Study Notes
MNG2602

Study unit 1: Features of Contemporary Organisations and New Management Challenges

Variables influencing contemporary organisations to change

Variables that have emerged during the last decade:

1. **Globalization and the global economy** operating without constraints of national boundaries and seeking to compete in any high-potential market on Earth
   Countries work together to thereby creating a global village:
   - International transportation and communication has become cheaper
   - Businesses apply new processes because they possess a highly educated workforce, technological and managerial capabilities and advanced telecomms and transport infrastructure
   - Markets are becoming more homogeneous
   - Cost structures vary from country to country – businesses can take advantage of low-cost places
   - Cross-border learning increases
   - Financial markets are trading 24hrs a day
   - Global standards and regulations for trade & commerce, finance, p/s have emerged

2. **Technological advances**
   The Information Revolution and other technological advances have had a powerful influence on businesses

3. **Radical transformation of the world of work**
   Moved from TQM to an emphasis on a workplace that is re-organized & redesigned to improve performance

4. **Increased power and demands of the customer**
   Now choose p/s according to: cost, quality, time, service, innovation & customization
   Needs of customers determine how organizations carry out operations?

5. **The growing importance of intellectual capital and learning**

The sum and synergy of knowledge, relationships, experience, discoveries, processes, innovations, market presence and influence of an organization on the community
3 categories

Structural capital: accumulated knowledge and expertise of the business (copyrights-trademarks-patents)
Customer capital: value of relationships with suppliers and customers
Human capital: skills and knowledge of the employees

New roles and expectations of workers
Changed from the Industrial Era → Knowledge Era

Industrial Era	Knowledge Era
Repetitive skills	Knowledge to deal with the unexpected
Depend on memory and facts	Being spontaneous and creative
Risk avoidance	Risk taking
Focus on politics and procedures	Collaborating with people

The new organization model
Global business environment is more complex than the domestic environment and managers must deal with broader sets of environmental forces
The key features of the new organisational model are: flatter and leaner, flexile, networked, global and diverse

Management challenges
Managers of global organizations should have the ability to:

- Develop and use global strategic skills
- Manage change and transitions
- Manage cultural diversity
- Communicate effectively
- Work with others and in teams

1. **Networked**

   Boundaries of the networked organization are permeable or semi-permeable which allows frequent movement of info and people across the boundaries of the organization

   Businesses form close relationships with suppliers, shares info with them and develops higher levels of independence with them

   Functional areas that develop p/s are in direct contact with customers

   Organizations build coalitions to work together with certain stakeholders

   Organizations also build alliances and cooperative networks with other businesses

   Management challenges

   Managers must develop their skills as team members and leaders (understanding team dynamics, developing observation skills and learning how to diagnose problems)

2. **Flatter and leaner**

   Organizations will be more flexible to respond quickly

   Employees are replaced with IS which can be monitored

   Increased global competition and pressure forces businesses to cut costs by retrenchment

   Management challenges

   Managers cannot rely on authority relationships, they must work with individuals, teams and groups who report to different managers, have different priorities and motivated by different incentives

3. **Flexibility**

   Organizations need to respond to changes in the environment, changing customer needs, intense competition and needs of a diverse workforce

   Must be innovative and creative to respond to these changes

   Management challenges

   Developing skills in multi-tasking is key if they want to work productively at several tasks

   Flexible labour practices means employees need to: adapt to change, be innovative, maintain responsibility, balance work and social life

4. **Work force diversity**

   Organizations are becoming more heterogeneous in terms of race, gender and ethnicity

Management challenges

Philosophy needs to be shifted from treating everyone alike to acknowledging different employees and responding to them to ensure employee retention and greater productivity

STUDY UNIT 2: CORPORATE CULTURE

The concept of culture

Organizational culture

External adaption tasks include developing consensus on:

- Mission, functions and tasks of the business
- Goals of business
- Resources used to accomplish the goal
- Criteria used to measure results
- Corrective action if needed

Internal integration tasks as developing consensus on:

- Common language and conceptual system
- Group boundaries and criteria for inclusion
- Criteria for allocating status, power and authority
- Criteria for allocating intimacy, friendship and love
- Criteria for allocating rewards and punishments
- Concepts for managing the 'unmanageable'

Levels of culture
ICE BERG

Level 1: Artifacts

What someone feels and observes when entering an organization

The visible but not always understandable aspects of the organization

Level 2: Values and Beliefs

The goals, ideals, norms, standards, moral principles and other premises which an organization chooses to promote

Most employees are able to identify with work norms after some time

"on Friday afternoons we don't work too hard"

Level 3: Taken-for-granted Assumptions

Form the core of an organization's culture and often have historical roots

The core of the culture can only be distinguished by observing behavior carefully, noting differences, contradictions that remain unexplained

Different cultures evident in a business organization

National and regional cultures

Differs in terms of attitudes towards work, authority and equality and are influenced by history, religion and climate

The industry culture

Shared assumptions based on the technological and social histories of its industry influence the organizational culture

Organizational sub-cultures

There is no uniform, single culture

Professional or functional sub-cultures form in organizations and can create problems for the effective functioning

Elements of culture

Symbols

Represents an idea, a process or physical entity (†)

A logo can convey quality (Merc), good service (Avis), status (RR) or value for money (PnP) about a company

Stories

Often reflect the core beliefs and assumptions held by the organizational members

How stories are told to newcomers relates to specific strengths, weaknesses, successes and failures of the business and reflects the culture

Language

A strong conveyer of organizational culture because organizational members create unique terms for offices, people, suppliers, rituals and so on

Rituals

Sets of actions, performed in a sequence, mainly for their symbolic value

Often underpin the central values of the organization

STUDY UNIT 3: FEATURES OF CONTEMPORARY ORGANISATIONS AND NEW MANAGEMENT CHALLENGES

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Variables that have emerged during the last decade:

Globalization and the global economy
Operating without constraints of national boundaries and seeking to compete in any high-potential market on Earth

The global organization is a consequence of 7ral new and sophisticated forces influencing the world economy:
- International transportation and communication has become cheaper
- Businesses apply new processes because they possess a highly educated workforce, technological and managerial capabilities and advanced telecomms and transport infrastructure
- Markets are becoming more homogeneousCost structures vary from country to country – businesses can take advantage of low-cost places
- Cross-border learning increases Financial markets are trading 24hrs a day
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Work force diversity

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STUDY UNIT 4: ETHICS, CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

