



Business Management
MAN152

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IMPORTANT NOTE:
THIS STUDY GUIDE CONSIST OF TWO PARTS:

PART ONE: TOPIC 1-3
PART TWO: TOPIC 4-7

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ASSIGNMENT Semester 1 2025	
Module name	Business Management
Module code	MAN152
Due date	22 April 2025
Total marks	75

This assignment is compulsory and must be submitted through Canvas, inside the corresponding Module Course site on or before 22 April 2025 by 24:00.

STEP 1: COMPLETING YOUR ASSIGNMENT
<p>Your assignment answer must include the following sections:</p> <p>COVER PAGE</p> <p>Please include the following information on the first page of the assignment: Name, Surname, Student Number and Module Code.</p> <p>BODY</p> <ol style="list-style-type: none">1. The assignment answers must be typed in MS Word format and saved as a PDF document (File > Save As > Save as Type: PDF).2. Save your file (MS Word or PDF) with the following naming convention: [STUDENTNUMBER] [MODULECODE] [SURNAME].pdf E.g. 21111234 BCU101 Surname.pdf <p>LIST OF REFERENCES</p> <p>Refer to the STADIO Referencing guide HERE for guidance.</p>

Once you have completed your assignment and saved it, you must log into Canvas to submit your assignment by the due date.

IMPORTANT: Ensure that you submit your assignment answers on or before the due date and time.



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1. Log in to CANVAS using your MySTADIO details:
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2. A specific course inside of CANVAS for each of your modules has been created for you to submit your assignment to. Select the desired module from the dashboard.
3. Submit your assignment before the end of the due date.

PLEASE ENSURE THAT THE ANSWER THAT YOU SUBMIT IS IN MS WORD OR PDF FORMAT. NO SCANNED DOCUMENT WILL BE MARKED.

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Question 3				Use ChatGPT AI tool to source information. Refer to the STADIO Referencing Guide to acknowledge the AI-generated content.
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Question 1

(24 marks)

Please note that Question 1 includes a choice.

Provide comments on **TWO** of the following three statements:

1.1 Statement 1:

If managers formulate strategic plans and goals together with tactical goals and plans, do they still need operational plans? Provide informed arguments to substantiate your answer. (12)

1.2 Statement 2:

The three types of control do not apply to processes which consist of an input, transformation and output. Is this true or not true? Provide informed arguments based on information pertaining to the types of control. (12)

1.3 Statement 3:

It is true that managers on all levels of an organisation are supposed to manage in terms of planning, organising, leading and controlling. But do they use the same skills at top, middle and first-line management levels? Provide informed arguments from the textbook to motivate your answer. (12)

Question 2

(21 marks)

Over the past century, researchers have studied, developed and tested a variety of motivational theories to determine what motivates employees. These theories contribute to our understanding of employees and what drives them in the workplace.

Required:

Compare the following three motivational theories in terms of similarities and differences:

- 2.1 Maslow's theory of needs
- 2.2 Alderfer's ERG theory
- 2.3 McClelland's theory of needs

Read the case study below, research information and answer the question that follows.

REPORTING FIASCO

Haibo Company is managed by a Managing Director who is the owner and executive manager of the company. The company was established in 2010 with three employees (directors). The company has grown rapidly into a medium-sized company with 65 employees.

The MD had to develop an organisational structure to indicate which functions were required. He decided on IT, Finance, Human Resources and Marketing as the primary functions (departments) of the company. For each of these departments, the MD appointed a manager. The managers and the MD decide on the functions of each of the departments for the company to achieve its goals. Guided by what needs to be done, posts were identified with job titles and job descriptions. These posts were filled with appropriate qualified staff. As responsibilities have grown, more staff have been appointed. For now, the company is structured using a flat organisational structure with an open-door policy which gives employees access to managers.

Although the company's growth is an achievement, it has experienced problems with the reporting lines of staff as conflict and even resistance to the leadership of one the directors occurred. Some staff did not like his approach to management and refused to report to him, but rather to another director of their choice. The result was chaos in reporting procedures. This caused even more friction as directors responded by instigating a power struggle between them.

The MD appointed an independent consultant to assist the company with reporting relationships. The consultant must provide well-informed advice.

