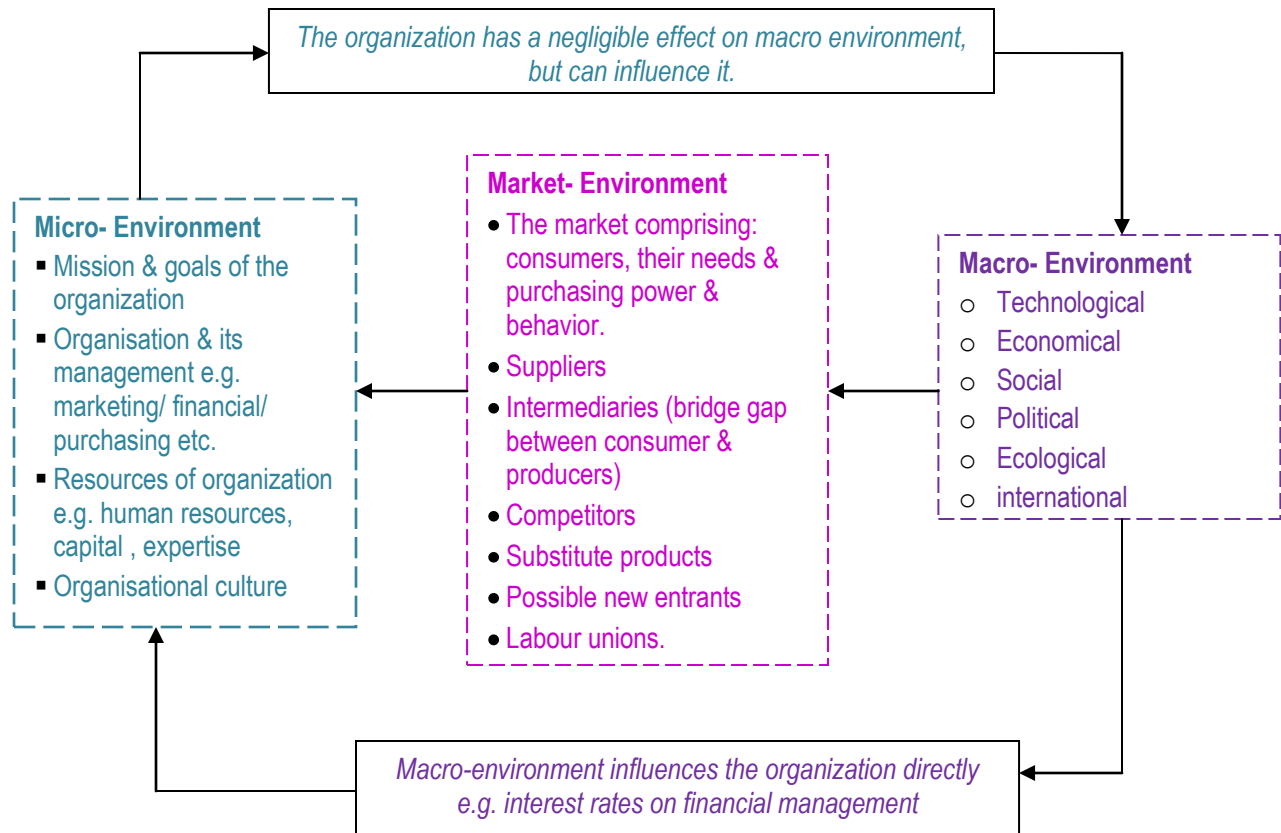


General Management an Overview

Schematic composition of Management Environment



Systems Theory

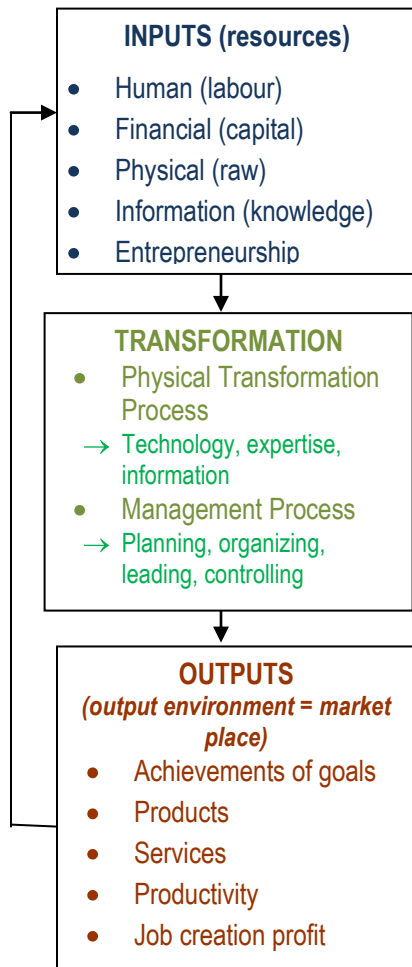
Explains relationship between organization & its environment (interdependence). Interrelated elements functioning as one whole.

Organisations are not self-sufficient or self contained. They exchange resources with and are dependent upon external environments in which they operate. i.e. organization and its environment interdependent for survival

Systems approach ÷ into 4 concepts

1. **Open system** – system is dependant one environment
2. **Sub-system** – system within a system
3. **Synergy** – result of simultaneous application is greater than sum of individual sub-systems
4. **Entropy** – opposite of synergy

Systems Approach:



Management Process/ Function:



Management Skills

Technical Skills	Necessary to accomplish specific task/ train & support subordinates
Interpersonal Skills	Ability to communicate/ understand/ motivate individuals/ teams
Conceptual Skills	Ability to see & understand business as a whole entity/ think strategically & see big picture
Diagnostic Skills	Ability to diagnose symptoms & develop solution
Communication Skills	Convey and receive ideas from and to others
Decision Making Skills	Ability to recognize problems/ opportunities and formulate alternative solution
Time Management Skills	Ability to prioritize work, effectively / efficiently & delegate tasks

Chapter 1 Introduction to Management

Def: Process of planning, organizing, leading, and controlling the resources of organization to predetermined stated organizational goals as productively as possible.

- Managers bring the resources together – decide which resources in what quantities are necessary to achieve organization goals.
- Plan & execute what must be done to attain those goals.
- Are responsible for success & sustainability of their organizations and level of need satisfaction in society.
- Good managers improve global competitiveness of organizations and $\therefore$ improves standard of living of RSA.

Management:

Managers combine, allocate, coordinate and deploy resources (inputs) in such a way that organisation's goals are achieved as productively as possible by using management functions "process"

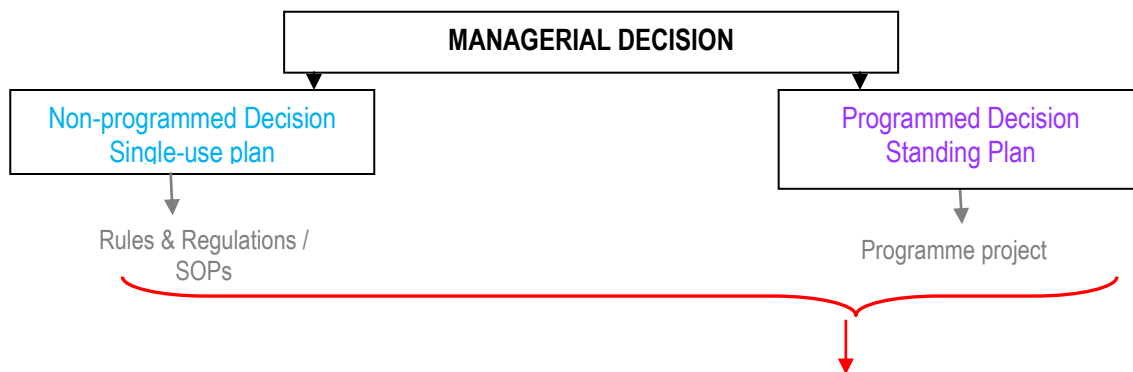
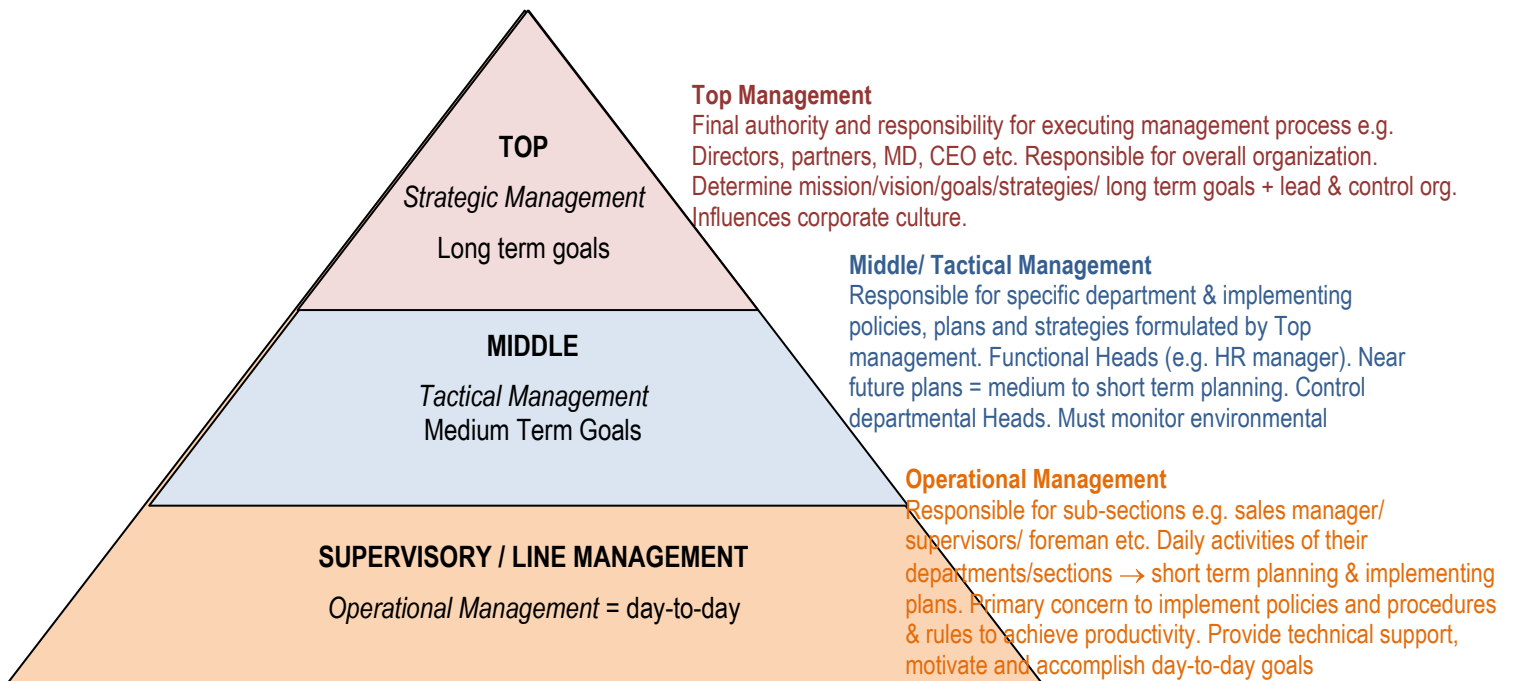
- Planning
- Organizing
- Leading
- Controlling

Management Process:

MANAGEMENT FUNCTIONS:				
Function	PLANNING	ORGANISING	LEADING	CONTROL
Description	Determine mission & goals of business & how to reach them in long term, resources required & the guidelines/ plans to get there	Human/financial & physical resources must be allocated to relevant management departments. Duties must be defined, procedures fixed to enable its people to work effectively to reach its mission & goals	Directing & motivating human resources. Collaborate with superiors, equals and subordinates to reach goals of business Ability to influence workforce to attaining organisation goals. NB influence, share purpose & organisational change	Determine if business is still on track – activities and performances in line with reaching company goals. If deviations detected to correct them or reconsider its goals/plans a) Coordinating mechanism that links planning & control process in an organisation b) Ensures business's resources deployed in such a way to attain its objectives c) Results in better quality & enable management to cope with environmental chance & uncertainty d) Control measures reduce costs & boost outputs e) Facilitates delegation & teamwork
Principles	Provides direction & forward thinking Participation within work environment Reduces impact of change & overlapping of activities Sets standards for control	Unity of command/ direction Chain of command & span of control Standardisation/ Co-ordination - Identification of activities - Classification of grouping of activities - Assignment of duties - Delegation of authority - Coordinating authority and responsibility relationships	Supervision Act of watching & directing work & workers Motivation Inspiring, stimulating or encouraging sub-ordinates with zeal to work (incentives may be used) i. <i>Content theories of motivation</i> Maslow Needs Hierarchy Herzberg Two-factor motivation McClelland Achievement Motivation ii. <i>Process Theory</i> Expectancy theory Equity Theory Reinforcement Theory Leadership Process whereby manager guides & influences the work of subordinates in desired direction Communication Passing info, experience, opinion = bridge of understanding i. Intra-personal ii. Interpersonal iii. organisational	Control Process - Establish performance standards - Measurement of actual performance - Comparison of actual performance with standards and finding out deviation if any - Corrective action

	Strategic – long term, business overall planning by top management (p 53) Tactical – medium-term objectives, more specific than strategic set by senior/middle/line managers Operational – short term planning by first-line managers	Authority: right to make decisions, issue orders and use resources = formal & informal authority line and staff authority centralised and decentralised authority	Leadership Models: • Leadership trait or characteristics model • Behavioural approach ○ Autocratic/task oriented leaders ○ Democratic/ employee oriented ○ Theory X leaders ○ Theory Y leaders • Situation/ contingency approach ○ Fiedler's contingency theory ○ Hersey & Blanchard's contingency theory ○ Path-goal theory ○ Substitutes for leadership • Contemporary approach • Transactional leadership • Charismatic/ visionary • Transformational	Levels of Control i. Strategic control ii. Tactical/ functional control ○ Financial control ○ Human resources ○ Physical resources ○ information iii. Operational control ○ Preliminary control ○ Concurrent control ○ Rework control ○ Damage control ○ Feedback
		Organisational design/structure: formal arrangement of positions into work units or departments and their interrelationship within a business e.g. Departmentalisation: Functional / Product/ Location/ Customer/ Multiple/ Divisional/ Network structures/ New venture units/ Virtual Network Structure/ Team Concept	Powers a manager can have: ◆ Legitimate ◆ Reward ◆ Coercive ◆ Referent ◆ Expert	
			Leadership vs. management (p65)	

Levels of Management:



Rational Decision Making 6 Steps

1. Classify & define problem/opportunity
2. Set objectives and criteria
3. Generate creative alternatives
4. Analyse alternatives
5. Plan & implement decision
6. Follow-up and evaluate results.

Decision Making Conditions:

Certainty:

Perfect knowledge available for each alternative & their consequences

Risk:

Available alternatives, probability of occurrence & potential benefits/ costs associated with them are known

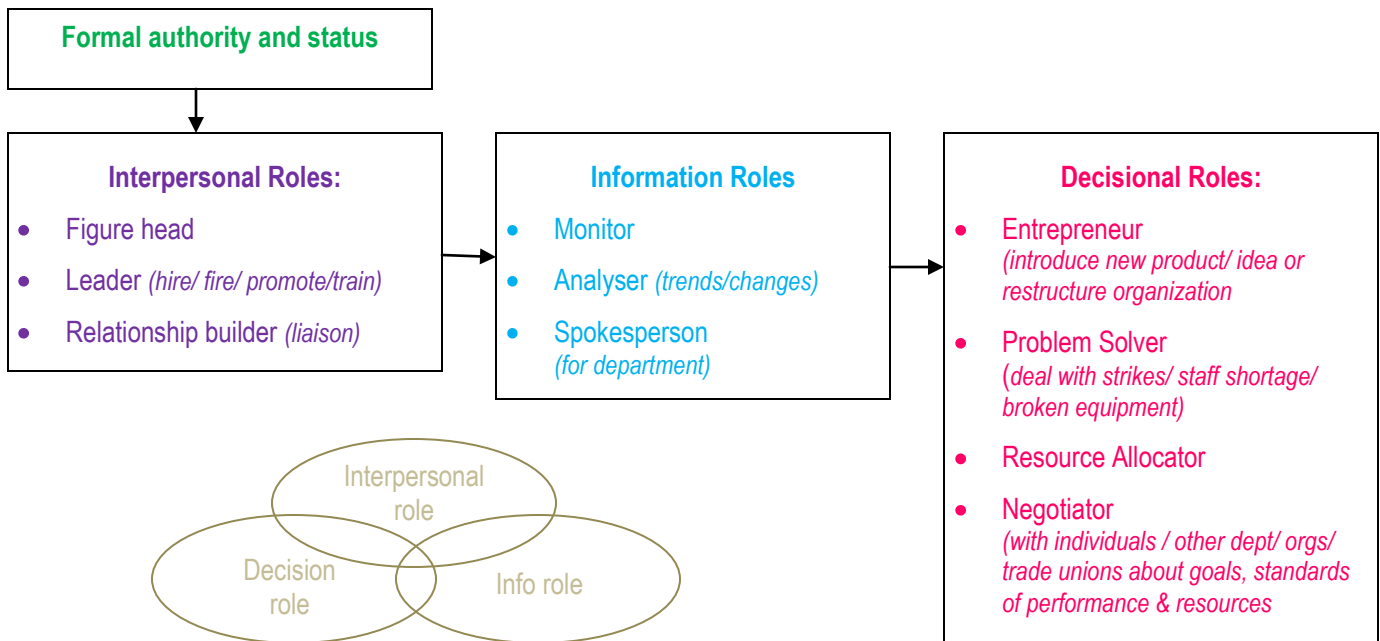
Uncertainty

Risks are unknown, therefore need to gain insight and make logical/rational decision

Nature of Management

Mintzberg's Managerial Roles:

Managers have many sub-sections of management roles to fulfill to be able to fulfill the 4 main functions
 ∴ this explains why managers cannot systematically move from planning to organizing to controlling to leading without some flexibility.



Managerial Skills & Competencies

Each managerial role requires different competencies:

Conceptual Skills: mental ability to view operation Of organization and its parts holistically. Involves Manager's thinking and planning ability & strategic Thinking

Interpersonal Skills: ability to work with people. Communicate, understand behavior, resolve Conflict, motivate (groups & individuals)

Technical Skills: ability to use knowledge or techniques of a specific discipline to attain goals. e.g. accounting, IT, engineering etc.

Top management	Middle management	Lower management	Workers
			Conceptual
			Interpersonal
			Technical

From worker being highly technical → manager less technical. Manager skills (competencies focuses on what have to be able to do in workplace as opposed to what they know or skills they have. Make use of **Management Charter Initiative (MCI)** analysis that sets generic standards for management

Management and Organisational Performance

Attaining organization goals by reaching highest possible output with lowest possible input of society's limited resources ("fundamental economic principal") to achieve highest amount of profit – keep in mind economic principle and social responsibility.

Scope of Management: - required in all kinds/ sizes of organizations

Large Business Organisation Successful nation needs large organizations with necessary resources to compete globally and sub contract smaller organisations	Small Business Organisation Small to medium size business (SME) provide 85% of job opportunities in first world countries. Management skills in SA managers will aid growth of micro enterprises reach the SME level	Non-Profit Organisations Still need management to achieve goals.
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Management Charter Initiative (MCI)

- Sets generic standards for management In S.A. the National Qualifications Framework (NQF), through the work of standards generating bodies (SGB's) defines management competence in terms of 8 levels. Each level specifies what a manager must know, what skills they must have, and what value orientation the manager must have.

Acquiring Management Skills → Formal management education

- Continuous education
- Job experience
- Variety of assignments

Chapter 2: Evolution of Management Theory

Management theories have evolved over the years and fragments of each theory has become our guide to future management practices.