Components of ethical behaviour
1. **Governance of ethics**: concerns the management of stakeholder relations and a business's social responsibility
2. **Ethics of governance:** concerns the development, promotion and direction of an organizations ethical culture
3. **Corporate governance:** directing and controlling a company's operations and relationships in an effective and ethical manner

Business ethics
Morality, ethics and business ethics

Business ethics: evaluation of standards that we employ to distinguish between right/wrong, good/bad and what deserves respect or not within specific context of business operations
All business decisions have a moral dimension

3 dimensions of ethical analysis:

1. Normative dimensions: focused on normative foundations and justifications
2. Organizational dimensions: defined by tactic and explicit norms and rules that characterize a company's culture
3. Macro-ethical dimensions: institutions that shape our business practices are investigated

Normative ethical theories and moral decision making
Defines and systemizes the principles that we employ when making moral decisions and judgements
Homo economics model: humans seek to maximize both $ and none$ utility

Contextual and systematic influences

Organization culture: the tactic and explicit organizational norms and rules that direct individual behaviour

Macro ethics: the study and evaluation of social, economic, political, environmental and cultural systems which enable and constrain business activities and which shape our practices

Corporate social responsibility

the narrow view businesses responsibilities are to making a profit

if executives accept more social responsibility they would violate the promissory relation

the agreement that executives will act in the economic interests of the stakeholders

Extending CSR diverts business from its proper goal and can be unethical

The broad view business has a negative duty to refrain from harming society

Business transactions result in unintended ± consequences that an economic transaction can have on a 3rd party

Extending CSR view can be made with reference to social contract

Corporate governance

The statutory approach

'comply or else model' – complying with requirements is a prerequisite

Can be time consuming and expensive

The voluntary approach

'comply or explain approach' – a company has a choice to comply with governance recommendations or principles

STUDY UNIT 5: MANAGING ORGANIZATIONAL CHANGE AND INDIVIDUAL STRESS

Forces of organizational change

Internal force of change

Change in strategy – causes changes in structure, culture, balance of power or technology used

Poor performance

Pressure to grow – this can initiate change efforts to stimulate growth

Workforce problems

Implementation of new technology – may bring resistance to change from employees

Changes on top management – new managers bring change into the office

Power and politics – can lead to internal conflict and change

Lack of innovation – can cause stagnation

External forces of change

New technology creates availability of new processes, systems, materials and equipment

Economic forces

Social forces affect employees and consumers

Ecological and physical forces refers to natural resources and how businesses discharge their waste

Political forces come from government and their actions, governance and integrity of courts

Events that occur in one country may affect businesses in other countries (world markets are interdependent)

Dimensions of change

Planned vs. Reactive

Planned and implemented by managers to adapt to or prepare for change in the environment

When organizations react to change in their environments

Revolutionary vs. Incremental

Involves major, radical, strategic, transformational and rapid change

Individual and other parts of the organization deal incrementally with 1 problem at a time

Punctuated vs. Continuous

Evolves through relatively long periods of stability interrupted by relatively short bursts of change

A pattern of uninterrupted adjustments in work processes and social practices driven by instability

Resistance to change

Organizational barriers to change

Organizational inertia: businesses resist to change because the forces for and against change are equally strong and therefore the business stays in the same position

Unforeseen consequences: of implementing change – as one part changes, leads to changes in other parts of the business

Individual resistance to change

Why people resist change:

- **Perceived threat to interests** – if people perceive that they have to give up something for change, they start to resist it
- **Misunderstanding and lack of trust** – when managers fail to fully relay the benefits, implications and disadvantages, it can lead to misunderstanding and confusion
- **Low tolerance for change** – people fear they will not be able to learn a new skill or operate a new system or change their behavior
- **Ethical convictions** – clash between an individual's ethical convictions and nature of the change

Overcoming resistance to change

Methods to deal with resistance to change

- *Education & communication* – precise communication of the extent of a change can eliminate the barriers of misinformation. Education includes focus groups, info sessions, one-on-one discussions or emails

- *Facilitation & support* – can be training, time-off or emotional support. Managers must invest time, money and patience to deal with resistance
- *Participation & involvement* – allow the staff to participate in the design and implementation of the initiative. This can become time-consuming
- *Negotiation & agreement* – used when someone stands to lose something but has the power to resist the change.
- *Manipulation & co-optation* – giving them a role in the design or implementation to secure their endorsement of the initiative
- *Explicit & implicit coercion* – when time is of the essence, managers use power to threaten employees and force them into accepting the change

Situational factors that influence the strategic choices of managers when planning a change
- Anticipated strength of the resistance
- Position of the change initiator in terms of power
- Anticipated need for info and commitment from others to help design and implement
- Stakes involved in the implementation of a change in terms of risks

Approaches to change
Lewin's change model
Step1: Unfreezing → basis of stability of human behavior is a quasi-stationary equilibrium (EQ. supported by a field of driving and restraining forces causing inertia) which is the inability of businesses to change in the environment in which they operate in
Step 2: Change → requires individuals to move towards a more acceptable set of behaviors.
Step 3: Refreeze → establishing a new quasi-equilibrium to ensure the new behavior doesn't regress

Kotter's 8 step process of successful change
1. Create a sense of urgency
2. Form a guiding team
3. Create a changed vision and strategy
4. Communicate the vision
5. Empower others to act
6. Produce short-term wins
7. Consolidate improvements and produce more change
8. Create a new culture

Areas of organizational change

Strategic change

Proactively aligning the organizations resources with threats and opportunities caused by changes in the external environment

Changes in the organization structure and design

May involve complete restructuring, departmentalization, cooperation mechanisms or incentive schemes and training programmes

Changes in technology

Includes using a new IT system, more efficient business processes and more timely information, better equipment = changes in work processes

Changes in people

Can involve changing the employee's abilities through training but changing values and beliefs are more difficult

Managing work stress

Nature of stress

Selye, General Adaption Syndrome (GAS), which manifests stress – consists of 3 phases

1st Phase: An Alarm Response

The non-specific response of the body to an environmental stressor like a germ, loud noise, extreme heat/cold or conflict at work

The body is in retreat, experiencing minor loss of efficiency until it can rally its forces of resistance

2nd Phase: A Resistance Phase

Hormones are released into the body causing changes like the level of fatty acids in the blood. Over time the body seems to adapt to the demand

