



Department of Business Management

CONTEMPORARY MANAGEMENT ISSUES

Only study guide for
MNG2602

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INTRODUCTION

Dear MNG2602 stakeholder

Welcome to the module, Contemporary Management Issues (MNG2602). To make your studies easier, and to help you share in our enthusiasm for this field, we urge you to read this study guide. You should also read through your Tutorial Letter 101. Refer back to these study materials as often as you need to throughout your studies.

The field of management is extremely dynamic and challenging, so we have included additional learning experiences and case studies in your study guide. This will provide you with opportunities to explore the latest developments in the field of business management, and will help you to discover management as it is practised today.

Although you are studying on your own, please contact your e-tutor and/or your lecturer if you have any problems with this module. My contact details are in Tutorial Letter 101 and you will receive information concerning your e-tutor later in the semester. I urge you to make use of the information and interaction capabilities on the website for your module on myUnisa. You will benefit greatly by participating in the discussion forums and online activities.

I hope that you will enjoy this module and I look forward to witnessing your progress at a personal and professional level during the year. I wish you a prosperous and fruitful year of study.

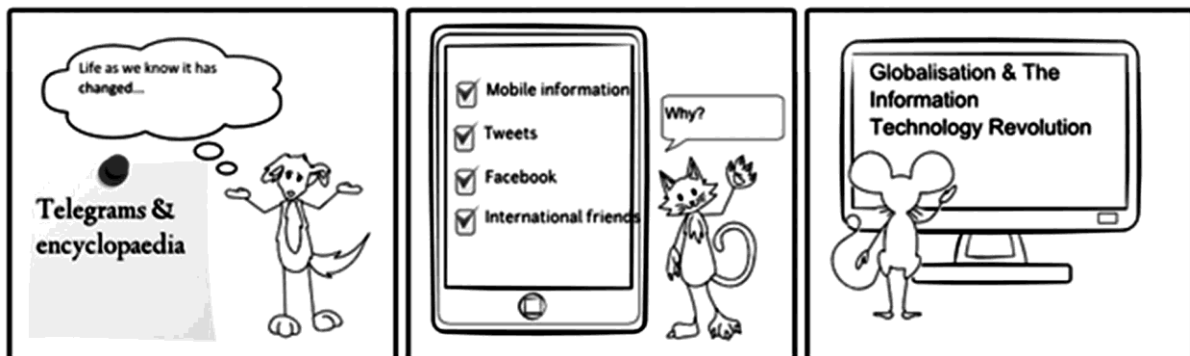
Your lecturer

Learning 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 other countries 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 ongoing advances in technology affect organisations and the way they do business. In this learning unit, you will find out how organisations had to change fundamentally in order to be able to function in the globalising world.

1.2 LEARNING UNIT CHALLENGES

In this learning 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; and
- identify and discuss the challenges faced by managers of the new organisation.

Work through Chapter 3 in the prescribed book.

1.3 KEY CONCEPTS

- **Bureaucracy.** This is a system of administration marked by rules and regulations, red tape and proliferation.
- **Customer capital.** This is the value of relationships that an organisation builds with its customers – reflected in their loyalty to the organisation and/or its products.
- **Diversity.** This is the state of being different.
- **Globalisation.** This is the economic and social interaction process whereby different countries work together to create a global economy.
- **Global organisation.** This is an organisation that operates in many countries as an integrated unit.
- **Flat structure.** This is an organisational structure that has fewer levels of management.
- **Human capital.** This is the health, knowledge, motivation, and skills of employees; the attainment of this is an end in itself.
- **Intellectual capital.** This is the collective knowledge (whether or not documented) of the individuals in an organisation or society.
- **International organisation.** This is a body that operates in many countries but keeps the operations in each country separated.
- **Information technology revolution.** This is a term that describes the economic, social and technological trends that occurred because of major technological advances in the world.
- **Open system.** This is a system that interacts with its environment.

- **Structural capital.** This 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.** This 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.
- **System.** This is a set of interrelated parts designed to achieve a singular purpose to stay in balance.
- **System boundary.** This is a border that 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.

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. Table 1.1 lists the strengths and weaknesses of the bureaucracy.

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: The strengths and weaknesses of the bureaucracy

STRENGTHS	WEAKNESSES
Predictability	Rigid rules and red tape
Resilience	The protection of authority
Impartiality	Slow decision-making
Expertise through specialisation	Incompatibility with changing technology

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.

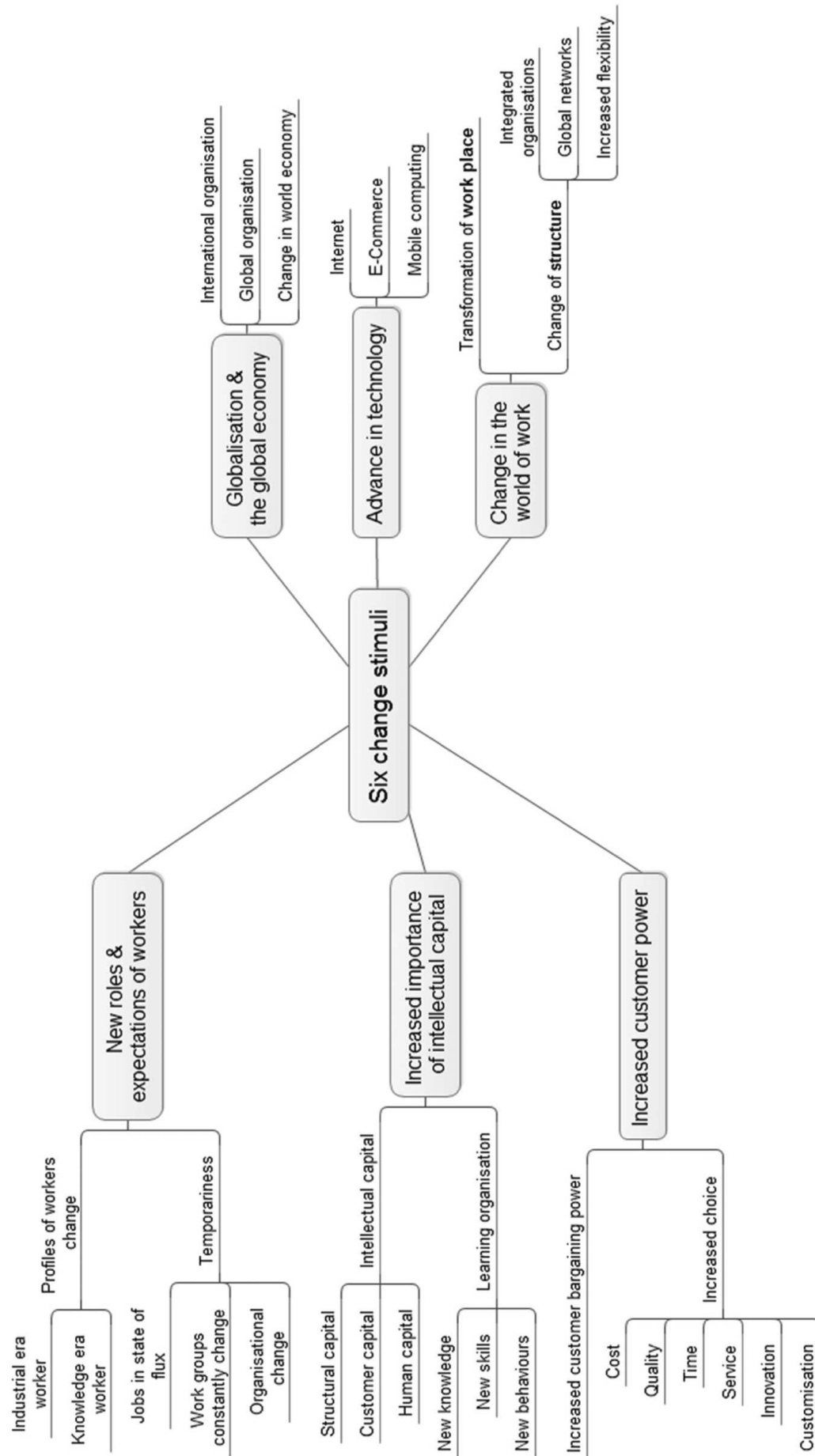


Figure 1.1: The six change stimuli

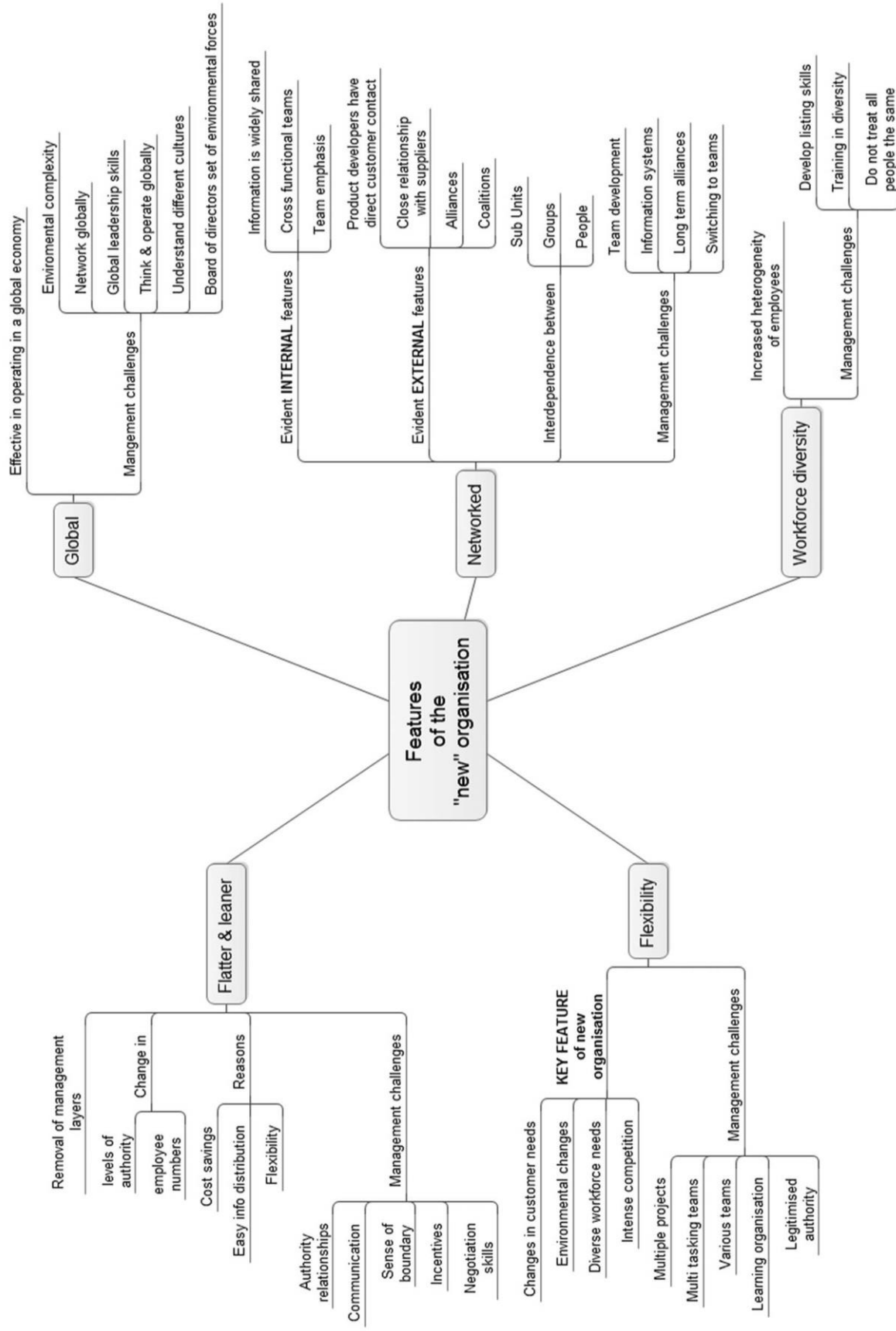


Figure 1.2: The features of the new organisation

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 learning 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 learning unit.

The following websites will further enrich your knowledge and understanding. Visiting a Twitter page or watching a YouTube video is, however, not compulsory.

Globalisation

<http://www.youtube.com/watch?v=3oTLyPPrZE4>

Organisational change

https://www.youtube.com/watch?v=5xsPLr-q_Nk

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

@Stateofglobe

#globalization

1.10 ASSESSMENT

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

SECTION A: MULTIPLE CHOICE QUESTIONS

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

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
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
4. A **networked organisation** exists only when certain factors operate in support of one another. Identify these factors in the list below.
- 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
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.

Column A Feature of new organisations	Column 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 learning unit from the assignment in Tutorial Letter 101.

1.11 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 a 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.

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

Siemens continually acquires new companies to offer what its customers' need, which are 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

1.12 LEARNING UNIT REVIEW QUESTIONS

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

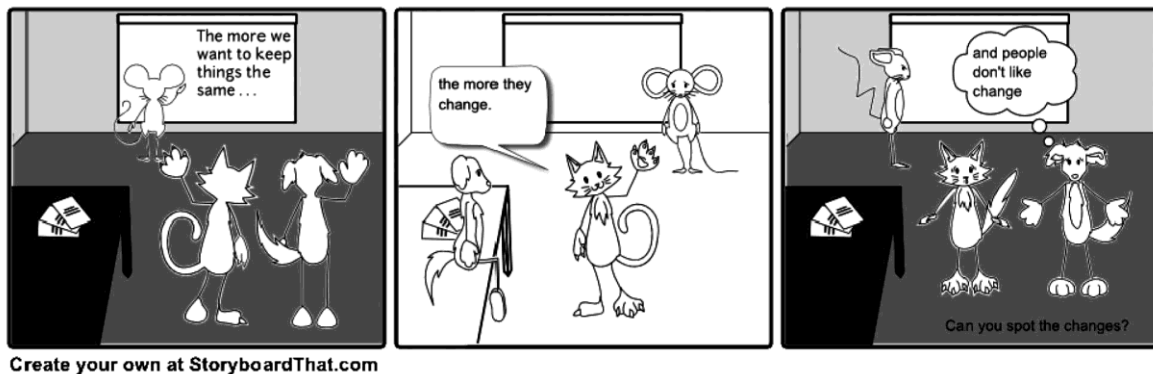
1. Is Siemens a global or international organisation? Substantiate your answer with evidence from the case study.
2. Providing evidence from the case study, would you classify Siemens as a "new" organisation?
3. Identify two change stimuli present in the case study.

Learning unit 2

Managing organisational change

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 learning 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. Remember, everyone is a “person” in their own right.



2.2 LEARNING UNIT CHALLENGES

In this learning unit, we challenge 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 KEY CONCEPTS

- **Continuous change.** This is a process where there is a pattern of uninterrupted adjustments in work processes and social practices driven by organisation instability and increasing reactions to daily events.
- **Incremental change.** This is a process whereby individual and other parts of the organisation deal incrementally with one problem at a time.
- **Macro-environment.** This is a setting that comprises several sub-environments, including the technological, economic, social, political, ecological and international environments, from which can emanate numerous external sources of change.
- **Market environment.** This is a setting that comprises consumers, competitors, suppliers of resources and intermediates from which can emanate numerous external sources of change.
- **Organisational inertia.** This is when organisations resist change because the forces for and against change is equally strong and therefore the organisation remains in the same position.
- **Planned change.** This is change that managers plan and implement to adapt to or prepare for change in the environment.
- **Punctuated change.** This is change that makes an organisation to develop through relatively long periods of stability interrupted by relatively short bursts of fundamental change.
- **Quasi-stationary equilibrium.** This is an equilibrium supported by a field of driving and restraining forces causing inertia.
- **Reactive change.** This is change that takes place when organisations react to change in their environments.
- **Revolutionary change.** This is change that involves major, radical, strategic, transformational and rapid change.

2.4 INTRODUCTION

Experiments showed that when a frog is placed in boiling water it will jump out immediately, whereas a frog placed in cool water that is slowly heated will not perceive the danger and will be cooked alive. This anecdote is often used as a metaphor for the inability or unwillingness of people to react to significant changes that occur gradually. Organisations, like the frog, must realise when things are changing, and must adapt to the change or perish. In this learning unit, we are going to investigate what causes this change, what change looks like, and why it is so difficult for an organisation to change.



2.5 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.

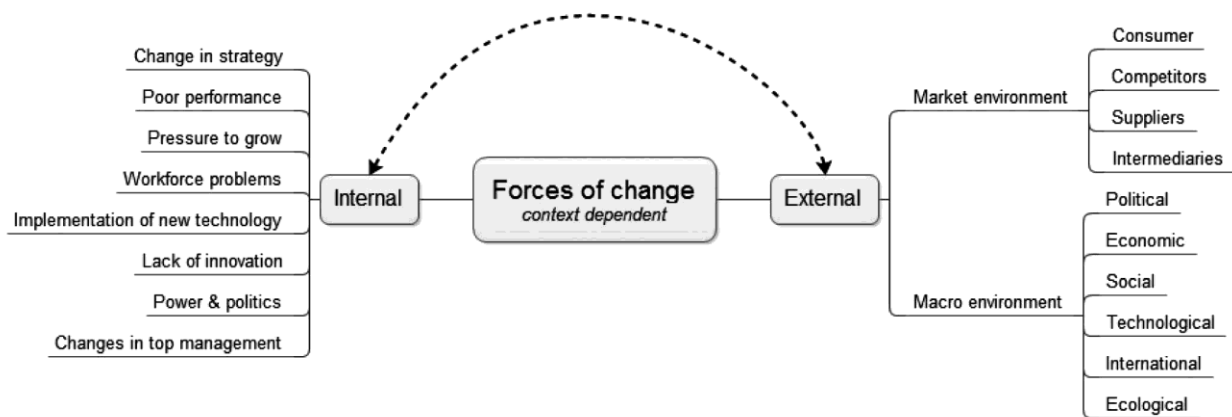


Figure 2.1: Forces of change

2.6 DIMENSIONS OF CHANGE

As a manager, you need to know what change looks like in order to identify it and manage it appropriately. Change can take many forms and has a number of dimensions. This can be seen in Figure 2.2.

2.7 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.