Management theories = group of assumptions advanced to explain the productivity issue. → Influenced by environmental forces (*social, economic, technological, political, international and ecological forces*)

Productivity = efficient transformation of inputs to outputs with optimum use of human capital and physical resources for the benefit of society, economy and environment

Entrepreneurial capitalism

- Entrepreneurs were capitalists who risked their own money in organizations.
- Bore the risk alone and took all the profits

Managerial capitalism

- A team effort to achieve success and have an overall financial gain.

Why study management theory?

A theory is built in stages:

- Gathering data (e.g. what managers do)
- Organizing it into categories (POLC)
- Highlighting similarities & differences
- Explaining what causes what and under what circumstances

Understanding the different management theories

- A management theory is a group of assumptions advanced in order to elucidate the productivity issue
- Environmental forces such as social, economic, technological, political, international and ecological forces are responsible for the evolution of management theory.

Significant developments that have an effect on managers and organizations

- Advances in info technology
- Globalization of the marketplace
- Increasing predominance of entrepreneurial firms
- The growing importance of intellectual capital

Classic Approaches

Contemporary Approaches

1900	1910	1920	1930	1940	1950	1960	1970	1980	1990	2000
Scientific Management	Bureaucracy	Administrative Management	Human Relations		Quantative Management	Systems Theory	Contingency Theory	Total quality management	Learning organisation	Re-engineering

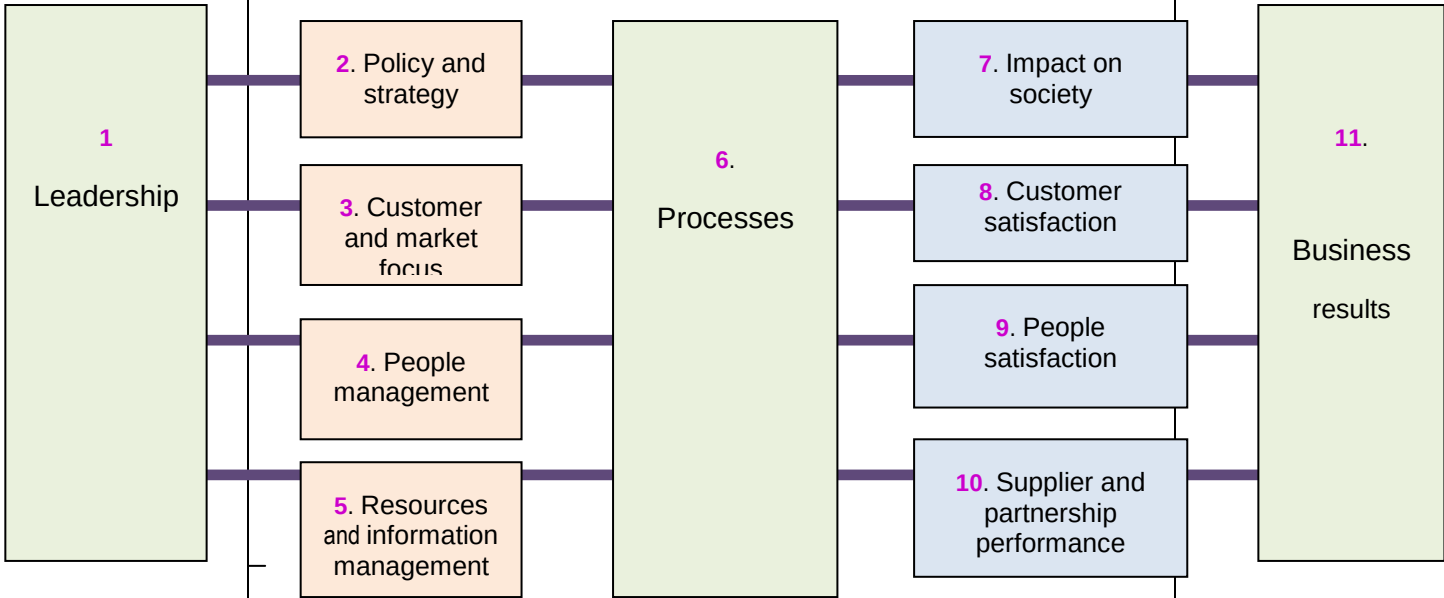
Theories of Management

NB! KNOW WELL

CLASSICAL APPROACHES

Management School / approach	Key ideas	Researchers
1. Scientific Management	- Analyse specific tasks of workers - Time and motion study - Money motivated workers - Piecework system - Ways to improve the performance of workers - Work simplification - Productivity at shop-floor level - Chart showing relation between work planned & completed & time elapsed Principles of efficiency	Frederick. W. Taylor Frank & Lillian Gilbreth Henry. L. Gantt
2. Process / Admin Approach	- Managing complex organizations - Fayol: interested in admin side of operations 5 basic functions of admin: planning, organizing, commanding, co-ordinating, controlling - management is a skill something we can learn when principles are understood 14 principles of management pg 33 - Disadvantages – formal authority postulated	Henry Fayol
3. Bureaucratic Approach	- How organizations are structured - Stressed the need for a strictly defined hierarchy, governed by clearly defined regulations and authority - Legal authority - Disadvantages – limited flexibility, slow decision making - Classical vs contemporary – mind map	Max Weber
4. Human Relations Movement	- Importance of paying attention to people to improve their productivity - Hawthorne studies relate between lighting and productivity - Hawthorne effect – management's concern for their workers well being - Employees are motivated by social needs than economic needs - Behavioural scientists: - Maslow – hierarchy of needs - McGregor – Theory X and Y - Needs of the worker X managers – coax workers to put effort in their jobs Y managers – assume people enjoy work & want to improve skills	Elton Mayo Hawthorne Studies Maslow McGregor
Quantitative Management Theory “Crunching the numbers”	- Mathematical models, statistics – use in decision making - Decisions based on quantifiable info - Quantitative perspective: - management science - operations research (OR) Management Science - development of math's models to assist decision making OR - applied form of management science, helps managers to develop techniques to produce prods & services efficiently - Tools & techniques used today: linear programming, PERT/CPM, regression analysis (Planning & Control)	

CONTEMPORARY APPROACHES

Management approach	Key ideas	Researcher
Systems Approach	- Organization viewed as a group of interrelated parts with a single purpose: to remain in equilibrium - View organization as a whole - Action of one part influences another - Open system perspective – 4 elements - input (resources) - transformation processes - output (prods / services) - feedback (reaction from environment) - Equifinality – more than 1 way to reach the same goal	Luab Bertalanffy
Contingency approach	- Based on systems approach - Using right approach for situation in which managers find themselves - Everything about an organization is unique - Char of situation called contingencies - Ext environment (rate of change & degree of complexity) - Organizations own capabilities (strengths & weaknesses) - Managers & worker (values, goals, skills, attitudes) - Technology used	
TQM	- Total – quality involves and people & activities - Quality – meeting customer agreed required at lowest cost, first time every time - Management – quality must be managed - Create an organization committed to continuous improvement - Philosophy of management driven by competition & customer needs & expectations - Customer – employees, suppliers, consumers - Intrinsic motivation for learning - Used as a strategic weapon – to build competitive advantage	W Edwards Demming
S.A. Excellence Model	- Deals with performance excellence in organizations - Holistic approach  The above model is based on the following assumptions: Business results are improved through sound leadership. Leadership should drive: - Policy and strategy; - Customer and market focus; - People management; - Resources and information management Processes must be identified, managed, reviewed and improved to ensure:	CSIR, Eskom, Std Bank, Daimler Chrysler

	• A positive impact on society (eg improved quality of life); • Customer satisfaction; • People satisfaction; • Supplier and partnership performance. The model provides criteria for all 11 elements to enable organizations to assess themselves against the criteria of performance excellence. The self-assessment process allows an organization to identify its: • Strengths • Areas in which improvements can be made This model culminates in planned improvement actions.	
Six Sigma	• Quality initiative, focuses on defects per million. • Potential quality – known max possible value added per unit of input • Actual quality – current value added per unit of input • Diff between 2 – waste • Focuses on: - <i>defect prevention</i> - <i>cycle time reduction</i> - <i>cost savings</i> • Defined at 3 different levels: - <i>as metric (DPMO)</i> - <i>methodology (DMAIC model)</i> - <i>as a management system</i> <u>Methodology</u> focuses an organization on: • Understanding & managing customers requirement • Aligning key business processes to achieve those requirements • Utilizing rigorous data analysis to minimize variation • Driving rapid & sustainable improvement Define the goals of the improvement activity. For example, at the operations level, a goal might be to increase the throughput of a production department. Measure the existing system. Establish valid and reliable metrics to help monitor progress towards the goal(s) defined at the previous step. Analyse the system to identify ways to eliminate the gap between the current performance of the system or process and the desired goal. Statistical tools should be used. Improve the system. Be creative in finding new ways to do things better, more cheaply, or faster. Use statistical methods to validate the improvement. Control the new system. Institutionalize the improved system by modifying compensation and incentive systems, policies, procedures, budgets, and so on. Ensure that the documentation is correct. <u>Management System</u> • High performance system for implementing bs strategy • Aligns business strategy to critical improvement efforts • Mobilize teams to attack high impact projects • Improves business results • Ensure improvements sustained	Motorola Introduced
DMAIC model		
The learning organisation	• Based on systems approach • Organizational learning enables an organization to adapt to change & move forward by acquiring new knowledge, skills / behaviours, and thereby transform itself. • Industry learning continuous • Knowledge – shared	Peter Senge

Re-engineering Quantum leap Assumes current process irrelevant It doesn't work, its broken, forget it, start over!!	- Entails a fundamental reappraisal of the way organisations operate - Reinventing existing organizations & not merely changing them in incremental steps - Focus on current technology - Rethinking & redesigning - Speed, quality of service, overhead costs - Integrates 4 key drivers - people - processes - technology - infrastructure	Homer & Champy
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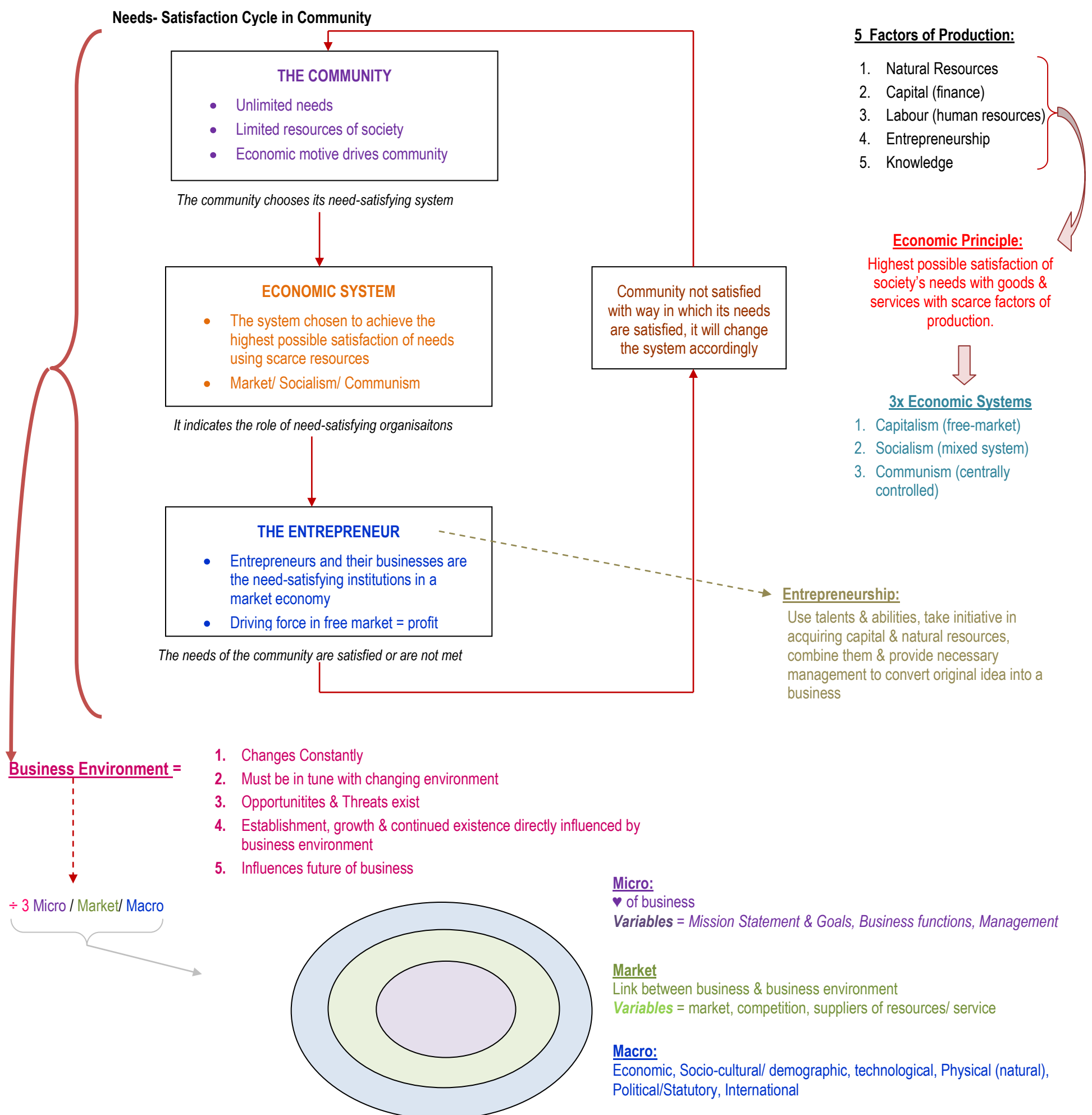
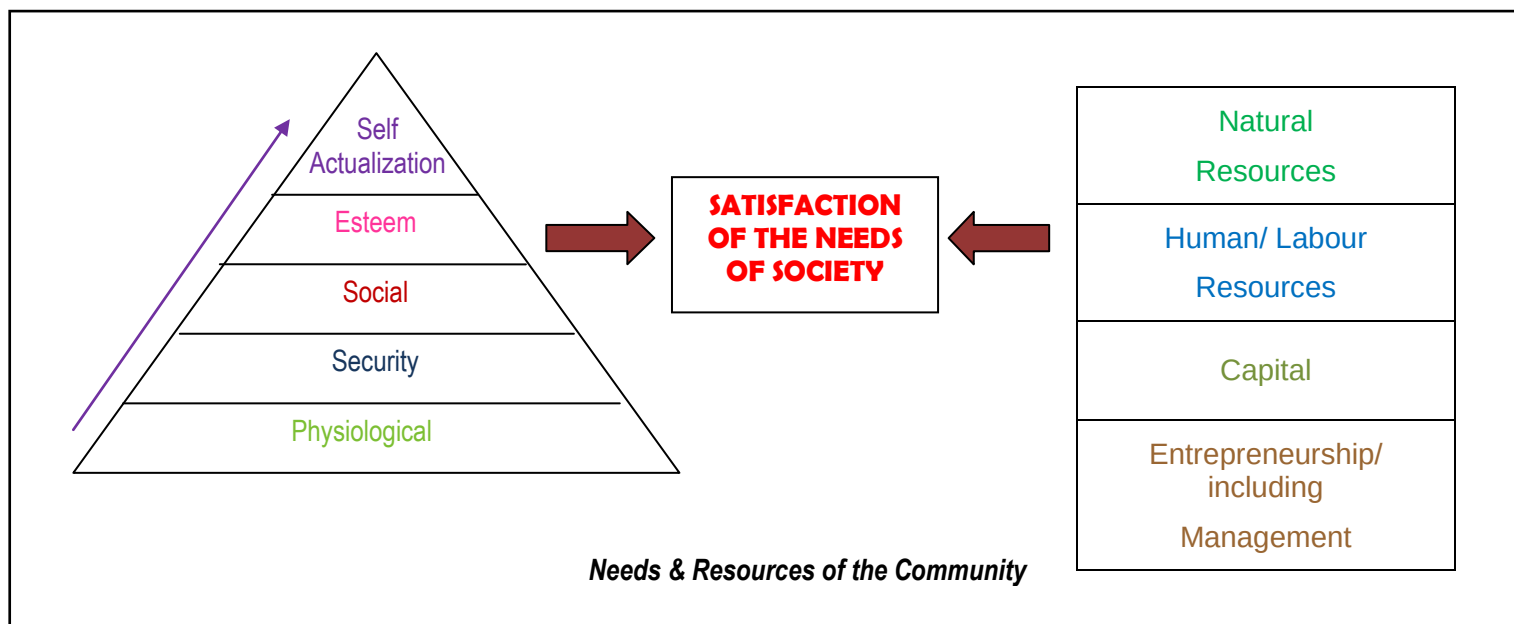
Current and near future management realities

In the 2000's, the competitive advantages of the past have little meaning. The new source of sustainable, competitive advantage available to organisations has people at its centre – their knowledge, creativity and talent. Competitors can emulate both capital and technological advantage and the human asset is intangible and very difficult to imitate. Managers should understand how the current and near future environments differ from previous ones; how today's organizations differ from previous ones; and the impact of both of the above on management.

- Current & near future environmental revolutionary (unpredictable) (discontinuous change)
- Outsourcing – flexible
- Knowledge managed
- Interim management – best manager manages specific projects
- Corporate governance.

Chapter 3: Managing in a Changing Environment

Business ÷ 4 elements: Human Activities, Production, Exchange and Profit



Chapter 3: Managing a Changing Environment

Management environment changed in RSA:

Variables:

- Political transformation driver of change
- Economic environment – fluctuating rand (*affects imports & capital expenditure*), rise of energy/ raw material costs (*high interest rates = lower economic growth*)/ high economic growth, labour laws & low productivity
- High crime levels - % profit goes to security measures
 - foreign investors hesitant
- Political transformation – Employment Equity Act, hard to deal with as previously disadvantage majority not skilled managers
- Illegal immigrants = put pressure on services, increase in crime, more unemployment

∴ Managers need to understand the relationship between organization and environment, threats & opportunities that exist, trends etc.

Systems approach in management:

Implies organization is an open system with a specific relationship with its environment ∴ manager must keep eye on environment in order to adapt to changes in time.

÷ 4 basic concepts:

Open System	Sub-system	Synergy	Entropy
Can not exist independently of a particular environment	System within a system Offers a framework in which various sub-systems of the organization can be studied separately but also as an organization as a whole. ∴ activities in one part of organization affects other parts of organization. ∴ managers must ensure that the different sub-systems work towards same goals & sort out differences between departments	<i>“whole is greater than the sum part”</i> Individual subsystems applied at same time in such a way that the results of this would be greater than the sum of their individual efforts. <i>i.e. the functions of management are interdependent component that complement each other in pursuit of synergy.</i> e.g. department working together would achieve a lot more than slugging it alone.	<i>“Process of systems disintegration”</i> Opposite of synergy. When a system (inc organization) doesn't make necessary adjustments to enable it to continue its existence in a particular environment it will disintegrate = fall

All subsystems and environment = management environment and influence each other mutually. i.e. *organization supplies products/ services that society requires.*

Community → market for organisation's products → relationship that is complex because of environments that change namely: economic trends, technical innovations, social changes, political developments = these will affect management's action within & outside organization. Management should know how to deal with these environmental variables

i.e. *utilize opportunities or deal with threats.*

Composition of Management/ Business Environment

Def: All those factors/ variables, both inside and outside the organization, that may influence the continued and successful existence of the organization"

Micro (Internal) Environment ♥

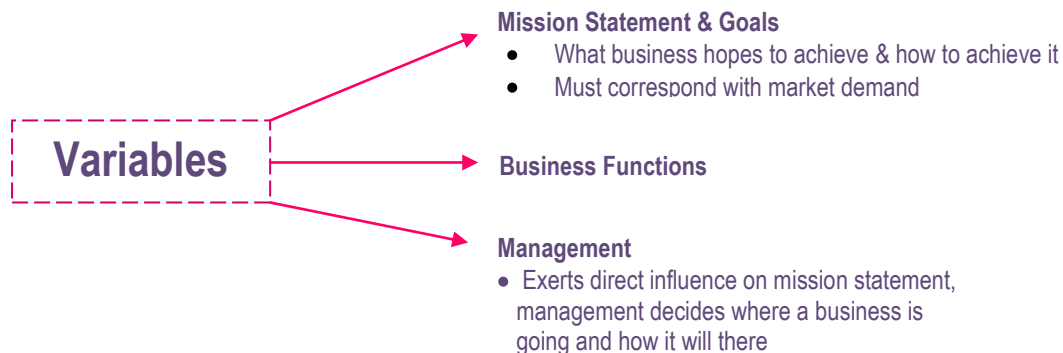
Organisation itself – management has control.