3rd Phase: Exhaustion or Recovery

The body only has a limited amount of adaptation energy so what it uses cannot be replaced so over a long time it can lead to exhaustion or a collapse

Eustress vs distress and performance

The optimum amount and type of stress that is positive in our lives

The right amount of adrenaline may be helpful in problem solving and creativity but stress over a prolonged time can have negative consequences

Stress and health

Excessive stress can lead to health problems (heart attack, stroke, hypertension, ulcers, muscle aches)

The sources of managerial stress

- Job overload
- Role conflict
- Job fit
- Too much responsibility
- Bad relationships
- Career development
- Career disappointments
- Organizational culture
- Inability to change
- Life changes

STUDY UNIT 6: CORPORATE CULTURE

Organizational culture

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CHAPTER 7: POWER, POLITICS, CONFLICT RESOLUTION AND NEGOTIATION

Power

The potential to influence behavior, change the cause of events, overcome resistance, get people to do things they wouldn't usually do

Sources of power

French and Raven

Formal power

- *Legitimate Power*: from your position within the company, allowing them to make decisions
- *Reward Power*: rests with managers who have the ability to give rewards
- *Coercive Power*: an individual who can offer/restrict benefits or inflict punishment/control the behavior of another person

Personal power

- *Referent power*: power of an individual because of their personal characteristics
- *Expert Power*: stems from the possession of scarce and valued expertise

Morgan

- **Formal authority**: form of legitimate power
- **Control of scarce resources**: organizations depend on resources and suppliers
- **Organizational structure**: may be the outcome of political process
- **Control of decision processes**: ability to control the outcomes can build power

- **Control of knowledge and information**: accrues power
- **Control of boundaries**: controlling the boundaries between the different elements of the business
- **Ability to cope with uncertainty**: provides power because of the interdependencies
- **Control of technology**: new tech can affect the balance of power
- **Informal interpersonal alliances and networks**: emerging sources of power
- **Control of counter organizations**: interaction and liaison with significant counter organizations
- **Symbolism and the management of meaning**: leaders use cultural tools to help others make sense
- **Gender and the management of gender relations**: gender balance is changing
- **Deep structure of power**: prevents individuals from using their power
- **The power one already has**: people with power use it to acquire more

Social networks as a power source
- The size of an individual's network – number of people will influence the strength
- The position in a person's network – number of contacts between someone and a higher employee determines their power
- The diversity of contacts – how much power someone can gain from their social network

Influence tactics and taking political action

Influence tactics

Tactic	Actions of A
Pressure	Threats, intimidation (B), demands of compliance
Upward appeals	Persuading B that TML approved the request
Exchange	Promising a reward, reminding B of prior favors
Coalition	Seeking support of others to persuade B
Integrating	Using friendliness, flattery, humor

Rational persuasion	Using facts and logic to persuade B
Inspirational appeals	Appealing to B's values and ideals
Consultation tactics	Seeking B's participation in decision-making

Taking political action

Political behavior: includes activities that are not required as part of an employee's formal role but are performed to attempt to influence the distribution of adv./dis. in the business

Politics and politicking are essential aspects of business life

Converting power to influence = politics

Those with good political skills can use their bases of power effectively

Conflict management

Conflict: a process in which one party perceives that another party opposes its interests

Causes of conflict

Interpersonal conflict

- Personal differences – stem from demographic factors
- Communication breakdown – wrong perceptions of others
- Role incompatibility – managers have different functions and roles with can cause conflict
- Environmental stressors – internal and external environments lead to conflict
- Competing for the same positions – individual compete for their desired positions

Intergroup behavior and conflict

- Competing for scarce resources – departments, sections and teams all compete for resources
- Task interdependence – output of one group can = input for another group, differences in goals and staff
- Jurisdictional ambiguity – if group boundaries and responsibilities are not well defined
- Power and status differences – when groups have a low status in the company
- Goal differences – groups may pursue conflicting goals

Managing organizational conflict

1. **Avoidance**: from one or both parties
2. **Accommodation**: one party focuses on the other's needs to resolve the conflict
3. **Compromise**: both parties give up something
4. **Competition**: both parties focus on themselves
5. **Collaboration**: differences are met and addressed

Negotiation

When 2 or more parties are in conflict and attempt to reach an agreement

The negotiation process compromises of: PLANNING & NEGOTIATION

Planning phase

Research the other party→ gather information about the other party

Set objectives → use the info to formulate goals (opening target, fair target, exit target)

Develop options & trade-offs → plan what you can give up and what the other party will be willing to accept

Anticipate the issues that might be raised → anticipate all answers and have good understanding of issue at hand

Negotiation phase

Step 1: Focus on the issue

Create a good impression, be perceived as honest and trustworthy

Golden rule: concentrate on the issue, not the person

A negotiator must establish a congenial atmosphere to conclude negotiations

Step 2: Allow the other party to make the first offer

Negotiator can gain advantage if offer is = or more that the target (VV)

If no agreement is reached, continue to next step

Step 3: Make sense of the other party's needs

Listen to them, ask questions and make concessions – meet the needs or realize nothing will be solved

Step 4: Do not rush into agreement and ask for something in return

Do not give up; try getting the best possible deal from negotiations

STUDY UNIT 8: BUSINESS ETHICS, CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

Components of ethical behavior

Viewed as integral to achieving business success and fostering sustainable business practices

Large part, management of stakeholder relations

Governance of ethics: concerns the management of stakeholder relations and a business's social responsibility

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Corporate governance: directing and controlling a company's operations and relationships in an effective and ethical manner

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Corporate social responsibility

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CHAPTER 9: WORKFORCE DIVERSITY

Misconceptions of diversity

Diversity is not a culture

Diversity training is not "what Asians are like" or "what woman want" – only reinforces stereotypes

Primary dimensions cannot be changed (age, race, gender, and ethnicity)

Secondary dimensions are not fixed (education, work, and religion)

Diversity is neither equal employment opportunities nor affirmative action

EEO & AA are laws imposed on people and create a confrontational environment

There is a belief that these concepts mean less qualified people should get jobs over more qualified people

This just adds to conflict, reinforces stereotypes and destroys the people it is meant to serve

EEO/AA	Diversity
Government initiated	Voluntary
Legally driven	Productivity driven

Quantitative	Qualitative
Problem focused	Opportunity focused
Assumes assimilation	Assumes integration
Internally focused	Internally and externally focused
Reactive	Proactive

Diversity is not an absence of standards

It's not about giving up standards for hiring and promoting

Actually the opposite, we remove the preconceived ideas about who is qualified for a job, so we need to create better definitions of actual job requirements

Diversity is not a vendetta against white males

Diversity symbolizes a more enlightened society or it can breed resentment - which is why efforts to promote diversity often fail

Group of white males created the workplace on the bases of their own similar backgrounds, styles, perspectives, values and beliefs

But changes in the international & national management environment regarding diversity has forced businesses to change and even white males have changed

What is diversity?

