Introduction to Business Management (South Africa) Cheat Sheet

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POLC CYCLE

PLANNING

Establish mission statement. Determine specific objectives. Select strategies. Implement programs. Review & Evaluate.

ORGANIZING

Determine the way the business will operate. Choose tasks to be done. Determine the input mix. Assign tasks. Delegate authority and responsibility.

LEADING

Give clear directions. Set the example. Communicate. Motivate.

CONTROLLING

Assess and monitor performance. Compare with set standards. Identify variants. Take remedial action.

Factors of Production

The inputs needed to produce goods and services.

Land (Natural Resources): anything taken from nature to provide goods and services. Resources found in sea, earth and air.

Capital: money and assets invested into the business. Includes human capital who bring in their knowledge and skills

Labour: employees who put in the physical and mental effort into the production process.

Factors of Production (cont)

Entrepreneurship: combining the above factors to produce something that is of value or useful to consumers.

Business Interaction with Communities (CSR)

Businesses and communities can mutually benefit from interacting with one another.

1. Businesses often hire people in their community to work as employees and managers and compensate them with wages and salaries for their time. **Therefore, they provide their employees with the income they use to satisfy their needs & wants.**

2. Businesses help improve the **infrastructure** of the community.

3. Businesses recognize that they are dependent on the support of the community and, therefore, help the communities they operate in with **CSI & CSR initiatives**, like providing bursaries, skills development, donations, etc.

The Internal (Micro) Environment

Also known as the **decision-making** environment, organizations have control have control of this environment.

Factors of the Micro Environment

The Internal (Micro) Environment (cont)

Strengths & Weaknesses: Organizations must be able to identify their strengths and weaknesses. Their *strengths* are what they excel at and their *weaknesses* are what they need to improve.

Vision & Mission: The *vision* is where the organization sees itself in the future and the *mission* is the organization's plan of action on they'll achieve the vision.

Goals & Objectives: *Goals* are long-term targets, whereas, *objectives* are short-term, specific targets.

Culture, Diversity & Ethics: *Culture* are values and beliefs that form the identity of the organization. *Diversity* is the unique differences in the individuals in the organizations. These should be appreciated and embraced. *Ethics* are accepted principles of right and wrong.

All the resources, technology and processes the business uses to produce their products and services form part of this environment.

The External Environment

Consists of factors the organization has no control over.

Understanding the Opportunities & Threats: The impact of these lies in how the organization reacts to them. Changes expose whether or not the organization has adequately prepared though contingency planning as well as expose if they have a lack of expertise and skills.

SWOT Analysis: Brings together all the factors that management deal with in the external and internal environment.

The External (Market) Environment

Also known as the *task* environment. Falls just under the boundaries of an organization. Organizations have no control but can have an influence on the environment.

Customers: most important factor in the environment. Organization must properly monitor changes in the needs and wants of consumers in order to maintain their market share. **THE BIGGER THE MARKET SHARE=THE HIGHER THE TURNOVER**

The External (Market) Environment (cont)

Competitors: those that challenge the organization for their market share as they compete for the same/similar customers. The organization must be innovative and work to constantly improve the quality of their products to keep up with their competitors. They must also be aware of their rivals' advertising strategies, their price and their products.

Distributors: organizations that are outsourced for supplies and deliveries of goods and services. These intermediaries have the expertise and specialized skills to fulfill functions that the organization may lack or can't afford to do themselves.

Suppliers: provide input resources. Organization's relationship with suppliers must be protected and maintained as the *survival of the business* depends on it.

The External (Market) Environment (cont)

Labour Force: *the most important asset and biggest investment in a business.* Therefore, businesses must consistently nurture and invest in their human resources by providing good working conditions, offer better pay, offer skills development opportunities and ensure all their needs are met.

The External (Macro) Environment

Organization has **0** control. These factors affect decision-making, performance and strategies. Includes the **PEST analysis**.

Economic: includes foreign exchange rates, inflation, wages paid to employees, taxes, cost of raw materials & prices at which goods and services are sold.

Technological: enables transformation of inputs into outputs and the knowledge, techniques and skills used to do so. Significant driver of change in the external environment.

Political-Legal: the way in which government provides framework within which organizations can operate and function. Directly affects the operations of businesses.

The External (Macro) Environment (cont)

Demographic & Cultural: includes race, age, gender, class & levels of education of the people the organization serves and employs.

International Factors: trends & developments of the international market. Can be both a threat and opportunity for/to the organization when utilized and monitored.

Ecological: environmental concerns that can affect the way an organization interacts with the environment. Organizations face huge pressures from consumers to operate in an environmentally sustainable and eco-friendly fashion.