All the factors and variables occurring internally in business and directly/ indirectly influenced by management decisions.

→ influence growth & continued existence of business

→ indicates to what extent a business can use opportunities or oppose threats.

Variables → various management functions, organisation's resources, vision, mission, goals and organization strategies are controlled by management.



Market (task) Environment

Surrounds organization. Determines nature and strength of competition in an industry.

People with needs to be satisfied & financial means to satisfy them – management to keep up with their buying behavior

→ Link between business and business environment

→ Sum total of all factors/ variable which exist externally in business industry which can be +ve or -ve influence growth/ existence of the business

Key variables:

- **Labour Unions** → deal with supply of labour
- **Consumers** → purchase power & behavior determine number of new entrants to market
- **Suppliers** → who supply products, raw materials, services, finance etc
- **Intermediaries** → who compete with each other to distribute an organisation's

products. i.e. bridge gap between manufacturer and consumer e.g. wholesalers/ retailers/ agents/ brokers etc

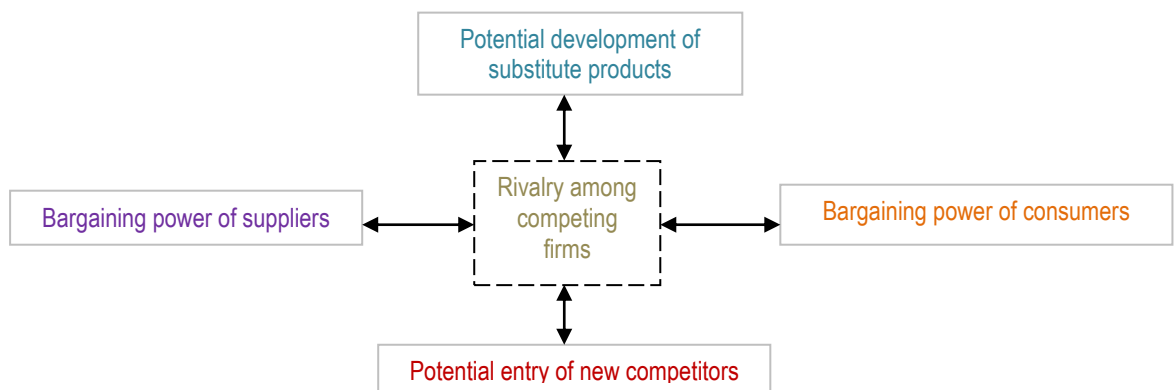
- **Competitors** → who are already established in the market and want to maintain/ improve their position and potential new competitors.

Being up against another organisation's similar service/product to vie for same consumer purchasing power. Often competitors and not consumers determine actual quantity of product to be marketed (including price). Also compete with other organizations for labour, capital, materials – encourages technological innovation

Intensity of competition determined by 5 factors:

- 1) Possibility of new entrants or departures
- 2) Bargaining power of clients/ consumers
- 3) Bargaining power of suppliers
- 4) Availability or lack of substitute products/ services
- 5) Number of existing competitors.

Michael Porter Model:



Management must identify, evaluate, utilise opportunities in the market and develop strategy to deal with competition.

Management's decision **influences** market environment through strategies it applies to protect, maintain and extend its share of the market.

Management has no control of market environment but strategies influence variables.

Macro Environment

Influences micro & market environment

÷ 6 sub-environments – organizations have **no control** over it (but can influence it)

1) Technological Environment

Responsible for pace of innovation & change ∴ R&D NB

2) Economic Environment

Factors such as inflation, recessions, exchange rates & monetary/fiscal policy of government influence management and business profit.

3) Social /Demographic Environment

- Social**
- People's lifestyle, habits and values are shaped by culture & ∴ make demands on organizations through consumerism.
 - Changing lifestyles – quality of lifestyle ↑ affects issues such as pollutions, green, ecofriendly healthier
 - Time – convenience & time NB ∴ one-stop shops, longer trading hours etc.

- Demographic**
- Size & composition of population** →
 - ▶ Population growth
 - ▶ Market composition
 - ▶ Changing role of women
 - ▶ Life expectancy
 - Geographic location** →
 - ▶ Markets in CBD more concentrated
 - ▶ Urbanisation & rural depopulation affect market
 - Development level of market** →
 - ▶ Consumers are being educated & know their rights ∴ demand on business ↑

4) Political Environment

Government and its political involvement and legislation as primary components

- Monetary/ fiscal policies
- Statutory laws e.g. trade license, VAT registered, consumer act regulations etc
- Associations and institutes

5) International Environment

Local and foreign trends and events influence organization and market environment

International politics – e.g. trade sanctions on SA in mid 80's = -ve economic growth rate. Zimbabwe refugees in SA strain labour market.

International economics e.g. interest rates, exchange rates, inflation, gold/oil price etc influences imports/exports.

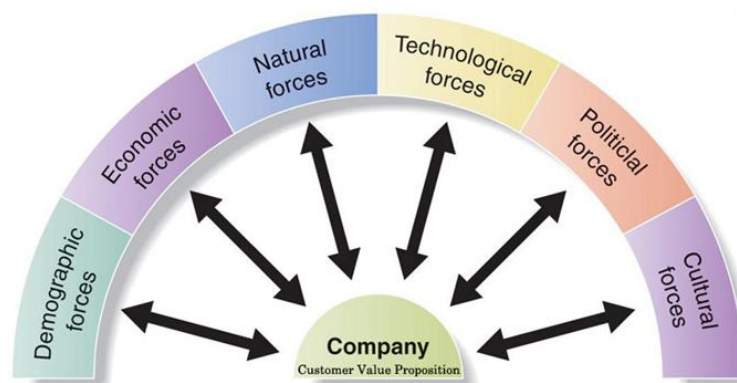
International technology – necessary to import technology & knowledge.

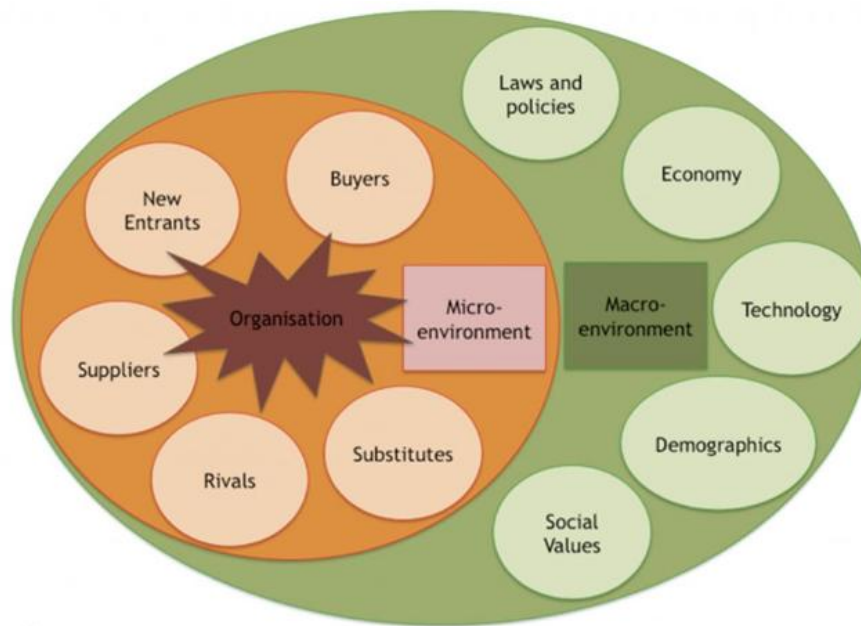
6) Ecological Environment

Natural resources: fauna/flora, mineral resources and man-made improvements e.g. roads/ bridges etc.

Businesses must keep in mind pollutions, eco friendly products, chemical waste etc.

Manufactured (man-made) improvements e.g. roads/ bridges etc





Management can prepare for environmental changes:

Response to environmental changes revolves mainly around environmental scanning and information management

Environmental Scanning NB because:

Process of measuring, making projections and evaluating change in the environment

- Environment constantly changing
Management to explore in effort to keep up with changes
- Determine threats to organizations mission/goals and strategy
- Determine opportunities for attaining goals.

Strategic Response

May entail adapting existing strategy or developing new one. May decide to do nothing too.

Mergers/ take overs/ joint ventures could be used to help or force an organization to adapt to environment change.

Structural Change

Adapt or redesign an organisation's organizational structure.

Chapter 5: Planning

Planning is involved in every step of the management functions:

Plan → organising → leading → controlling

↑ Plan ↑ Plan ↑ Plan ↑ Plan

Importance of planning in SA:

- Survive in revolutionary business environment that is not predictable – plan for unexpected.
- Diverse workforce (age, gender, language etc.) to ensure compliance with laws etc.
- Promotes cooperation between managers & workers from different sections
- Unique challenge e.g. AIDS (=high absenteeism) impact availability of suitable trained employees.
- Modern technology & international standards to remain competitive e.g. eco-friendly products.
- Complexities of organisations e.g. sub-contractors (they need to understand organisations goals & align with it)

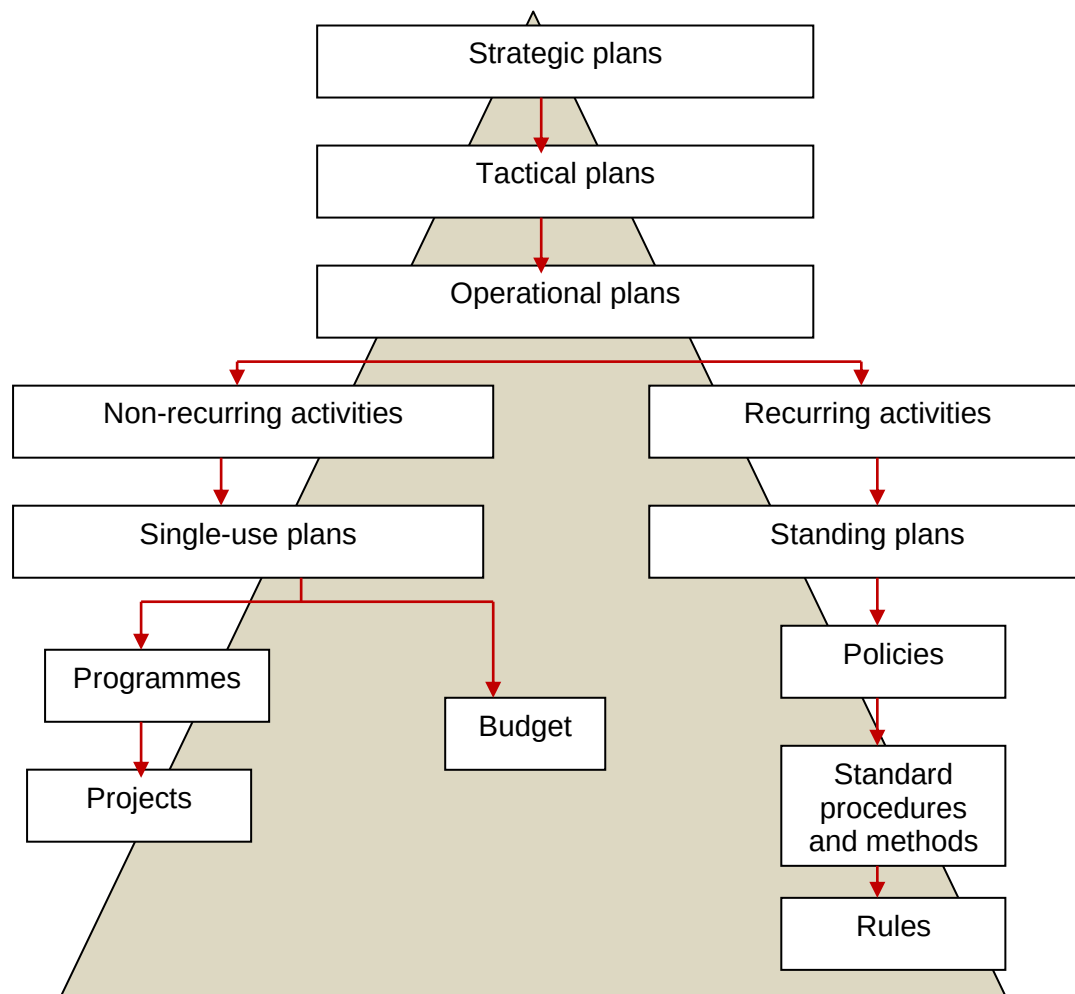
Kinds of Organisational Plans:

Strategic Plans (long term)	Tactical Plans (intermediate term e.g. HR/ Marketing/ Finance)	Operations Plans (short term)
▪ Ensure organisations as whole aligned with changing external environment ▪ Mad by top management for whole organisation: ○ Vision ○ Mission ○ Long term goals ○ Strategy to obtain ▪ Time-frame 5yrs+ ▪ Focus on entire organisation ▪ Competitive edge ▪ Takes synergy into consideration	➤ Focus on people or functional areas and action to implement strategic plans ➤ Medium term time-frame ➤ More specific than strategic plans ➤ May be reformulated to accommodate various functional areas ➤ Allocate resources to sub-departments	• Middle-level and lower level managers • Put into action tactical plans • Short term time frame (year or less) • X2 types → Single –use (non-recurring event e.g. revamping) → Standing plans (plans stay same for long period of time) • Allocates resources to individuals

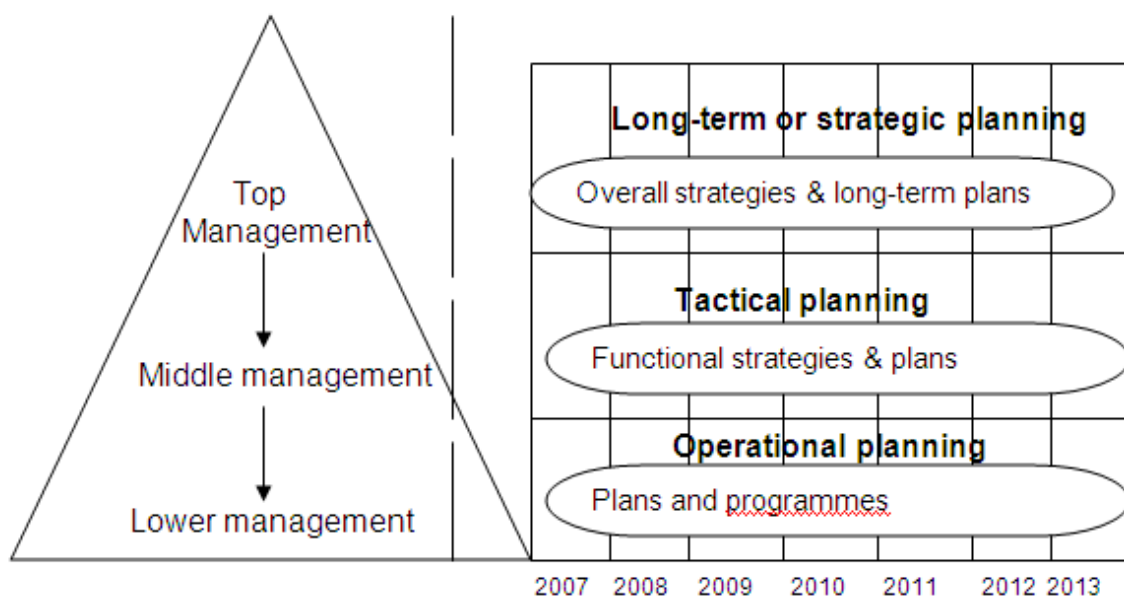
Note: Operational plans information:

- A programme (e.g. 2010 cup preparations) = single used plan for large set of activities.
- A project goes through phases
(1) Initiating → (2) planning → (3) executing → (4) controlling and (5) closing.
- A budget is a numerical plan for allocation and utilisation of human, physical and information resources.
- **Programmes projects, budgets » single use plans**
- **Policies, standard procedures, methods, rules » standing plans**

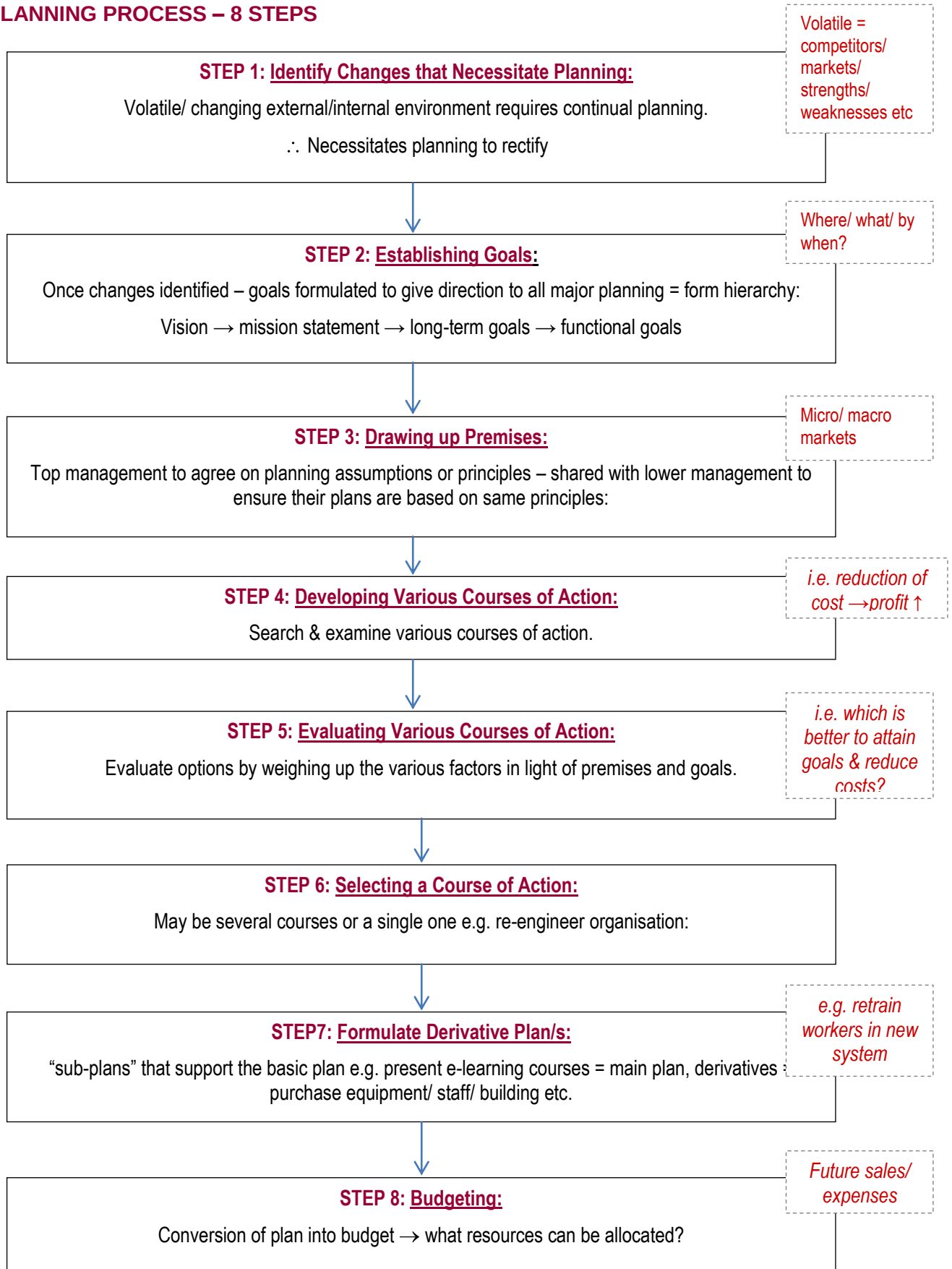
Types of operational plan:



The levels and time-frames of the different kinds of plan:



PLANNING PROCESS – 8 STEPS



Barriers to Effective Planning:

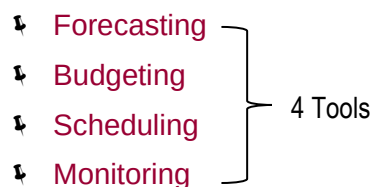
- 🖨 **Biggest mistake** – assumption environmental conditions remain constant
- 🖨 Success = adaptation to changes
- 🖨 Managers need to understand goals set for them and sub divisions
- 🖨 Not setting clear goals for sub-divisions (∴ no accountability)
- 🖨 Lack of confidence in own ability / fear of failure
- 🖨 Resistance to change

Overcoming Barriers of Planning:

- Should start at top of organisation and encourage/ show importance of planning to lower levels
- Realise limitation of planning – *be prepared to adjust*
- Employees at all levels of organisation to be involved somewhere in the process
- Communication down and across hierarchy – *all must have clear understanding what the goals are.*
- Plans to be constantly revised & updated
- Contingency plans useful in turbulent environment.