Diversity is about demographics

Moved from a time where the law regulated where one could work, socialize with or live; to now, where human rights are protected by a modern constitution

Diversity is about profitability

Valuing diversity is a bottom-line issue about increasing productivity and profitability

Diversity fosters teamwork and helps organizations identify and meet customer needs

Diversity is about values

Has to do with human rights, civil rights & deeply-held beliefs and forces people to question years of social conditioning

Diversity is about behavior

Valuing diversity is much more productive than not valuing it

Diversity is a long-term process
Large-scale change effort that extends far beyond just training
It is everyone's responsibility and not just HR, not about race, gender or the previously disadvantaged

What is workforce diversity?
Diversity: the mosaic of people who bring a variety of backgrounds, styles, perspectives, values and beliefs as assets to the business

The platinum rule
Goes further than the golden rule, "treat others the way they want to be treated"
This is the cornerstone of diversity because it demonstrates respecting and honoring our differences

General dimensions for diversity
World-wide shift in demographics, changing immigration patterns and social change are all factors that affect the work environment
- Gender issues: woman increasing in the labor market = work-family conflicts, childcare, dual-career couples and sexual harassment
- Age: supply of white workers is less as black workers make up the majority of the workforce
- Marital status: adds to the complexity, managers must use this as strengths
- Physical ability: subjected to stereotyping, prejudice and discrimination, managers must look at ability's instead of disabilities
- Language: sensitivity needs must be shown to choice and use of language policy within businesses

The need for diversity management in SA
Imbalances in the SA business world
1. Affirmative Action
2. Economic Empowerment
3. New management philosophy

Managing diversity
Benefits of diversity management

6 arguments for managing diversity	
Cost	Cost of a poor job in integrating workers will increase
Resource acquisition	Businesses develop favorable reputations as employers. Those with best reputations win the competition for best personnel
Marketing	Insight and cultural sensitivity that members with roots in other countries bring to the marketing effort should improve these efforts in important ways
Creativity	Diversity of perspectives and less emphasis on conformity to norms of the past should improve creativity
Problem-solving	Heterogeneity in decision-making and problem solving groups potentially produces better decisions through wider range of perspectives
System flexibility	An implication of the multicultural model for managing diversity is that the system will become less determinant, standardized and therefore more fluid

Approaches to managing diversity
Golden rule approach
Treat everyone in the same way
People from the dominant culture assume they should treat people according to their own
standards and individual differences are ignored

The 'right the wrongs' approach
Takes the form of AA
This creates backlash because 'traditional' employees feel they will be overlooked so a 'quota can be filled'

The 'value of differences' approach
Recognizes differences and acknowledges that they exist, but doesn't require people to be assimilated into the culture
When faced with a situation that involves managing others different from yourself, your reaction/solution will depend on how much you know, understand and value the "differentness" of others
  Diversity paradigms: strategies for diversity management

	Discrimination – fairness	Access – legitimacy	Learning – effectiveness
Focus	Equal opportunity Fair treatment	Match internal employee demo's to customer	Incorporate diversity into the culture
HR practices	Recruitment of woman and PDGs	Recruiting diverse groups to match external needs	Redesigned & transformed to enhance employees
Effectiveness	Retention rates of woman & PDGs	Degree of diversity among employees	Employees feel respected, valued and included
Weaknesses-Strengths	Does not capitalize on diversity of all employees	Diversity confines to specific market segments	All employees are respected, valued and included

Diversity training

Why organizations are designing and implementing diversity training and development initiatives

- Increasingly diverse customer and employee population
- Important to retain top talent
- Necessary to minimize the risk of litigation
- Fosters learning and effectiveness in businesses

Approaches to diversity training

This is specifically designed to better enable members of an organization to function in a diverse and multi-cultural workforce

Training should focus on: programs designed to:

- raise participants consciousness and awareness about different values, attitudes, behavior and communication in cultures
- develop new skills and competencies
  Management support

Training must be complemented by managerial example and support through:

- awareness raising
- peer support
- managers who are diverse and competent

  Spheres of activity for diversity training

- climate that supports diversity
- open communication
- declaration of commitment in the MS

STUDY UNIT 11: STRATEGIC MANAGEMENT

Strategy and strategic management

Strategy: helps explain what mangers do in order to fulfil the purpose of the business

A winning strategy

Is a strategy that:

- Builds sustainable competitive advantage
- Always seeks ways to improve the business
- Meets stakeholders expectations
- Aligns itself with environmental requirements

Strategic management process

Strategic analysis

DEVELOP A VISION → FORMULATE MISSION STATEMENT → ANALYSE THE
ENVIRONMENT

Develop a vision

A vision should provide a clear sense of what the organization hopes to become. The vision is the end, not the means of getting to the end.

A clear vision is important to an organization for the following reasons:
- It portrays the dream that the organization has for the future
- It promotes change
- It provides the basis for planning & decision making
- It provides a basis for strategic control
- It has positive consequences

Develop a mission statement

The vision statement guides the formulation of the mission statement. The mission statement aligns the organisation with its dream in terms of its products, market, and technology.

Organizations should also address the following components in their mission statement
- Concern for survival/growth/profit
- Values, ethics and beliefs
- Public image
- Social responsibility
- Concern for all stakeholders
- Competitive advantage

Analyse the environment

Internal: to identify assets, resources, skills and processes that represents strengths or weaknesses

*Strengths***:** potential competitive edge
*Weaknesses***:** areas in need of change or improvement

External: this is to identify opportunities & threats

*Opportunities***:** variables that can improve an organisation competitive position
Threats: hinder an organisation to be successful

Strategy formulation

Set long term goals

Goals state a general target while objectives state what is to be accomplished in specific measurable terms with a target date. G & O should flow from the mission statement to address strategic issues identified through the analysis phase

Kaplan and Norton state "what you measure is what you get". BSC includes financial measures that tell the results of actions already taken. A strategy map visually represents how an organisation creates value.

