		<ul style="list-style-type: none"> <li>• Presides over and coordinates efforts</li> <li>• Disciplined, balanced &amp; well focused</li> <li>• Good judge of character</li> </ul>
The shaper		<ul style="list-style-type: none"> <li>• Highly strung</li> <li>• Outgoing</li> <li>• Dominant</li> <li>• Drive &amp; passion</li> </ul>
The plant		<ul style="list-style-type: none"> <li>• Introverted</li> <li>• Intellectually dominant</li> <li>• Source of original ideas</li> </ul>
The monitor/evaluator		<ul style="list-style-type: none"> <li>• Analytically intelligent</li> <li>• Tactless and cold</li> <li>• Less involved</li> </ul>
The resource investigator		<ul style="list-style-type: none"> <li>• Popular member</li> <li>• Extrovert</li> <li>• Sociable &amp; relaxed</li> <li>• Brings new contacts and ideas</li> </ul>
The company worker		<ul style="list-style-type: none"> <li>• Practical organiser</li> <li>• Turns ideas into manageable tasks</li> <li>• Charts, schedules and plans</li> </ul>
The team worker		<ul style="list-style-type: none"> <li>• Popular &amp; uncompetitive</li> <li>• Supportive, listening, encouraging &amp; harmonising</li> <li>• Glue that keeps the team together</li> </ul>
The finisher		<ul style="list-style-type: none"> <li>• Checks details</li> <li>• Worries about due dates</li> <li>• Creates a sense of urgency</li> </ul>

## 10.11 HOW TO CREATE A TEAM

Organisations can change groups into teams by:

- aligning the **selection process** and criteria with team requirements
- providing team **training**
- realigning **reward systems** to reward both individuals and teams

## 10.12 CONCLUSION

Different kinds of groups exist in an organisation. Formal groups include command groups and task groups, whereas friendship groups and interest groups are examples of informal groups. A work team is a special kind of group, and it differs in a number of ways from a work group. Organisations use various kinds of teams, including cross-functional teams, problem-solving teams, self-managed teams, and virtual teams.

Now that we have reached the end of MNG2602, I trust that you have gained a holistic perspective of the challenges faced by contemporary organisations and will be able to use your knowledge in the organisation in which you work.

## 10.13 ADDITIONAL LEARNING EXPERIENCES

If you have access to the internet, you should consider visiting the following websites. This is NOT COMPULSORY, but these websites all contain interesting information and examples about the content in this study unit.

- Belbin's teams  
<http://www.youtube.com/watch?v=B5oB8PhS64Q>  
<http://www.belbin.com/>
- Successful teams  
[http://humanresources.about.com/od/involvementteams/a/twelve\\_tip\\_team.htm](http://humanresources.about.com/od/involvementteams/a/twelve_tip_team.htm)  
[http://www.dailymotion.com/video/xqdf7\\_3-tips-you-need-to-learn-in-building-a-successful-team\\_news](http://www.dailymotion.com/video/xqdf7_3-tips-you-need-to-learn-in-building-a-successful-team_news)
- Groups and teams  
<http://www.dummies.com/how-to/content/differences-between-work-groups-and-teams.html>  
<http://education-portal.com/academy/lesson/groups-mobs-teams-in-organizations.html>

Interesting **tweeple** that you could follow on Twitter:

@EntMagazine

@eshipclub

## 10.14 ASSESSMENT

This section contains self-assessment questions that you can use to assess your knowledge of the study unit.