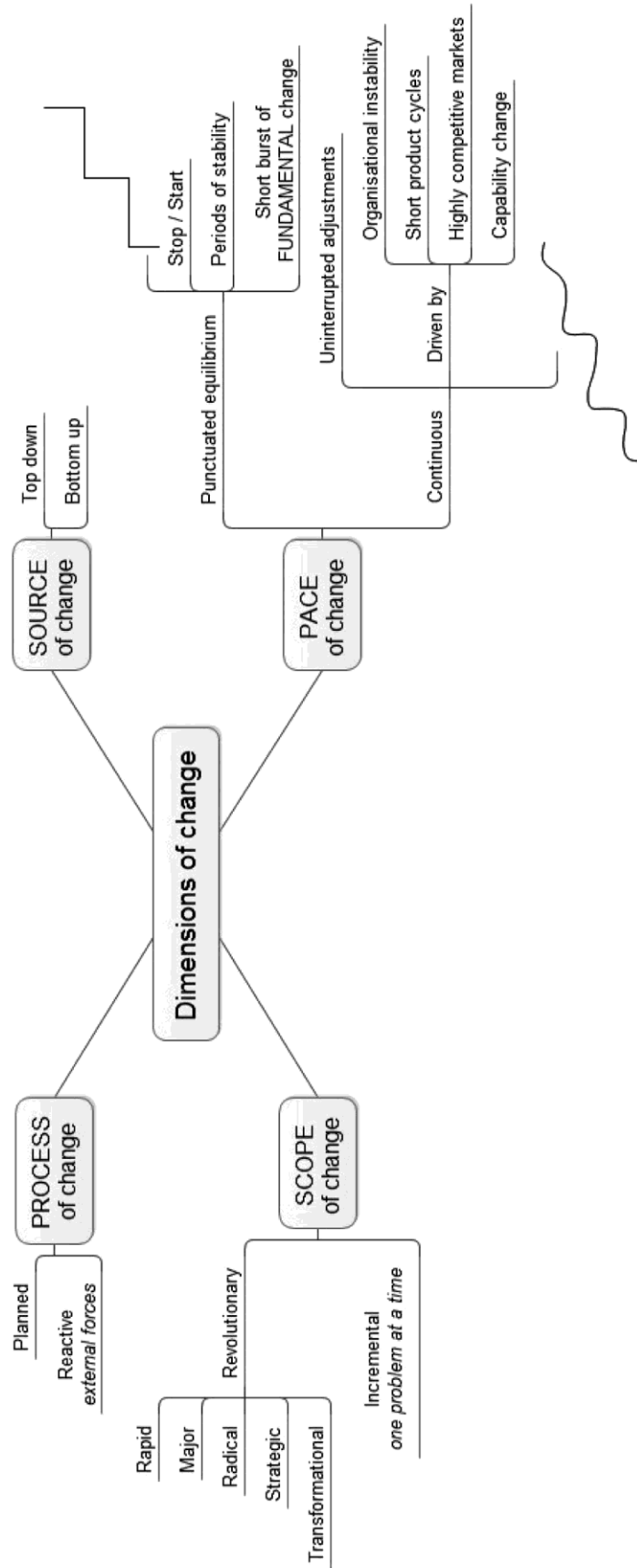


Figure 2.2: Dimensions of change

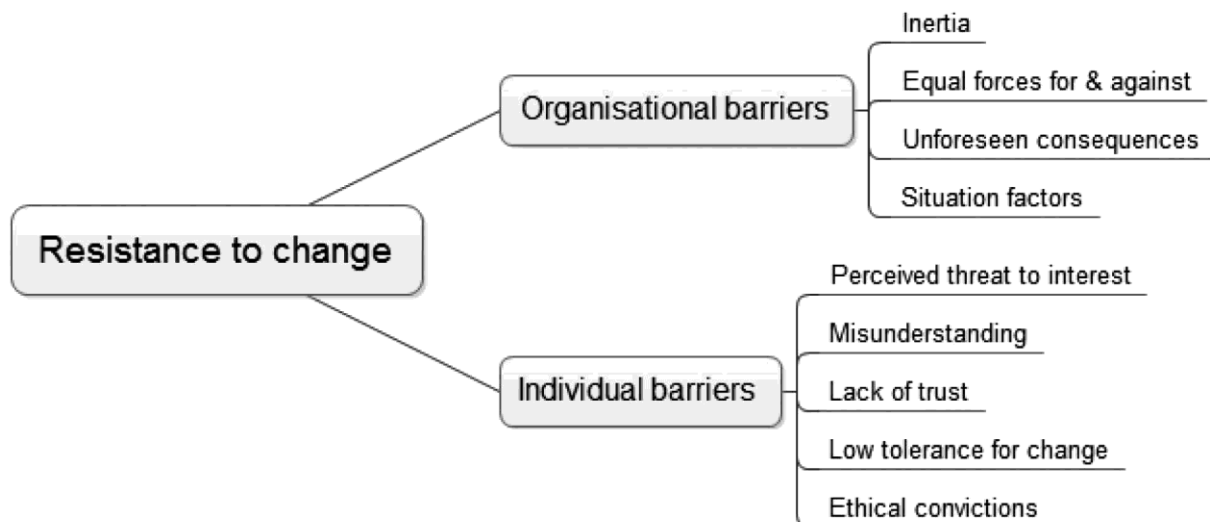


Figure 2.3: The causes of change resistance

2.8 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 six possible strategies that managers can use to overcome resistance to change. These strategies are summarised in Figure 2.4.

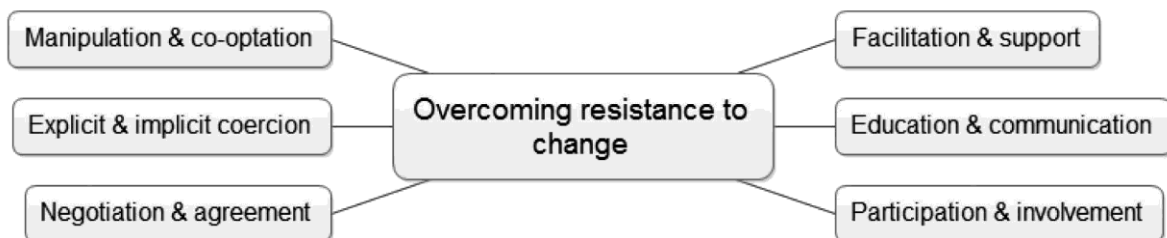


Figure 2.4: Six strategies for overcoming resistance to change

2.9 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 levels 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 5.1 in the prescribed textbook for the various options available to managers.

2.10 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:

1. unfreeze
2. change
3. refreeze

Kotter's Eight Step Process for successful change includes the following:

1. Create a sense of urgency.
2. Form a guiding team.
3. Create a clear vision of the outcome.
4. Communicate the vision.
5. Empower others to act.
6. Produce short-term wins.
7. Consolidate improvements.
8. Create a new culture.

2.11 WHERE CAN CHANGE HAPPEN?

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

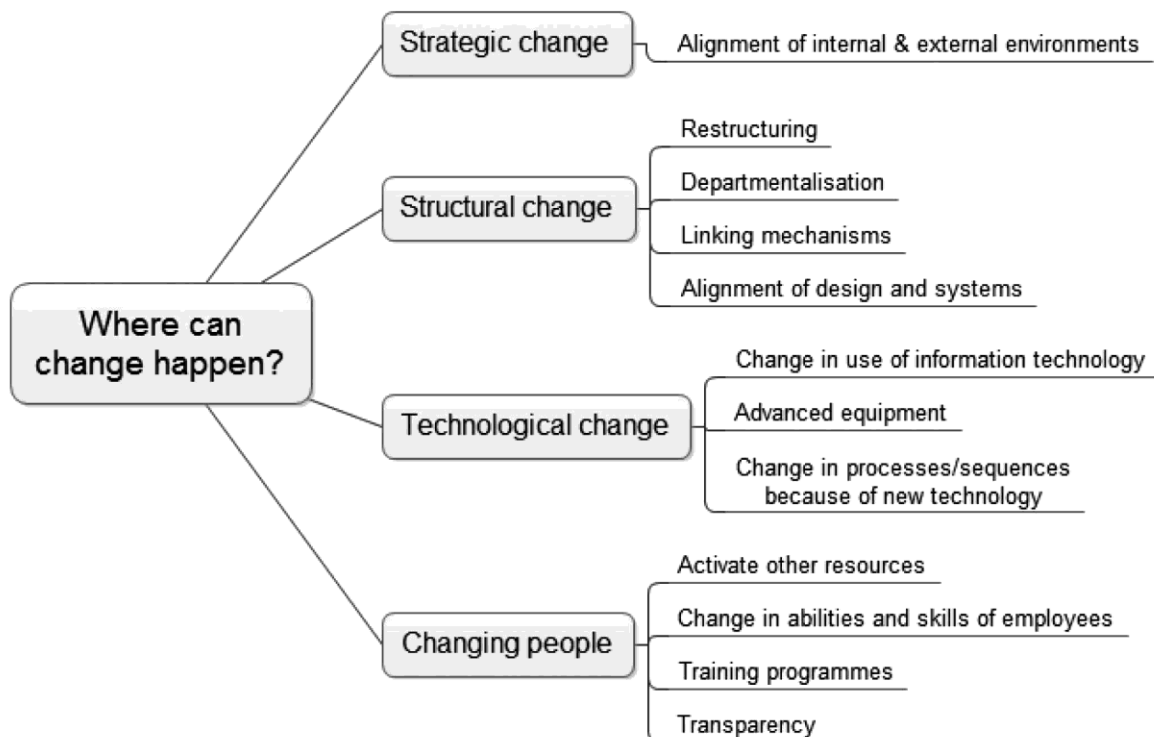


Figure 2.5: Areas of change

2.12 MANAGING WORK STRESS

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

2.13 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.

2.14 ADDITIONAL LEARNING EXPERIENCES

The following websites will further enrich your knowledge and understanding. Visiting a Twitter page or watching a YouTube video is, however, not compulsory.

Change management

<https://www.youtube.com/watch?v=dhkLMKxncc8>

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

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

Resistance to change
buff.ly/1RRaH2W

Lewin's change models
<https://www.youtube.com/watch?v=uHR8gw6derg>
<https://www.youtube.com/watch?v=sMxuJ1Q44bA>
<http://study.com/academy/lesson/lewins-3-stage-model-of-change-unfreezing-changing-refreezing.html>

Kotter's eight-step model
<http://study.com/academy/lesson/applying-kotters-8-step-change-model.html>
<http://study.com/academy/lesson/kotters-8-step-change-model-of-management.html>

Interesting tweeple that you could follow on Twitter:
 @KotterIntl

2.15 ASSESSMENT

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

SECTION A: CROSSWORD

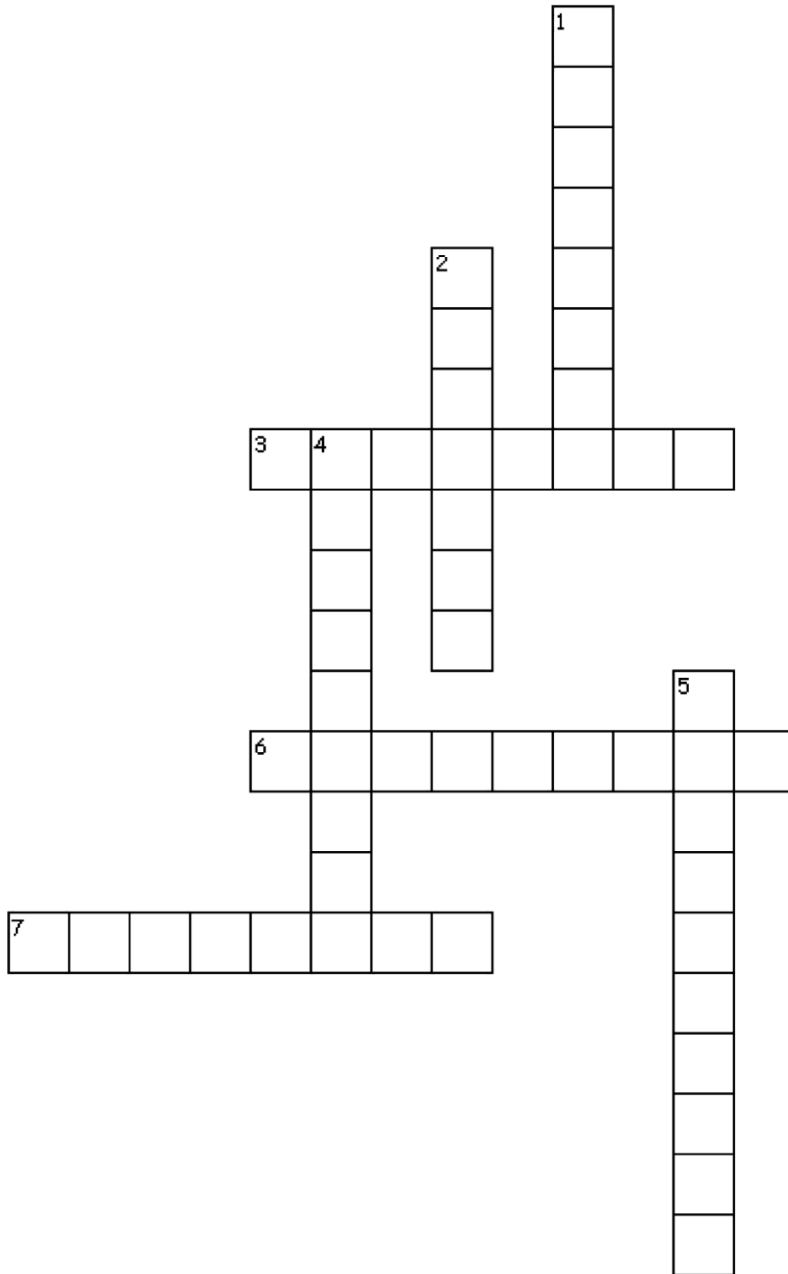
Complete the crossword by filling in the missing words.

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. This strategy is 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.

2.16 CASE STUDY

Read the following case study 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.

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2.17 STUDY UNIT REVIEW QUESTIONS

Answer the following questions based on the Serco case study above.

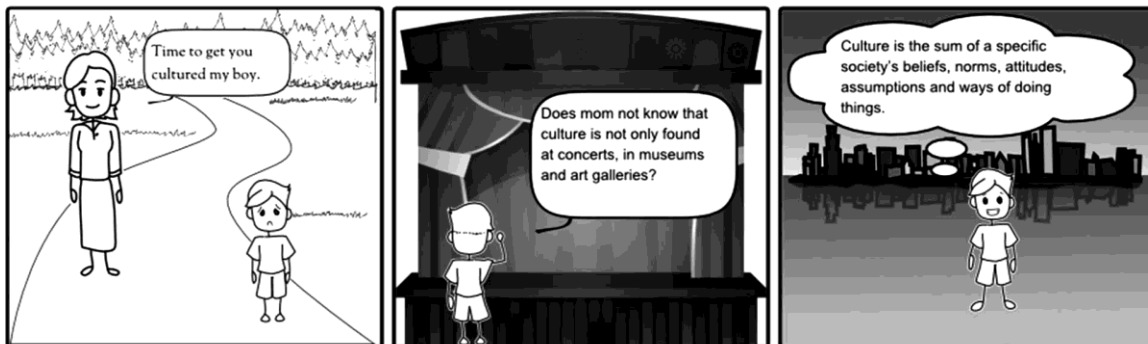
1. What forces of change are at play?
2. What are the dimensions of the pending changes to the work conditions of first-line managers?
3. Identify and classify the barriers to change that are evident in the case study.
4. Identify and categorise the method used by management to overcome the resistance to change.
5. On what area did the change focus?

Learning 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, 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.



Create your own at StoryboardThat.com

3.2 LEARNING UNIT CHALLENGES

In this learning unit, we challenge 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.** These are beliefs, logical constructs, or unconfirmed facts.
- **Culture.** This is the total pattern of human behaviour and its products, personified in thought, speech, action, and artefacts, and are dependent on people's capacity for learning and transmitting knowledge to succeeding generations using tools, language and systems of abstract thought.
- **Organisational culture.** This is the aggregate of beliefs, norms, attitudes, assumptions, and ways of doing things that members of an organisation share and teach to new members.
- **Ritual.** This is a set of actions, performed mainly for their symbolic value.
- **Strategic drift.** This 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.
- **Symbol.** This is something that represents an idea, a process, or a physical entity.
- **Values.** These 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 learning 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; and
- 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.

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 learning unit, we investigate four types of culture, as they are summarised in Figure 3.4.

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.