They argue that sustained value creation depends on managing four key internal processes:

1. Financial perspective
2. Customer perspective
3. Internal perspective
4. Learning and growth perspective

Formulating corporate business strategy
Generic strategies

There are three types of generic strategy:

An overall **low-cost leadership** strategy attempts to maximize sales by minimizing costs per unit and hence prices.

Differentiation distinguishes an organization's products or services from those of its competitors

Focus on a specific product line or a segment of the market to give an organisation a competitive edge

Grand strategies

CORPORATE GROWTH STRATEGY → MARKET DEVELOPMENT, PRODUCT DEVELOPMENT, INNOVATION, DIVERSIFICATION
CORPORATE DECLINE STRATEGY → TUNAROUND, DIVESTITURE, HARVESTING, LIQUIDATION

Selecting a corporate strategy
STARS are businesses in rapidly growing markets with large market shares.

Cash generating businesses are **CASH COWS** as they can be "milked" for resources to support other businesses.

QUESTION MARKS are high-growth, low-share SBUs that normally require a lot of cash to maintain.

A **DOG** is usually a candidate for divestiture or liquidation.

Strategy implementation

SET FUNCTIONAL GOALS & OBJECTIVES → FORMULATE MEDIUM & SHORT-TERM STRATEGIES → INSTITUTIONALISE STRATEGIES

Without strategy implementation all good intentions of business will not be realised

Strategic leadership: leading the entire organisation. Involves:

- Setting direction for the whole organisation
- Providing leadership to drive the organisational strategy
- Providing necessary HR
- Managing social capital
- Building and utilising core competencies
- Creating an alignment between vision, mission, goals & objectives
- Leading and managing change

  Organisational culture: values, beliefs and norms that bind people together

  Organisation architecture: integrated model of how the business is doing things

    Strategic control

STRATEGIC CONTROL → ORGANISATION PERFORMANCE, PRODUCTIVITY, MANAGEMENT EFFECTIVENESS

This involves monitoring the implementation of the strategic plan and ensuring quality and total effectiveness

STUDY UNIT 14: PROJECT MANAGEMENT

Philosophy and meaning of project management

Project management: a management tool used to plan, organise, implement and control activities in order to attain a predefined objective, using knowledge, skills, tools and resources to execute activities to meet client's needs and expectations

Managing any project entails planning, organising, coordinating and controlling the associated project activities and resources → money, equipment, machinery, time

PM can be used effectively in:

- To effect improvements and change
- When a task is complex
- When a task is unique
- In situations with a start & finish

Advantages of PM

- Control is exercised over all the activities of the project
- May lead to shorter completion time for a project
- Costs of each activity should be controlled
- PM can improve the quality of the p/s
- Transparency can be improved

PERT = **P**roject **E**valuation and **R**eview **T**echnique = estimating the delivery of project constraints with improved certainty

Perspective of project management

Internal perspective

Internal projects: are those launched within a business to use scarce resources more effectively, improve existing procedures, ensure more efficient service and improve quality

To launch internal projects, project managers need to allocate resources, tasks and responsibilities

Advantages:
- Undivided attention can be given to a specific project
- The initial and final responsibility for successful execution can be given to an independent division
- The flexibility of authority relations can compensate the complexity so end results are still achieved

Internal projects can be executed at all 3 levels

1. **Strategic level**: TM consider external & internal environment of the business and formulate the overall direction
2. **Tactical level**: translate the direction into initiatives that later become different projects
3. **Operational level**: responsible for the actual planning, execution and control of a project

External perspective

An outward perspective taken to determine the effectiveness of the organisation's p/s in the market place

These projects are undertaken in a competitive environment where work is acquired through a bidding process (tenders)

Key role players

Strategic manager

Analyse internal and external environments then define the strategic direction and priorities of the business as a whole

Tactical manager

Ensures the systems, methods, processes and resources are available and in place to deliver the business strategy

Project sponsor

Mediates at the strategic level on behalf of the manager and team

Operational manager

Ensures systems, methods, processes and resources are optimally used to deliver tactics that support the business strategy

Project team

A cohesive group of professionals working together to achieve contracted project deliverables

Project management office

An office part of business structure and responsible for management and admin of project specific systems, processes, procedures, methods, tools and techniques

The client

Recipient of the deliverables

Project management process

1. **Identify the need for a project**

   Using formal (questionnaires, surveys) or informal (debates, observations) methods

   Info must be based on facts and not assumptions

2. **Choose a team and appoint a manager**

   Members must be knowledgeable in several areas and manager must ensure the project attains its objectives

3. **Develop a tactical project plan**

   Must be divided into logical, progressive steps

   Member's gather info on all aspects relating to the project

4. **Develop the quality management plan**

   Quality must be designed into the process by taking of a number of quality principles

   Main approach is TQM which has 4 main pillars

○ *Systems approach*: all system elements must be identified and function optimally ○ *Customer focus*: everybody takes responsibility for the quality of their own work ○ *People involvement*: ensures people take ownership of the project objectives and deliverables ○ *Process of continuous improvement*: improvement can only be achieved by measuring output against set objectives

5. **Define the change control procedure**

   In order to manage scope changes and extensions, a change control procedure should be adopted that allows for screening and approval by a committee

6. **Develop the stakeholder plan**

   A plan describing how stakeholder relations will be managed during the project life cycle

   Project stakeholders are people with an interest in the project and are able to influence the project deliverables

7. **Develop the communication plan**

   A plan describing communication flow during the project lifecycle

   The team can group stakeholders according to influence ranking which allows them to structure an effective communication plan

8. **Define the project scope**

   The boundaries that scope project deliverables by defining inclusions and exclusions

   This includes the beneficiaries, purpose & objectives, scope, quality parameters, planned completion date, resources required, estimated costs and sources of risk of the project

9. **Develop the project schedule**

   Sequence of project activities together with planned durations and time table

   Working from the project charter, the work breakdown structure is developed, followed by the network diagram and bar chart

10. **Compiling the project budget**

    Deals with future allocation and utilisation of various resources

    Not only financial terms, also raw materials, labour, office space, computer time and so on.