Organizational Behaviour

The study and understanding of the behaviour of the organization as well as the behaviour of its members, individuals and teams. It is the study of:

1. the **nature and purpose** of the organization
2. the **human element** and behaviour of people
3. business **strategy**, organizational processes and execution of work
4. the **process of management** as an integrating part and **coordinating** activity

Organizational Behaviour (cont)

5. **social** responsibilities and business **ethics**
6. the **external environment** of the organization
7. the need for organization **success and survival**

Entrepreneurship & Small Business

ENTREPRENEURS

1. Motivated by growth & expansion
2. Embrace risk
3. Focused on future opportunities
4. Embrace creativity & innovation

SMALL BUSINESSES

1. Motivated by profit & sales
2. Avoid risk
3. Focused on the current operations
4. Often content with size of the business & aren't very innovative

Entrepreneurship

What is Entrepreneurship? Creating & building something of value from nothing in the midst of uncertainty and risk. Plays a large role in the economic growth of *developed & developing* countries.

Common Characteristics:

Entrepreneurship (cont)

1. Creativity - produce new and original ideas or changing an existing business into an entrepreneurial one.

2. Innovation - developing better products/services & processes/techniques. New and better ways of doing things. *Often linked to creativity*

3. Commitment & Determination - ability to stay focused and persevere to reach one's goals. Staying disciplined and persistent.

4. Ability to Deal with Risk - often see risks as opportunities and seizes them despite the dangers, **AFTER** calculations. **RISK=UNCERTAINTY** but **THE HIGH THE RISK, THE HIGHER THE REWARDS**

5. Opportunity-orientated - constantly on the lookout for opportunities that could generate profits as well as finding ways improve existing/familiar industries.

Types of Entrepreneurs

1. Corporate Entrepreneurs: work in and manage an existing business for a salary.

2. Technopreneurs: combine entrepreneurial and technological skills in the Tech industry.

Entrepreneurship (cont)

3. Copreneurs: co-owner, often couples, that combine their different strengths & experience.

4. Social Entrepreneurs: exist to develop and benefit the community. Their profit is used to uplift the community and society. **STILL PROFIT DRIVEN**

Small Business

What is a Small Business? There is no universal definition. Just means micro, small and medium enterprises. Definition is based on qualitative & quantitative criteria.

Qualitative Criteria: use as a simple organizational structure (hierarchy) that is independent & privately owned and managed.

Quantitative Criteria: the turnover/income; number of employees; total number of assets; number of business units (departments)

SOUTH AFRICAN National Small Business Amendment Act No. of 29 of 2004 defines small business as:

Small Business (cont)

"A separate and distinct entity, including co-operative enterprises & non-governmental organizations, managed by one or more owner/s, which including its branches and subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy...which can be classified as a micro, a very small, a small or medium enterprise."

Forms of Ownership

Company: an association of shareholders incorporated in terms of the **Companies Act No. 71 of 2008**

Characteristics: they are more complicated and advanced, have their own legal personality and authority & control over the company = **BOARD OF DIRECTORS**

Split into 2 separate categories: **PRIVATE** & **PUBLIC**

PRIVATE COMPANIES

1. 1-50 members
2. members provide capital
3. general public cannot buy shares
4. limited transferability of shares
5. name ends with **(PTY) Ltd** - proprietary limited
6. have fewer legal requirements than public companies

PUBLIC COMPANIES

Forms of Ownership (cont)

1. minimum of 7 shareholders. Maximum shareholders is only limited by number of shares issued to the public.
2. shareholders provide capital (share capital)
3. general public invited to buy shares
4. shares are freely transferrable @ the **JSE** (Johannesburg Stock Exchange)
5. name ends with **Ltd** (limited)
6. have more legal requirements

Establishment Procedures

ADVANTAGES

1. Companies have a legal personality
2. Can continue if a shareholder leaves or dies
3. Shares of Public Company are transferrable which leads to expansion opportunities
4. They have set a organizational structure (hierarchy)
5. There is more sources of finance

DISADVANTAGES

1. Very complicated to start
2. There are many establishment costs = very expensive to start

Forms of Ownership (cont)

3. Required to disclose financial statements, therefore its very difficult to keep financial secrets from competitors
4. Employees do not have a personal interest in the business
5. Shareholders have very little contact with their investment
6. Due to size, there is very little personal contact among people

Why is Management Important?

1. Resources are used effectively and efficiently to achieve organizational goals and professional development, while contributing to a more sustainable society.
2. Management tasks (planning, organizing, leading and controlling) help businesses **reduce costs**, deliver **quality** products/services & remain **competitive**
3. Reduce **duplication** of tasks by having people with relevant **skills & qualifications**, who know who they report to and are held **accountable & responsible**
4. Nurtures **good working relationships** to contribute to success of the business
5. Developing organizations that are **responsive** to changes in the business environment

Why is Management Important? (cont)

6. Ensure **quality** goods and services are produced to ensure good reputation of the organization

Self-Management Skills

Self-management is the behaviour one must adopt to see the desired change in their life or workplace. These skills are vital for managers to optimize their performance.