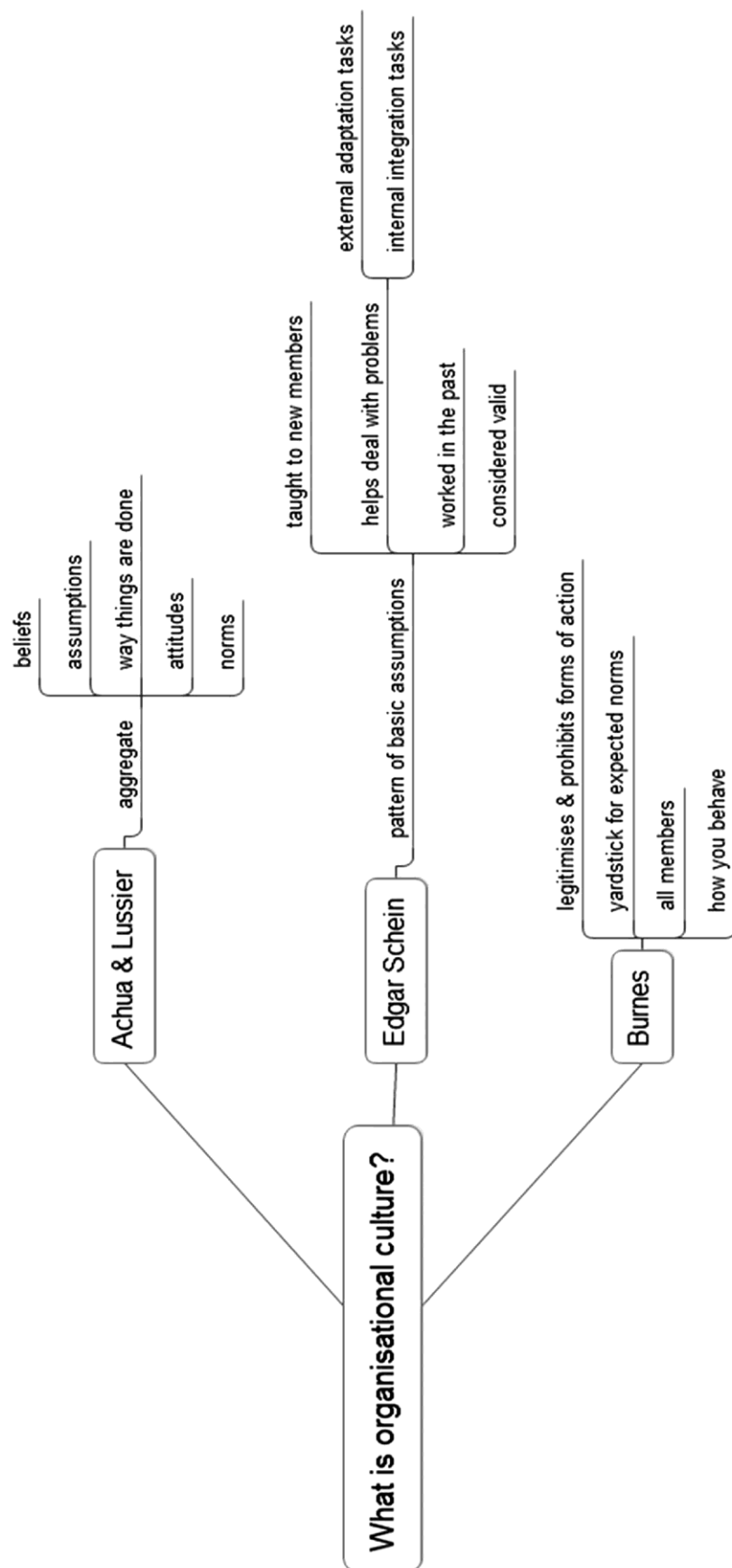


Figure 3.1: Definitions of organisational culture

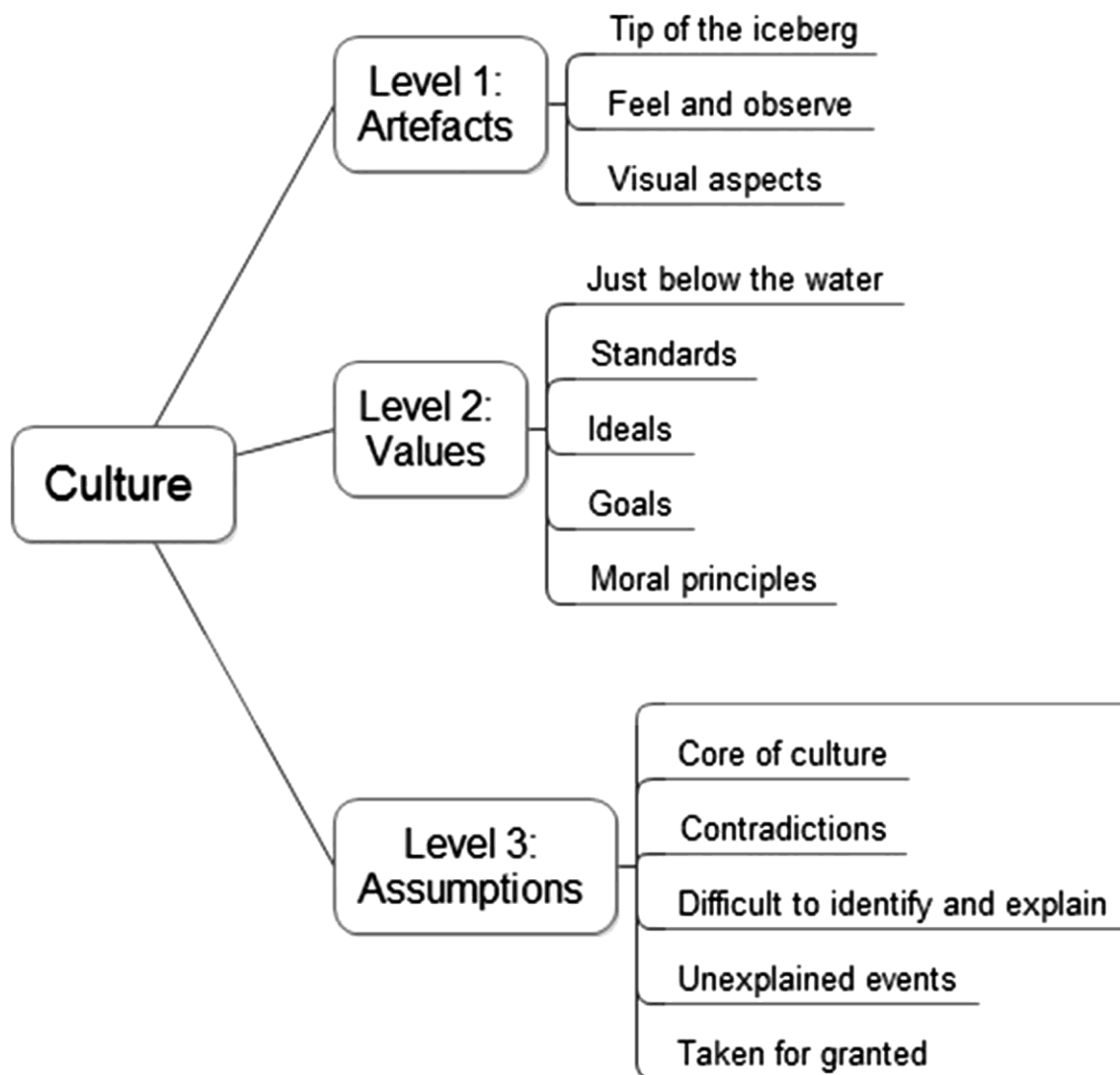


Figure 3.2: Three levels of culture

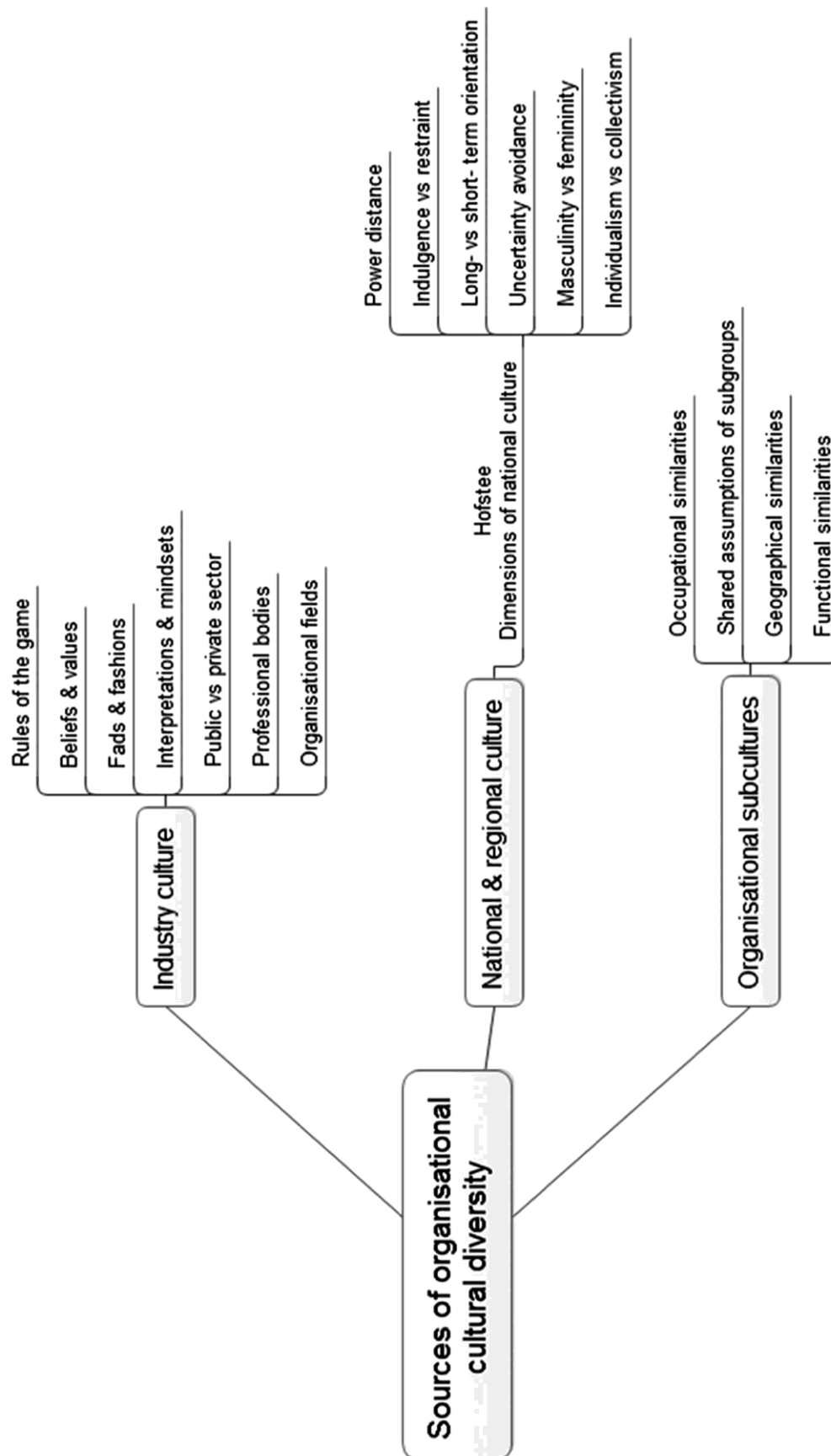


Figure 3.3: Sources of organisational cultural diversity

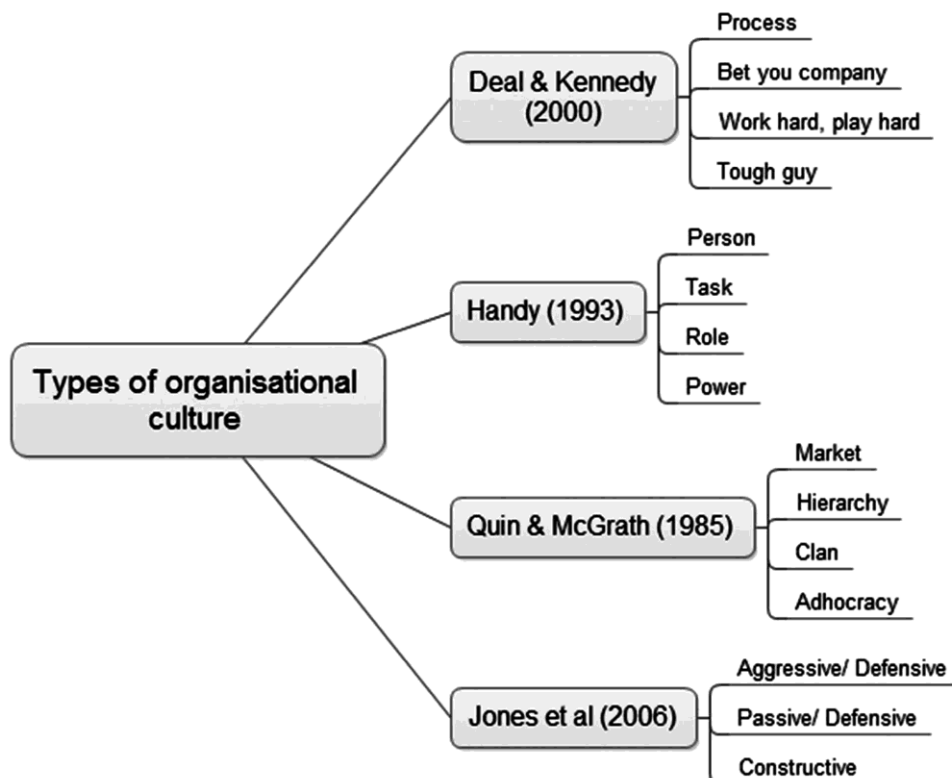


Figure 3.4: Cultural classification systems

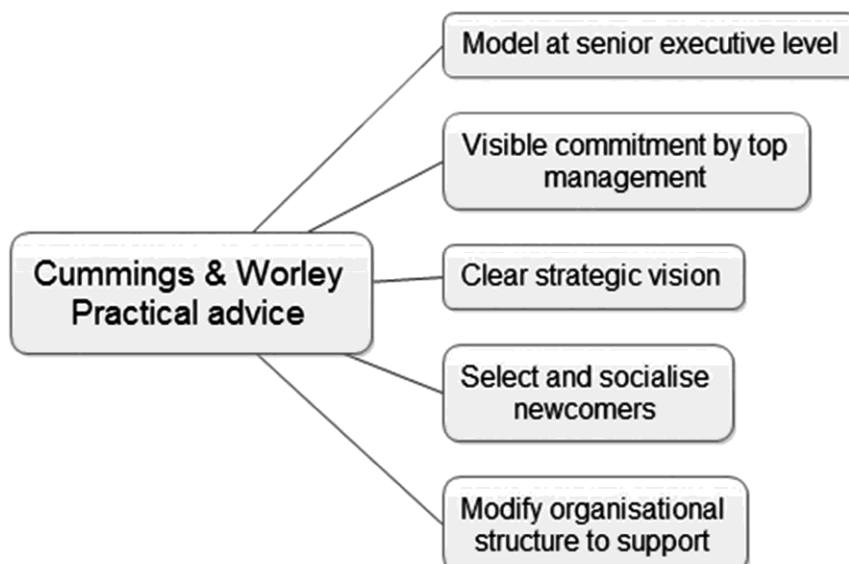


Figure 3.5: How to change an organisation's culture

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 learning 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 learning unit with a discussion of how to change an organisation’s culture.

3.12 ADDITIONAL LEARNING EXPERIENCES

The following websites will further enrich your knowledge and understanding. Visiting a Twitter page or watching a YouTube video is, however, not compulsory.

What is an organisational culture?

<https://www.youtube.com/watch?v=6AFn0vFtLC0>

Levels of organisational culture

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

<https://www.youtube.com/watch?v=qfV0DYuJi6k>

Interesting tweeples 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 learning unit.

SECTION A: MULTIPLE CHOICE QUESTIONS

1. _____ can be defined as the total pattern of human behaviour.
 - 1 Norms
 - 2 Values
 - 3 Beliefs
 - 4 Culture
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. The **artefacts** of an organisation's culture are _____ but not always _____.
 - 1 tangible; visible
 - 2 visible; understandable
 - 3 visible; accurate
 - 4 tangible; accurate
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
5. A _____ is something that represents an idea, a process or a physical entity.
 - 1 story
 - 2 ritual
 - 3 symbol
 - 4 metaphor

6. Quinn 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 learning unit from the assignment found in Tutorial Letter 101

3.14 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 department-

talised 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 culture 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.

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www.businesscasestudies.co.uk*

3.15 LEARNING 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.

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1. The green head office of Siemens depicts the Siemens culture at _____ **level**.
2. Siemens' "People Excellence" strategy depicts the Siemens culture at _____ **level**.
3. Siemens employees receive a slang booklet at their first induction meeting. This is an example of the _____ **element** of the Siemens culture.
4. According to **Charles Handy's** classification, the culture at Siemens is a _____ culture.
5. There are culture differences between departments at Siemens. This is an example of _____ factors **shaping** an organisation's culture.

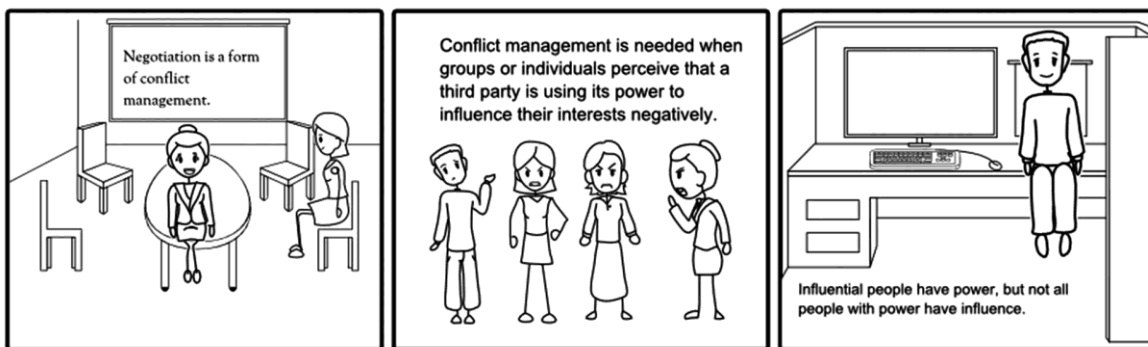
6. According to the **Quinn and McGrath** classification system, the Siemens culture is that of a clan. This culture is rooted in _____ and consensus.
7. The Siemens culture is a **work-hard/play-hard** culture, characterised by _____ and a low tolerance for risk-taking.

Learning 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.



Create your own at [StoryboardThat.com](https://www.storyboardthat.com)

4.2 LEARNING UNIT CHALLENGES

In this learning unit, we challenge 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

- **Conflict.** This is a disagreement that occurs when one party perceives that another party opposes or negatively influences its interests.
- **Conflict management.** This involves doing things to limit the negative aspects of conflict and to increase its positive aspects.
- **Influence.** This is the capacity or power of people or things to be a compelling force on, or produce effects on the actions, behaviour, opinions, and so on, of others.
- **Interest.** This is an attraction that can include elements such as advantage, claim, duty, liability, right and/or title associated with a tangible or intangible item.
- **Negotiating.** This is a process in which two or more parties are in conflict and attempt to reach an agreement.
- **Political behaviour.** This includes activities that are not required as part of an employee's formal role, but that is 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 learning unit, we investigate how a person gains power and use 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.

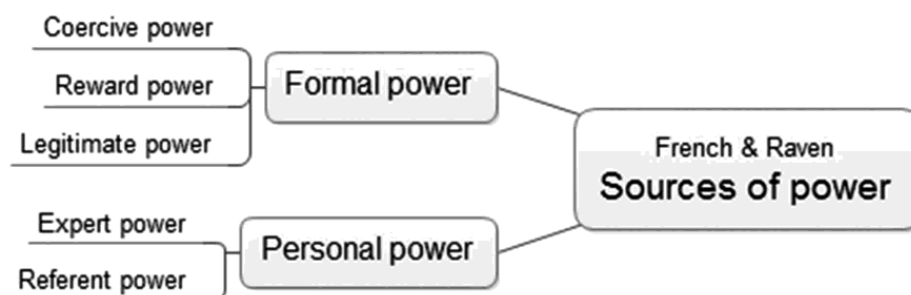


Figure 4.1: French and Raven's five sources of power

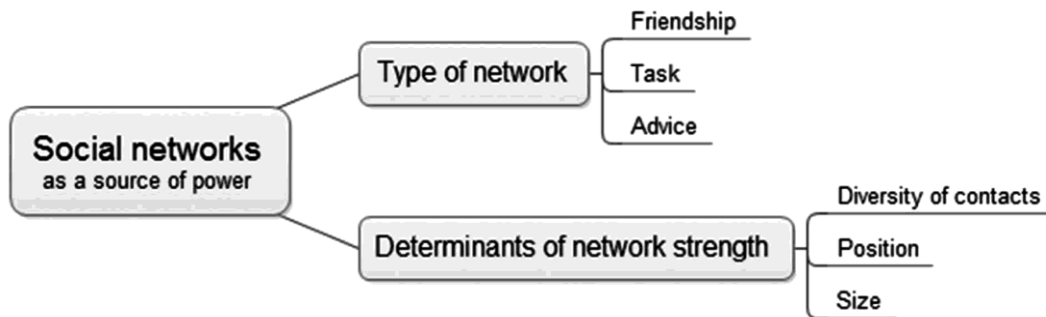


Figure 4.2: Social networks as sources of power

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.

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.

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.