Source: Dr L Naude

Provide well-informed advice to Haibo Company to enable them to solve their problems. Your task is to research information on the functions, authority and reporting structures and advise the company using the following format:

1. Introduction (2)
2. Body (Use your own words to provide advice)
 - Functional departmentalisation (2)
 - Legitimate power (6)
 - Span of control (4)
 - Coordination of responsibilities (4)
 - Authority (4)
 - Responsibility and accountability (4)
3. Conclusion (4)

ASSIGNMENT TOTAL: 75 MARKS

Table of contents

Heading	Page number
TOPIC 1 INTRODUCTION TO GENERAL MANAGEMENT	1
1.1 Introduction	1
1.2 Definition of managers and management	4
1.3 Levels of management	5
1.4 Management functions	7
1.5 Management tasks	9
1.6 Managerial skills	11
1.7 Twenty-first century skills	13
1.8 Managerial roles	14
Summary	17
Self-Assessment Questions	18
TOPIC 2 PLANNING	19
2.1 Introduction	19
2.2 Case study: Planning in action	20
2.3 A definition of planning	22
2.4 The importance of planning	23
2.5 The planning process	24
2.6 Decision-making	34
Summary	38
Self-Assessment Questions	39
TOPIC 3 ORGANISING	40
3.1 Introduction	40
3.2 Case study: Organising in action	41
3.3 The organising process	43
3.4 The principles of organising	45
3.5 Organisational design	58
3.6 Job design	64
Summary	68
Self-Assessment Questions	70
GLOSSARY OF TERMS	71
REFERENCES	72
Answers to Self-Assessment Questions	81
Topic 1 Self-assessment answers	81
Topic 2 Self-assessment answers	82
Topic 3 Self-assessment answers	83

Module purpose and outcomes

This module Introduction to Business Management introduces you to the fundamental principles of management and the essential skills and competencies for effective management. You will be exposed to the primary management tasks: planning, organising, leading and controlling. Supporting management tasks, such as communication, motivation and delegation, are also covered. You will be introduced to how these management competencies and tasks are applied across management functions; notably, operations, financial, marketing, and human resources management. The focus of assessment will be on practical application of tasks such as planning and organising.

Upon successful completion of this module, you will be able to

1. Discuss the nature of the business environment.
2. Explain the roles and responsibilities of the business manager in the twenty-first century.
3. Perform basic management tasks in a business context.

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Business Management
MAN152

PART ONE:

TOPIC 1-3

Topic 1

Introduction to general management

1.1 INTRODUCTION

This topic relates to the following module outcome:

2. Explain the roles and responsibilities of the business manager in the twenty-first century

This topic is designed to assist you with understanding the basics of general management. It will look at defining management and also introduce the various roles of managers. It is important to understand that managing an organisation requires managers with the necessary skills and abilities to make a success of it. The role of management includes ensuring that the employees within the organisation are invigorated to work towards the attainment of the organisation's goals. In the module introduction, the case study shows that Motsepe is committed to his position as manager, but at the same time believes that mining is about the people and not about the rocks. He emphasises how important it is to have a satisfied workforce and this is a characteristic of good managerial skills.

This topic serves as an introduction to general management. It reviews the management functions of planning, organising, leading and controlling. The three different levels of management are discussed, explaining what different types of managers within an organisation do. The tasks performed by various managers in the organisation are also discussed, depending on their role in industry, and this has been supplemented with an expansion of the many roles a manager can take on. Finally, the relationship between the levels of management and management skills as well as the twenty-first century skills are explained by means of the skills that are necessary to managers at different levels.

In this topic, you will gain knowledge in the following areas:

1. Definition of managers and management
2. Levels of management
3. The various management functions

4. The various management skills
5. Twenty-first century management skills
6. The different managerial roles.

The following mind map introduces general management and provides an overview of managerial skills, functions, responsibilities, and roles.