Planning Tools:

Enables managers to plan scientifically & not guess



- 1) **Forecasting:** prerequisite for planning to have some idea of what is to happen – projection using past & present information.
Identifying factors of opportunity or threat
e.g. sales/ revenue forecasting/ technology advancement resources (human/ physical/information), economic (inflation interest rates, level of unemployment)

- 2) **Budgeting:** future allocation of resources

Translates future plans into quantitative terms. Control mechanism for evaluating organisational activities.

Controls in two ways:

- a) Sets limit to resources per department/ individual
- b) Shows standard of performance against future events by comparison.

NB Characteristics:

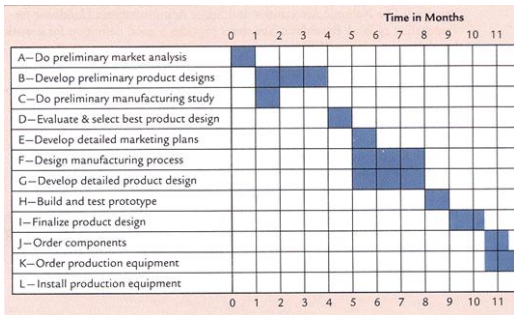
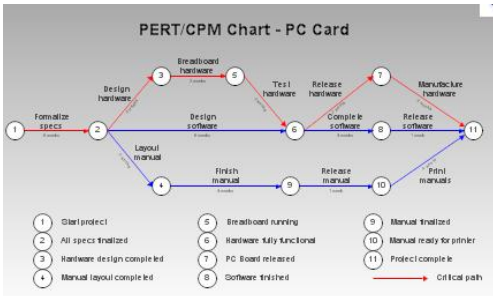
→ Frequently stated in monetary terms

- Cover specific period (± 1 year)
- Contain element of management commitment
- Reviewed & approved by superior authority than the person who prepared it.
- Once approved – can only change under previously specified conditions.
- Periodically compared with actual performance – variances analysed & explained.

Note: normal budgets would get a general budget based on previous years and only an increase for budget would have to be explained

- Performance evaluation on managers and units.
- Zero-Based-Budgeting (ZBB) planning technique NB for organisations going through change. i.e. all department functions reviewed comprehensively & budget requests must be justified in complete detail by division manager starting from zero-base. (doesn't matter if budget $\uparrow$ or $\downarrow$)

3 & 4) Scheduling & Monitoring

Gantt Chart	PERT – Programme Evaluation Review Technique
Graphic planning and control method in which a project is broken into separate tasks. Shows estimates per task and total time for completion of entire project. Can see what task needs to be completed before next task can be done/ started.  	Uses a network to plan projects involving numerous activities and their inter relationships. Key components = activities, events, time, critical path and possible costs. <i>Maximum time to complete project start to end – most time consuming sequence of events.</i> Step 1: List all activities & events <i>(number the events, give letters to each)</i> Step 2: Determine completion time <i>Time for each event/ activity</i> Step 3: Arrange task chronologically in sequence they should be completed. Step 4: Determine critical path <i>Total time to complete project. Monitor project progress & possible bottlenecks.</i>

GOAL FORMULATION:

Intricate part of planning
Formulated for strategic/ tactical/ operations (each)
Focus – mission statement
Broad purpose up to individual goals

Goals/ Objectives must be

S – Specific
M – Measurable
A – Attainable
R – Realistic
T – Time bound

Focus Areas:

Mission Statement provides clear guidelines for key focus areas (“performance areas”) identified by top management to attain mission statement.

Mission Statement may be misinterpreted and ∴ translated to something specific and **measurable = strategic goals → focuses** on: finance, customers, internal process, learning & innovation.

Properties of Goals (S C A M F A)

Must meet certain specifications:

- ✦ **Specificity** – indicate what related to and time frame
- ✦ **Congruency** – congruent with one another & shouldn’t preclude one another
- ✦ **Attainability** – realistic & attainable, must be challenging
- ✦ **Measurability** – stated in terms that can be quantified
- ✦ **Flexibility** – allow for goals to be modified/ facilitate control
- ✦ **Acceptability** – consistent with perceptions & preferences

and should be easily understood and implemented.

Degree of Openness

X2 goals = official & operative

- **Official**: what society expects organisation to pursue – derived from Mission Statement and formally announced/ published to public
- **Operative**: private goals unpublished –stays with organisation

Goal Setting Process:

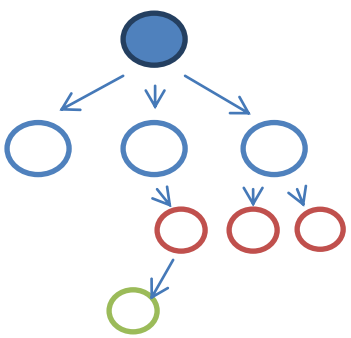
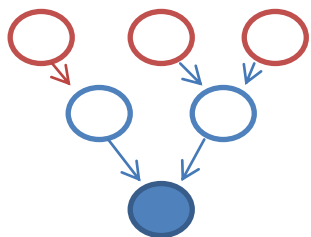
3 Methods (1) Centralised

(2) Decentralised

(3) Combination of 1 & 2

Affects strategy selection, organisation structure and management of organisation

Centralised	Decentralised	Combination
Board of Directors represent whole organisation. <i>Disadvantage</i> : May know little about specific	Managers at each level have influence on their department goals. <i>Disadvantage</i> : managers	Most used in organisations. Stresses NB of Mission Statement but takes into account strengths and

opportunities/ problems faced by lower-level managers. Lower level managers may resist directives from above if they don't understand reasons. 	may have tunnel vision – goals may not be congruent with Mission Statement. 	weaknesses of divisions.
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Techniques for Goal Setting: BSC & MBO

Balance Score Card

Sets goals at all levels in organisation top → bottom

Management By Objectives

Joint participation of subordinates & superiors in taking broad organisational goals – convert to individual goals.

Focuses on end result = not activity

Principle – everyone understand objectives of organisation and aware of own role and responsibilities. (Empower individual & motivates them to aid in their goal setting)

Process of MBO

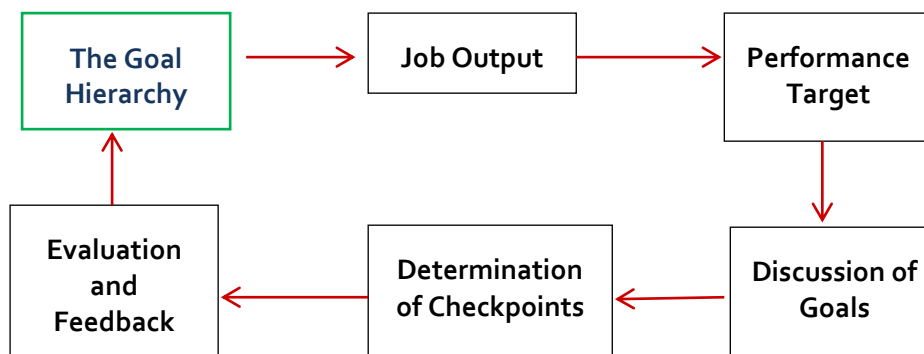
1. **Goal Hierarchy:** Subordinates must understand hierarchy of plans/ goals & areas management are focusing on (key performance areas) and why.
2. **Job output:** Subordinate & superior discuss outputs & key performance areas/ indicators for subordinate.
3. **Performance Targets:** Formulate performance target in areas of responsibility for set period – should be quantative, specific, concise, time related, written
4. **Discussions of Goals:** Subordinate meets with superior. Are goals attainable & challenging. Indicate what resources are needed and what is available (financial/ physical/ information)
5. **Determination of Checkpoints:** Subordinate progress measured periodically = checkpoints established. Reviews monitor progress & opportunity to adjust goals according to changing environment.
6. **Evaluation & Feedback:** End of performance period – review what goals were achieved and not → discuss.

Benefits of MBO

- Improve employee morale through participation of goal setting
- Increased clarity of outputs
- Improved communication due to discussing goals

Disadvantage

- Burden on managers & subordinates with admin process.

MBO Process**Goal Setting:**

- ⚡ Cetrus Parabus – performance of employees will improve if they strive towards a definite goal.
- ⚡ Goals motivate – direct attention, regulates effort, increases persistence & fosters development and application of task strategies & action plans.
- ⚡ The higher the goal, the higher the level of performance
- ⚡ Assumption made that employee will be committed to a goal if it was negotiated with organization
- ⚡ Feedback = NB!!!
 - Provides information needed to adjust effort, direction & strategies
 - Must be immediate
 - Evaluations must be descriptive
 - Focus on behavior not personality
 - Specific
 - Directed to behavior that can change
 - Development activities to be agreed on.
- ⚡ Self-efficiency can be increased:
 - ▶ Provide guidance/ support
 - ▶ Provide successful role models who have already 'mastered' task
 - ▶ "Cheerleader" employee's knowledge and skills

Reduce stress that's unrelated to task's challenges

Chapter 6 – Managerial Decision Making

Problem: when managers think there is a difference between what actually happening v.s. what was planned to happen

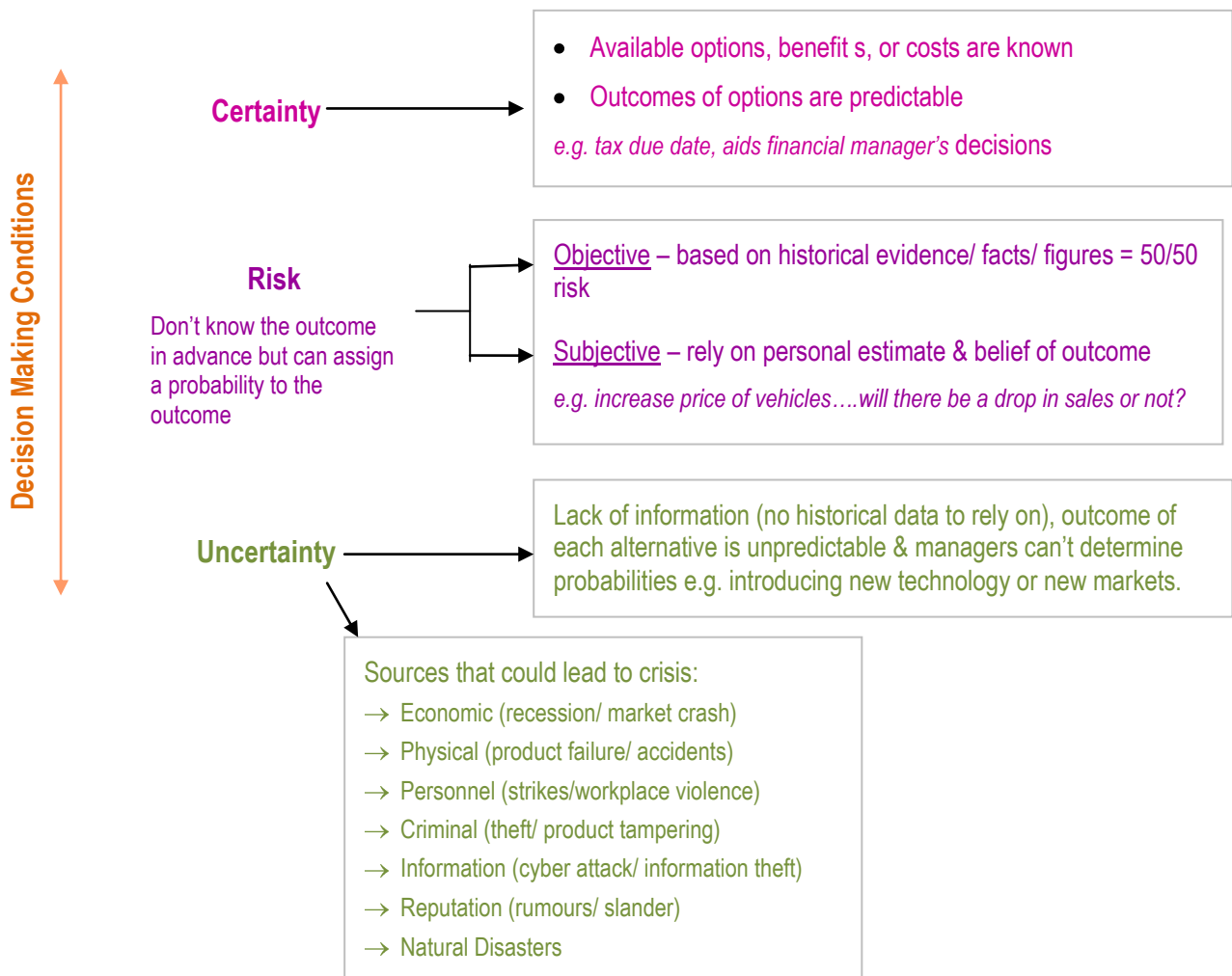
Problem Solving: process of corrective action to solve problem and realign organization with its goals.

Decision Making: process of selecting an alternative course of action to solve problem

Not all problems solvable – apply decision making model:

→ decisions can either be programmed or non-programmed

Programmed	Non-Programmed
Decisions that are repetitive and routine (methods already in place to reach solution) e.g. <i>policies & procedures and standard operating procedures, rules</i> Limited flexibility of managers but allow attention for more NB decisions e.g. <i>payroll, leave requests etc</i>	Novel, unstructured, new problem, complex, elusive Requires creative problem solving e.g. <i>changing advertising campaign or firing an employee</i>



Certainty	Risk	Uncertainty
- Decision maker has complete certainty - Available options and benefits or costs of each are known - No element of change intervenes between the option and its outcomes - Decision is a sure thing	- Decision maker has some certainty - Outcome of each alternative is not known in advance - Probability can be assigned to each alternative outcome - Decisions a gamble	- Decision maker has complete uncertainty - Outcome is unpredictable - Probability can't be assigned to each alternative outcome - Decision requires guts

Decision making Models:

X2 primary models

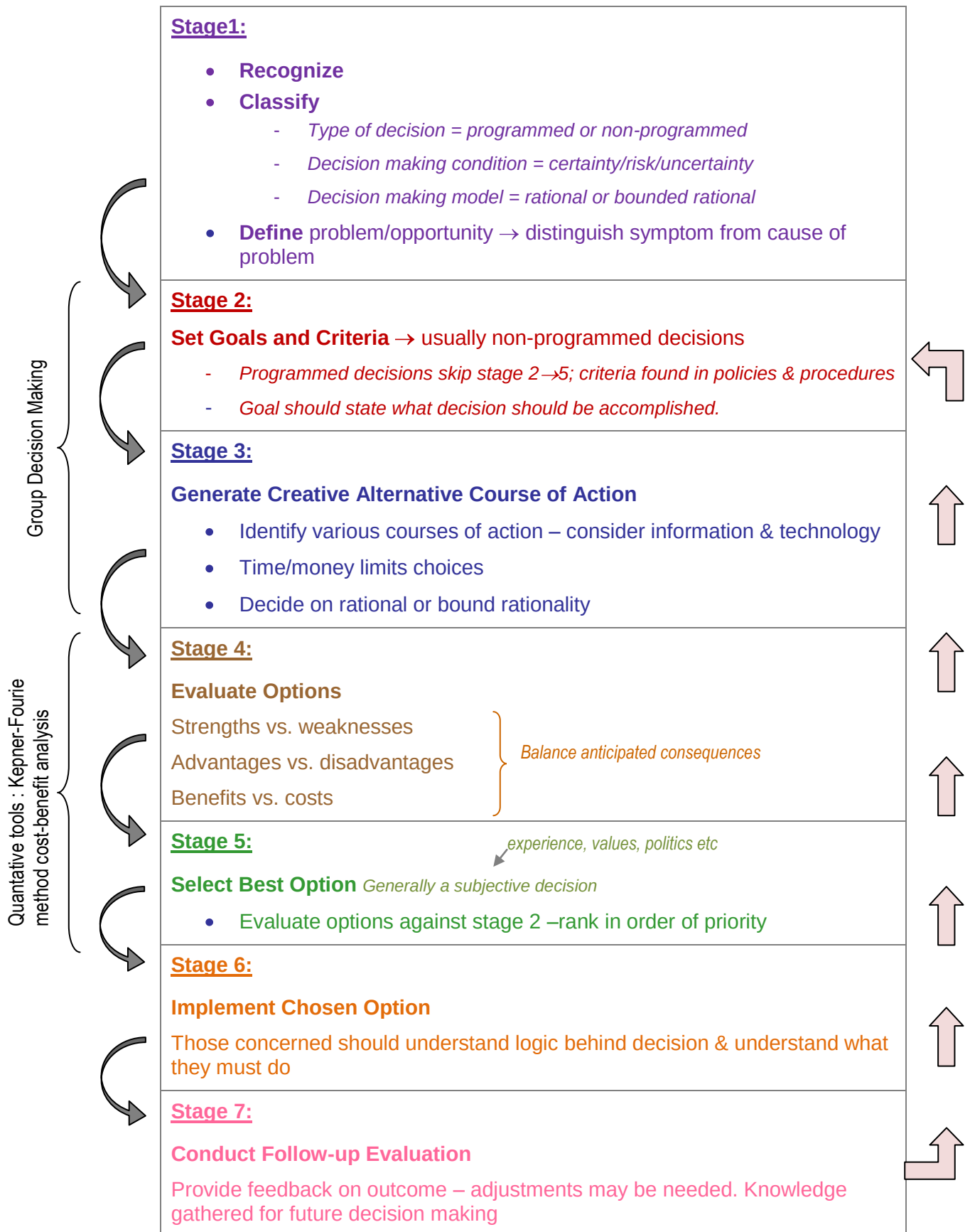
Rational model:

- "optimizing"
- Select best possible solution

Bounded Rational

- "satisfying"
- Select first option that meets minimum criteria
- Searching for and choosing acceptable/ satisfactory response to a problem/ opportunity rather than trying to make best decision.