Self-Motivation

Giving yourself a reason to act is vital to achievement and success. Includes committing yourself to doing your best and learning from your failures as well as recognizing your core beliefs as they form the center of your thoughts. **CHALLENGES = MOTIVATION**

Self-Control

SELF-CONTROL=MANAGING YOUR EMOTIONS Good managers try to remain composed and self-controlled, they also recognize their feelings and know how to control them. Includes thinking clearly and acting deliberately, even in high-stress situations, as well as remaining positive in an apparently negative situation.

Emotional Intelligence

Self-Management Skills (cont)

The ability to manage your own emotions and those of other people. Daniel Goleman, identified five characteristics which include **self-awareness, motivation, self-regulation, social skills & empathy**.

Components of Emotional Intelligence

Self-Awareness

Knowing and understanding your own emotions.

Motivation

Directing your own emotions towards positive outcomes. Always being optimistic.

Self-Regulation

Controlling and managing your own negative emotions and behaviours.

Empathy

Ability to feel the same way as your subordinates and employees. Includes being sensitive to differences in cultures, gender & personalities.

Social Skills

Being able to communicate with and influence other people.

Managerial Skills

Cognitive Skills

Analyze a situation. Distinguish between cause and effect. *COGNITIVE=THINKING AHEAD*. Abstract thinking helps managers have a holistic view of the inner workings, promotes clear analytical thinking and adapt to new ideas and experience. Based on intuition, ability to argue constructively, think on one's feet, see things holistically and think critically.

Technical Skills

Specialized knowledge and ability to carry out specific tasks. First line managers, specifically, need to have these skills. **JOB SPECIFIC KNOWLEDGE & TECHNIQUES**

Human Skills

Ability to understand, alter, lead & control the behaviours of people & groups. Good communication and ability to interact for a successful completion of tasks. Includes ability to work with, motivate & direct groups and individuals in the organizaion.

Managerial Competencies

Competent

Refers to skills, knowledge & experience. Its a function of one's intelligence & acquired through learning. Its visible & evidenced through one's qualifications

Competency

Underlying personal characteristics and attributes. Its one's inborn abilities and is a function one's natural abilities. Its often difficult to measure.

“Sets of *knowledge, skills, behaviours & attributes* that a person needs and develops to be effective in their profession and within an organization." There is no list of competencies that defines an effective and efficient manager, managing depends on influencing factors.

Social Responsibility

Organization's commitment to following policies & activities that benefit the society. Organizations need to be responsible from economic, legal and ethical perspectives.

Done through **Corporate Social Investment** programs. Result in increased staff morale and improved organizational reputation.

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Management Theory & Practice

There are four main approaches.

Traditional Approach

Emphasis on managing work efficiently in organizations. Notable changes in the work environment that include improvement in technology& communication technologies that influence operations.

Behavioural Approach

Focus on human behaviours and relations and was introduced in the 1920s. Changes in the type of work, its nature, and the legal & political considerations.

Quantitative Approaches

Process of measuring in terms of quantity, numbers & amounts. Its a more logical approach to management. Use mathematical & statistical measurements.

Contemporary Approach

Management Theory & Practice (cont)

Response to limitations of traditional, behavioural & quantitative approaches.

Traditional Approach

Bureaucratic Approach

Developed by Max Weber. Organizations is run based on rules & procedures. *Five principles include: well-defined hierarchy, formal rules & procedures, impersonality, specialization of work & competence.*

Scientific Approach

Focuses on work employees do. **Developed by Frederick W. Taylor.** *Four principles include: scientifically study each task & best method of performing it, choose employees carefully & train them to perform a task using the method, watch & work with employees to ensure they use proper methods & delegate work responsibilities.*

Administrative Approach

Traditional Approach (cont)

Developed by Henry Fayol. *Fourteen principles include: division of work, authority, discipline, unity of command, unity of direction, subordination of individual interests to the general interests, remuneration, centralization, scalar chain, order, equity, stability of tenure of personnel, initiative & espirit de corps

Behavioural Approach

Human Relations Approach

Focuses on the relationship aspect of management.

Maslow's Theory of Motivation

self-actualization, esteem, love & belonging, safety & physiological.

*McGregor's Theory of Leadership**

THEORY X - employees don't enjoy work, want to be told what to do and punishment is used to get them to do the work.

THEORY Y - employees enjoy their work & want to direct & control their own actions, have responsibilities be involved in the problem - solving processes of organizational changes.