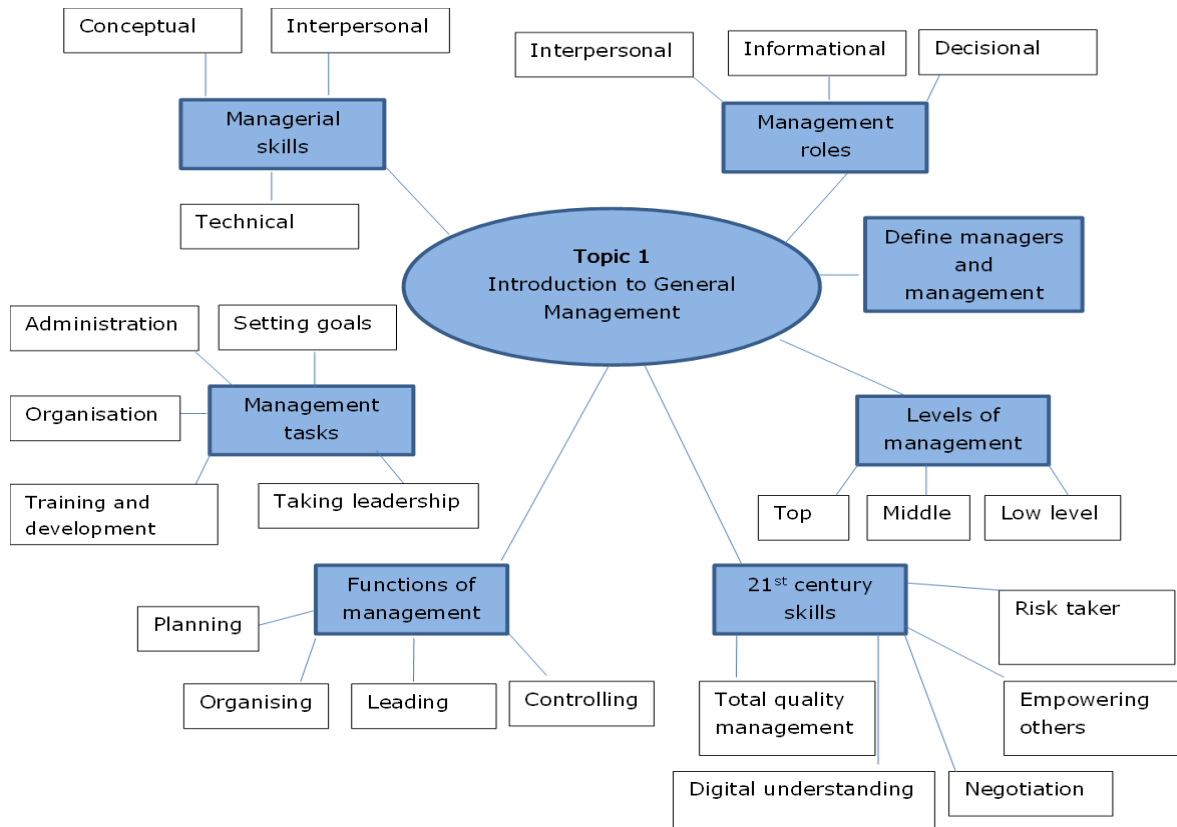


Figure 1.1 Topic 1 mind map

Case study

The story of Patrice Motsepe

Patrice Motsepe is one of the most successful of the current generation of black South African mining entrepreneurs. As the chief executive of African Rainbow Minerals (ARM), he built a billion-Rand company through his determination and commercial expertise. He was voted Business Leader of the Year in 2002 by the CEOs of South Africa's Top 100 Companies, and won a series of other awards and accolades.

Patrice Motsepe stands out as a transformational leader, not only for his enormous business success, but for the process in which he attained this success. His meteoric rise must be understood in the context of South Africa's political past and the constraints and challenges faced by black business people during the apartheid era and before it.

Motsepe, a lawyer by training, specialised in mining and business law and founded his company, ARM, in 1997. At the beginning of this endeavour, he struggled to get a loan and literally ran the business from his briefcase. Over the next few years, he acquired a number of marginal shafts at the Vaal Reefs and in the Free State and worked at turning their productivity around in order to make his mark in the mining industry. The marginal shafts presented a number of challenges, such as implementing cost-saving mechanisms and improving worker effectiveness. From these relatively humble beginnings, Motsepe's mining success grew enormously. In 2003, ARM merged with Harmony Gold Mining Company Limited (one of the top gold producers in the world and the third largest in South Africa) and Motsepe has taken on the role of non-executive chairman of Harmony. He has acted as senior vice president of the Chamber of Mines, is a 'Global Leader of Tomorrow' as designated by the World Economic Forum (WEF) and was recently appointed a member of NEDLAC.