Decision Making Process:



Group Decision Making (stages 2 &3)

Complexities of decision making situations requires specialized knowledge of number of fields = formulate to coherent strategic plan

Advantages	Disadvantages
♣ Variety of skills/ knowledge to define & solve problem or see opportunity = better quality decision. ♣ Multiple and conflicting views taken into account ♣ Beliefs/values can be transmitted and aligned ♣ Members more committed as they participated in decision making ♣ Participation improves morale & motivates ♣ Develops group-process skills (work as a team)	◆ More time consuming ◆ More likely to satisfice than optimize ◆ Group member or sub-group may dominate and nullify group decision ◆ May inhibit creativity and lead to “<i>groupthink</i>”

Improving group decision making:

- 1) **Brainstorming**
- 2) **Nominal group technique**
- 3) **Delphi technique**
- 4) **Group decision support system (GDSS)**

(1) Brainstorming:

*Merely generates ideas

- Participants generate as many ideas as possible
- Without evaluation by others
- During generating – group is encourage to build on but not criticize
- Imaginative solutions welcomed
- Quantity NB (more solutions the better)
- Combining/ improving solutions encouraged

(2) Nominal group technique

*Structured-group-decision-making technique

→restricts discussion or interpersonal communication during process (used when groupthink a problem)

- Problem presented
 - Group members jot down their idea on problem

- Notes gathered
- Each member clarifies idea to group
- Each member ranks/votes for each idea
- Acceptable solution reached

(3) Delphi Technique (*usually international organizations*)

Participants different geographical areas – physical presence not required.

*Series of confidential questions circulated to participants

- Problem identified – members to provide solutions through series of questionnaires – confidential/anonymously
- Results sent to central location, transcribed & reproduced
- Participants receive results –review results and resubmit new solution ideas.
- Process repeated till consensus reached.

(4) Group Decision Support Systems (GDSS)

- Electronic brainstorming
- Anonomous
- Issues presented to participants – type response into computer, comments & votes displayed on projection screen. This method can be used as a Delphi conference instead of mailing questionnaires.

Tools for Decision Making (stage 4 &5)

Various tools are available to assist managers in performing stage 4 of the decision making process (the evaluation of alternative courses of action) and stage 5 (the selection of the best option). In this section we will discuss quantitative tools for decision making, the Kepner-Fourie method , and the cost-benefit analysis.

Quantitative tools for decision making:

DECISION MAKING TOOLS IN CONDITIONS OF CERTAINTY

a) Linear programming

Linear programming is a quantitative tool for optimally allocating scarce resources among competing uses to maximize benefits or minimize losses. The resources in question may be human, financial, physical or informational. eg. best results for sales representatives.

b) Queuing theory

Queuing theory is a quantitative tool for analyzing the costs of waiting lines. The objective of queuing theory is to achieve an optimal balance between the cost of increasing service and the amount of time individuals, machines or materials must wait for service. (maximizing service while reducing cost) eg. SAA – self check in systems.

DECISION MAKING TOOLS IN CONDITIONS OF RISK AND UNCERTAINTY**a) Probability analysis**

“Probability” refers to the estimated likelihood expressed as a percentage that an outcome will occur.

b) Pay-off matrix (complementary to problem Analysis)

Technique for indication possible pay-offs, or returns, from pursuing different courses of action. Each option is pursued under different states of nature, or circumstances beyond the control of the decision maker

c) Decision tree

Graphic illustration of the various solutions available to solve a problem. It is designed to estimate the outcome of a series of decisions. As the sequence of the major decision is drawn, the resulting diagram resembles a tree with branches.

d) Break-even analysis NB

Involves the calculation of the volume of sales that will result in a profit. It requires the forecast of the sales volume and cost of production. The break-even point is then calculated as the level of sales where no profit or loss results.

e) Capital budgeting NB

Technique that can be used to evaluate alternative investments. It involves a process by which each alternative investment is analysed in financial terms and placed on the capital budget. Used with math models to predict outcomes of Investments, pricing decisions, Inventory control, etc.

f) Simulation

- Quantitative tool for imitating a set of real conditions so that the likely outcomes of various courses of action can be compared.
- Involve constructing and testing a model of a real-world phenomenon.

g) The Kepner-Fourie method

- Combines the objective quantitative approach with some subjectivity.
- The subjectivity comes from determining “must” and “want” criteria and assigning value weights to them.
- It is a method for comparing alternatives using the criteria selected in stage 2 of the decision making model.

h) Cost benefit analysis

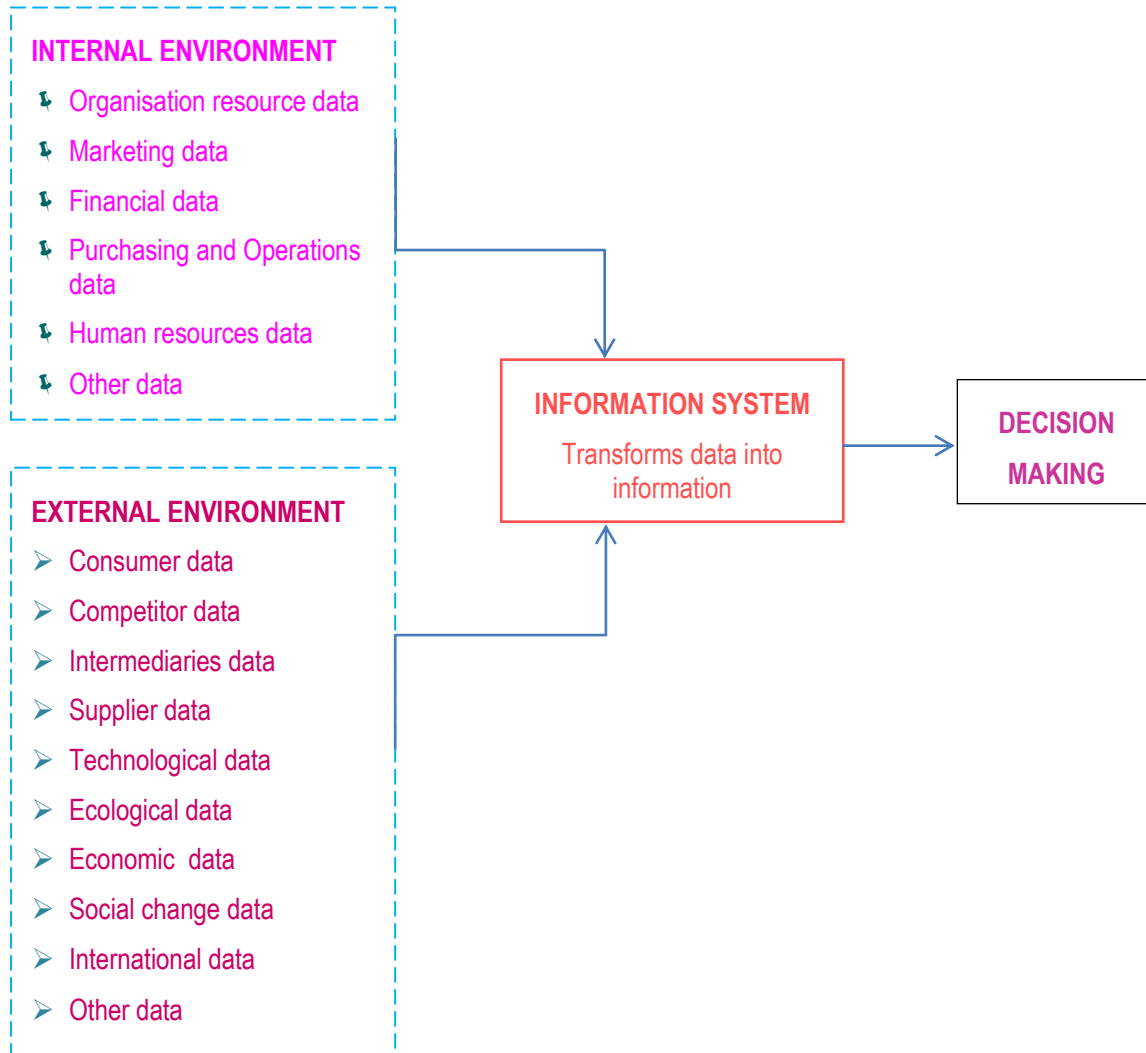
Compares the costs and benefits of each alternative course of action using subjective intuition and judgement.

Makes the minimum use of mathematics in making the decision. The advantages (which can be considered the benefits) and disadvantages (which can be considered the cost) are identified for each alternative.

Chapter 7 Information Management

Information systems transform data from an organisation's external and internal environments into information that can be used by managers in the decision-making process.

Relationships between organisation's IS and Decision making:



To make sound business decisions, managers rely on steady/ accurate/ reliable information from inside and outside the organisation.

Quality of decision is related to quality of information, but quality information depends on accurate data collection, coded, processed, stored and presented.

Managers make use of various information systems (IS)

Data ⇒ raw unanalysed numbers & facts from which information is drawn

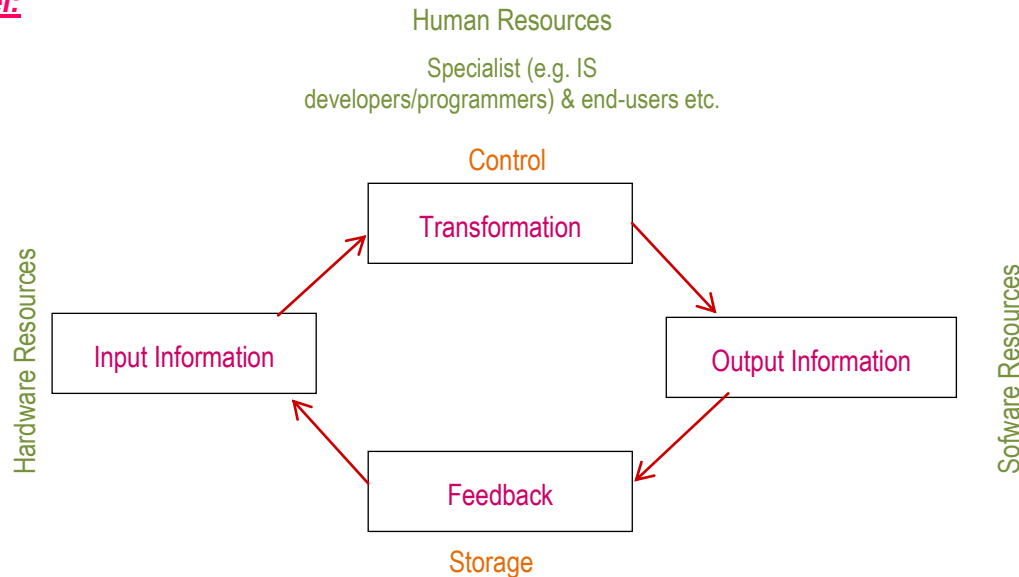
Information ⇒ processed data relevant to manager

Management information is information that is timely, accurate and relevant to a particular situation upon which management must react.

Information System: people, procedures and other resources used to collect, transform and disseminate information in an organisation.

i.e. IS accepts data resources as input and processes them into information product as output.

IS Model:



Components of IS:

The IS uses hardware, software and human resources to perform basic activities of a system; namely in-put → process → output → feedback → control & storage.

Input: Data received e.g. sales figures

Process: Information system transforms data by organising and analysing in meaningful way by PC's CPU

Output: result of processing information

Feedback: Decisions resulting from interpreting the output & the use of information to control system. *i.e. provides feedback on its activities to determine if system meets established performance standards.*

Hardware: Physical components of IS e.g. keyboard, screen, printer

Software: Programs used to tell hardware how to function

Storage: Database housing information gathered for subsequent use.

Characteristics of Useful Information

Must have certain benefits over raw material to be considered a value-added resource to organisations.

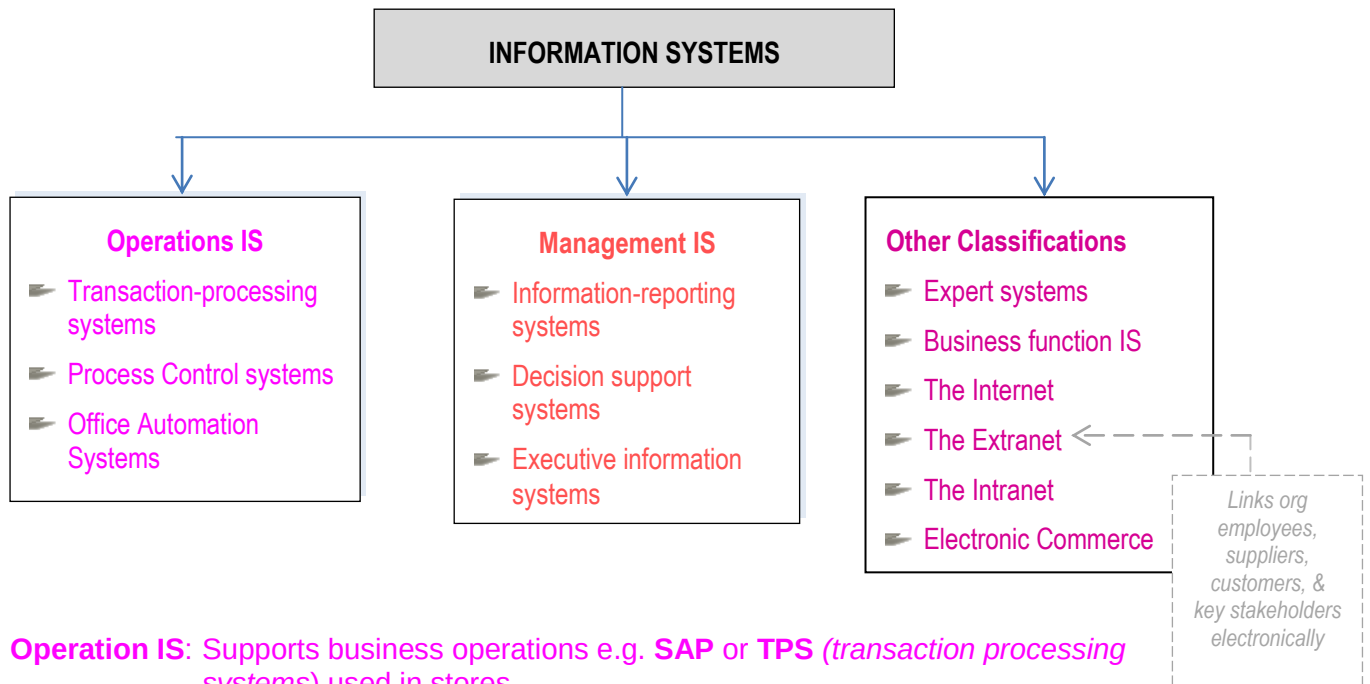
- a) **Quality:** accuracy of information
- b) **Relevance:** information must be useful for problem-solving & decision making process
- c) **Quantity:** sufficiency. Don't overload managers with too much information

Info MUST be:

- C** - current
- A** - accurate
- R** - relevant
- S** - sufficient

d) **Timelines:** Receipt of needed information while it is current

Classification of IS: ÷3



Operation IS: Supports business operations e.g. **SAP** or **TPS** (*transaction processing systems*) used in stores.

Can make routine decisions that control physical processes e.g. implement automatic inventory reader system.

OAS – Office Automation System. Supports office communication and productivity e.g. teleconferences/ word processors etc.

Management IS (MIS): supports decision making needs at operational/ tactical/ strategic levels of management.

Operational Level:

Decisions are structured and MIS processes transactions as they occur to update internal records and provide reports and documents.

Tactical Level:

Decisions are semi structured and middle managers receive results from operational level.

e.g. problems with suppliers, abrupt sale declines, increase consumer demand on products etc.

Middle managers also assess data from external sources to support their own planning & control activities.

Strategic Level

Decisions are unstructured.

Top management needs information from internal and external sources to gauge organisation's strengths and weaknesses as well as opportunities/ threats in the external environment.

Managerial decisions making at all levels requires aid from various MIS: IRS/ DSS/ EIS

IRS – Information Reporting System

Provide information reports needed to make decisions. Access database of internal operations containing information previously processed by TPS. Data of external environment obtained from external sources e.g. sales report on a product in a particular market. E.g. internet/ extranet/ intranet etc

DSS – Decision Support System

Natural progression from TPS & IRS.

Interactive IS supporting managers during decision making.

DSS uses: (1) analytical models

(2) specialised databases

(3) decision makers own insight and judgement

(4) interactive computer based modelling process to support making of semi-structured and unstructured decisions by individual managers

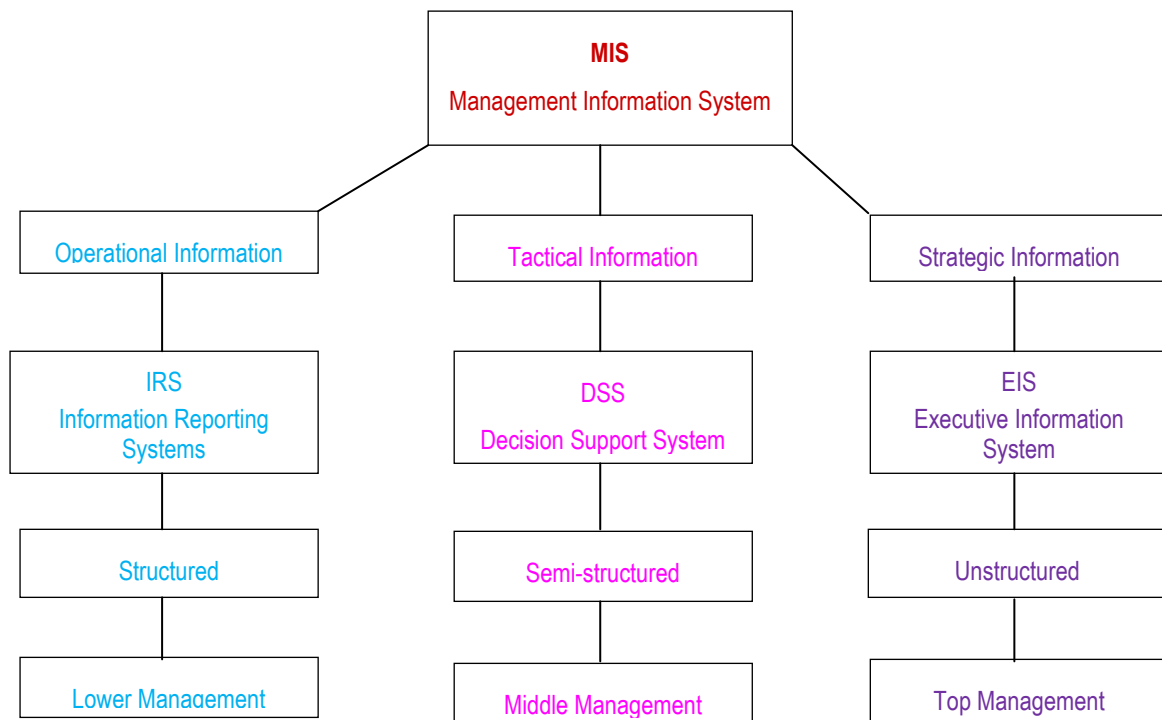
DSS managers explore possible options and receiving tentative information based on different assumptions.