11. **Develop key performance indicators**

    Charts used for tracking planned and actual project performance

12. **Develop a risk management plan**

    Organisations develop methodologies that govern the management of risk, quantification, response, monitoring and control

13. **Implement the project**

    All planned activities are carried out by responsible people- give feedback, allocate resources and exercise control

14. **Monitor and control project activities**

    Time, cost, quality and risk must be monitored continuously

15. **Close project**

Revisits the delivery of all work to ensure it was delivered to agreed specs

STUDY UNIT 16: VALUE CHAIN AND E-BUSINESS

The internal value chain

Competitive advantage: ability to provide greater value to customers than competitors

Sustainable competitive advantage: the development of a unique ability to provide greater value to customers which competitors tried unsuccessfully to emulate and it therefore ensures the survival over the long run

Michael Porter developed the term VALUE CHAIN to describe interconnectedness and interrelatedness of these internal functions & activities.

The internal functions and activities that need to be performed in order to create value for customers

Activities performed are grouped according to the value chain into 2broad classes:

- Primary activities: involved in ongoing production, marketing, delivery and servicing of the product
- Secondary activities: involved in providing purchased inputs, HR and some technologies

Industry-specific value chains

The value system

A system that includes the value chains of the supplier, the organisation, distribution channel and buyer

SUPPLIER VALUE CHAIN → ORGANISATION VALUE CHAIN → DISTRIBUTION CHANNEL VALUE CHAIN → BUYER VALUE CHAIN

E-business

A business method where an intranet organisation with an online presence is able to interact internally and also make their g/s available for the purpose of selling, trading, bartering or transacting over the internet

E-business trading model

B2C: selling to customers

B2B: between organisations

C2C: between consumers

     E-business revenue generating model

Shopping platforms available in internet retailing:

- **Storefront model**: catalogue of products, order taking, payment, shipping and management
- **Auction model**: seller posts goods for sale at a min price and bidders bid on it, if successful – buys it
- **Portal model**: provides a gateway to information that is stored and managed in a particular way
- **Dynamic pricing model**: influencing the way product pricing is managed (airlines discounting $ closer to a flight)
- **B2B exchanges**: 2 or more businesses collaborate in buying, selling, trading and distributing p/s

- **B2B service providers**: offer speciality services aimed at making internet transacting easier
- **Online trading**: allows consumers to trade stock directly without brokers
- **Online loans**: access to credit and online loans
- **Web-based recruitments**: internet has become an industry in recruitment houses that operates across borders
- **Online news**: availability and immediate access to info on the internet especially with smart phones and tablets
- **Online travel bookings**: competition in the travel industry has benefited the consumer
- **Online entertainment**: greater ability to download large volumes of data, thus music and videos can be sold
- **Automotive sites**: search for and purchase new and used cars
- **Online service provision**: trading of intellectual capital on a per project basis
- **E-learning**: instructor-led courses that institutes are able to turn into web based distance learning
- **Click-and-mortar business**: integrating an offline offering with an online offering
  E-business advanced technologies

**These technologies are described in broad terms as:**
- **Expert systems**: used to capture knowledge and skills of retiring specialists so prevent a loss in intellectual capital
- **Neutral networks**: evolved from expert systems but can learn, make correlations, establish patterns and behaviour
- **Workflow management systems**: govern the methods by which work flows through an organisation's value chain in an automated and seamless fashion
- **Decision support systems**: systems developed for supporting organisational decision-making
- **Management information systems**: used for monitoring, control and reporting on organisational performance at tactical and strategic level
- **Computer-based simulations**: used for rapid skills development on personal and organisational levels
- **Computer aided design**: assists creation, modification, analysis and optimisation of a design
- **Computer aided manufacturing**: use of software to control machinery used for manufacturing

E-business web management

Important to remember search engine optimisation and website management

CHAPTER 18: WORK GROUPS AND TEAMS
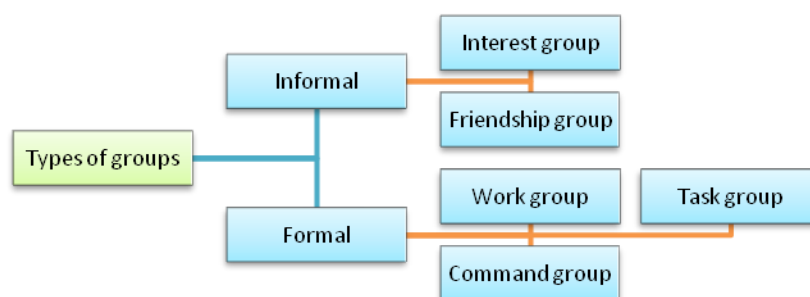
Groups and teams

Group: 2 or more individuals, interacting and interdependent who come together to achieve goals

Team: special kind of group

Reasons why people join groups

- Groups offer security
- Can achieve a certain status
- To increase their self-esteem

- Can satisfy the social needs of people
- Groups represent power
- To achieve goals they can't do alone

Types of organisational groups

Informal groups

Groups not part of the organisational hierarchy

Interest groups: Can exist for short time until a goal is accomplished/abandoned or long period

Friendship group: Could be a social class or few people playing cards on a lunch break

Formal group

Accomplish specific tasks and achieve the organisational goals

Work group: 2 or more people who interact to share info and make decisions to help group members

Command group: Formal organogram and obvious line of authority

Task group: People working together to complete a specific task, can cross hierarchical lines

Stages in group and team development

Forming ➡ Storming ➡ Norming ➡ Performing ➡ Adjourning

Forming

Not yet a group, much uncertainty about the groups purpose, leadership and structure

Storming

Development is often characterised by conflicts and disagreements

Norming

Point when the group starts to function as a cohesive unit

Performing

The emergence of a mature, organised and well-functioning group

Adjourning

Group is able to disband when its work is accomplished

Variables that influence group and team behaviour

Organisational context

Goals and strategies

Strategic goals define the goals that groups have to attain within a specific timeframe

Groups compete for the same resources and interact with each other to reach business goals

This interaction can create conflict but also shows the interdependence of the groups

Authority structures

Determine a work group's placement in the organisation, the formal leader and formal relationships

Policies, procedures, rules and regulations

Groups must follow policies, procedures, rules and regulations that govern the functioning of their business

If it inhibits creativity, it will have a negative influence

Organisational resources

The availability or lack of resources influence the performance of groups because they need necessary resources

It will also affect interaction with other groups

Personnel selection process

HR departments select and appoint staffs according to specific criteria which affect the composition of organisational groups (personality, level of motivation and creativity)

Performance management system

This influences the behaviour of members in groups

Performance evaluation and reward systems focus on individual performance or collective performance