Much of his success has been attributed to his powerful personality, creativity and tenacity, linked to an unwavering commitment to succeed. Motsepe developed and implemented a 'we-do-it-better' management style that focused on management and operating ideologies promoting constant improvement. His leadership is underscored by an appreciation of solid corporate governance and the belief that employees should be empowered at all levels of the organisation. As part of this empowerment process, employees were trained in essential business principles and skills so that they were able to operate interdependently. Patrice Motsepe's approach to mining is driven by the belief that mining is about people and not about rocks, and thus it is important that employees contribute meaningfully in decision-making within the organisation. He is also regarded as a prime example of entrepreneurship in South Africa, representing a group of interests as president of Business Unity South Africa.

This transformational leader says that the fundamentals of business are employee buy-in and the use of innovative leadership strategies to maintain a satisfied workforce. He argues that building trusting relationships between all levels of the organisation forms the basis of a functional working environment.

Source: STADIO Higher Education Ltd, 2022, adapted from Bates, 2007, and Adams, 2008

1.2 DEFINITION OF MANAGERS AND MANAGEMENT

Management refers to a process of ensuring that an organisation's goals and objectives are met.

Management is consequently defined as "controlling people to reach the organisation's goals by using limited resources" (Shinde, 2018).

Koontz (1961) provides a concise definition of **management** as "the art of getting things done through and with people in formally organised groups. It is the art of creating an environment in which people can perform and individuals could cooperate towards attaining of group goals".

Lussier (2021:3) defines a **manager** as "the individual responsible for achieving organisational objectives through efficient and effective utilisation of resources".

Motsepe's management style looked at empowering his staff in order for his business to succeed by training his staff with business principles and skills to enable them to operate independently. Some may say this is the new modern style of management that has replaced the traditional style of management. Let us take a look at both management styles to see how they are evolving.

1.2.1 Traditional management and modern management styles

The traditional management style involves planning, organising, leading, and controlling, which we will discuss below. This style is still used today and assumes that the organisation can respond to any changes appropriately.

There has been a definite shift in trend in the management literature towards a focus on more human resources and service management. This means focusing on what the customer has to say or the service provided to the customer, and also a focus on the individuals working in the team. As it has become increasingly important to respond proactively to external circumstances to remain competitive, so the management focus has shifted across organisations onto human resources and service management. The management style is still about planning, organising, leading, and controlling, but now also taking charge, innovating, and being flexible when the need calls for it. We can see how Patrice Motsepe has focused on this new management trend by empowering his workers. He was also very innovative in his management style

to keep employees satisfied, and this is a good example of the changing nature of management in practice.

Activity

- a) Refer to the introductory case study. Note the definition of a manager, and consider whether Patrice Motsepe lives up to this definition.
- b) Now identify areas where Patrice Motsepe focuses on traditional and modern styles of management. Write down at least two areas that you can think of/identify.

1.3 LEVELS OF MANAGEMENT

Now that you have an understanding of what the terms 'manager' and 'management' refer to, let's look at the levels of management.

To gain a better understanding of what managers do, you need to understand the various levels of management. Generally, there are three levels of management, namely, top level, middle level and low level (Shinde, 2018). Each level of management is determined by the authority and status, with each level performing a different function.

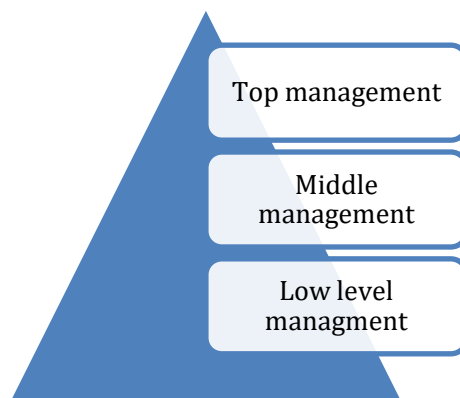


Figure 1.2 The three levels of management

Source: Adapted from Shinde, 2018

Let's now consider each of these levels of management:

Top management: At this level, managers devote time to planning functions, such as strategic plans and preparing business policies (Shinde, 2018). Besides

planning, top-level managers are also responsible for directing other departments to prepare budgets, schedules, and other activities needed to get plans going. They also appoint departmental managers for middle-level management. Ultimately, they need to ensure that the organisation performs well to the satisfaction of the shareholders. These managers consist of the board of directors, the chairman, chief executive, chief operating officer and managing director. It is Patrice Motsepe who took on this management level from the case study.