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

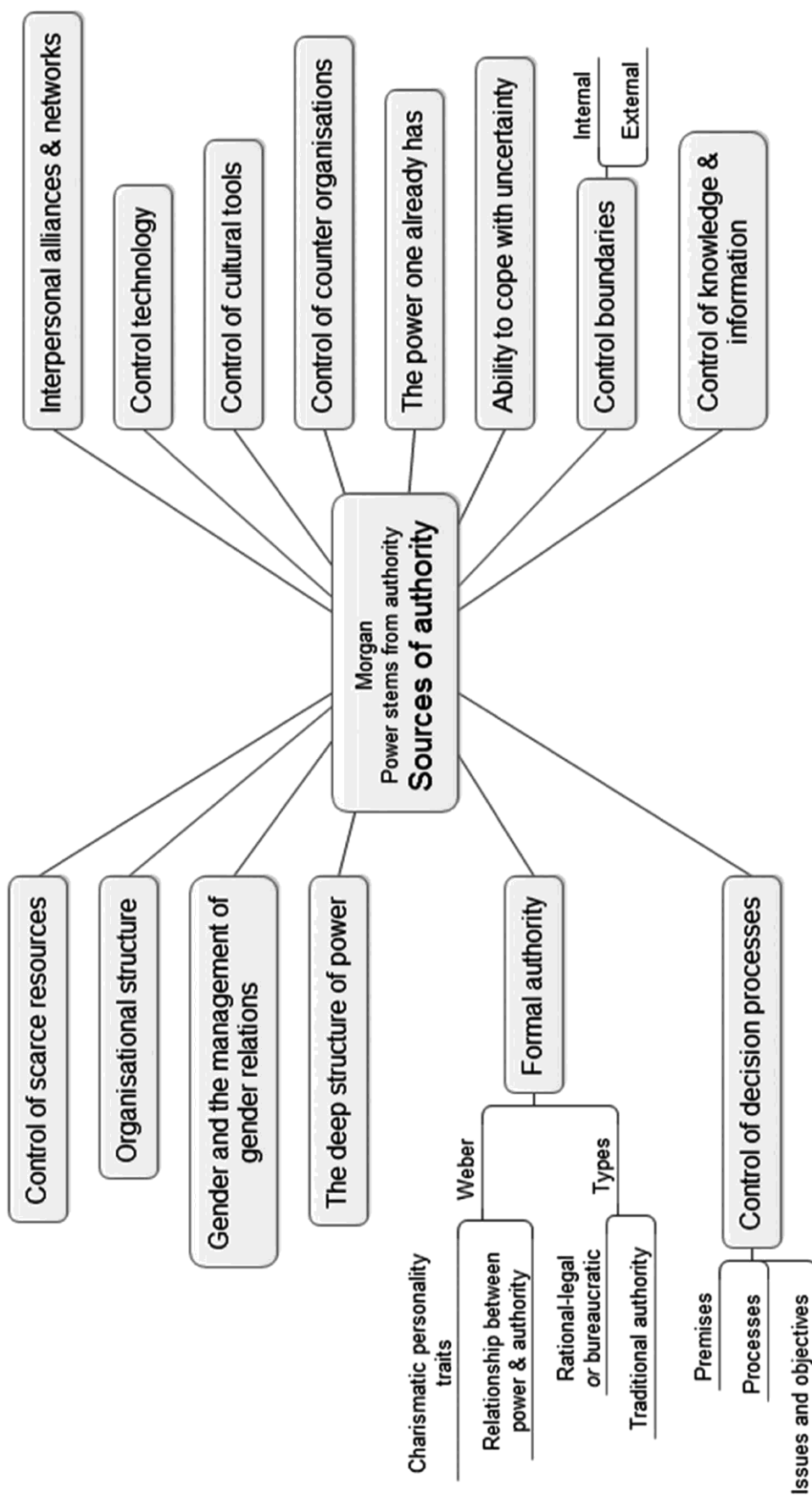


Figure 4.3: Morgan's sources of authority



Figure 4.4: Influence tactics

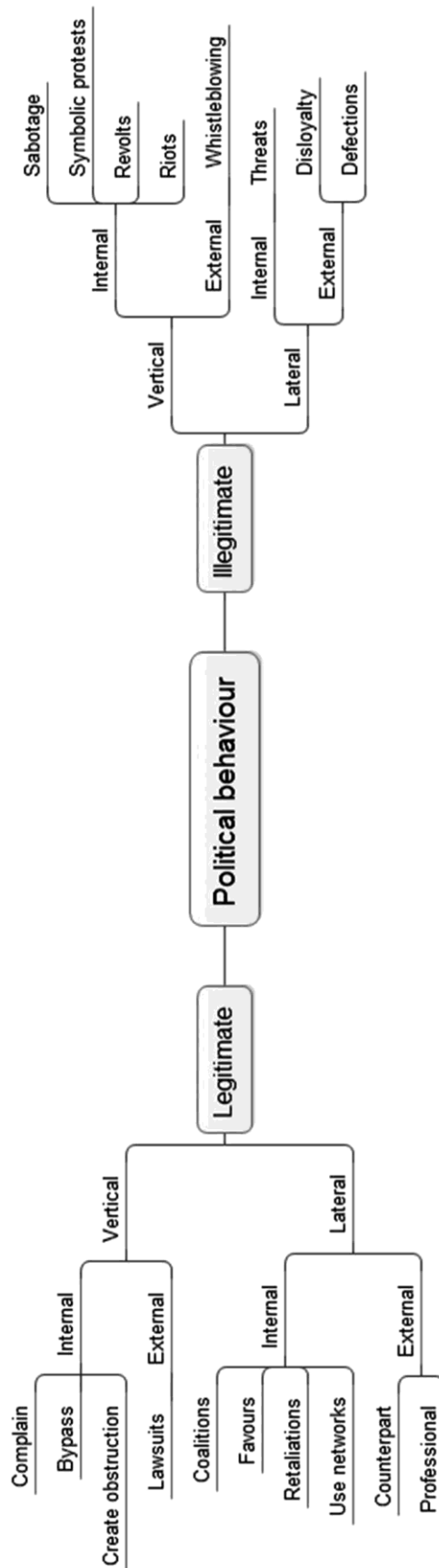


Figure 4.5: Legitimate and illegitimate behaviour in organisations

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.

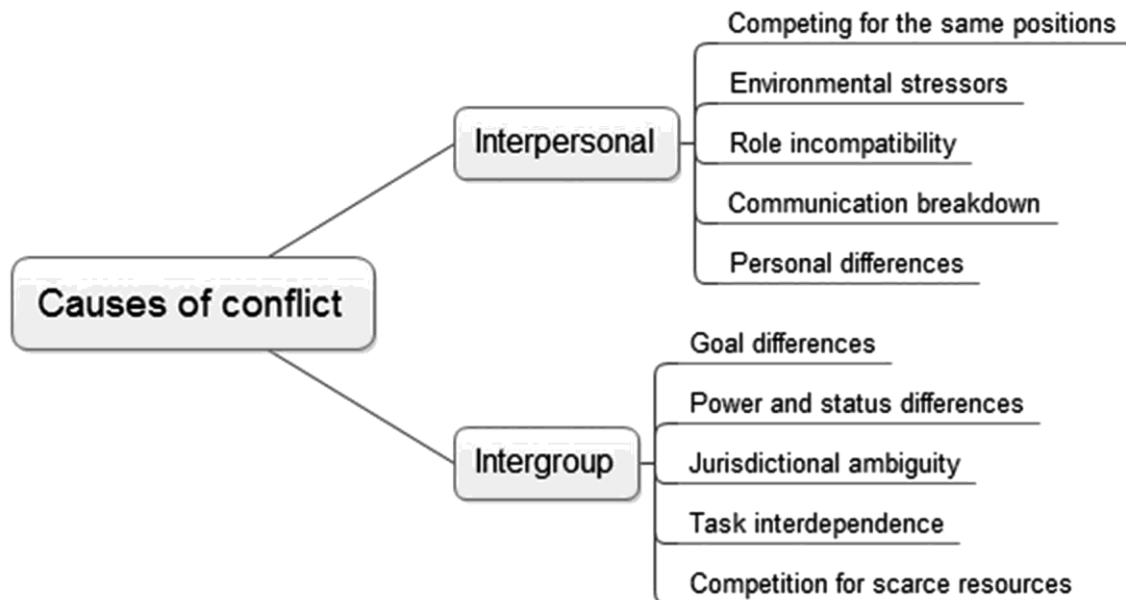


Figure 4.6: Causes of conflict

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.

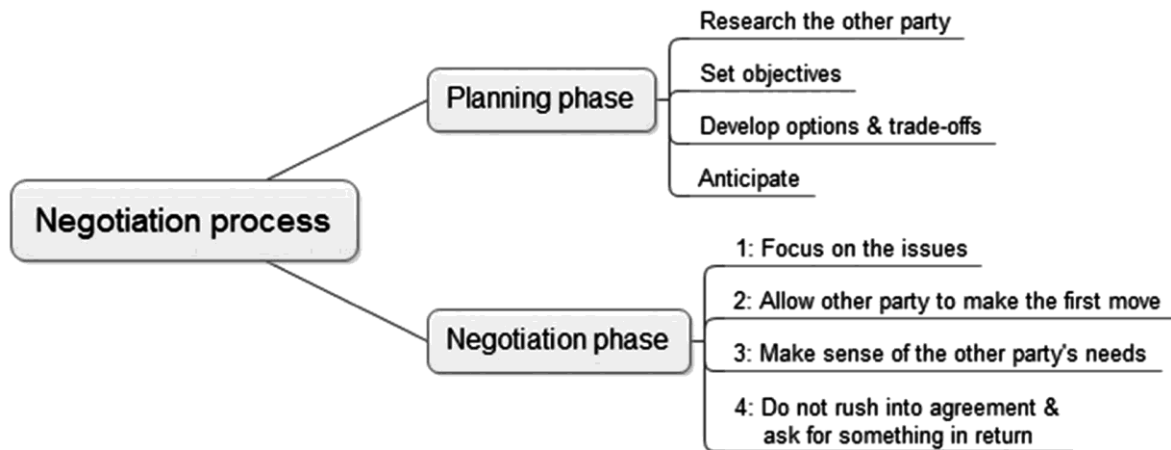


Figure 4.7: Negotiation process

4.11 CONCLUSION

In this learning 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

The following websites will further enrich your knowledge and understanding. Visiting a Twitter page or watching a YouTube video is, however, not compulsory.

Power and politics

<https://www.youtube.com/watch?v=5VeJ-XrbBwU>

<https://www.youtube.com/watch?v=yvFGuA6qtrM>

<http://toolkit.smallbiz.nsw.gov.au/chapter/8/41>

Interesting tweeps 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 learning unit.

SECTION A: MULTIPLE-CHOICE QUESTIONS

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
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
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. 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
5. Which one of the following statements is **incorrect**?
 - 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.

6. Power is derived from all of the following sources, except, _____.
- 1 organisational hierarchy
 - 2 coercion
 - 3 control over resources
 - 4 conflict between groups
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
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
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 learning unit from the assignment found in Tutorial Letter 101

4.14 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 B2C both (business-to-consumer) B2B both (business-to-business) and 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 power.

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

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 npower 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.

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4.15 LEARNING UNIT REVIEW QUESTIONS

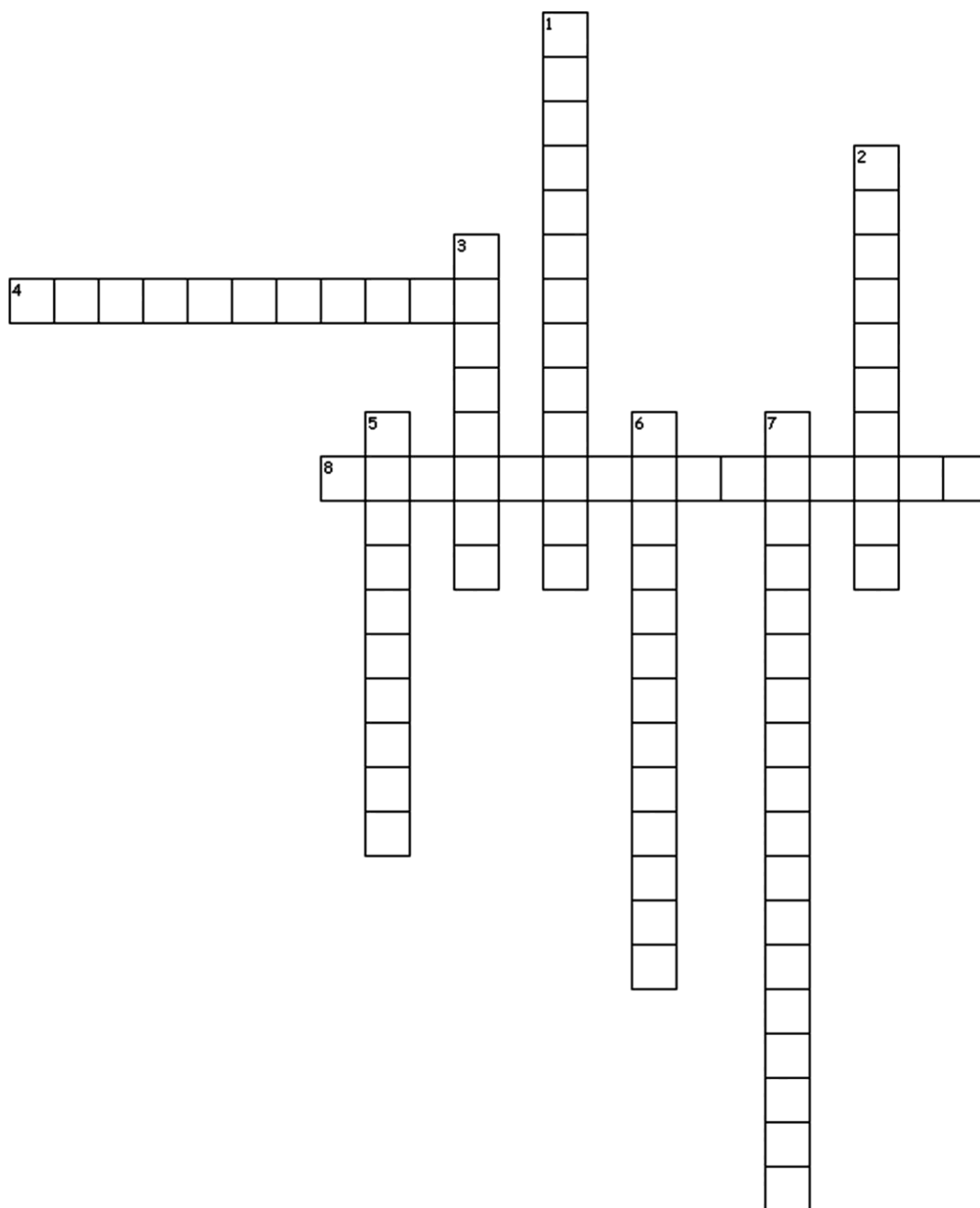
Complete the following crossword puzzle based on the RWE npower case study.

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

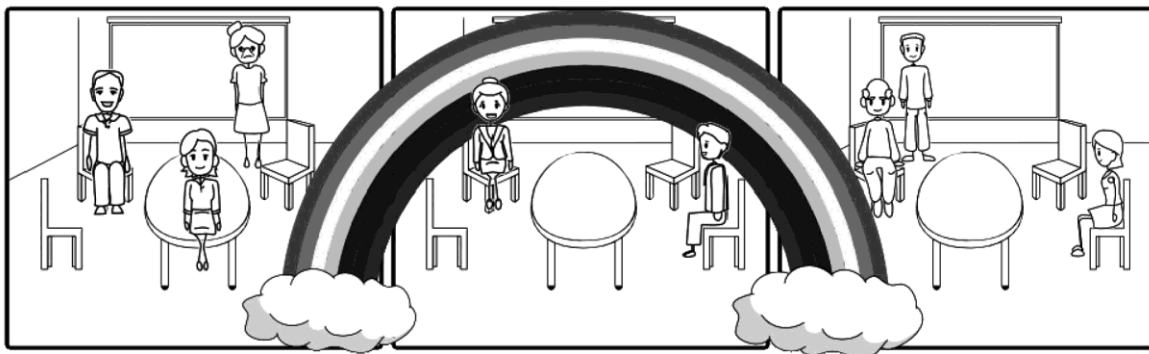


Learning unit 5

Workforce diversity

5.1 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.



5.2 LEARNING UNIT CHALLENGES

In this learning unit, we challenge 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.

5.3 KEY CONCEPTS

- **Diversity.** This refers to a mosaic of people who bring variety to the groups with which they engage.
- **Golden rule.** This is a rule of diversity that you treat others the same way as you would want them to treat you.
- **Organisational diversity.** This entails working with people whose values, attitudes, beliefs, perceptions, languages and customs are very different from one's own.
- **Platinum rule.** This is a rule of diversity that you treat others the same way as they want you to treat them.
- **Pluralism.** This refers to the acknowledgement of diversity in the general sense.
- **Pluralistic society.** This refers to 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.

5.4 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 learning unit, diversity will be defined and you, as management students, will learn how to cope with workplace diversity.

5.5 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

5.6 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 5.1 graphically depicts these two dimensions.

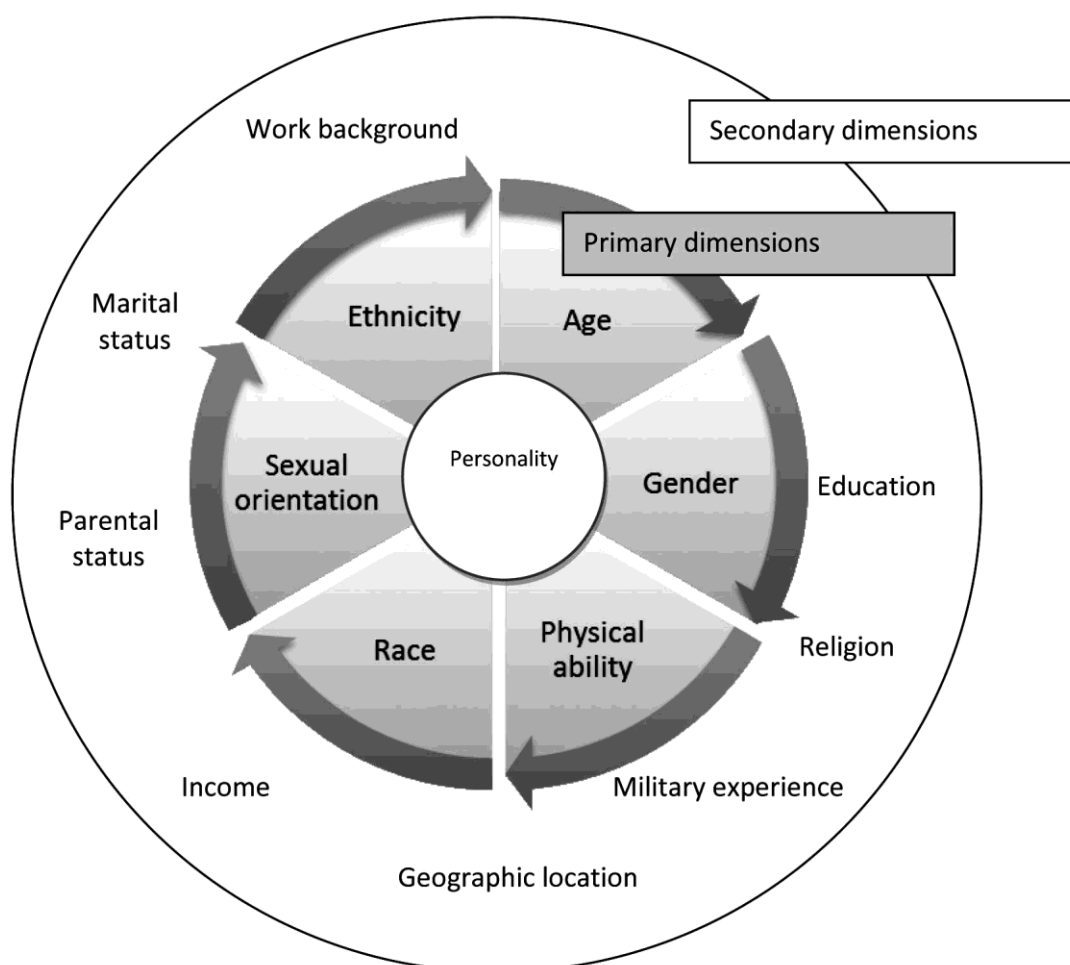


Figure 5.1: The primary and secondary dimensions of diversity

Simply put, diversity is:

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

5.7 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 5.2 summarises the three approaches managers can follow when managing diversity.