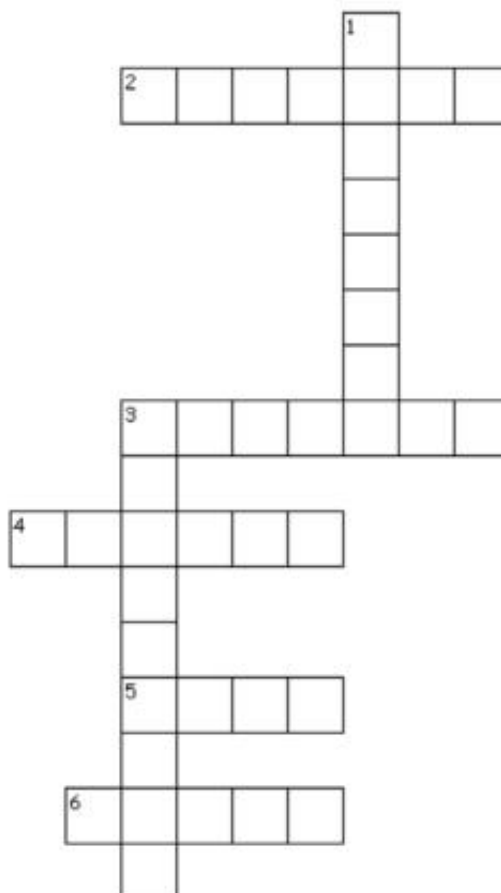
### SECTION A: CROSSWORD PUZZLE

#### Across

2. \_\_\_\_\_ is the third stage in-group forming.
3. Teams are characterised by a \_\_\_\_\_ between team members.
4. An organisation's structure define \_\_\_\_\_ groups..
5. Teams reduce the \_\_\_\_\_ required for product development.
6. A \_\_\_\_\_ refers to two or more individuals who are, interacting and interdependent, and who come together to achieve a particular purpose.

#### Down

1. According to Belbin's categories of team members, the \_\_\_\_\_ checks the details and creates a sense of urgency in the group.
3. Group \_\_\_\_\_ is the factor in the group behaviour model that considers the cohesiveness of a group.



## SECTION B: PRESCRIBED TEXTBOOK

Try to answer the review questions in the prescribed textbook.

## SECTION C: TUTORIAL LETTER 101

Complete the questions that relate to this study unit from the assignment found in Tutorial Letter 101

### 10.15 END OF STUDY UNIT CASE STUDY

Read the following case study and answer the questions that follow.

#### **The Putco Team**

*Putco has created a new task team responsible for upgrading the bus services offered in Gauteng. The task team is characterised by conflicts and disagreements, and is still not performing as desired owing to low levels of cohesion. The following people, among others, have been included in the task team:*

*Karen feels that "Effective communication and the management of information between team members remains a constant challenge as we attempt to identify and change processes to ensure efficient practice. I constantly have to turn outlandish ideas into management solutions".*

*Wian is an accountant. He has been included in the new task team because of his ability to see the flaw in an argument and to work with data.*

*Kate is introverted and intellectually dominant. She supports the work of her team by introducing an original system for dealing with emails. She says, "We were duplicating work, leaving emails unanswered or giving conflicting information to managers. The solution was to introduce a new system where all emails to*

*our team go to one central mailbox. We flag the emails we are dealing with in our designated colour and send updates on any projects we are working on for the others to read. In this way, nothing gets duplicated or missed out and everyone can easily see what everyone else is doing."*

*Mari has been included for her sales ability and sociability.*

*Dougie feels that "Passionate debate is a healthy trait for a team to have as it ensures that all aspects of an issue, or a solution, are discussed thoroughly. However, disputes need to be managed, otherwise they can be destructive. Disputes allow people to challenge one another's point of view and allow the team to fully explore all options available to them." He is characterised as a good listener and as someone that works through others.*

*Sipho is highly-strung and outgoing. He feels that "a team should have drive and passion for what it is doing; without this passion its efforts will surely fail."*

### 10.16 STUDY UNIT REVIEW QUESTIONS

Answer the following questions based on the Putco case study:

- 10.1 The Putco team is going through various stages on its way to become a fully functional team. At which stage of group development do you think they are at present?

- 10.2 Would you classify the Putco employees described in the case study as a group or a team? Substantiate your answer.
- 10.3 Identify the team role of each of the employees described in the case study by using the Belbin method.
- 10.4 The Putco team lacks certain role players, according to the roles Belbin identifies as crucial to include in an effective team. Advise the Putco management on what type of people they should add to the team.



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