Middle management: This level of management not only provides the link between top management and the staff, but also supports service departments (Sarna, 2021). At this level, these managers implement the plans formulated by top management and they do so by also making plans for their own units (Shinde, 2018). Once they implement these plans, they report to top-level management on the progress made. This level of management is increasingly becoming more involved in formulating company strategy, a step that will assist them in implementing their plans for their department (Sarna, 2021). Middle-level managers also train lower-level managers; therefore they are skilled. Where organisations are bigger, there may be senior and junior levels of middle management and, in this case, the senior managers will provide performance evaluations of the junior managers. This management level consists of branch managers, divisional heads, departmental managers, chief supervisors, and project leaders (Sarna, 2021).

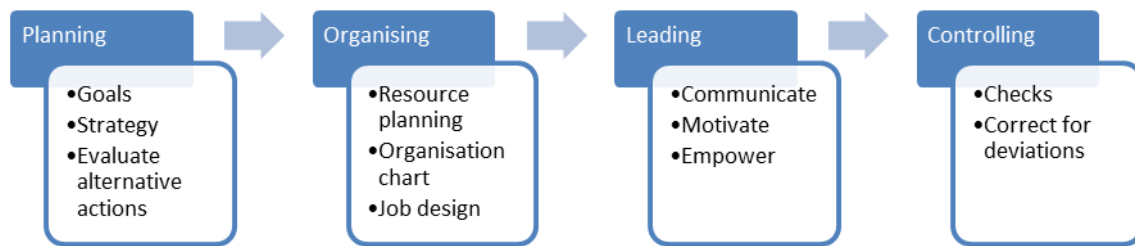
Low-level management: This management level works closely with the workers; therefore they guide them in their daily work as well as provide everything they need, such as materials or machines, to get the job done (Shinde, 2018). They instruct workers about what activities need to be done and train them. At the end of the day, these managers must ensure that production is kept on track and has the right quality standards. Low-level managers consist of supervisors, foremen, section officers and superintendents.

Activity

Find three organisations in the South African retail industry on the internet. Highlight the functions performed at each management level. Then write down at least three similarities and differences between them.

1.4 MANAGEMENT FUNCTIONS

At various levels of management, there are certain functions that need to be performed. These functions of management can be described as the POLC (Planning, Organising, Leading, and Controlling) Framework. Below is a figure that shows the four main functions of management:



Source: Adapted from Shinde, 2018:22

Figure 1.3 Functions of management

Let us explain each of these four functions of management.

1. **Planning:** The first step is to define goals that should be measurable. The goals should support the mission and vision of the organisation (Lumen, n.d.). An example of a goal can be producing a new product or investing into a new building. Once these goals are set, strategies can be developed that provide the ways to attain the goals. An example of such a strategy can be to reduce prices to increase sales in an organisation. Finally, planning involves analysing alternative actions available to meet a goal (Gordon, 2022). This is done to assess and choose an action that would be most beneficial to an organisation. It is important to note that planning is a continuous process and not a linear, step-by-step process as change can occur. Motsepe built up a billion-Rand company through determination and commercial expertise. He had a vision as to what he wanted to achieve.
2. **Organising:** This follows on planning, whereby management designs and develops an organisational system to implement the plans. This is where the human, physical, and financial resources are combined to implement the goals set out in the planning phase. An organisation chart is set up that sets out the chain of command, and thereafter decisions get made about the organisation. An important element of

organising is designing the jobs so that roles and responsibilities for employees are clear (Prabhu, 2020). Using the resources he had at his disposal (understanding of the mining sector and a legal background in mining), Motsepe was able to build and establish his business.

3. **Leading:** Managers must communicate objectives to employees and make sure that they understand them. It is also the manager's role to motivate staff in order to fulfil the goals of the organisation. According to Bratton (2020), leaders help to provide direction to workers by allowing them to be in line with the vision of the organisation and therefore they inspire workers to perform. The manager plays a dual role by still planning but also being involved in empowering others to succeed. The introductory case study portrays Motsepe as a transformational leader and states that the fundamentals of his business success are based on employee buy-in.
4. **Controlling:** Traditionally, controlling meant an audit on the budget or performance of the organisation (Prabhu, 2020). A budget audit is done to see the current position on the organisation following financial procedures, and the performance audit is done to check if the estimated performance matches its occurrence. This function helps management to determine how well performance of the organisation has been doing against its set goals and then to correct for any movements away from the standards. At the controlling stage, managers are able to establish whether they have planned, organised, and controlled their functions efficiently and effectively in order to reach the organisation's goals. Prabhu (2020) notes now that controlling in management is measured more broadly in scope — managers can also look at deviations from standards in the areas of operations, human resource management, or policies. Motsepe developed and implemented a 'we-do-it-better' management style. This focused on management and operating ideologies, promoting constant improvement in both the employees and the business as a whole.