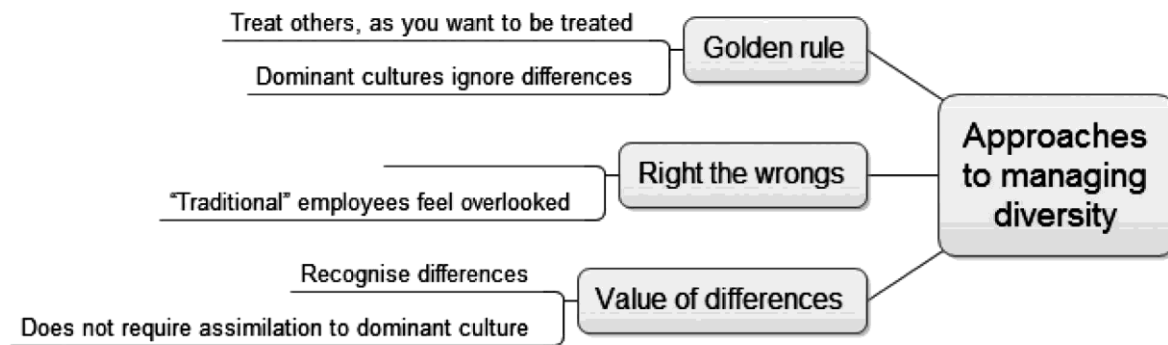


Figure 5.2: Three approaches to diversity management

5.8 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 5.3.



Figure 5.3: The benefits of managing diversity

5.9 DIVERSITY PARADIGMS/STRATEGIES

Organisations perceive the task of managing diversity in different ways. These perspectives or strategies are summarised in Figure 5.4.

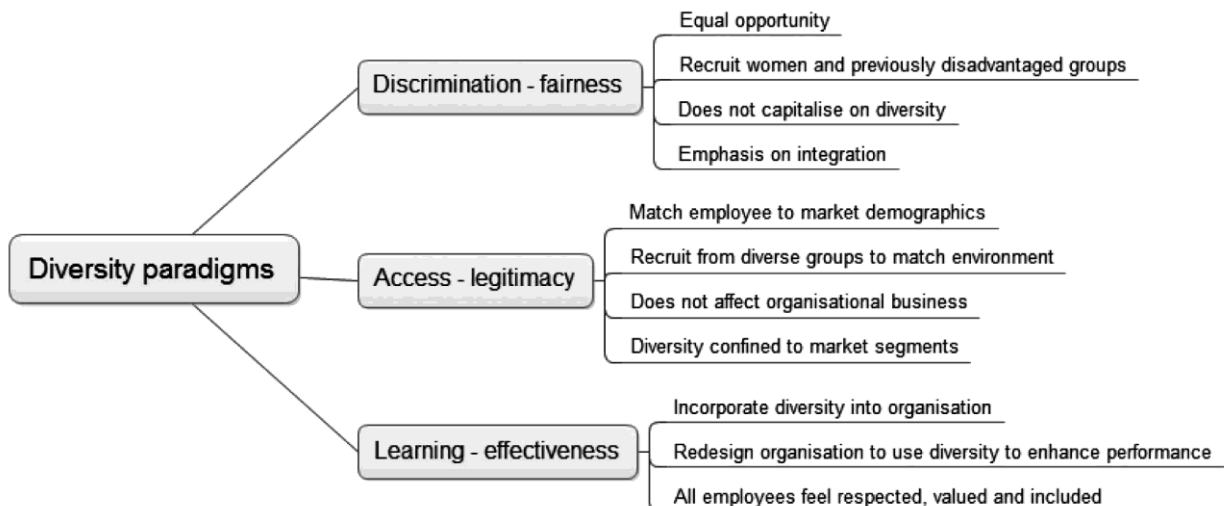


Figure 5.4: Diversity paradigms

5.10 THE OPPORTUNITIES AND CHALLENGES OF DIVERSITY

The opportunities and challenges of diversity are summarised in Figure 5.5.

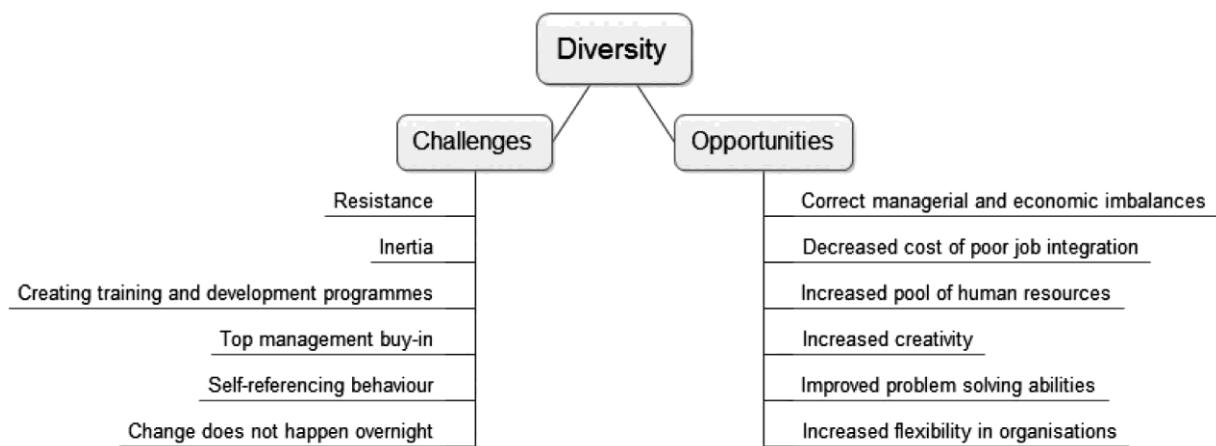


Figure 5.5: The opportunities and challenges of diversity

5.11 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.

5.12 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

5.13 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.

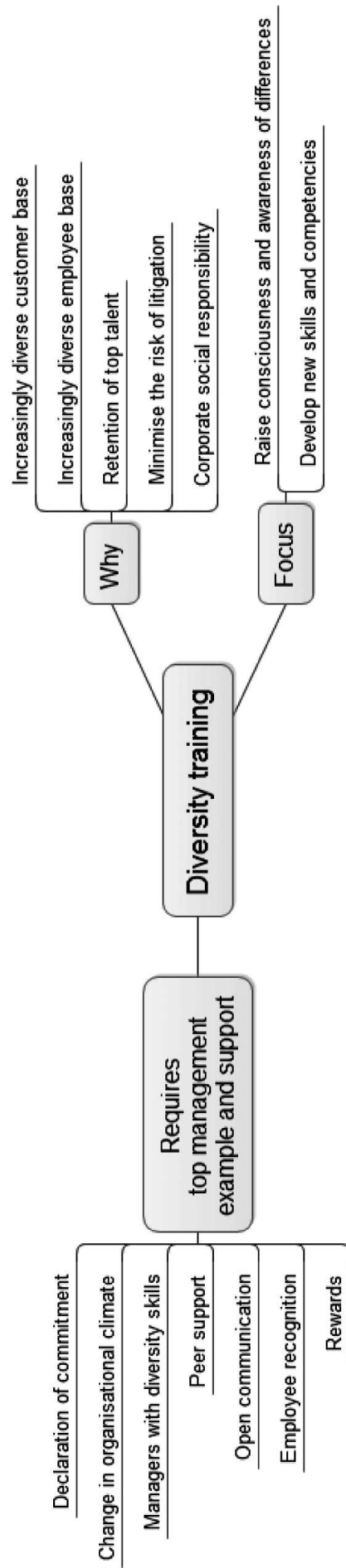


Figure 5.6: Diversity Training

5.14 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 learning unit.

Diversity management

<http://smallbusiness.chron.com/manage-diversity-workplace-3038.html>

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 tweeples that you could follow on Twitter:

@StanfordBiz

@BillGates

@MandelaDaily

5.15 ASSESSMENT

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

SECTION A: MULTIPLE-CHOICE QUESTIONS

1. Which one of the following is **not** a **secondary dimension** of diversity?
 - 1 military experience
 - 2 sexual orientation
 - 3 education
 - 4 gender

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.

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

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

COLUMN A Diversity paradigm	COLUMN B Statement
6 Discrimination fairness	1 Incorporate diversity into the heart and fabric of the mission and culture of the organisation.
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.

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 learning unit from the assignment found in Tutorial Letter 101.

5.16 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:

- 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 provide 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. However, 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

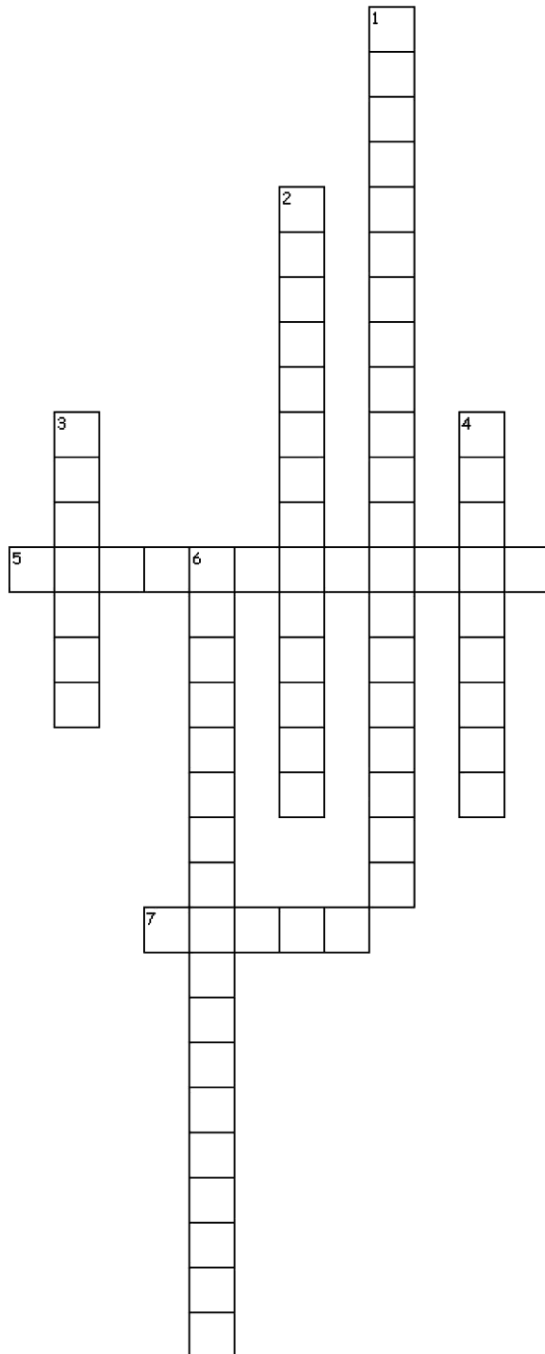
change. Recruitment unavoidably slowed quite sharply following the recession and the public spending cuts of 2010/2011.

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.

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5.17 LEARNING UNIT REVIEW QUESTIONS

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



Across

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

Down

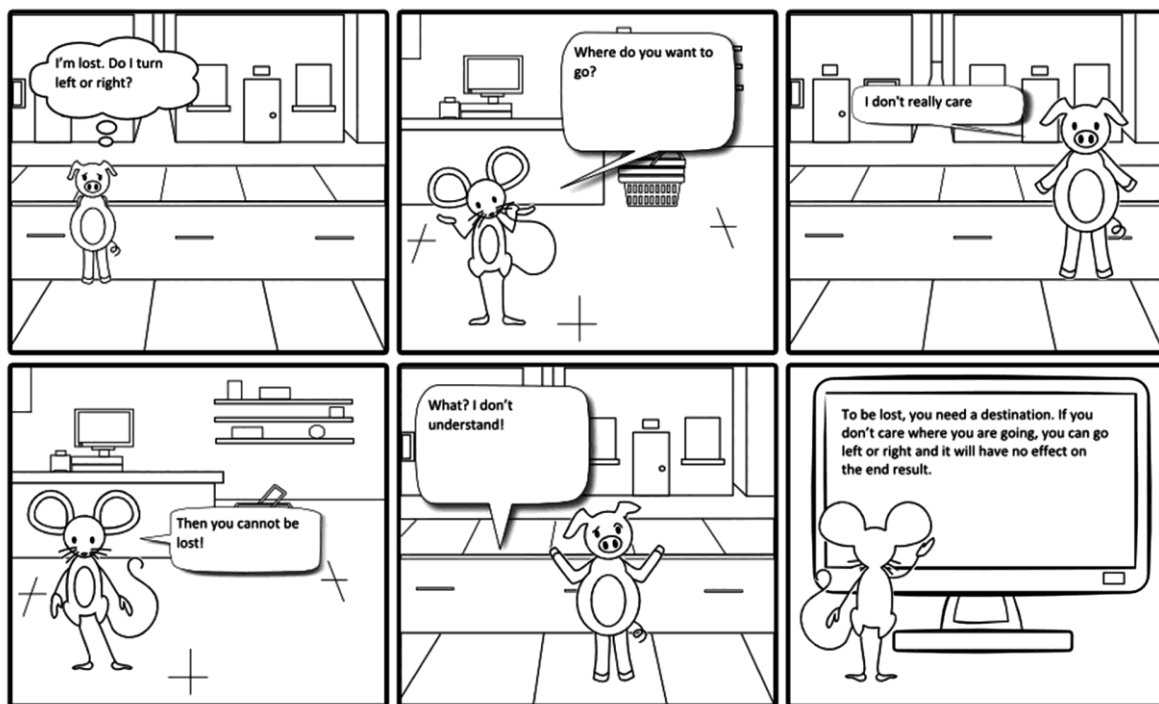
1. A set of assumptions, beliefs and patterns of behaviour that is characteristic of an organisation or group of people.
2. _____ is the process to assess the performance of an employee, often based on comparing outcomes with targets.
3. The business function responsible for the deployment, training and development of people as a strategic resource within the organisation.
4. _____ is offering the same opportunities for employment regardless of gender, race, religion, disability or age.
6. The ability to earn superior profits through lower cost or distinctive product quality that competitors cannot readily copy.

Learning unit 6

Strategic management

6.1 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.



Create your own at [StoryboardThat.com](https://www.storyboardthat.com)

6.2 LEARNING UNIT CHALLENGES

In this learning unit, we challenge 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.

6.3 KEY CONCEPTS

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

6.4 INTRODUCTION

The word “strategy” originates from the Greek word *strategos*, meaning “general” or “army leader”. 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” 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 6.1 graphically depicts the elements of a winning strategy.



Figure 6.1: 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

6.5 THE STRATEGIC MANAGEMENT PROCESS

The focus of this learning unit is on the four phases of the strategic management process and the steps associated with each of the phases. Figure 6.2 is a mind map of the phases and their associated steps.

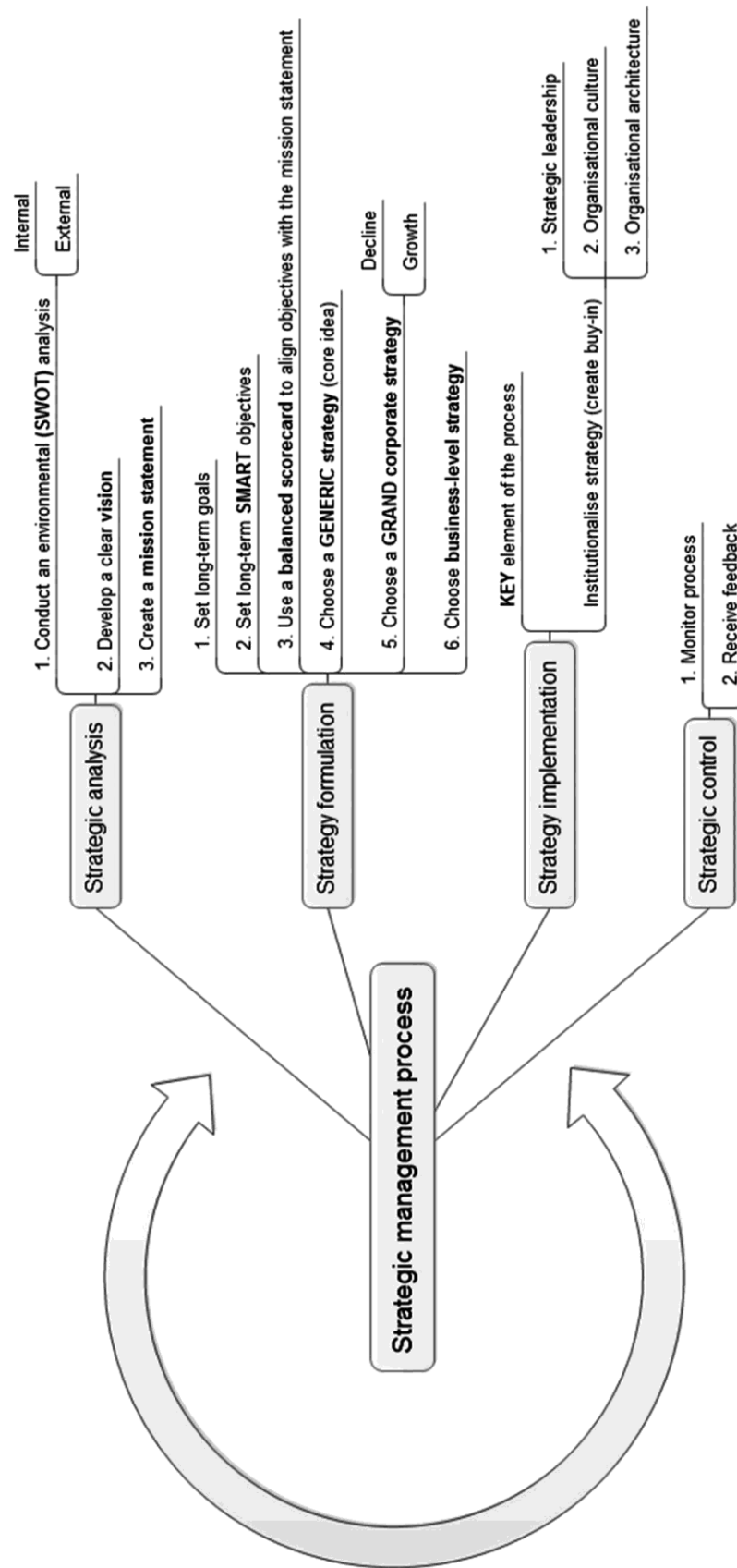


Figure 6.2: The strategic management process

6.6 STRATEGIC ANALYSIS

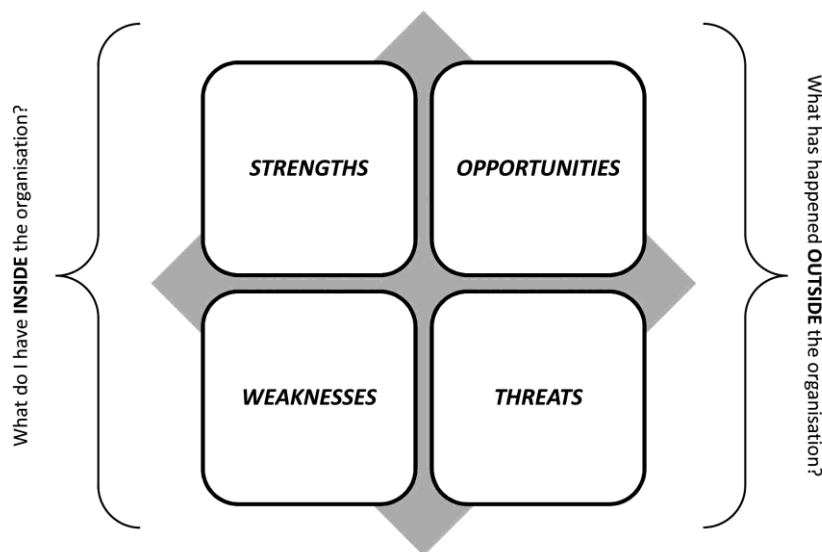
The first steps in the strategic management process are compiling a vision and mission statement, and conducting an environmental or situational analysis. Managers must understand the environment in which an organisation operates. This understanding will enable managers to position an organisation in 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. This process is known as 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” 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.