Organisational culture

This defines what acceptable behaviour for individuals and groups entail is

Physical work setting

Physical layout can create barriers for interaction within the groups

Group structure

Leadership

Leader gives direction & creates an environment where workers can be motivated to achieve the goals

Roles

Each person fulfils a role and role expectations

Each member also has their own role perception

Norms

Overtime, group norms develop

Strongest norm relate to behaviour that members consider as being most significant

Can be formal or informal

Status

Knowledge, aggression, power and seniority determine status of each individual

Members evaluate the positions of each person in terms of status and importance so a hierarchy develops

Cohesiveness

How a group stands together

Doesn't always have positive results

Size

Smaller groups are more productive but bigger groups are more effective at solving problems

Diversity

A variety of skills and knowledge is more effective

Organisational teams

Characteristics

- Complementary competencies
- Commitment to a common purpose
- Shared mission and collective responsibility
- Synergy

- Shared leadership
- Equality
- Size
- Selection

Reasons why organisations use teams

- Problem is complex
- Problem requires inter-group cooperation
- Tight deadlines
- Widespread acceptance and commitment are critical

Advantages

- Innovation
- Speed
- Cost
- Quality

Types of teams

Problem solving

Self-managed work

Cross-functional teams

Virtual teams

STUDY UNIT 10

Distinguish between groups and teams in an organisation. Explain the important role that groups and teams play in a contemporary organisation

Group Definition: In the setting of an organisation, a group is the collection of people who are located, grouped or gathered together, either by classification or in a more general sense. People are often put in groups, such as a department, or groups are created by the same culture or objectives within an organisation.

A group is a number of people who;

- interact with each other;
- are psychologically aware of each other;
- perceive themselves aware of each other;
- or perceive themselves to be a group

Team Definition: A team in an organisation is defined to be more competitive than a group, with the intention of this grouping of people to be able to achieve a common goal, reach the same objectives.

A team is a group of people, each of whom possesses particular expertise; each of whom is responsible for making individual decisions; who together hold a common purpose; who meet together to communicate, collaborate and consolidate knowledge, from which plans are made, actions determined and future decisions influenced

Differentiate between the various types of informal and formal groups that we find in an organisation. Explain why people join groups

In organizations, you may encounter different types of groups.

Informal work groups are made up of two or more individuals who are associated with one another in ways not prescribed by the formal organization. For example, a few people in the company who get together to play tennis on the weekend would be considered an informal group. Informal groups are established by individuals who decide they want to interact with each other. Informal groups usually do not have a specific purpose; often the group forms because the group members regularly happen to be in the same location or because they enjoy each other's company. For example people may form a group because they sit close together in an office or live together in a house.

A formal work group is made up of managers, subordinates, or both with close associations among group members that influence the behaviour of individuals in the group
A formal group is created within an organisation to complete a specific role or task. This may be a one off objective such as the launch of a particular product or service or a permanent/ongoing objective such as the provision of Information Technology (IT).

Depict and explain the stages in group and team development. Identify a group's stage of development according to the stage characteristics

Forming
In this stage, most team members are positive and polite. Some are anxious, as they haven't fully understood what work the team will do. Others are simply excited about the task ahead.
As leader, you play a dominant role at this stage, because team members' roles and responsibilities aren't clear.
This stage can last for some time, as people start to work together, and as they make an effort to get to know their new colleagues.

Storming

Next, the team moves into the storming phase, where people start to push against the boundaries established in the forming stage. This is the stage where many teams fail. Storming often starts where there is a conflict between team members' natural working styles. People may work in different ways for all sorts of reasons, but if differing working styles cause unforeseen problems, they may become frustrated.

Storming can also happen in other situations. For example, team members may challenge your authority, or jockey for position as their roles are clarified. Or, if you haven't defined clearly how the team will work, people may feel overwhelmed by their workload, or they could be uncomfortable with the approach you're using.

Some may question the worth of the team's goal, and they may resist taking on tasks.

Team members who stick with the task at hand may experience stress, particularly as they don't have the support of established processes, or strong relationships with their colleagues.

Norming

Gradually, the team moves into the norming stage. This is when people start to resolve their differences, appreciate colleagues' strengths, and respect your authority as a leader.

Now that your team members know one-another better, they may socialize together, and they are able to ask each other for help and provide constructive feedback. People develop a stronger commitment to the team goal, and you start to see good progress towards it.

There is often a prolonged overlap between storming and norming, because, as new tasks come up, the team may lapse back into behaviour from the storming stage.

Performing

The team reaches the performing stage when hard work leads, without friction, to the achievement of the team's goal. The structures and processes that you have set up support this well.
As leader, you can delegate much of your work, and you can concentrate on developing team members.

It feels easy to be part of the team at this stage, and people who join or leave won't disrupt performance.

Adjourning

Many teams will reach this stage eventually. For example, project teams exist for only a fixed period, and even permanent teams may be disbanded through organizational restructuring.

Team members who like routine, or who have developed close working relationships with other team members, may find this stage difficult, particularly if their future now looks uncertain.

Explain the different variables that influence group and team behaviour

Individual behaviour is influenced by the presence of others. For example, studies have found that individuals work harder and faster when others are present (see social facilitation), and that an individual's performance is reduced when others in the situation create distraction or conflict. Groups also influence individual's decision-making processes. These include decisions related to in-group bias, persuasion (see Asch conformity experiments), obedience (see Milgram Experiment), and groupthink.

There are both positive and negative implications of group influence on individual behaviour. This type of influence is often useful in the context of work settings, team sports, and political activism. However, the influence of groups on the individual can also generate extremely negative behaviours, evident in Nazi Germany, the My Lai Massacre, and in the Abu Ghraib prison (also see Abu Ghraib torture and prisoner abuse).

Describe a work team in terms of its characteristics. Defend the use of teams in an organisation

1. There is a clear unity of purpose.
There was free discussion of the objectives until members could commit themselves to them; the objectives are meaningful to each group member.

2. The group is self-conscious about its own operations.
The group has taken time to explicitly discuss group process -- how the group will function to achieve its objectives. The group has a clear, explicit, and mutually agreed-upon approach:

mechanics, norms, expectations, rules, etc. Frequently, it will stop to examine how well it is doing or what may be interfering with its operation. Whatever the problem may be, it gets open discussion and a solution found.

3. The group has set clear and demanding performance goals for itself and has translated these performance goals into well-defined concrete milestones against which it measures itself. The group defines and achieves a continuous series of "small wins" along the way to larger goals.