Developed by Mary Parker Follet, Hawthorne Studies, Abraham Maslow & Douglas McGregor.

Quantitative Approach

Operations Management Approach

Help managers make organizational decisions like production planning, quality control & inventory planning.

This approach has taught organizations to use quantitative methods for decision making – organize information into logical categories. The methods allow managers to set definite targets by creating numerical goals. Managers are able to monitor the various production processes – can access information easily

The methods ignore human and social relations. Managers do not have the chance to develop the human skills needed to manage people

Contemporary Approach

Systems Approach

Focuses on organization as a system. Looks at inputs, transformation & outputs. A system can be opened **(interacts with the environment through feedback) OR** closed **(little or no interaction)**

Contingency Approach

Suggest that managerial action is dependent on the situation. There isn't one way to run an organization - managers must adapt & change.

Quality Approach

Contemporary Approach (cont)

This approach requires that all those working in the organization contribute to ensuring the production of high-quality products & services.

Learning Organizational Approach

Make sure vision is understood and that employees commit to it. Creates a corporate culture. Employees understand their job, how to do it & how to add value to customers.

Entrepreneurial Management Approach

To remain sufficiently knowledgeable to lead organizations, managers find new ways of thinking about management

Planning

A detailed guideline to achieve the goals of the organizations. Involves goals & objectives and developing a strategy to achieve them.

1. Provides basis for managerial tasks
2. Lays down standard in controlling performance & the actions plans to achieve them
3. Gives a sense of direction and purpose
4. Planning is future orientated
5. Can minimize any negative outcomes of change and uncertainty

Planning (cont)

6. Planning facilitates decision making
7. Planning promotes innovative ideas
8. Planning reduces overlapping and wasteful activities
9. Planning minimizes bad decisions
10. Planning promotes co-ordination between different departments.
11. Planning allows an organization to allocate its resources in the best way possible.

Planning Levels

Strategic-Board Level

High degree of uncertainty, long-term, considers whole organization

Tactical - Middle

Medium-term, use of existing assets and resources.

Operational-First-line

Short-term, day to day & detailed

Types of Plans

SPECIFIC

Clearly defined and no room for misunderstandings

DIRECTIONAL

General guidelines and allow flexibility & provide focus.

SINGLE-USE

Specific situations. Used once and never again.

Types of Plans (cont)

STANDING

Ongoing plans & performed repeatedly.

Planning Process

1. Determine & state the organizational objectives
2. Assess threats & opportunities
3. Assess strengths & weaknesses
4. List alternative ways of reaching objectives
5. Choose the best alternative for reaching objectives
6. Develop strategies to pursue the chosen alternative
7. Implement the plans
8. Control & assess results
9. Repeat planning process

Types of Decisions

Routine

Supported by established rule or operating procedures.

Adaptive

Made in response to relatively uncommon problems. Involves modifying or improving on past decisions

Innovative

Based on identification of unusual or ambiguous problems. Development or implementation of creative solutions.

Decision Making Process

1. Define & diagnose the problem
2. Set goals
3. Search for alternative solutions
4. Assess alternatives
5. Choose between alternative solutions
6. Implement the chosen alternative
7. Follow up & control

Repeat.

Organization Process

1. Assigning resources to tasks
2. Clarifying responsibilities in the form of job descriptions, business charts and lines of authority.
3. Communicating employer expectations through rules, operating procedures & performance standards
4. Establishing procedures for collecting & evaluating information to help managers make decisions & solve problems.

Reasons for Organizing

1. Allocating or assigns different responsibilities to each employee
2. Allocation of accountability
3. Establishes lines of communication
4. Allocation of resources
5. Improved teamwork & synergy

Organizing Process

1. This is continuous process enabling employees to work together more efficiently & achieve the organization's goals
2. All employees should be aware of their responsibilities
3. Poorly carried out organizing would result in confusion, frustration, loss of efficiency.

Leadership Vs. Management

LEADERSHIP

1. Challenge status quo & bring about change
2. Develop strategies for producing changes toward the vision
3. Develop the organization's vision and set its direction
4. Communicate the new direction & get people involved
5. Motivate & inspire others

MANAGEMENT

1. Interpersonal roles of *symbolic figurehead*, liaising with key people & supervising employees
2. Informal roles of *information monitor*, information disseminator & spokesperson
3. Decision-making roles of innovator, disturbance handler, resource allocator & negotiator

Leadership & Power

Position

1. Coercive Power
2. Reward Power
3. Legitimate Power

Personal

1. Information Power
2. Referent Power

Characteristics of Leadership

1. Personal Qualities
2. Personal Philosophy
3. Management Capabilities
4. Working with colleagues & employees
5. Relationship skills
6. Ability to plan, organize & create vision