6.7 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**.

6.7.1 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.

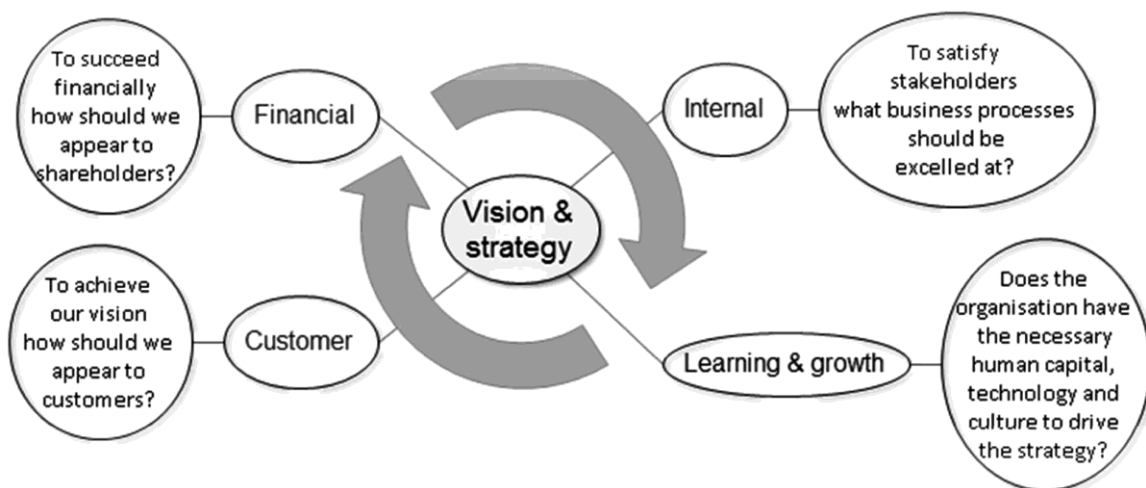
Attainable – It must be something that the organisation can do.

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.

6.7.2 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 6.3 is a diagram of the balanced scorecard framework.



Adapted from: Kaplan and Norton (1996)

Figure 6.3: Balanced scorecard framework

6.7.3 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 6.4 is a diagram of Michael Porter's four generic strategies.

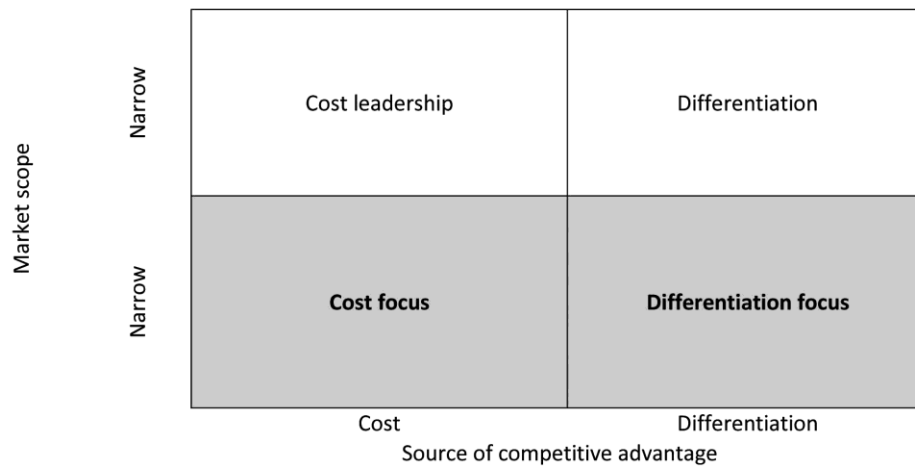


Figure 6.4: Michael Porter's generic strategies

6.7.4 Grand strategies

Once managers know what generic strategy they must use, they must decide on a corporate grand strategy for each business unit. Figure 6.5 is a diagram of the various corporate grand strategies available to managers.

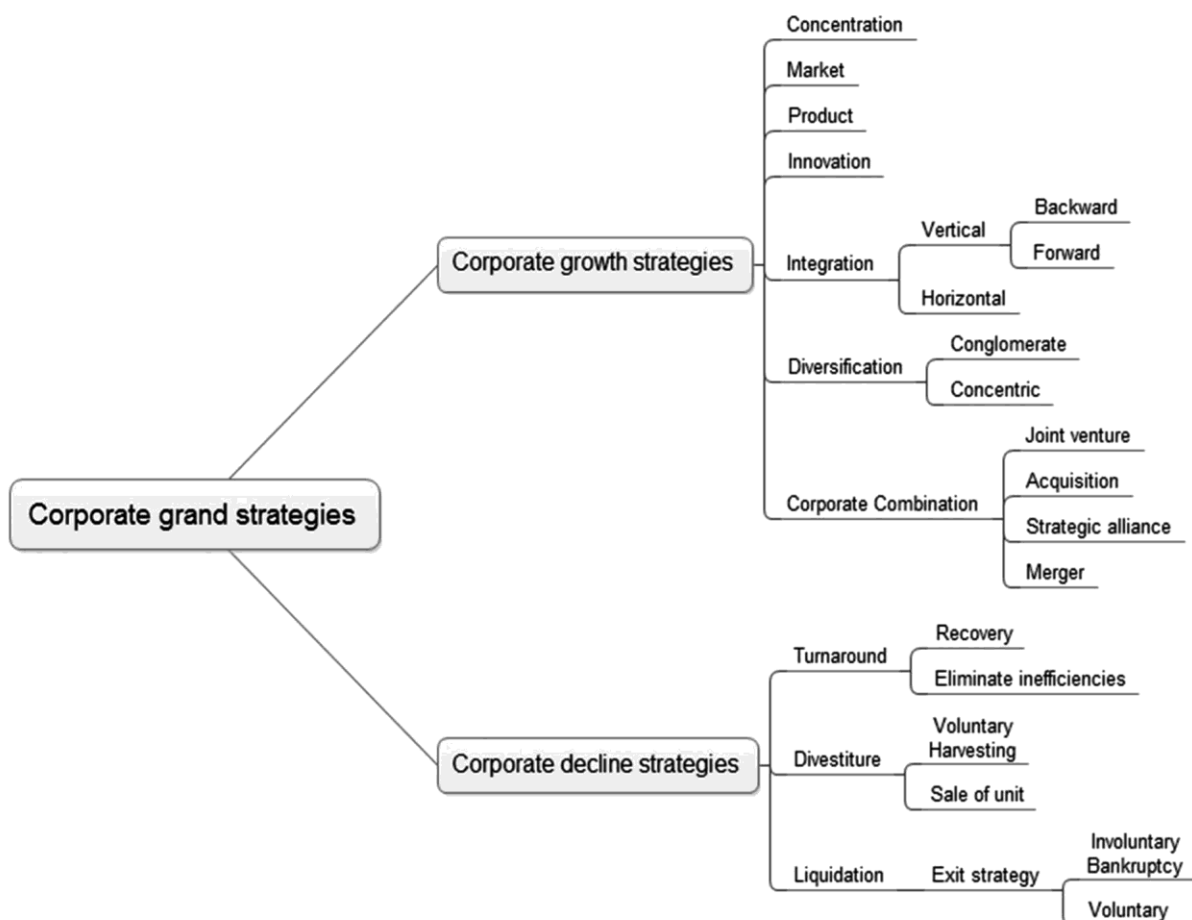


Figure 6.5: Types of corporate grand strategies

6.7.5 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 6.6 is a grand strategy selection matrix, which can be used by managers when they need to select a grand strategy.

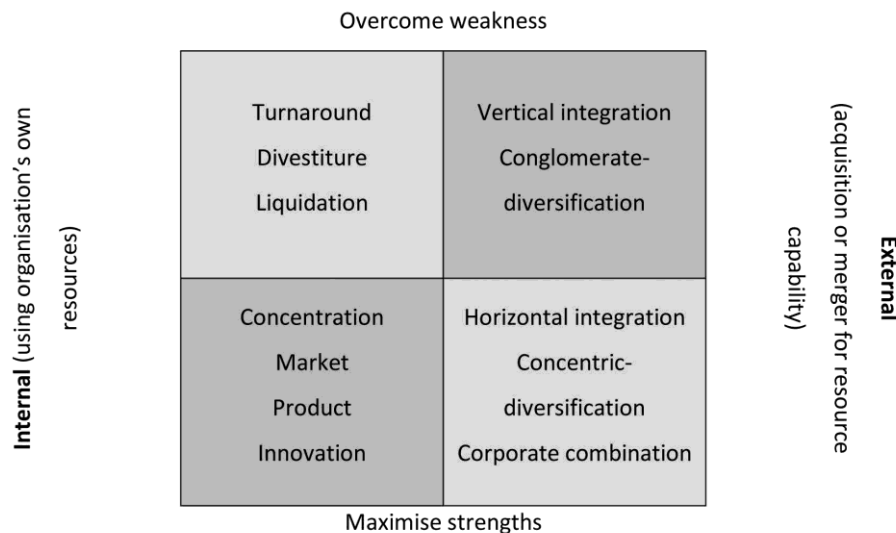


Figure 6.6: Grand strategy selection matrix

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.

6.8 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.

6.9 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 6.7 depicts the circular nature of the strategic management process.

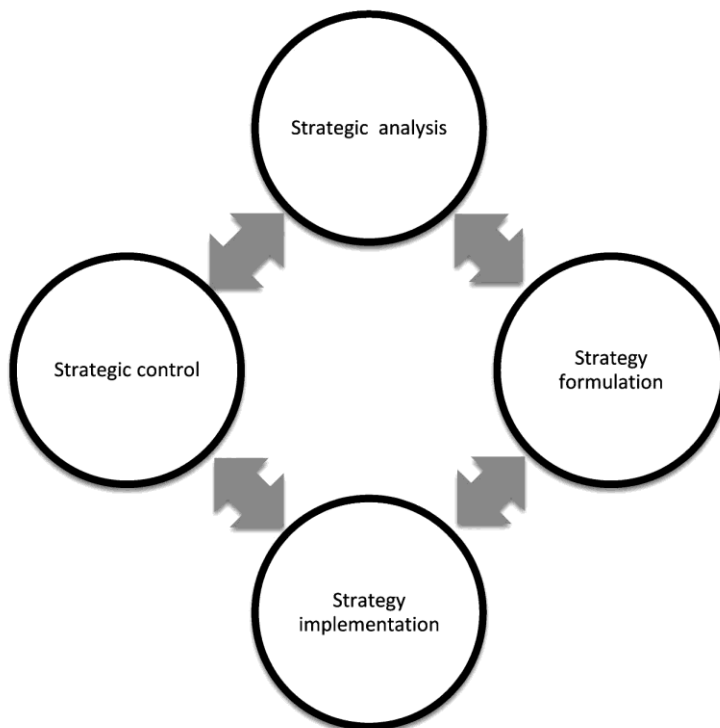


Figure 6.7: Strategic management process

6.10 CONCLUSION

In this learning 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.

6.11 ADDITIONAL LEARNING EXPERIENCES

The following websites will further enrich your knowledge and understanding. Visiting a Twitter page or watching a YouTube video is, however, not compulsory.

Strategic planning

https://www.youtube.com/watch?v=sU3FLxnDv_A

Strategic management

<https://www.youtube.com/watch?v=rJ2tmqRkiCM>

Balanced scorecard

<https://www.youtube.com/watch?v=AdXt8BfiGJg>

Vision statements

<https://www.youtube.com/watch?v=ioY-YSOKBtY>

SWOT analysis

<https://www.youtube.com/watch?v=GNXYI10Po6A>

Generic strategies

https://www.youtube.com/watch?v=-FA-eJvHP_s

BCG share matrix

<https://vimeo.com/27043386>

Interesting tweeples that you could follow on Twitter

@MichaelEPorter

@GuardianSustBiz

@Hackmanagement

@HarvardHBS

6.12 ASSESSMENT

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

SECTION A: MULTIPLE-CHOICE QUESTIONS

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

2. Which of the following is **not** a growth strategy?
 - 1 concentration strategy
 - 2 innovation strategy
 - 3 divestiture strategy
 - 4 product development strategy
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.
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
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 Learning unit from the assignment found in Tutorial Letter 101.

6.13 CASE STUDY

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

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.

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www.businesscasestudies.co.uk

6.14 LEARNING 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

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
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
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
4. Before its repositioning, Bryant followed a _____ **generic strategy**.
 - 1 focused cost
 - 2 cost
 - 3 focused differentiation
 - 4 differentiation

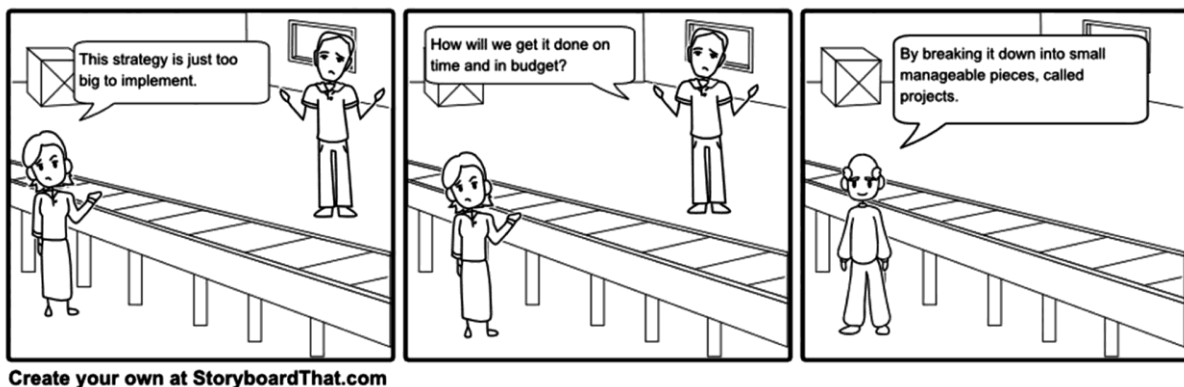
5. After its repositioning, Bryant followed a _____ **generic strategy**.
- 1 focused cost
 - 2 cost
 - 3 focused differentiation
 - 4 differentiation
6. Purchasing a 51% stake in a conveyancer is an example of a(n) _____ **strategy**.
- 1 product development
 - 2 horizontal integration
 - 3 unrelated diversification
 - 4 concentration

Learning unit 7

Project management

7.1 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.



7.2 LEARNING UNIT CHALLENGES

In this learning unit, we challenge 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.

7.3 KEY CONCEPTS

- **Budget.** This is a plan that deals with the future allocation and utilisation of various resources regarding project activities over a given period.
- **Client.** This is a person or organisation using the products or services of the organisation.

- **Gantt chart.** This is a graphic representation showing the project activities on a calendar, scaled to accommodate the timeline.
- **Project evaluation and review technique (PERT).** This is a diagram, also called the network diagram, developed by arranging the project activities into related paths.
- **Programme manager.** This is a person who manages a portfolio of projects and is responsible for the organisational benefits derived from the programme.
- **Project management.** This is a management tool used to plan, organise, implement and control activities in order to achieve a predefined objective.
- **Project manager.** This is a person who is solely responsible for completing his or her project on time, within budget and meeting set project requirements.

7.4 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.

7.5 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

7.6 ADVANTAGES OF PROJECT MANAGEMENT

Organisations use project management because of the numerous advantages associated with it. These advantages are depicted in Figure 7.1.



Figure 7.1: Advantages of project management

7.7 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 7.2 summarises both the internal and external perspectives of project management.

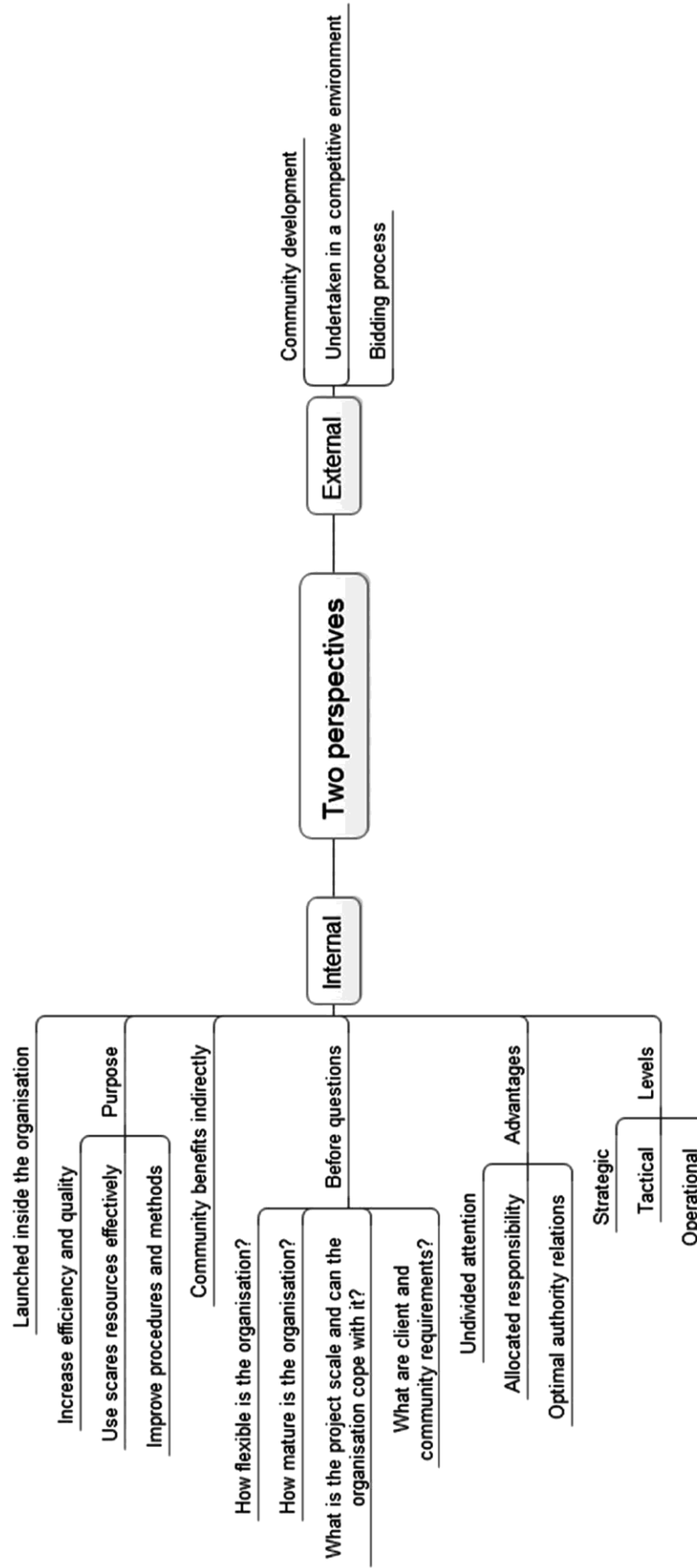


Figure 7.2: Two perspectives on project management

7.8 ROLE PLAYERS

There are two types of role players in a project: key and supporting role players. These role players are summarised in Figure 7.3.