4. The atmosphere tends to be informal, comfortable, relaxed.
There are no obvious tensions, a working atmosphere in which people are involved and interested.

5. There is a lot of discussion in which virtually everyone participates, but it remains pertinent to the purpose of the group. If discussion gets off track, someone will bring it back in short order. The members listen to each other. Every idea is given a hearing. People are not afraid of being foolish by putting forth a creative thought even if it seems extreme.

6. People are free in expressing their feelings as well as their ideas.

7. There is disagreement and this is viewed as good.
Disagreements are not suppressed or overridden by premature group action. The reasons are carefully examined, and the group seeks to resolve them rather than dominate the dissenter. Dissenters are not trying to dominate the group; they have a

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Differentiate between problem-solving, self-managed, cross-functional, and virtual teams. Recommend ways of introducing teams in the workplace.

Work teams can be classified on the basis of their objectives. The four most common forms of teams in an organization are functional, problem-solving, self-managed, and cross-functional work teams.

1.   *Functional teams* are composed of a manager and the employees in his or her unit. Issues such as authority, decision-making, leadership, and interactions are relatively simple and clear. They are involved in efforts to improve work activities or to solve specific problems within a particular functions unit.

2.   *Problem-solving team* members share ideas or offer suggestions on how work processes and methods can be improved.

a.   Some of the most widely practiced applications witnessed during the 1980s were *quality circles*, which are work teams of 8 to 10 employees and supervisors who share an area of responsibility. They meet regularly to discuss their quality problems, investigate causes of the problems, recommend solutions, and take corrective actions. They assume responsibility for solving quality problems, and they generate and evaluate their own feedback.

b.   Rarely are quality circles given authority to unilaterally implement any of their suggestions. They usually only make a recommendation to management.

3.   *A self-managed work team* is a formal group of employees that operates without a manager and is responsible for a complete work process or segment that delivers a product or service to an external or internal customer. It has control over its work pace, determines work assignments and when breaks are taken, and inspects its own work. Supervisory positions take on decreased importance and may be eliminated.

4.   In *cross-functional work* team employees are from about the same hierarchical level but from different work areas in the organization – they are brought together to accomplish a particular task. Cross-functional teams allow employees from diverse areas within an organization to exchange information, develop new ideas, solve problems, and coordinate complex tasks. However, they can be difficult to manage.

A *virtual team* allows groups to meet without concern for space or time and team members use computer technology to link physically dispersed members in order to achieve a common goal—using technological advances like conference calls, video conferencing or email to solve problems even though they may be geographically dispersed or several time zones away.

Entrepreneurial firms use teams because they facilitate the technology and market demands the firm is facing. Teams, firms find can help make products faster, cheaper, and better. In addition, teams permit Entrepreneurs to tap into the collective wisdom of the venture's employees. Additionally, the team culture can improve the overall workplace environment and worker morale

It must be noted that teams are not automatic productivity enhancers. However, there are certain characteristics of high-performing work teams.

- Unified commitment
- Good communication
- Mutual trust
- Effective leadership
- External support
- Internal support
- Negotiating skills
- Relevant skills
- Clear goals

STUDY UNIT 9

Define the internal value chain of an organization

A value chain is a set of activities that an organization carries out to create value for its customers. Porter proposed a general-purpose value chain that companies can use to examine all of their activities, and see how they're connected. The way in which value chain activities are performed determines costs and affects profits, so this tool can help you understand the sources of value for your organization.

Value chain analysis relies on the basic economic principle of advantage — companies are best served by operating in sectors where they have a relative productive advantage compared to their competitors. Simultaneously, companies should ask themselves where they can deliver the best value to their customers.

To conduct a value chain analysis, the company begins by identifying each part of its production process and identifying where steps can be eliminated or improvements can be made. These improvements can result in either cost savings or improved productive capacity. The end result is that customers derive the most benefit from the product for the cheapest cost, which improves the company's bottom line in the long run.

Explain the value system

To identify and understand your company's value chain, follow these steps.

Step 1 – Identify sub activities for each primary activity
For each primary activity, determine which specific sub activities create value. There are three different types of sub activities:
•Direct activities create value by themselves. For example, in a book publisher's marketing and sales activity, direct sub activities include making sales calls to bookstores, advertising, and selling online.
 •Indirect activities allow direct activities to run smoothly. For the book publisher's sales and marketing activity, indirect sub activities include managing the sales force and keeping customer records.

•Quality assurance activities ensure that direct and indirect activities meet the necessary standards. For the book publisher's sales and marketing activity, this might include proofreading and editing advertisements.

Step 2 – Identify sub activities for each support activity.
For each of the Human Resource Management, Technology Development and Procurement support activities, determine the sub activities that create value within each primary activity. For example, consider how human resource management adds value to inbound logistics, operations, outbound logistics, and so on. As in Step 1, look for direct, indirect, and quality assurance sub activities.

Then identify the various value-creating sub activities in your company's infrastructure. These will generally be cross-functional in nature, rather than specific to each primary activity. Again, look for direct, indirect, and quality assurance activities.

Step 3 – Identify links
Find the connections between all of the value activities you've identified. This will take time, but the links are key to increasing competitive advantage from the value chain framework. For example, there's a link between developing the sales force (an HR investment) and sales volumes. There's another link between order turnaround times, and service phone calls from frustrated customers waiting for deliveries.

Step 4 – Look for opportunities to increase value
Review each of the sub activities and links that you've identified, and think about how you can change or enhance it to maximize the value you offer to customers (customers of support activities can internal as well as external).

Explain how various e-business models can add value to an organisation

E-business is the conducting of business on the Internet, not only buying and selling, but also serving customers and collaborating with business partners. Organizations realize that putting up simple Web sites for customers, employees, and partners does not create an e-business. E-business Web sites must create a buzz, much as Amazon has done in the bookselling industry. E-business Web sites must be innovative, add value, and provide useful information. In short,

the site must build a sense of community and collaboration, eventually becoming the port of entry for business.

•Technological development – These activities relate to managing and processing information, as well as protecting a company's knowledge base. Minimizing information technology costs, staying current with technological advances, and maintaining technical excellence are sources of value creation.
•Infrastructure – These are a company's support systems, and the functions that allow it to maintain daily operations. Accounting, legal, administrative, and general management are examples of necessary infrastructure that businesses can use to their advantage.