DSS produces sales forecasts, profit estimation, using internal and external data & demographic information

EIS – Executive Information System

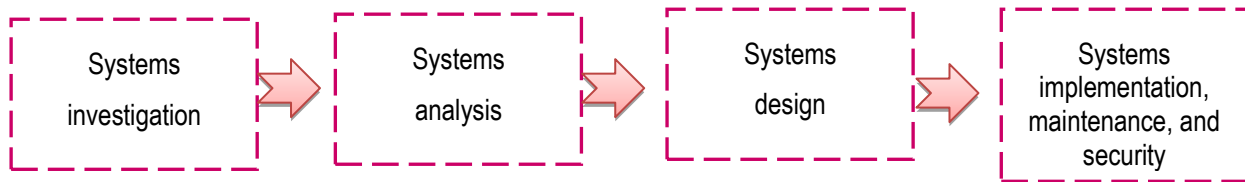
Is a MIS tailored to strategic information needs of top management. Computer based system gives immediate and easy access to information on organisations critical success factors to accomplishing organisations strategic goals.

Relationship between information & manager's job:



Developing an IS

IS development life cycle:



Determine nature/scope of the need for info. Feasibility study may be required to evaluate different systems, analyse costs and benefits of each option and to propose most feasible system for development.

In-depth study of end-user information requirements:

Step 1 - study info requirements.

Step 2 – understand current system. Why is it being done, how it is being done, who is doing it and what major problems have developed.

Step 3 – Determine system requirements for new or improved IS. Get end-user input for each system activity.

Specifies how a system will accomplish the goals of end-users information goals.

Must be a logical model of the proposed system, logical data-flow diagram used to depict the system its procedures and the flow of information graphically.

E.g. report layouts, screens and input documents, forms, and physical file structures. Design specifies what types of hardware, software and human resources are needed.

Acquisition of hardware, & software, developing software, testing programs and procedures using both artificial and live data, developing documentation, and carrying out a variety of other installation activities. Training of end-users and operating personnel.

Maintenance:

Monitoring, evaluating and modifying or enhancing a system once it is up and running.

Security: Address design and implementation stages

Chapter 8 - Organising

What is organising?

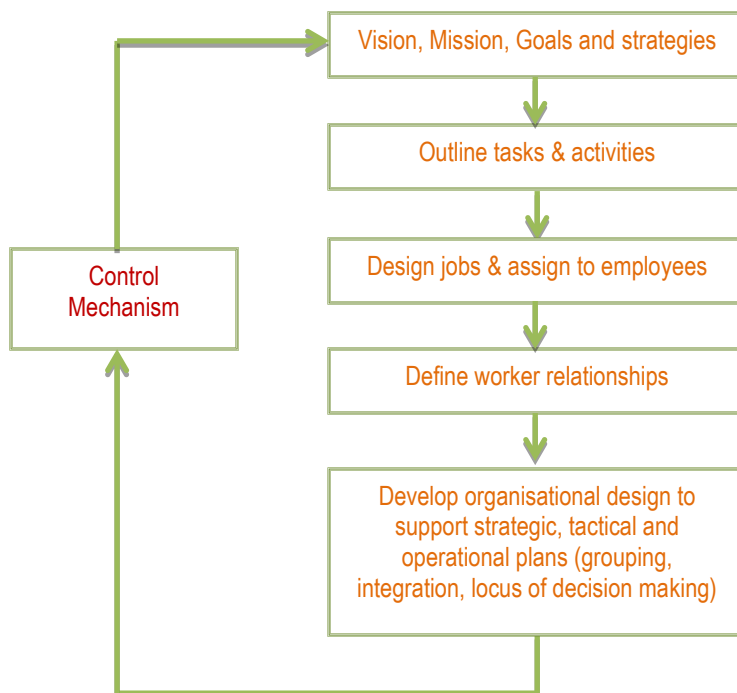
Def: *Process of creating a structure for the organisation that will enable its people to work effectively towards its goals*

-  Design of organisational structure includes tasks of dividing up the work, allocating responsibility and establishing chain of command.
-  Organisation structure = basic framework of formal relationships among responsibilities, tasks and people in organisation.

Reasons for Organising:

- ✚ Allocates responsibilities & accountability
- ✚ Creates clear channels of communication
- ✚ Ensures effective use of resources
- ✚ Synergy
- ✚ Division of work
- ✚ Grouping tasks, procedures and resources
- ✚ Departmentalisation
- ✚ Coordination

Organising Process:



Principles of Organisation

Unity of command and direction:	Each employee reports to one manager/ supervisor
Chain of command:	Tasks/ activities directed to same goals
Span of control:	Clear chain of command from bottom to top
Division of work:	Related jobs are grouped together under a single manager/ supervisor. (<i>functional areas</i>)
Standardisation:	Create uniformity for employees to deliver their work. <i>Uniformed practices</i>
Coordination:	All department/ individuals to work together to accomplish strategic goals & tactical / operational objectives. Process of integrating all organisational tasks and resources to meet objectives. <i>(greater independence, greater coordination)</i>
Responsibility:	Obligation to achieve objectives by performing required activities.
Authority:	Right to make decisions, issue orders and use resources
Accountability:	Evaluation of how well individuals meet their responsibilities
Power:	Ability to influence the behaviour of others in business <i>(legitimate, reward, coercive, reverent, expert)</i>
Delegation:	Process of assigning responsibility and authority for attaining objectives. Responsibility and authority is delegated down chain of command
Downsizing:	Aimed at reducing the size of an organisation's workforce.
Delayering:	Reduces the number of layers in the vertical management hierarchy during re-engineering process

Managers can delegate responsibility or authority but not accountability

Authority (FLICS – D)**Def: Right to make decisions, issue orders and use resources**

Types of authority:

Formal Authority	Sanctioned way of getting things done as per organisational flow chart
Line Authority	Responsibility to make decisions and issue orders down the chain of command
Informal Authority	Patterns of relationships and communication that evolve as employees interact
Centralised Authority	NB decisions made by top-level managers
Staff Authority	The responsibility to advise and assist other personnel based on expert power
Decentralised Authority	NB decisions made by senior, middle and first-line managers/ supervisors. <i>ie. lower levels can decide on certain issues</i>

Decision whether to centralise or decentralise authority:

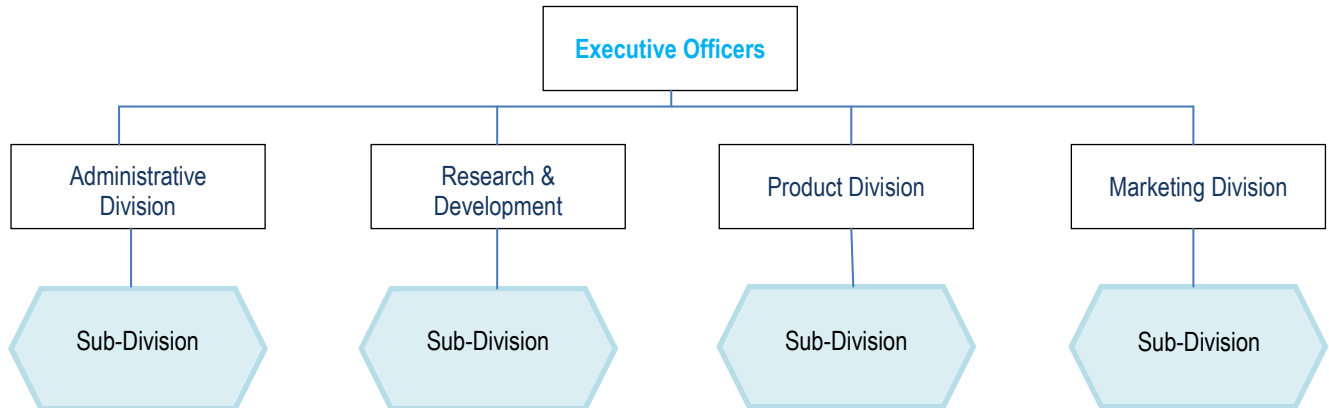
- External environment – the more complex the environment and greater the uncertainty the greater the tendency is to decentralise.
- History of organisation – organisations tend to do whatever they have done in the past.
- Nature of decisions – riskier decision and higher the costs involved – more centralised
- Strategy of organisation – strategy determines market to which organisation is subject to. Organisations prone to R&D advocate product diversification ∴ decentralised structures. Organisations in predictable industries become increasingly centralised.
- Skills of lower-level managers = decentralisation if qualified and capable of making sound decisions and vice versa
- Size and growth rate of organisation

Advantages	Disadvantages
Reduced workload for top managers	Defeats integration of sub-units
Improved decision making	Potential loss of control
Improved training, morale and initiative	Danger of duplication
Faster and more flexible decision making	More expensive and intensive training required
Fosters a competitive climate	Demands sophisticated planning and reporting methods.

Organisational Design Structures:

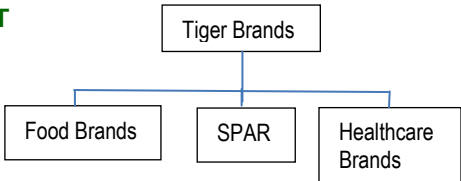
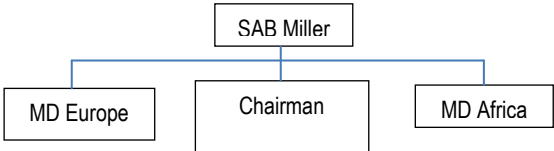
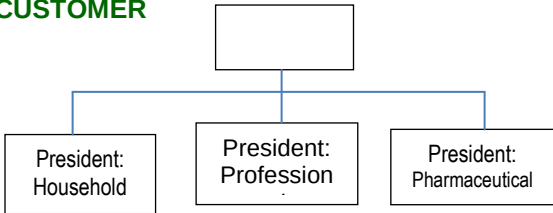
Organisational structure must support planned strategy

Functional Structure:



- Formal arrangements of positions into work units or departments and their interrelationships within a business.
- Is organogram of management hierarchy, departments and their working relationships.

Types of Departmentalisations

FUNCTIONAL	Groups together same jobs with similar activities Func = refers to organisational functions/ finance/ HR/ Marketing
PRODUCT	 Activities concerned manufacturing specific products. <i>e.g. general electric has 9 different product lines</i> <i>e.g. aircraft engines, appliances, plastics etc.</i>
LOCATION (Geographic)	 Logical structure for business producing & selling goods in different geographical regions <i>e.g. coca cola has 2 regional groups North USA & Europe</i>
CUSTOMER	 Concentrates on a particular segment of market/ group of consumers, or where business sells its products only to limited group of users. <i>e.g. American Express organised into departments that cater for general consumers, travellers, investors, business people</i>

MULTIPLE (Matrix, Divisional, Network, New venture, Team, Virtual Network)	
Matrix	Large, complex businesses several departmental structures to create hybrid (usually product & functional used together) <i>e.g. Citigroup international uses combo of geographic & customer departmentalisation to organise operations in North USA.</i>
Divisional (strategic business units)	Combines functional & product departmental structures. Employee works for conational dept such as HR but also assigned to 1 or more products or projects – flexible structure but employee reports to 2 or more superiors Large, complex and global organisations with related products & services have divisional structure which departmentalised into semi-autonomous strategic business units <i>e.g. Kumba Resources for mineral and metal producers comprises of business units: coal, iron ore, zinc – products are all related but still require different operations.</i>
Network Structure	Interrelationship between different organisations. Core activities are done by itself but subcontracts some or many of its non-core operations.
New venture units	Groups of employees who volunteer to develop new products or ventures for the organisation.
Team approach	Most widespread trend in departmentalisation. Allows managers to delegate authority, push responsibility to lower levels and be more flexible and responsive in competitive global environment
Virtual Network Approach	Built on team approach but geographically teams are not situated in same areas/building <i>e.g.</i> would be electronic commerce, extranet and intranet.

Job Design

Process of combining the tasks that each employee is responsible for – affects job satisfaction & productivity – involve employees in the process.

Job Specialisation

“job simplification” refers to the narrowing-down of activities to simple, repetitive routines. Not to be confused with a specialist person who has received specialized training.

Job Expansion – job rotation, job enlargement and job enrichment

Delegation

Managers are unable to perform all the work for which they are held responsible ∴ they use their authority to assign a portion of their total workload to others. In this way authority is also passed on to an employee, who then has the authority to deploy the necessary resources in order to complete the delegated task.

Delegation NB for organization – promotes succession planning (i.e. if manager leaves – able to replace them with current employee)

Manager gains – completes more management work

Subordinate gains – learn and develop their decision-making / problem-solving/ managerial skills.

Note: according to parity principle – neither the manager nor subordinate should be held responsible for things beyond their control/influence.

Principles of effective delegation

- 1) Explain reason/s for delegating
- 2) Set clear standards and goals (subordinate should understand and agree and be a part of the process for formulating goals to measure their performance)
- 3) Ensure clarity of authority and responsibility. (subordinates must understand the task, responsibility & authority assigned to them and held accountable for results)
- 4) Involve subordinates. (include subordinates in decision making)
- 5) Request the completion of tasks
- 6) Provide performance training (help workers overcome shortcomings)
- 7) Provide feedback to subordinate (+ve & -ve re performance – way forward to be discussed with subordinate).

Advantages of delegation:

- Managers who train staff – in a position to accept more authority and responsibility from top management
- Delegations encourages accountability, self-confidence and initiative development for subordinates
- Improves decision making when involving staff who are “closer to the action”
- Quicker decision making – subordinates who have been given necessary authority can make quick decisions without first having to go through top management levels

Obstacles to effective delegation:

It is easier to hold onto task one is most familiar and comfortable with, but best to delegate as it allows for personal growth and because you are so familiar with it, it will be easier to keep an eye on progress of the subordinate who it has been assigned to.

Personal and psychological barriers may impede delegation process:

- Performance evaluation may suffer if subordinate fails to do job successfully.
- Lack of confidence in subordinate's ability to perform task as well as you can.
- May be too inflexible or disorganized to delegate or that it would take too long to explain hence easier to do it yourself.
- Fear that subordinate may do the job better than yourself.

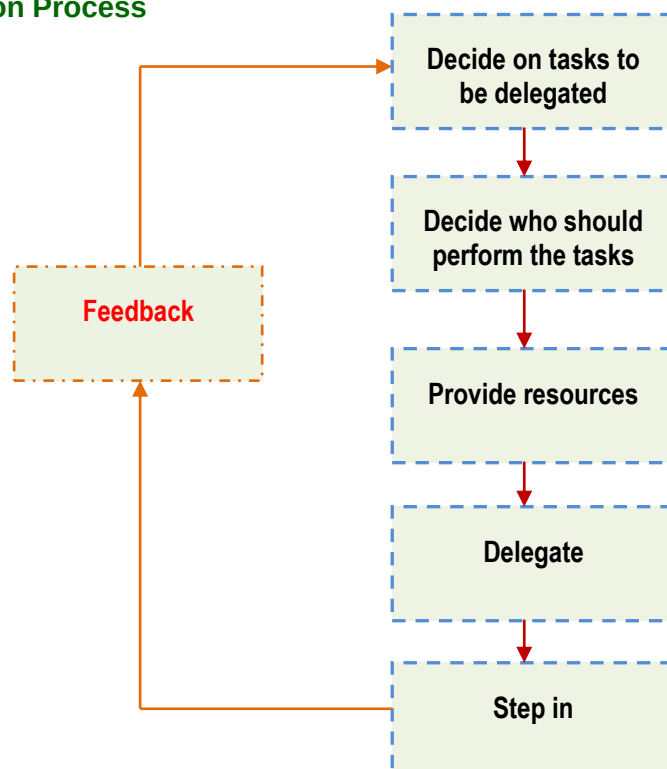
Organisational obstacles to delegations:

- ▶ Authority and responsibility not clearly defined
- ▶ Accountability for task's performance not clearly passed on to subordinate they may burden other staff members with the responsibility.
- ▶ Absence/ poorly developed job descriptions – individuals may not understand what is expected of them

To overcome above mentioned obstacles a manager must be wary of their existence and create a culture of continuous learning. Manager should realize there is more than one way to complete the task and allow subordinates the freedom to perform their delegated tasks (having been clearly instructed what desired outcome is expected).

Improvement of communication between subordinates and managers – will give managers good feel for what each subordinate is capable of handling.

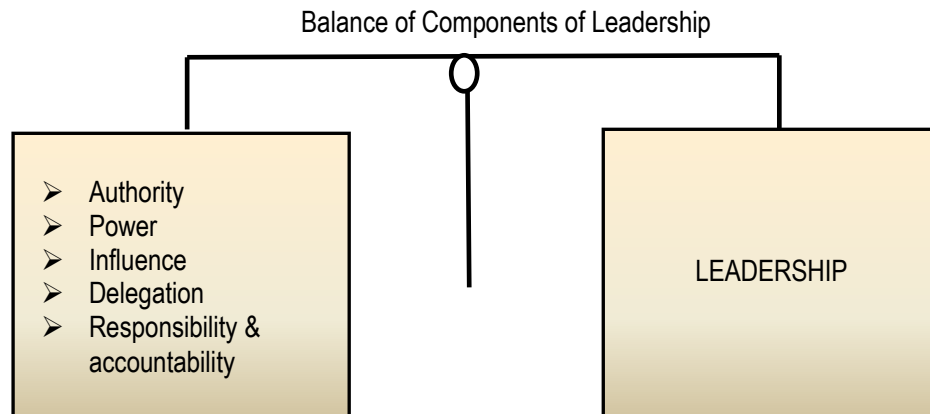
Explaining extent of their contribution in achieving organizational goals and have trust enough that they are capable of achieving tasks. If subordinate is unable to perform task well, a manager so be willing to teach/train.

Delegation Process

Chapter 11 – Leadership

Def: The process of influencing employees to work willingly toward the achievement of organisational objectives.

Leaders can influence others to follow a certain course of action in a number of ways:



1) Authority

The manager's formal position in the business. Allows them to say who does what, to enforce, reward or punish performance.

Note: a manager can exert certain type of power when yielding authority.

Types of authority:

Legitimate	Authority granted to a particular position
Reward	Power to give/ withhold rewards in terms of salary/bonus etc.
Coercive	Enforce compliance through fear , whether physical/ emotional/ mental
Reverent	Personal power based on identification or charisma . People obey just because they like, respect or identify with them.
Expert Power	Derived from expertise knowledge or professional ability

Effective manager should have both **leadership** and **management** qualities.

Leaders possess power qualities that are visionary, creative, flexible, inspiring, innovative, personal etc.

Managers should have power qualities that are rational, persistent, problem-solving, analytical, tough minded etc.

Management aims to emphasise stability and problem solving.

Leadership emphasises vision, creativity & change. Good managers have a balance of both.

LEADERSHIP	VS	MANAGEMENT
→ Sets direction and change → Aligns people → Don't do controlled audits but check if people are following new direction → Focuses on behavioural aspects like mobilising people and setting direction → Have authority, but achieve results without using force.		↳ About making organisation work ↳ Sets structure to perform tasks ↳ Controls by checking performance targets ↳ Focuses on non-behavioural aspects of management such as goal setting, strategy development and control of activities. ↳ Uses authority to enforce/ direct activities of others.

Theoretical Leadership Approaches:

Leadership Traits	Behavioural Approach	Situational/ Contingency Approach	Contemporary Approach
Typical leadership characteristics. "Trait theories of leadership try to isolate characteristics that differentiate leaders from non-leaders"	Focus on what effective leaders do, rather than on what they are. 4 common styles: 1. Autocratic or task-oriented leaders 2. Democratic or employee oriented leaders 3. Theory X Leaders 4. Theory Y Leaders	Traits and behavioural approaches to leadership does not have a singular style that's effective in all situations. There are many variables that add to good leadership. ∴ the development of situation approach to leadership 4* prominent models developed: 1) Fielder's contingency theory 2) Hersey & Blanchard's Contingency Theory 3) Path-goal theory 4) Substitutes for Leadership	Transactional Leadership "Traditional Management" These leaders do as managers do, clarify role to subordinates, determine structures, provide rewards & conform to organisational norms/ values. Charismatic/ visionary Leadership Has ability to inspire/ motivate people to do more than they would normally do despite obstacles & personal sacrifice. Visionary leaders speak to hearts of employees letting them be part of something bigger than themselves – see beyond current realities & help fellows believe in a brighter future Transformational Leaders Similar to charismatic but distinguished by their special ability to bring about innovation and change by recognising followers needs and concerns, helping them look at problems in new ways & encouraging them to question the status quo.