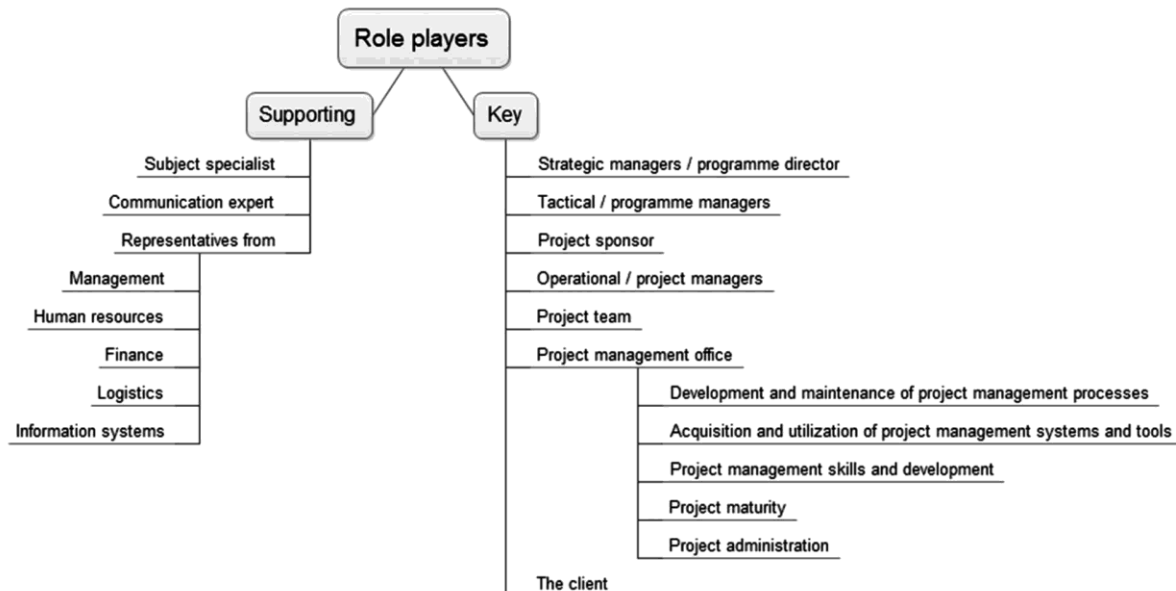


Figure 7.3: Project role players

7.9 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 7.4. 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.

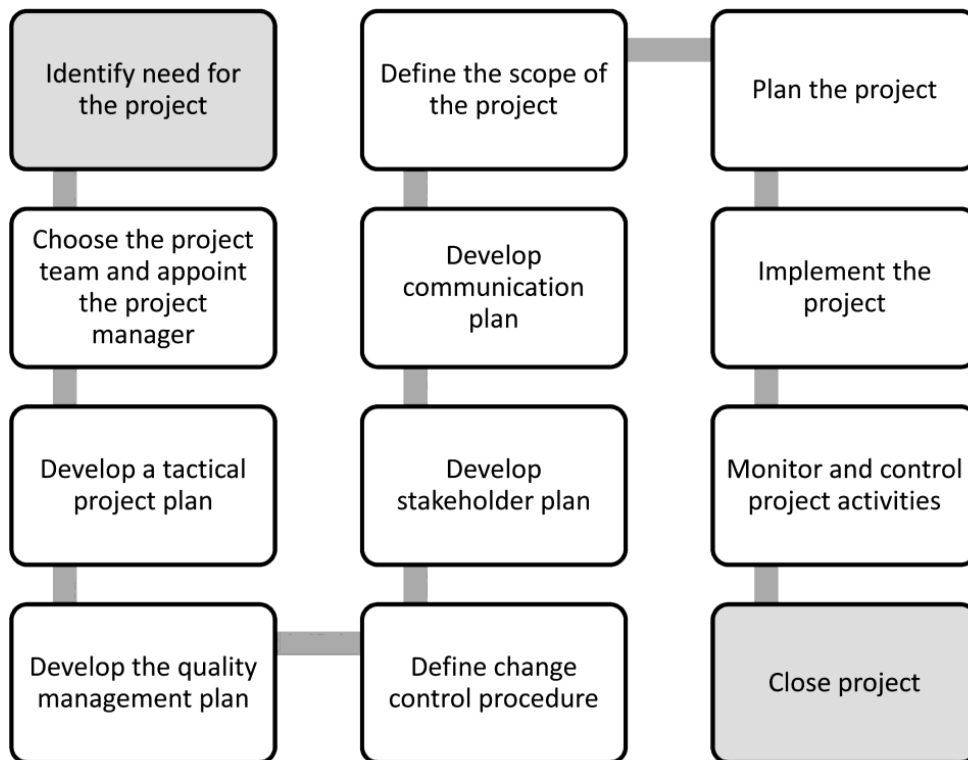


Figure 7.4: The project management process

7.9.1 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

7.9.2 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 7.5.

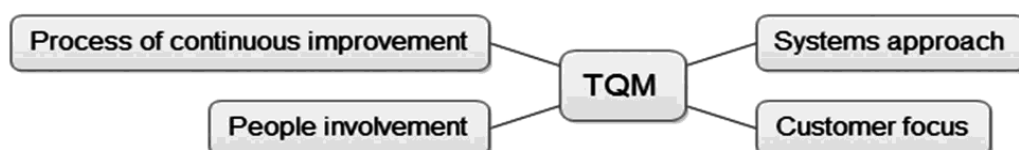


Figure 7.5: The main pillars of TQM

7.9.3 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.

7.9.4 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.

7.9.5 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.

7.9.6 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

7.9.7 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.

7.9.8 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.

7.9.9 Bar chart/Gantt chart

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

7.9.10 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.

7.9.11 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 7.6.

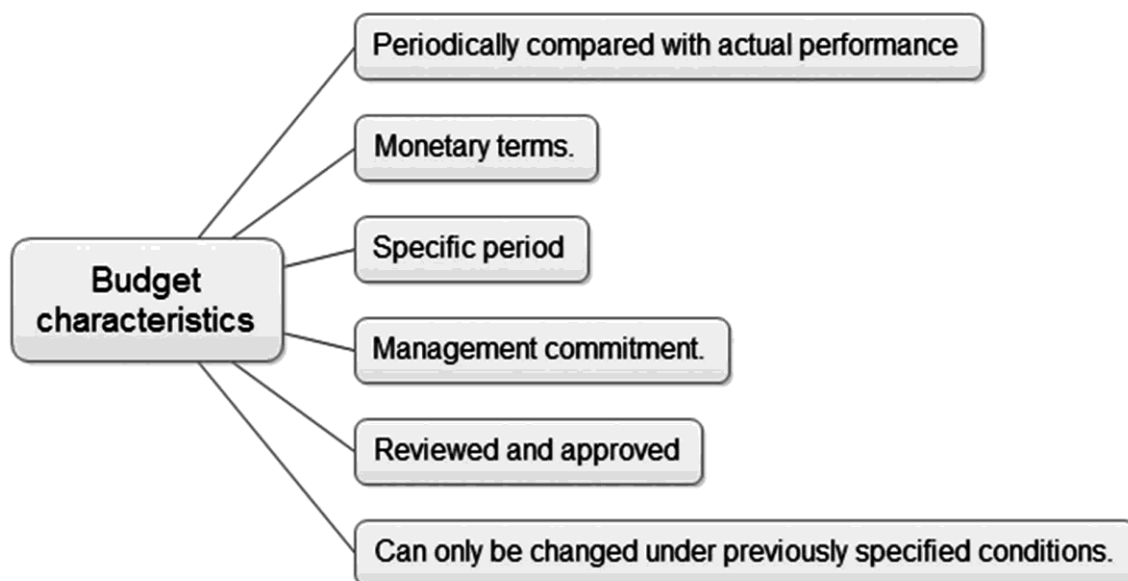


Figure 7.6: Characteristics of a budget

7.9.12 Supporting documents

Supporting documentation or instruction manuals assist team members in carrying out activities in each phase of the project. Figure 7.7 indicates when such documentation is needed.



Figure 7.7: The need for supporting documents

7.10 CONCLUSION

Projects play an important role in contemporary organisations. Projects are, however, constrained by time, cost, requirements, quality and risk. In this learning 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?

7.11 ADDITIONAL LEARNING EXPERIENCES

The following websites will further enrich your knowledge and understanding. Visiting a Twitter page or watching a YouTube video is, however, not compulsory.

Project management

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

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

Interesting tweeples that you could follow on Twitter

@PRINCE2PROJECT

@ProManagement2

@ManageProjects

7.12 ASSESSMENT

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

SECTION A: MULTIPLE-CHOICE QUESTIONS

- _____ can be defined as a management tool used to plan, organise, implement and control activities in order to attain a predefined objective.
 - A single-use plan
 - Project management
 - A programme
 - Budgeting
- Project management consists of four important elements, namely _____.
 - cost, time, quality and risk
 - planning, organising, leading and control
 - standardising, control, budgeting and management
 - negotiation, end-user involvement, planning and coordination
- Which one of the following is **not** an advantage of project management?
 - Effective project management may lead to a shorter completion period.
 - 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.
- 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
- 5 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 learning unit from the assignment in Tutorial Letter 101.

7.13 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.

Troubled 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 sugar-coat 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 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.

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www.projectsmart.co.uk

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

7.14 LEARNING UNIT REVIEW QUESTIONS

Complete the following questions based on the PintCo case study.

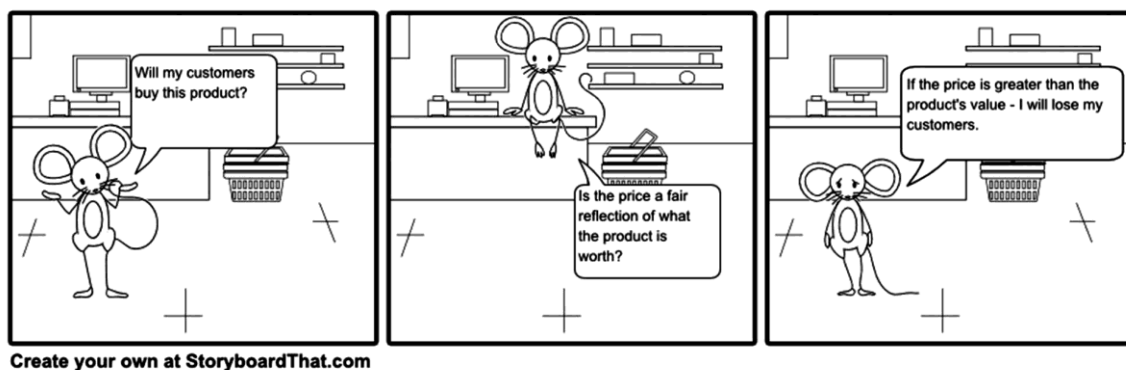
1. What questions did Jack have to answer to determine whether the original project was failing? Did he use these questions?
2. Identify the key role players and the roles they play in the case study.
3. In the case study Jake conducted a stakeholder analysis. During what step of the project management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

Learning unit 8

Value chain and e-business

8.1 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 learning unit, you will learn how organisations create value for their customers.



8.2 LEARNING UNIT CHALLENGES

In this learning unit, we challenge 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.

8.3 KEY CONCEPTS

- **Business model.** This is an outline that spells out how a company plans to make money and how it is competitively positioned in an industry.
- **Competitive advantage.** This is the ability of an organisation to provide greater value to customers than its competitors can.
- **E-business.** This is a system of doing business electronically. The system is not just about e-commerce transactions; it's about redefining old business models to maximise customer value.
- **E-business model.** This is an approach to conduct electronic business through which a company can sustain itself and generate profitable revenue growth.
- **E-commerce.** This covers outward-facing processes that touch customers, suppliers and external partners (e-commerce is buying and selling using an electronic medium).
- **Inbound logistics.** This is the movement of materials from suppliers and vendors into production processes or storage facilities.
- **Value chain.** This is the interlinked value-adding activity that converts inputs into outputs. In turn, this activity adds to the bottom line and helps create competitive advantage.
- **Outbound logistics.** This is the process related to the movement and storage of products from the end of the production line to the end-user.
- **Supply chain.** This is the total flow of materials, information and cash, from the supplier's suppliers, right through an enterprise to the customer's customers.

8.4 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.

8.5 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.

8.6 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.

8.7 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 8.1 graphically depicts an organisation's value system.

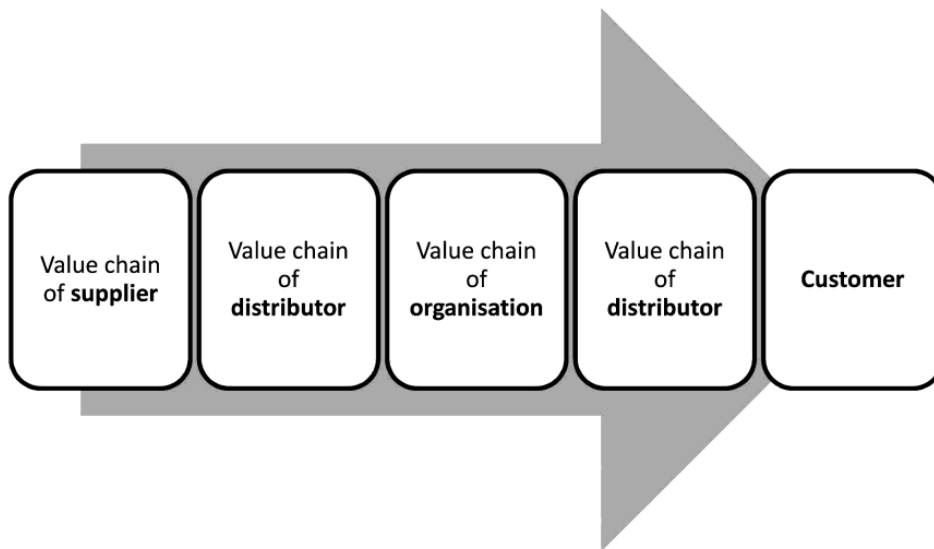


Figure 8.1: Value system

8.8 E-BUSINESS

In learning 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.

8.9 E-BUSINESS TRADING MODELS

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

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

8.10 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 8.2.

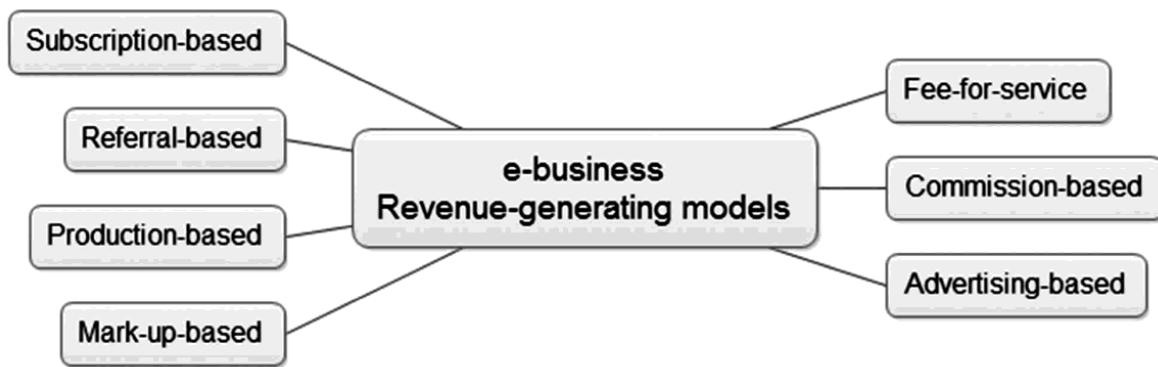


Figure 8.2: E-business revenue-generating models

8.11 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 8.3.



Figure 8.3: E-business shopping models

8.12 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 learning unit are summarised in Figure 8.4.

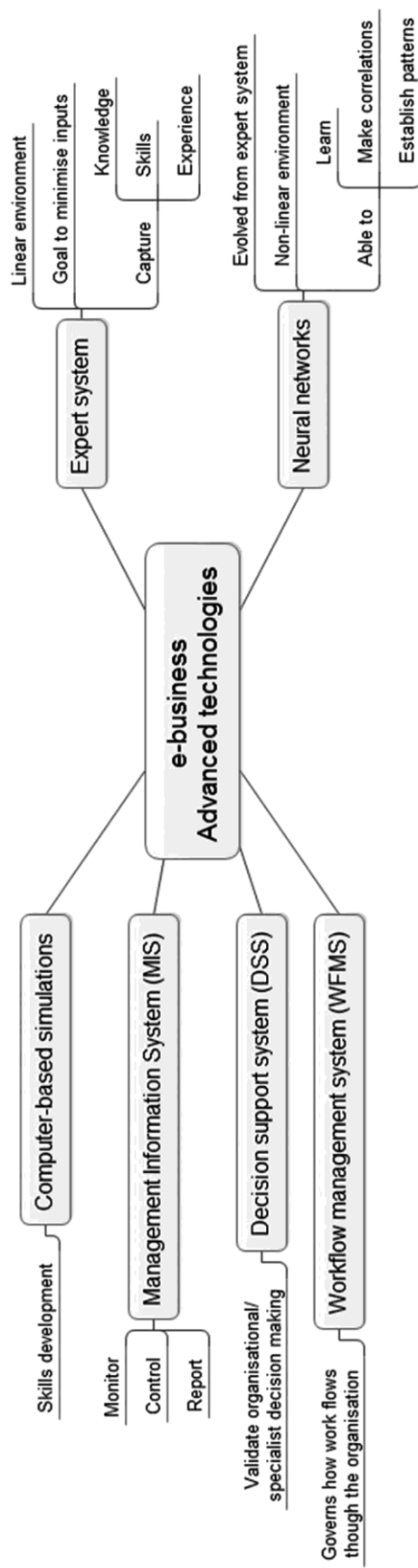


Figure 8.4: E-business advanced technologies

8.13 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

8.14 CONCLUSION

This learning 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.