Example:

A new technology company designs phone applications in South Africa. The company decides to draw up plans to assess what its present and future requirements will be. There is a budget to consider and capital requirements.

Other challenges include raising finance and getting more investors for the new business as sales increase. Ultimately, the business is driven to increase sales and therefore the goal to design phone applications also needs to be sales-driven by using the most advanced technology that is available in South Africa.

There are many actions to consider taking, the most important being the choice of the quality of the user experience, which will affect the success of the sales of this product. The design will require a few skilled technologists as well, all of whom will assist the manager to stay on track. These technologists will be motivated by the manager on an ongoing basis to ensure they perform their best in this work. The manager will always monitor when time is delayed on the project and ensure that the project gets back on track.

1.5 MANAGEMENT TASKS

Functions of a manager occur at various levels of management, but being a manager can mean taking on the role of managing people, being a leader, and managing a project. The role of a manager is diverse; therefore you need to understand what types of task a manager performs daily.

- **Taking leadership:** Prabhu (2020) indicates that being a good leader means setting a good example to those in your team if you wish to succeed in your role. This can be a matter of delivering feedback on projects to employees in your team on time to ensure they know the importance of meeting deadlines. Good leaders need to be able to communicate clearly and accurately with others so that they understand what needs to be done. This will allow tasks to be done properly and thoroughly and avoid any confusion. Good leaders also delegate tasks to others who can carry them out.
- **Setting goals:** Managers set goals that are linked with the organisation. According to Prabhu (2020), it is not as simple as just setting the goals; the manager needs to ensure they are met by meeting with employees, informing them about the goals and then motivating employees to achieve them. The process involves choosing individuals who can do the task, setting due dates for the tasks and then monitoring their progress on the tasks. It ends with reviewing each worker's performance in the team and changing the strategy, if needed.

- **Training and development:** The manager trains employees who join an organisation, especially on the policies in place and the processes that occur in the team or department. It is important to note that training is an ongoing responsibility of the manager offered to all employees in the team so that they can improve in their roles. The manager needs to provide team members with regular feedback to improve. We also see here how Patrice Motsepe took time to empower his employees by developing their skills as employees as he set up his mining empire.
- **Administration:** A big part of a manager's role is administration, and this can vary depending on the industry. There are a few common administration tasks which occur and require the manager to be well organised. Reading and responding to emails in a professional manner is important to manage communication with others. Managers may process payroll functions at times and need to complete important documentation for other departments, such as human resources (Prabhu, 2020). This can involve recording worker achievements, or noting future employees they foresee could work in the organisation. If there is an event, managers are involved in the planning thereof and need to allocate resources. Working in the retail sector may require them to order stock for the business and overseeing this process is an important administration task. Preparing training for employees and then distributing this to another department is another important function.
- **Organisation:** The manager needs to organise the team well by ensuring that tasks are scheduled correctly and on time for workers to do their tasks (Prabhu, 2020). Managers need to track their workers' progress and do so on time and train them as they see fit, but doing this means being organised and having the training material prepared. Workers may need certain tools to do their task; this could be certain technologies and it is the manager's responsibility to ensure that these tools are available and accessible to employees when they need them. Patrice Motsepe was able to lead from good organisational skills by tracking what he needed to get done.

Example:

The manager, Thandi, works at a clothing factory and finds that there is no proper way of knowing which factory workers are junior or senior. The previous manager resigned, and there are no records of invoices or statements kept at this factory. It is becoming harder to find out why material is being delivered late to the factory as there are no records of invoices being kept. There is also no relationship with the material ordering department.

Thandi has decided to start a system to manage all records by organising files of workers, files for invoices received and statements and also set up an electronic folder for all of this. We can see how important the administrative part of a manager's responsibility is in this case.