Situational/ Contingency Leadership Approaches: 4* prominent models			
Fielder's Contingency Theory	Hersey & Blachard's Contingency theory	Path-goal Theory	Substitutes for Leadership
<i>"Match the leader's style with the situation most favourable for his/her success"</i> This fit is achieved by understanding style of leadership (task or people oriented), analysing the situation to determine whether or not the style will be effective, and matching style ad situation by changing the situation so that its compatible with the style.	<i>"Focus on characteristics of employees in determining appropriate leadership behaviour"</i> Subordinates = 4 levels of readiness: Low, moderate, high and very high. A leader can adopt one of the four styles to fit with readiness of subordinates. 1) Low = 'Telling Style' Very direct style giving explicit directions about how task should be accomplished. 2) Moderate = 'Selling Style' Leader explains decision and gives subordinates to ask questions & gain clarity/ understanding about tasks. 3) High = 'Participating Style' Leader shares ideas with subordinates, gives them a chance to participate & facilitate decision making 4) Very high = 'Delegating Style' Leader provides little direction & little support because they hand over responsibility for decisions & their implementation to subordinates.	<i>"Leader's responsibility is to increase subordinate's motivation to attain personal & organisational goals"</i> The leader increases motivation by either clarifying subordinates path to the rewards available or by increasing the rewards that the subordinates vale/ desire. <i>Path clarification:</i> Leader works with subordinates to help them identify & learn behaviours that will lead to successful task accomplishment & organisational rewards.	<i>"Suggests that situational variables can be so powerful that they actually substitute/ neutralise the need for leadership"</i> <i>i.e. leadership style irrelevant.</i> 3 Groups: 1) Group – subordinates are highly professional and experienced 2) Task 3) Organisational Variables

Tasks/ employee oriented leadership style is less NB as employees don't need much direction

Note: Other theories**Vroom-Yetton Jago Model:**

Task structures have varying demands for routine and on-routine activities – leader behaviour to be adjusted to reflect the task structure. Model is a decision tree incorporating 5 alternative leadership styles and 12 contingencies.

Female Leadership

Highly effective in today's turbulent corporate environment. Engage in a more interactive style – consensus building, open and inclusive, encourages participation by others

Dynamic Engagement

New line of enquiry into leadership behaviour. Researchers revisit the basics of leadership by trying to single out 5 fundamental practices and 10 behaviours that leaders use to get extraordinary things done.

Attribution theory

Leaders seek proof or reasons why subordinates act in a certain way and then modify their behaviour to guide their followers.

LEADERSHIP & POLITICAL BEHAVIOR IN ORGANISATIONS

- Political behavior → people gaining & exercising power to obtain a specific outcome
- Forms of political behavior:
 - **Inducement** → manager offers something in exchange for person's support
 - **Persuasion** → manager plays on subordinate's emotions – fear/guilt
 - **Creation of an obligation** → one manager supports another therefore wanting a favour in return (sometime in the future)
 - **Coercion** → behavior bordering on the use of force to get their own way

Managing political behaviour in organizations

- People may regard the manager's actions as political when they are not
- Grant adequate autonomy & responsibility
- Limit use of power
- Handle conflict openly
- Avoid covert behaviour
- Management systems that evaluate subordinates realistically, reward systems that are linked to performance, restriction on competition among managers over resource allocation.

Chapter 12 – Individuals in the Organisation

Managers lead subordinates to attain company goals. Subordinates outnumber Managers in any organization ∴ managers need to understand the basic issues of human behavior → NB for motivating, communication and leading employees.

The Importance of the Human Dimension in Management:

Seeing that human interaction takes up the majority of managerial tasks, it is NB to consider people from the following angles:

- ♣ People as people
Most of a person's day is spent at work – people work to attain their goals in life ∴ an organization is an instrument for employees to attain their goals. If an organization blocks this attainment of the needs/goals of employees they become demotivated and less productive.

A manager ∴ has to understand the individual's drive, personality, learning abilities/methods, values, attitude, group dynamics etc
- ♣ People as resources
People are the lifeblood of an organization and it is this resource that gets other resources mobilized. They are also the only resources with personal goals and an aim for higher statuses and are individually all different in their make up.
- ♣ Knowledge of workers
Capabilities are NB in an organisation and an environment of learning is essential
- ♣ People as social systems
NB for manager to understand how people function as individuals, in groups, and in teams.

People as a Sub-System

People within an organization can also be seen as a sub-system, along with departments, groups and teams.

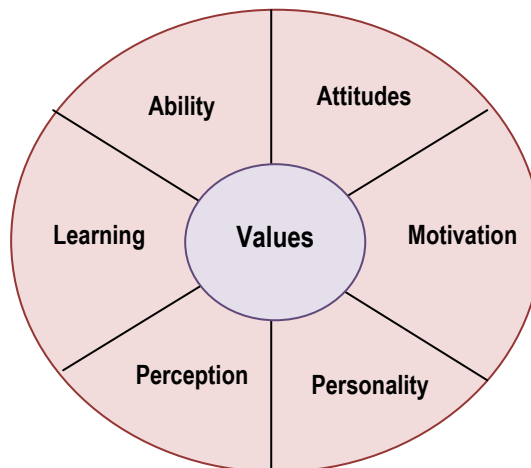
Remember subsystems from previous chapters?

- System is complex: People differ in terms of needs/values/expectations/ goals etc. Continually changing as they build experience, mature, learn etc ∴ each individual is unique and can not be compartmentalized.
- System is either open or closed: People continually interact with their environment and influenced by external and internal factors (e.g. may hear that another company offers better pay – affects current attitude).
- System strives for equilibrium: Person will strive to meet personal needs/ goals and 'balance out' these wants by actively engaging in activity to attain those needs/goals i.e a need/goal puts a person "out of balance"
- System can strive towards achieving a multiplicity of goals: A person as a multitude of goals they are striving for at one time, and sometimes these different goals are in conflict with each other and causes tension /imbalance. e.g. work, study, family

People in the Organisation

Key variable that influence the individual behavior of employees that managers should know about:

PP AA L M → Values



Values & Attitudes

Values play decisive role in decisions taken within an organization.

Values are basic beliefs that a certain way of doing things is preferable to another – determines moral value for what is right or wrong.

Value system = arrangement of values in order of priority for an individual.

An employee's values and value systems influences their attitude, level of motivation, perception and individual behavior etc.

Values are ingrained by influences from birth by people and environment around a person hence it is difficult to change a person's values – managers need to be aware of this.

Attitudes is also a primary cause of individual difference – attitude can influence productivity.

Attitude is a collection of feelings and beliefs.

To understand someone's attitude, managers should consider three components

- 1) An affective component (e.g. feeling negative about a task)
- 2) A behavioural component (i.e. body language/ verbal response to situation)
- 3) A cognitive component (i.e your internal thoughts/knowledge on an issue)

A manager is interested in the attitudes that will affect an employee's job (attitude towards a job often relates to job satisfaction level).

Job involvement – degree to which an individual identifies psychologically with their job.

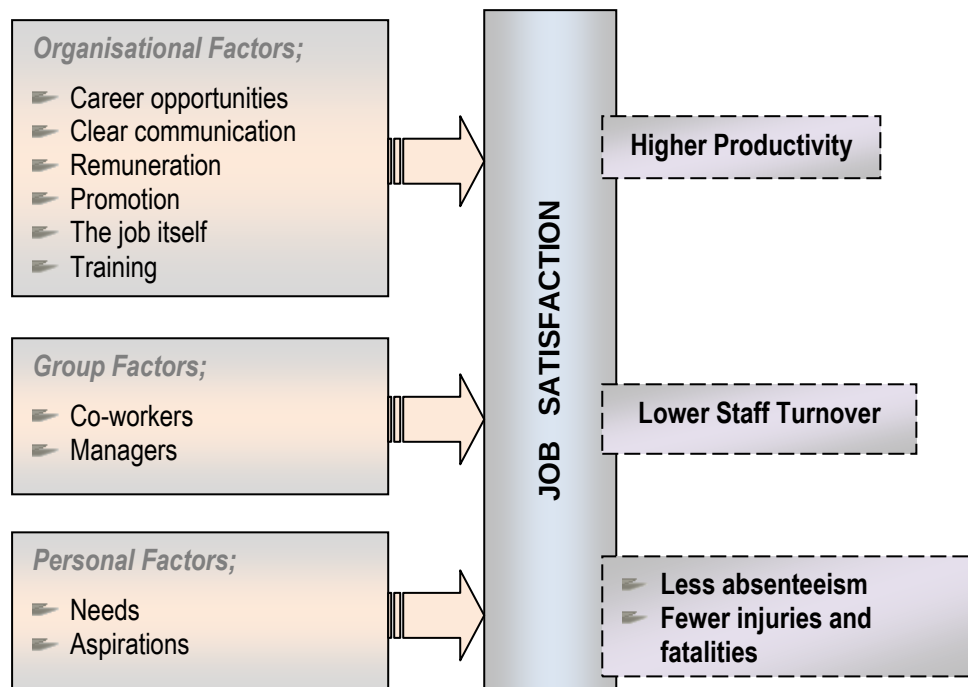
Organisational commitment – degree to which an individual identifies with their employer organisation's goals/ culture etc.

A manager can try to change an employee's attitude by changing the following:

5 elements contributing to –ve attitudes at work:

- i. Excessive workload
- ii. Concerns about leadership effectiveness
- iii. Anxiety about job & financial security
- iv. Lack of challenging work, boredom, frustration and
- v. Insufficient recognition

- Organisational factors
- Group factors
- Personal factors.



Personality

People with certain personality traits are better suited to certain jobs than others. An individual's personality largely determines how he or she perceives, evaluates and reacts to the environment.

Individual behavior in the workplace is a function of the continuous interaction between an employee and the work situation.

The following factors are valuable in providing insight into employee behavior:

- **Personality type**
- **Locus of control** (extent to which a person believes that their behavior directly influences the consequences of their actions = internal locus. External locus = believes in fate/luck)
- **Authoritarianism** (extent to which an employee believes that there should be power and status differences in an organization)
- **Self-monitoring** (extent to which employee is able to mould their behavior according to that of their co-workers i.e. they observe interactions and take on desirable traits that will advance them in business)
- **Achievement orientation**
- **Self-esteem**
- **Risk profile**

Note other traits that influence behavior: achievement orientation, self-esteem & willingness to take risks.

There are two types of personality traits: A & B types

Type A Personality

The following are the characteristics of the type A personality

- ♣ Type A's has got a severe sense of time urgency. They are always running and can hardly relax. If they sat without doing something useful they may end up feeling guilty
- ♣ Type A's are over achievers, they usually get themselves involved in many different unrelated activities and perform well in them all.
- ♣ Type A's biggest problem is stress, they are usually overwhelmed by the amount of tasks they have to do. These tasks are usually a huge list that they planned for themselves.
- ♣ Type A is usually competitive and has a high challenging spirit.

Type B Personality

- Type B personality is almost the opposite of Type A.
- This type of person is relaxed by nature and has no sense of time urgency
- Type Bs have got no problems relaxing or sitting without doing anything
- Type Bs may delay the work they have to the last moment and they usually don't get stressed that easily.
- Type B could be an achiever too but his lack of sense of time urgency helps him much in not feeling stressed while doing his tasks.

Type A	Type B
• Unceasing struggle to archive more in less time • Competitive • Impatient • Think or do two or more things simultaneously • Cannot cope with leisure time • Emphasize quantity of work over quality • Rarely creative • Rely on past experiences when making decisions	○ Rarely try to complete an increasing number of tasks in a shorter period ○ Do not exhibit their superiority ○ Patient ○ Stay focused ○ Can relax without guilt ○ No need to display achievement ○ Creative ○ Develop unique solutions to problems

The Myers-Briggs Type Indicator (MBTI) is a battery of test to determine personality type and usually a combination of:

- Extrovert or introvert (E or I)
- Sensing or Intuitive (S or N)
- Thinking or Feeling (T or F)
- Perceiving or Judging (P or J)

The MBTI can be used to match personalities with jobs.

Individual's ability:

No two people have exactly the same abilities – each one has their own unique strengths and weaknesses.

A manager should note how they differ when it comes to applying their abilities successfully in the organization.

Ability = person's capacity to do the different tasks in a job (*e.g. typist needs speed and accuracy*)

= two components – intellectual capacity (IQ) & physical ability (stamina, coordination, strength etc)

= 'competency': knowledge (qualifications etc), skills (decision making, problem solving, numeracy etc), value orientation (productivity, driven etc), applied in context (being able to apply the first 3).

Motivation:

See Chapter 14

Perception:

Def: Process in which individuals arrange and interpret sensory impressions in order to make sense of their environment

Managers must realize people perceive differently from objective reality – they react to what they perceive as reality.

∴ employees may perceive organizational goals differently. These differences in perception depend on:

- (1) *who is doing the perceiving*
- (2) *the object being perceived*
- (3) *the context in which perception occurs*

A person does not absorb all 'information' thrown at them and only retain/focus on snippets of information and depends on the perceiver's interest, background, experience, attitude etc. This enables a person to perceive faster but carries a risk of inaccurate assessments of others.

Cognitive strategies = short cuts that the brain uses to reduce volumes of information its bombarded with. → prejudices, heuristics and halo effect.

Mainly a result of stereotyping

Def: Preconceived opinion not based on reason or experience

This entails decisions-making principles than an individual uses to draw quick conclusions about other people.

Def: A heuristic is a mental shortcut that allows people to solve problems and make judgments quickly and efficiently. These rule-of-thumb strategies shorten decision-making time and allow people to function without constantly stopping to think about the next course of action. While heuristics are helpful in many situations, they can also lead to biases

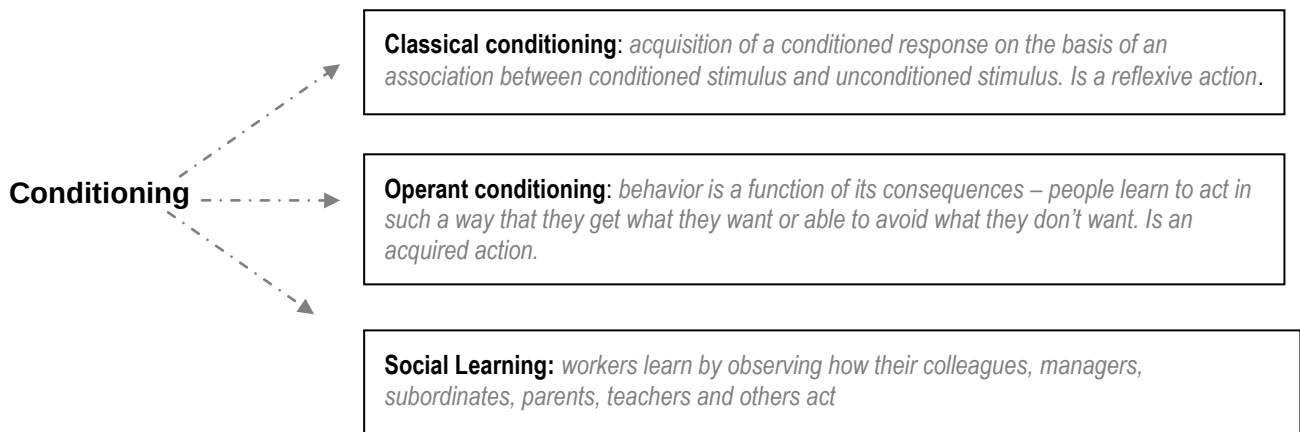
For general impression of another individual based on certain characteristics such as intelligence, appearance or degree of socialization

Learning:

The two concepts of **conditioning** and **shaping** helps explaining and forecasting behavior – will provide a manager with more insight into worker's productivity, absenteeism, quality of work etc. It also aids in changing undesirable behaviours in employees.

Different learning systems should be accommodated:

- 📖 Learning by reading (*books, journals etc*)
- 👂 Learning by listening (*lectures, seminars etc*)
- 📺 Learning by observing (*videos/ over the shoulder training*)
- 👤 Learning by doing (*simulations, on-the-job-training, learnerships*)



Shaping – managers effort to shape an employee's behavior gradually to the advantage of the organization – can be done by reinforcement of each successive step that brings the individual closer to the formulated goal

EMOTIONAL INTELEGENCE (EI)

EI – ability to access, manage, and make use of one's own feelings in the workplace – as well as those of others.

Researched by Goleman – found EI more NB than IQ or technical skills

Emotional competencies:

- **Self – awareness** (knowing what one feels, being able to articulate & manage how it affects one's work etc)
- **Self-management** (ability regulate distressing affects e.g. anxiety, anger etc)
- **Social awareness** (empathy, service orientation and organizational awareness)
- **Relationship management** (ability to read currents of emotions and political dynamics in groups)

Relationship management (social skills) = ability to attune to or influence the emotions of another person and social skills such as developing others, managing emotions effectively in other people, creating an atmosphere of openness, creating clear lines of communication, managing conflict, inspiring other to work towards goals, managing change, building networks and managing teamwork.

Chapter 14 – Motivation

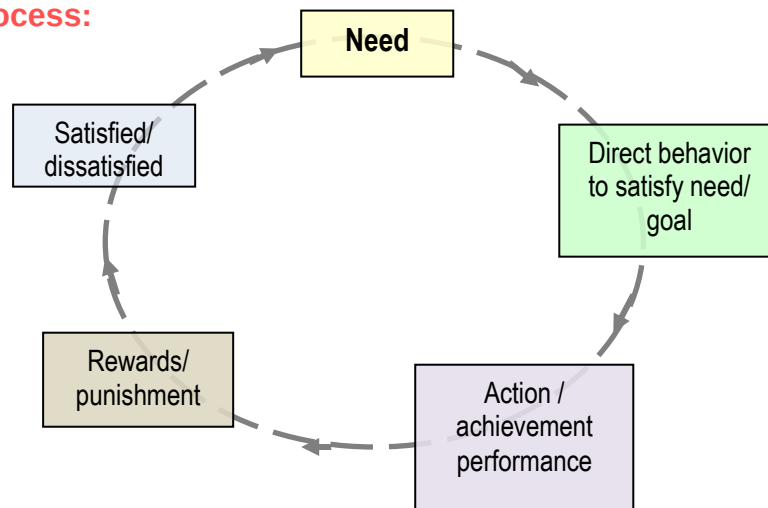
Directly influence employee performance

NB – you cannot motivate another person – motivation comes from within.

Motivation is an inner desire to satisfy an unsatisfied need.

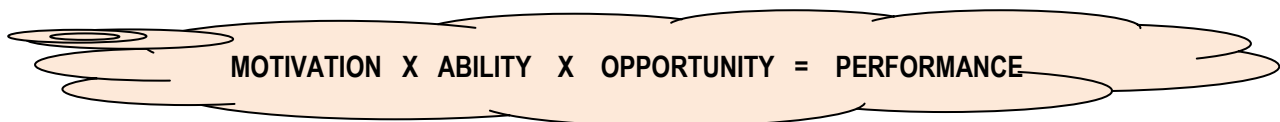
Motivation drives people (people are motivated by what is in their best interest). If organization is close in line with what employers perceive is in their best interest they will be motivated to reach for business goals.