8.15 ADDITIONAL LEARNING EXPERIENCES

The following websites will further enrich your knowledge and understanding. Visiting a Twitter page or watching a YouTube video is, however, not compulsory.

Value chain

https://www.youtube.com/watch?v=uhS_Ujji8Jk

<https://www.youtube.com/watch?v=s7i4FrkUK4g>

<https://www.youtube.com/watch?v=0WKmJfvPYSU>

E-business

<https://www.youtube.com/watch?v=wLodQ67LwiE>

<https://www.youtube.com/watch?v=xKJjyn8DaAw>

<https://www.youtube.com/watch?v=hIPpsnDudy8>

Interesting tweeple that you could follow on Twitter

@scdigest

@businessinsider

8.16 ASSESSMENT

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

SECTION A: MULTIPLE-CHOICE QUESTIONS

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
2. Which one of the following is **not** a way for organisations to gain a competitive advantage?
 - 1 By performing activities in a unique way that creates greater buyer value
 - 2 By placing greater importance on promotions and marketing of their product
 - 3 By using new technologies
 - 4 By performing activities at a lower cost than its competitors
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
4. Who is responsible for the development of the **value system**?
 - 1 Charles Darwin
 - 2 W Edwards Deming
 - 3 Michael Porter
 - 4 Adam Smith

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.
6. A(n) _____ based business model often uses entertainment to enhance sales.
- 1 advertising
 - 2 referral
 - 3 production
 - 4 make-up
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
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 learning unit from the assignment in Tutorial Letter 101.

8.17 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, NESCAFE, SMARTIES, GO CAT and SHREDDIES. Over one billion KIT KATs are produced in the UK every year.

Nestlé has a series of focus 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 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 is 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 processors and manufacturers, such as Nestlé, which create chocolate products; to retailers, such as supermarkets, and finally to consumers who purchase the products.

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www.businesscasestudies.co.uk

8.18 LEARNING UNIT REVIEW QUESTIONS

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

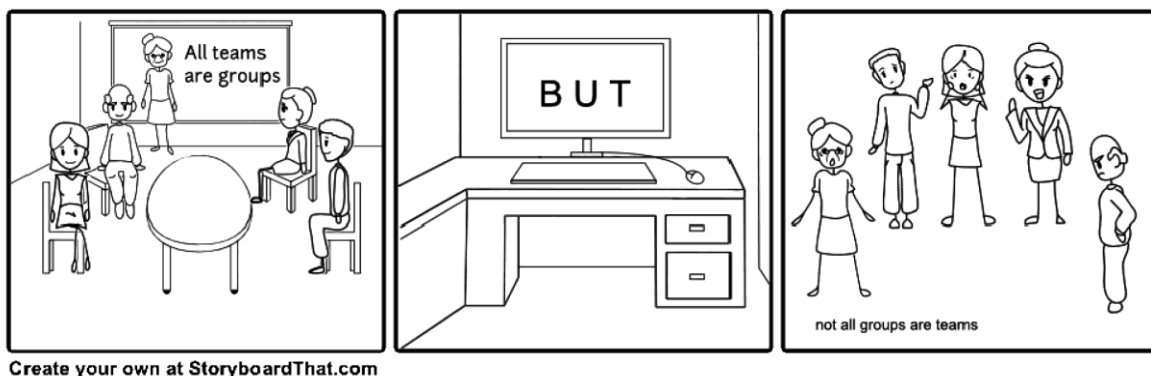
1. Graphically depict Nestlé's value system for creating KIT KATs.
2. How does Nestlé create value?
3. Graphically depict the generic value chain for an organisation in Nestlé's industry.
4. What type of e-business trading model is Nestlé using?
5. What type of e-business revenue-generating model is Nestlé using?
6. What type of e-business shopping model is Nestlé using?

Learning unit 9

Groups and teams

9.1 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.



9.2 LEARNING UNIT CHALLENGES

In this learning unit, we challenge 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 book.

9.3 KEY CONCEPTS

- **Cohesiveness.** This refers to group solidarity, which is the way in which a group stands together as a unit rather than as individuals.
- **Group.** This refers to two or more individuals who are interacting and interdependent, who come together to achieve a particular purpose.
- **Norm.** This is a generally agreed-upon standard of behaviour, which group members are expected to follow.
- **Status.** This is the perceived ranking of one member relative to other members of the group.
- **Work group.** This 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.
- **Work team.** This is 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.

9.4 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.

9.5 TYPES OF ORGANISATIONAL GROUPS

Figure 9.1 depicts the two categories of organisational groups and the types of groups within them.

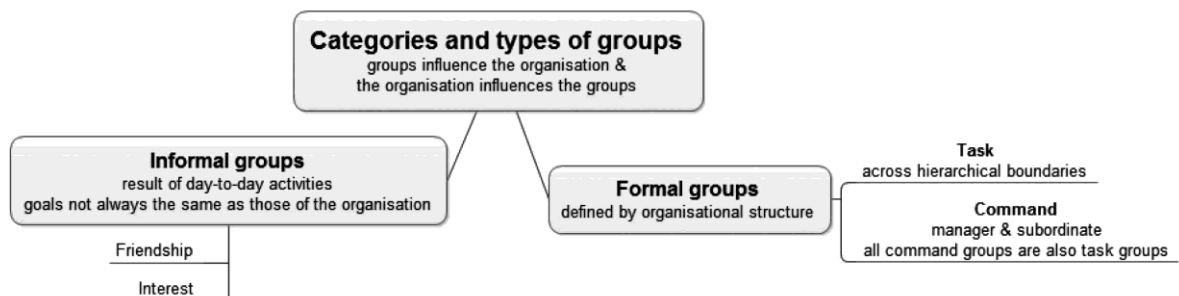


Figure 9.1: Categories and types of groups

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

9.6 STAGES IN WORK GROUP DEVELOPMENT

Work groups develop in stages, over time, into well-functioning groups. The mind map provided in Figure 9.2 summarises the different stages in work group development.

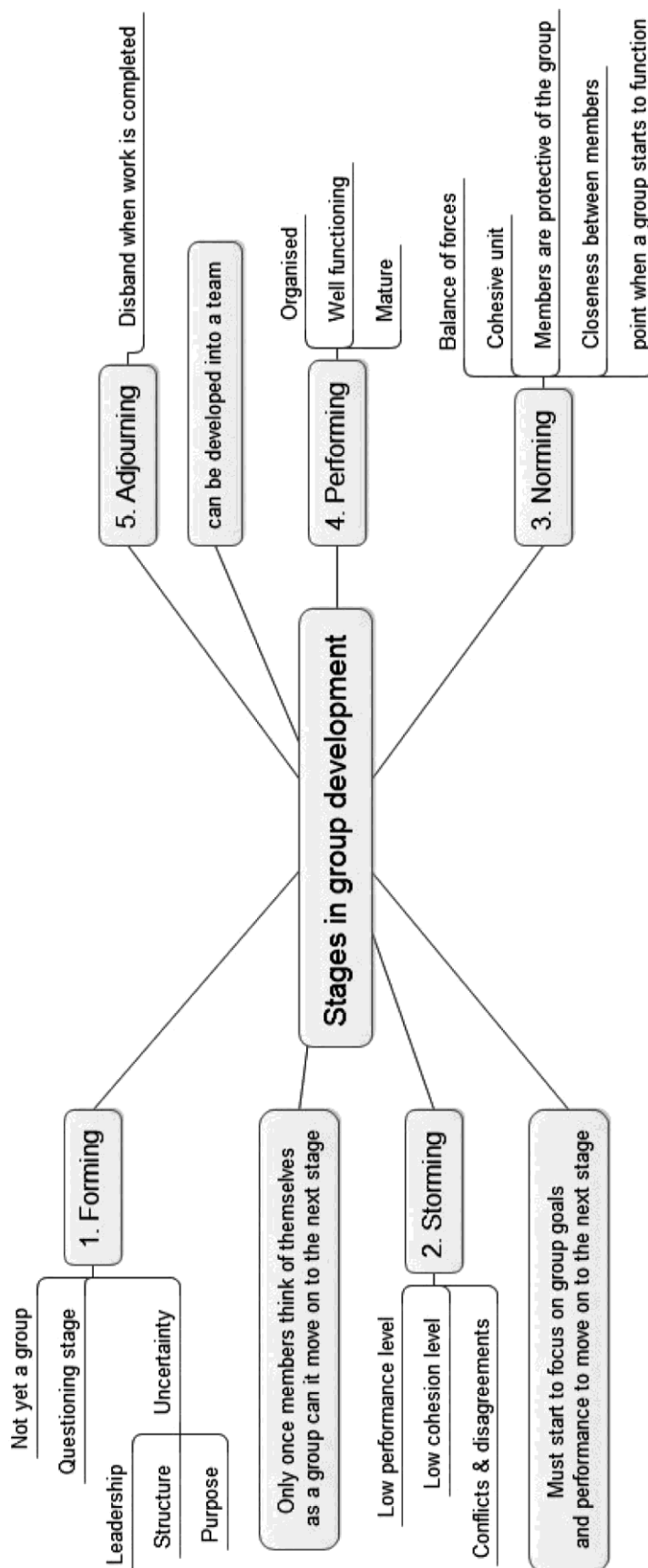


Figure 9.2: Stages in work group development

9.7 THE FACTORS THAT INFLUENCE WORK GROUP PERFORMANCE

Group behaviour is affected by a number of variables, and the the Group Behaviour Model (see figure 9.3 and figure 9.4) 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

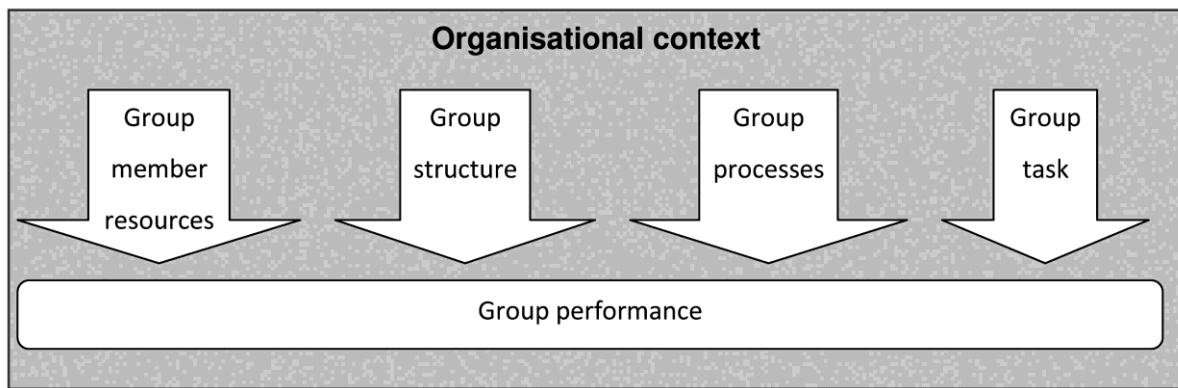


Figure 9.3: The Group Behaviour Model

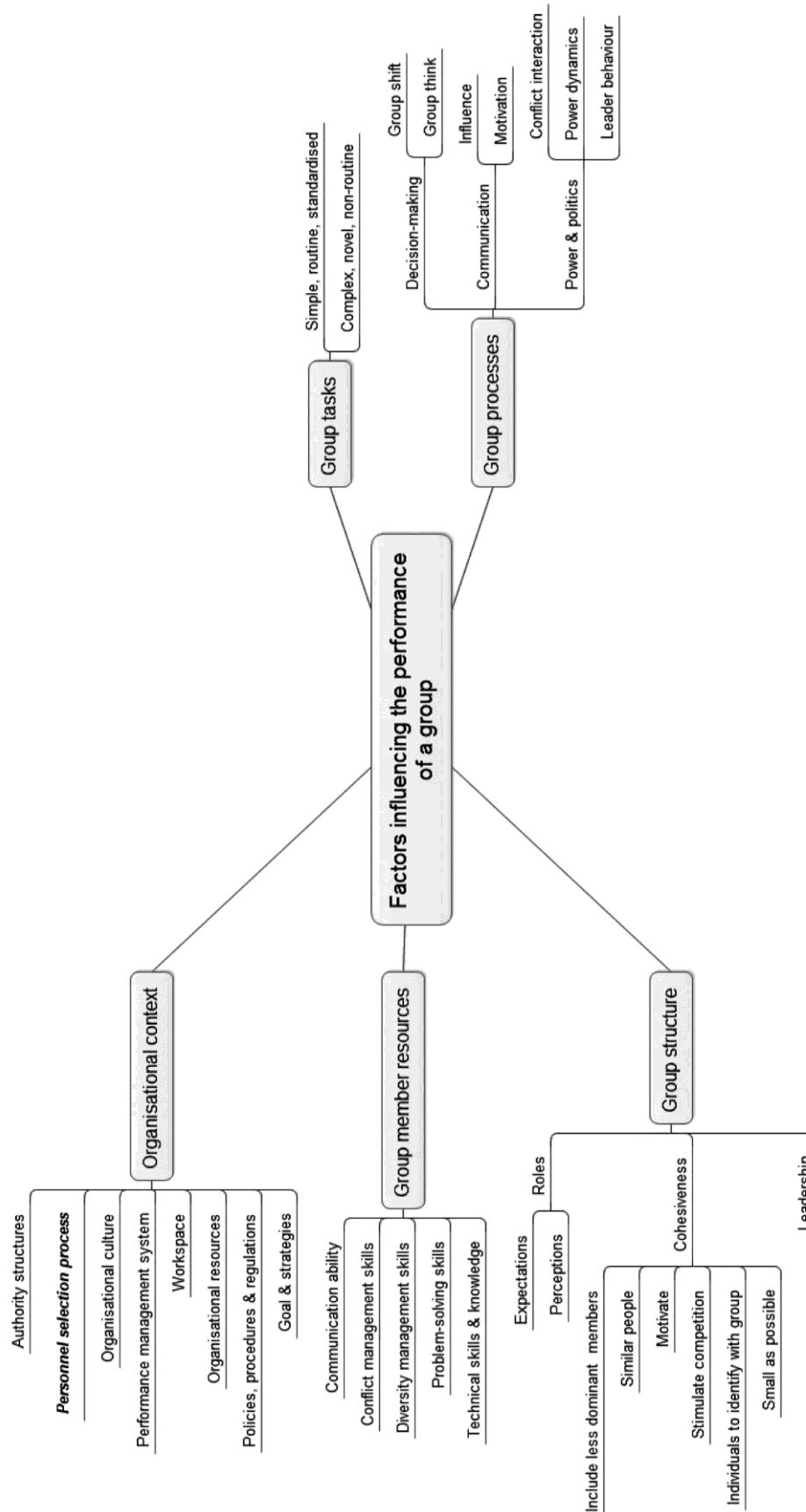


Figure 9.4: A mind map of the Group Behaviour Model

9.8 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

9.9 TYPES OF TEAMS

Table 9.1 lists four types of teams in organisations, and the features that differentiate them.

Table 9.1: Types of team and their characteristics








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

9.10 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:

Table 9.2: Belbin's team roles

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

The finisher	Due date	<ul style="list-style-type: none"> • Checks details • Worries about due dates • Creates a sense of urgency
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9.11 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

9.12 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.

9.13 ADDITIONAL LEARNING EXPERIENCES

The following websites will further enrich your knowledge and understanding. Visiting a Twitter page or watching a YouTube video is, however, not compulsory.

Belbin's teams

<https://www.youtube.com/watch?v=B5oB8PhS64Q>

<http://www.belbin.com/>

Successful teams

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

Groups and teams

<http://www.dummies.com/how-to/content/differences-between-work-groups-and-teams.html>

Interesting tweeples that you could follow on Twitter

@EntMagazine

@eshipclub

9.14 ASSESSMENT

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

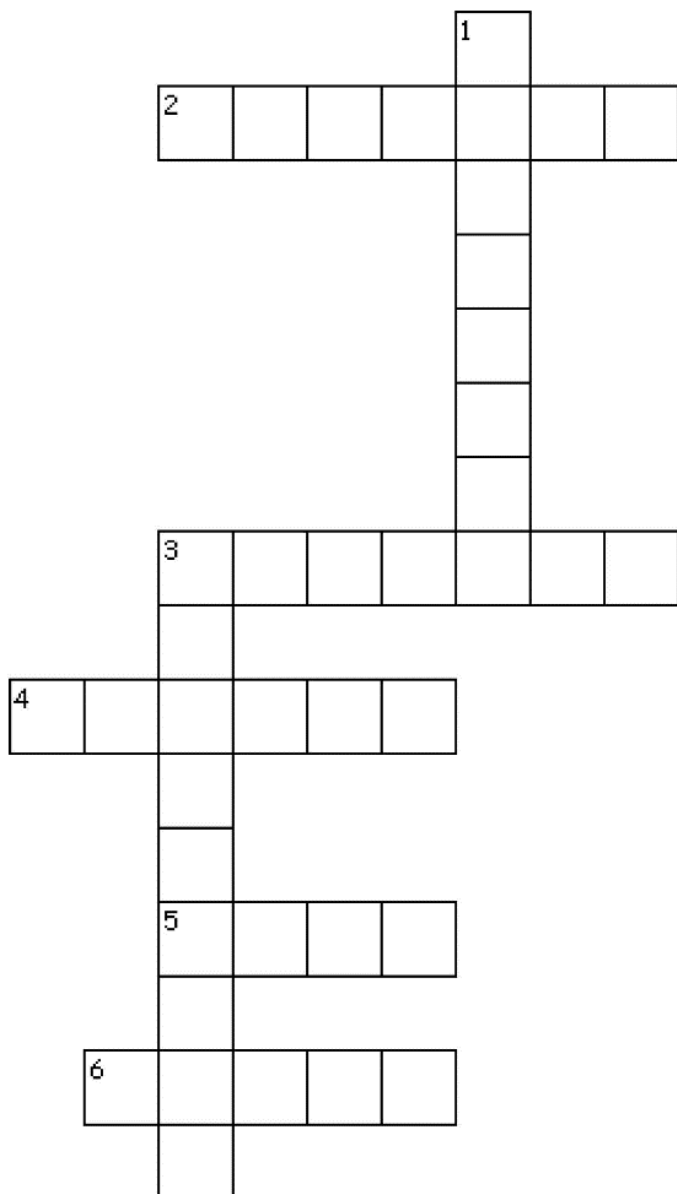
SECTION A: CROSSWORD PUZZLE

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

9.15 CASE STUDY

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.”

9.16 LEARNING UNIT REVIEW QUESTIONS

Answer the following questions based on the Putco case study:

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?
2. Would you classify the Putco employees described in the case study as a group or a team? Substantiate your answer.
3. Identify the team role of each of the employees described in the case study by using the Belbin method.
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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