Motivation Process:

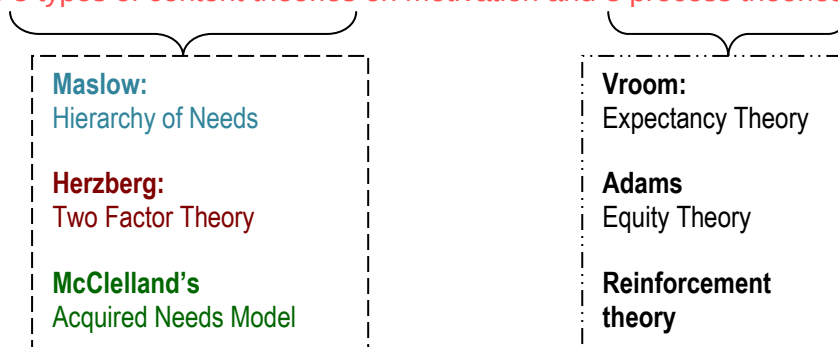


Note: Behavior = need motivates person to engage in certain behavior e.g. work overtime/ enroll to study etc.

Feedback = if unsatisfied or satisfied the loop will start again

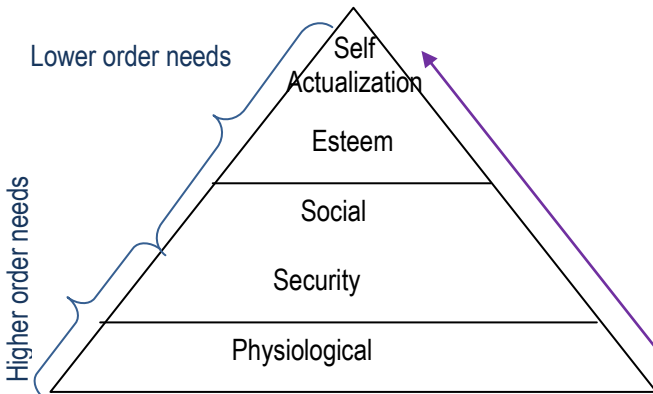
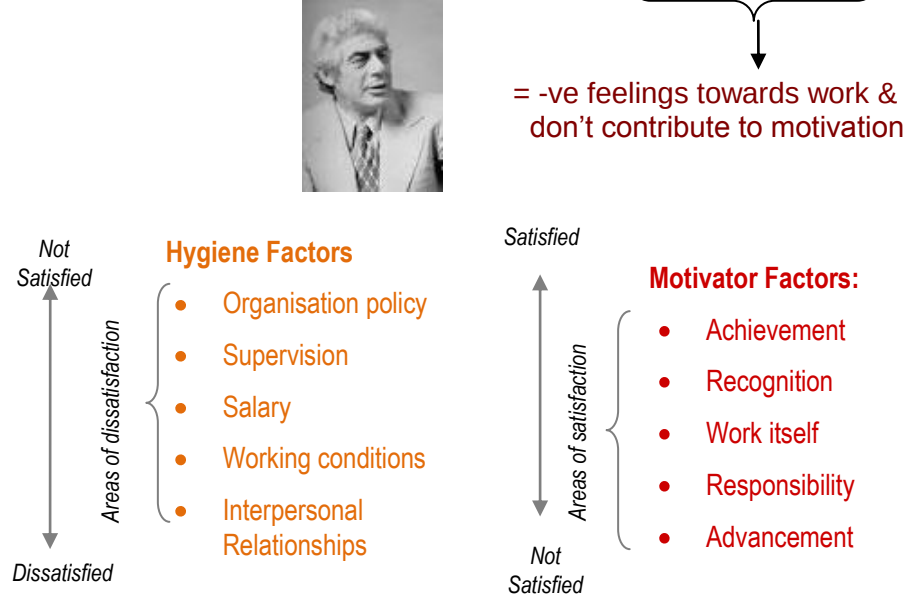
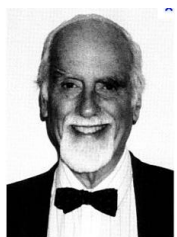


There are 3 types of content theories on motivation and 3 process theories of motivation



Process theories focus on the process of "how to motivate"

Content theories attempt to **identify people's needs**; the focus of **process theories** is **HOW** motivation actually occurs. Emphasizes process of individual goal setting & evaluation of satisfaction after the goals have been achieved.

Maslow: Hierarchy of Needs	Herzberg: “Two-factor” Theory	McClelland’s Acquired Needs Model
Focuses on human motivators Based on 2 principles: 1) People always want more, and their needs depend on what they already have. 2) Needs arise in order of importance  Lower order needs: Physiological, Security, Social, Esteem Higher order needs: Self Actualization Physiological: salary / wages/ basic working conditions Security: job security, medical aid, pension, insurance. Social: friendships, acceptance & understanding by peers Esteem: self-respect and recognition by others. Need for success and appreciation of achievement. Self actualization :full potential e.g. further training or in full control of one’s job. 	Focuses on What motivates people Work satisfaction = motivator factors: work itself, achievement, recognition, responsibility and opportunities for advancement and growth. i.e. job content & associated positive feelings about their work. He termed the sources of work dissatisfaction – “hygiene factors”  Not Satisfied / Dissatisfied (Areas of dissatisfaction): Hygiene Factors: • Organisation policy • Supervision • Salary • Working conditions • Interpersonal Relationships Satisfied / Not Satisfied (Areas of satisfaction): Motivator Factors: • Achievement • Recognition • Work itself • Responsibility • Advancement = -ve feelings towards work & don’t contribute to motivation Concentrates on understanding motivation in the work place by: 1) Extending Maslow’s theory and making them more applicable to workplace. 2) The importance of job-centered factors in motivation of employees = leads to interest in job enrichment. 3) Offers explanation for limited influence on motivation of more money, fringe benefits and better working conditions. 4) If managers concentrate only on hygiene factors, motivation will not occur – only motivator stimulate motivation ∴ Managers must eliminate dissatisfaction of job content factors to reasonable and appropriate levels, then enhance employee motivations by providing opportunities of growth, achievement and responsibility and finally job restructuring. 	“achievement motivation” – needs are learned and reinforced Focuses on 3 elements: 1) Achievement 2) Affiliation 3) Power • Different needs predominate in different people • Individual can be: high achiever/ power motivated person or an affiliator. • If a need is strong it will motivate the person to engage in behaviours to satisfy that need. → Need for achievement ∴ achievers prefer jobs that offer personal responsibility, feedback, and moderate risks → Need for affiliation ∴ desire for friendly and close interpersonal relationships → Need for power ∴ need to make others behave in a way in which they wouldn’t otherwise have behaved. People can be stimulated in a way to ‘awaken’ their achievement need through training. i.e. because ‘need’ can be ‘learned’ employees can be trained to increase their achievement motivation People are not static and can improve their abilities 

Note	Herzberg	Maslow
Motivational factors: = growth factors, focused on content of job. Benefits over and above normal job to be done. Motivate to achieve higher	Recognition, status, advancement Work itself, responsibility	Esteem Needs Self actualization
Maintenance Factors: = “hygiene factors”, not motivational but needed in organization for overall morale, considered essential to do any job.	Social network, supervision Policy/ administrative	Social/ belonging Safety/ security

Vroom: Expectancy Theory	Adams: Equity Theory	Reinforcement Theory
Motivation depends on how much we want something and how likely we are to get it. 4 Assumptions: 1) Behaviour controlled by individual and environment 2) Individuals decide on their behavior in organization 3) Different people have different needs, goals, desires 4) Individual will act in a certain way depending on expectation level of the outcome & degree to which person desires said outcome. 3 Key Concepts: A. <u>Expectancy</u> • Effort → performance expectancy • Self esteem, previous success, support, self efficiency (belief can fulfill task successfully) influence expectancy perception B. <u>Instrumentality</u> • Performance → outcome • Belief that a certain level of performance leads to certain outcome C. <u>Valence/ Desirability</u> • Attractiveness or anticipated satisfaction/ dissatisfaction person feels towards the outcome & perceived idea how it will fulfill or intervene with needs. <pre> graph LR Effort[Effort] -- "Expectancy: Effort-performance relationship" --> Performance[Performance] Performance -- "Instrumentality: Performance-reward relationship" --> Reward[Reward] Reward -- "Valence: Rewards personal goals relationship" --> Valence[Valence] </pre>	Employees compare their efforts and rewards with those of other employees in similar situations. <i>i.e. want/ desire to be treated equally</i> Equity can be restored: ▪ Employee changes input ▪ Employee changes output ▪ Employee changes attitude ▪ Employee changes person they compare themselves with ▪ Employee leaves job Provides insight into employee motives but assumes people are only rational, individualistic and selfish. Practical implications: 1) Employees motivated to correct perceived unfairness 2) NB to pay attention to perceptions of employees as to what is fair 3) Management must communicate its rationale 4) Employees should actively participate in decisions about important work outcomes 5) Employee believes they are treated fairly if they have opportunity to appeal. 6) Accepting of change if considered it is implement fairly 7) Teamwork promoted 8) If denied justice/ appeal = litigation <i>Model fig 14.4 page 349</i>	Behaviourist approach – behavior is a function of its consequences. Think Pavlovian conditioning +ve behavior = +ve consequences -ve behavior = -ve consequences ■ Reward individuals as the advance to the desired behavior (either intrinsic or extrinsic rewards) ■ Avoidance – reinforce desired behavior by avoidance of undesirable consequences e.g. trying to avoid getting a reminder of a deadline by finishing project by target date ■ Negative – 2 types: punishment (e.g. disciplinary) and extinction (e.g. ignoring tattle tailing to encourage subordinate from continuing habit) Scheduling Reinforcement: ➤ Continuous reinforcement ➤ Fixed interval schedule (e.g. monthly pay cheque) ➤ Variable interval schedule (e.g. surprise inspections and then +ve & -ve reinforcement on results) ➤ Fixed ratio schedule (e.g. meeting certain sales target and being rewarded a weekend away) ➤ Variable ratio influences maintenance of desired behavior. Management applications of reinforcement theory 1. Identify critical, observable, performance related behaviors that are NB for successful job performance. 2. Measure frequency of these behaviours. 3. Analyse causes and consequences of these behaviours 4. Use +ve & -ve reinforcement to increase frequency of critical desired behaviours 5. Evaluate extent to which reinforcement changes worker's behavior <i>Model fig 14.6 page 352</i>

Employee motivational strategies.

Applied on macro/ organizational levels:

↳ Job design

- *Make job more challenging*
- *Job rotation (exposure to other functions)*
- *Job enlargement (expand duties =horizontal workloading)*
- *Job enrichment (give more accountability =vertical-workloading)*
- *Variable works schedules, flexi time etc.*

↳ Employee involvement programmes

- ▶ *Participative process using entire capacity of employees to encourage commitment to firm's success.*
- ▶ *Employees given autonomy and control to make decisions about own work*

↳ MBO strategies

- 🖨 *Cascades organisation's objectives down to individual objectives.*
- 🖨 *Goals, measurements, time frames jointly determined and feedback on performance is given.*

↳ Entrepreneurial incentives

- *Encourages new ideas*

↳ Training & education

↳ Employee recognition programmes

↳ Empowerment programmes

- *Set own goals, make decisions, solve problems within sphere of responsibility*

↳ Reward systems

↳ Career Management

Note: Money as a Motivator -Money is a motivator under certain conditions – but should be based on the assumption that different people have different needs which they satisfy in different ways.

Chapter 16: Controlling

Def: Final step in management process whereby management ensures that the actual activities fit in with the predetermined goals & planned activities.

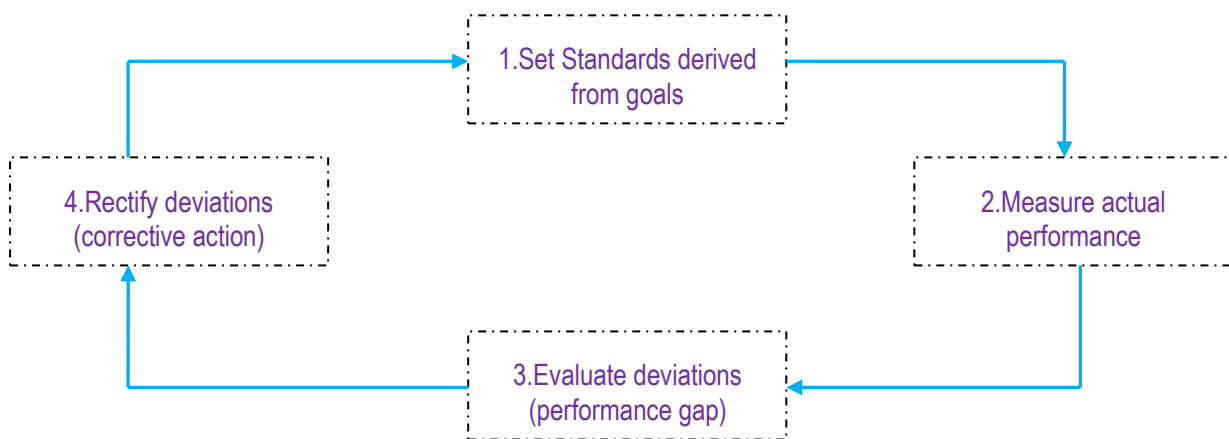
i.e. supervises and measures the progress made towards attaining a particular goal taking necessary steps to correct errors.

Control Process

→ monitors the progress of plans

→ control system notifies management of the following

1. Activities going according to plan = continue with current plan
2. Things are not going to plan = adjust existing plan
3. The situation has changed = need new plan



1. Establish performance standards

Control & planning mirror each other – plans indicate goals & set standards necessary to exercise control. Performance standards = planning which includes formulating goals. Performance standards should be **realistic, attainable and measurable**.

2. Measuring actual performance

Ongoing activity of collecting accurate data and reporting on actual performance.

3. Evaluating deviations

Evaluate differences between actual performance and predetermined performance standards. Management decides if deviations merit further attention. Upper and lower limits should be set for each deviation & only those differences outside the limits to be investigated.

4. Taking corrective action

Aims at achieving or improving performance standards and ensuring differences don't recur. If performance doesn't match performance standards, management has 3 options:

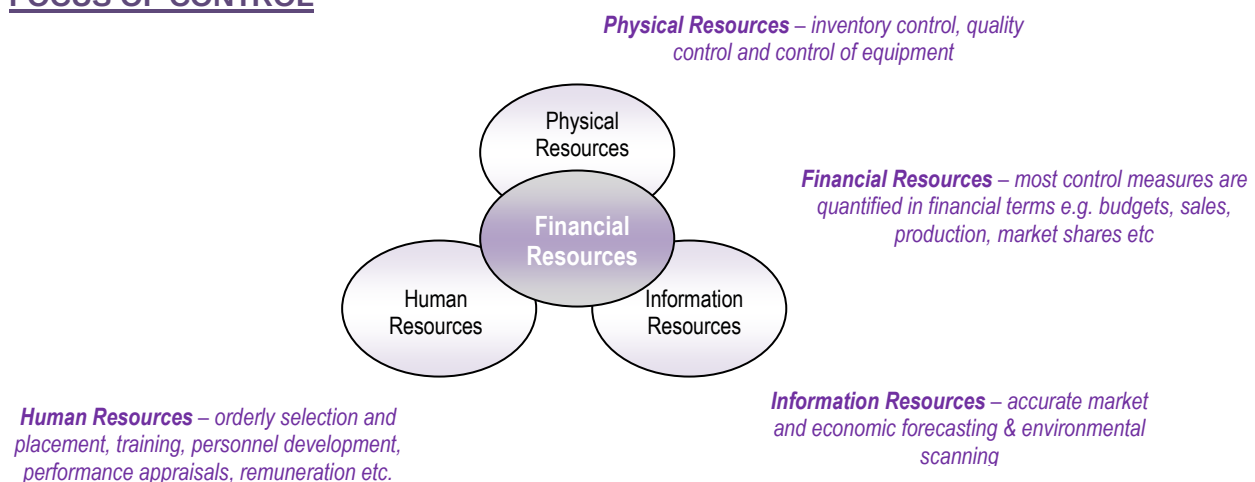
- a) Actual performance must improve
- b) Strategy can be revised to attain performance standard set
- c) Performance standard can be lowered/ raised to be more realistic in light of prevailing circumstances

Types of Control x 3

Control of performance for organisation as a whole

Strategic Control	Operations Control	Tactical Control
Exercised at top management level and entails looking at: → Total effectiveness → Productivity → Management effectiveness 1. Total effectiveness is determining extent to which organization has reached its mission/vision goals 2. Study organisation's productivity as a whole (input vs output) Productivity can be improved by: • Improving operations (R&D) • Increase employee involvement (employees should be empowered to take responsibility for control issues). 3. Measure management's effectiveness = audit	Exercised at operational day-to-day level. Concerns transforming resources into products/ services. Operations control is done at different points in the transformation process. 3 places where control occurs: a) Preliminary (Input) = suppliers, creditors, lenders, evaluate company's ability to pay them b) Screening (Quality control) = during transformation process c) Post-Action (Output)= customers evaluate product performance after sale. → Focuses on outputs and involves actions to fix faulty outputs. → Final inspection before product is sold. → Also used for performance management. → Warranties	?

FOCUS OF CONTROL



A. Control of physical resources

Tangible assets; office furniture, equipment, vehicles etc

(1) Inventory control

Organisation's keep inventory to:

- ↳ Satisfy customer needs.
- ↳ Keep uncertainties to a minimum.
- ↳ As a hedge during inflation.
- ↳ **Economic Ordering Quantity (EOQ)** – replenishing levels by ordering most economic quantity.
- ↳ **Materials Requirements Planning (MRP)** – inventories ordered when needed, costs of maintaining inventory levels eliminated
- ↳ **Just-In-Time (JIT)** – actual orders for finished products are converted into orders for raw material arrives just in time for manufacturing process.

(2) Operational control

Competent purchasing & materials management to ensure the required quality and quantity of raw materials available at lowest prices.

(3) Quality control

- Total Quality Management (TQM).
- Steps:
 - Defining quality objectives – qualitative & quantitative character – the process of learning how other businesses do things exceptionally well
 - Measuring quality – use benchmarking.
 - Rectifying deviations – keep cost of quality low as possible

B. Control of financial resources – 2 instruments

(1) The budget

- Formal plan, expressed in financial terms indicating how resources are allocated to different departments.
- Co-ordinate resources.
- Applies resources.
- Sets standards.
- Evaluation of resource allocation.
- Advantages – co-ordination & money value on operations (pinpoint problems).
- Disadvantages – limits flexibility
- Types of budgets:

Type of budget	Focus	Examples
Financial	Cash flow	• Cash-flow budget • Capital budget

		Balance budget
Operational	Revenue –operation aspects of organisations	- Contract budgets - Sales budget - Income budget - Expenditure budget
Non-financial budgets	Focus on diverse aspects of the organization not expressed in financial terms.	♣ Production budgets in units ♣ Sales volumes in units ♣ Time projections of projects

(2) Financial analysis

- Ratios (table Pg 399).
- Reflection of organisation's total performance.

C. Control of information resources

Information must be relevant & timely in aiding management in POLC. Management Information systems (chapter 7).

D. Control of human resources

- Main instrument used is performance management / measurement – involves evaluating employees and managers.
- Other instruments: specific ratio analyses applied in respect of labour turnover, absenteeism, composition of labour force.
- See Pg 401 performance management process.

CHARACTERISTICS OF AN EFFECTIVE CONTROL SYSTEM (list)

Integration

Figure 16.7 page 405

Integrated with the planning system.

Flexibility

Able to accommodate change.

Accuracy

A goal-orientated and accurate picture of the situation.

Timeliness

Control data should be supplied regularly.

Avoid unnecessary complexity

Too much information makes great demands on time and attention of management. Therefore, control process becomes expensive.