Activity

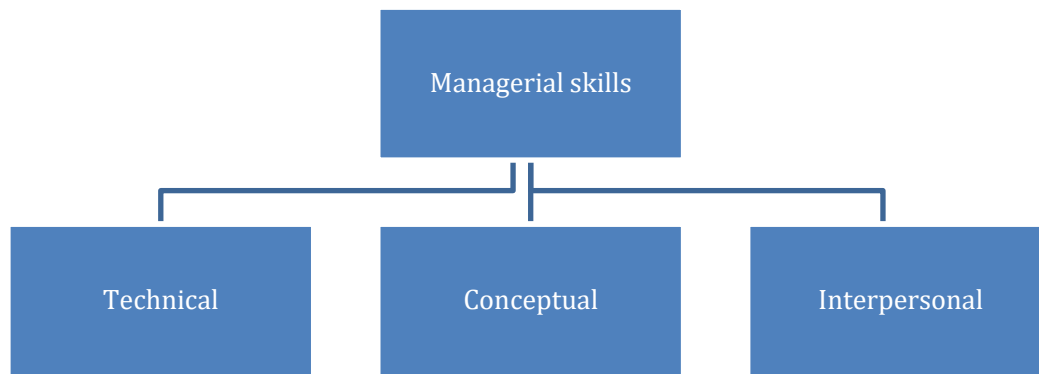
During the course of a project, it is noted that there are two team members who do not have an understanding of performing a task. They have informed you as their manager that this is the case and they have been struggling to perform this task for some time now. You have decided that you need to prepare some training material for them.

Reflect on this situation, then identify and write down the two responsibilities that you have as a manager.

1.6 MANAGERIAL SKILLS

As described in the previous section, management is encountered at different levels within the organisation. To do a management task, one requires certain abilities and knowledge to carry out management tasks.

Mintzberg (1980) has identified three important skills that are needed for a manager to be effective, namely, technical (informational), conceptual (decisional), and interpersonal. Each of these skills is still relevant today, with the area within each more broadly understood, and interpersonal being found the most important one of the three.



Source: Adapted from Mintzberg, 1990

Figure 1.4 Managerial skills

These managerial skills are discussed below.

1. **Technical skills:** This is the ability to use the procedures, techniques, and knowledge of a specialised field. This refers to skills that are directly related to the job, such as accountants or engineers who have specific technical knowledge and skills to do their work. This can also encompass the skills of knowing how to design a marketing plan or a product, selling the products of your organisation or managing an event (Sutevski, 2022). The skill involves communicating information; hence it is informational in nature. It is the low-level managers who value this skill the most, as they are the ones doing the operational work.
2. **Conceptual skills:** This skill, is, according to Sutevski (2022), “presenting the knowledge or ability of a manager for more abstract thinking”. This skill therefore depends on the manager having a vision of each department and understanding how they each work and depend on each other. Expecting an impact of a change on any department is key to having this skill (Prabhu, 2020). It involves making decisions and implementing them; hence it is decisional in nature. Conceptual skills would be used at top management level, as they are responsible for understanding the organisation and how it fits into its external environment. Patrice Motsepe applied these skills as his organisation underwent many changes with the merger of ARM and Harmony Gold.
3. **Interpersonal skills:** These skills are described as “skills employed when persons interact with one another” (Klein, DeRouin & Salas, 2006: 81). This skill has been found to be of growing importance as managers are

expected to have good relationships with employees and all stakeholders they work with, be it suppliers or contractors, and interact more and more on digital communication channels. Social support in the form of providing resources to complete tasks in a job and emotional support are becoming key factors required by managers increasing their skills in the workplace. This is because supervisors now provide feedback and this social support to their teams; therefore they have the ability to powerfully improve the job performance and attitude of those they work with (Beenen, Pichler, Livingston & Riggio, 2021).

Activity

John is a regional manager at Nedbank. There are many new competitors joining the bank market in South Africa that are introducing new or similar products. John needs to understand how competition will affect the region he services in terms of sales. At the same time, John spends much time marketing the new range of bank products in the Eastern Cape region. Over the last few months, he has engaged with his department managers, ensuring that they receive all information on the new banking products to be released.

What management skills do you think will apply to John? Motivate your answer.

1.7 TWENTY-FIRST CENTURY SKILLS

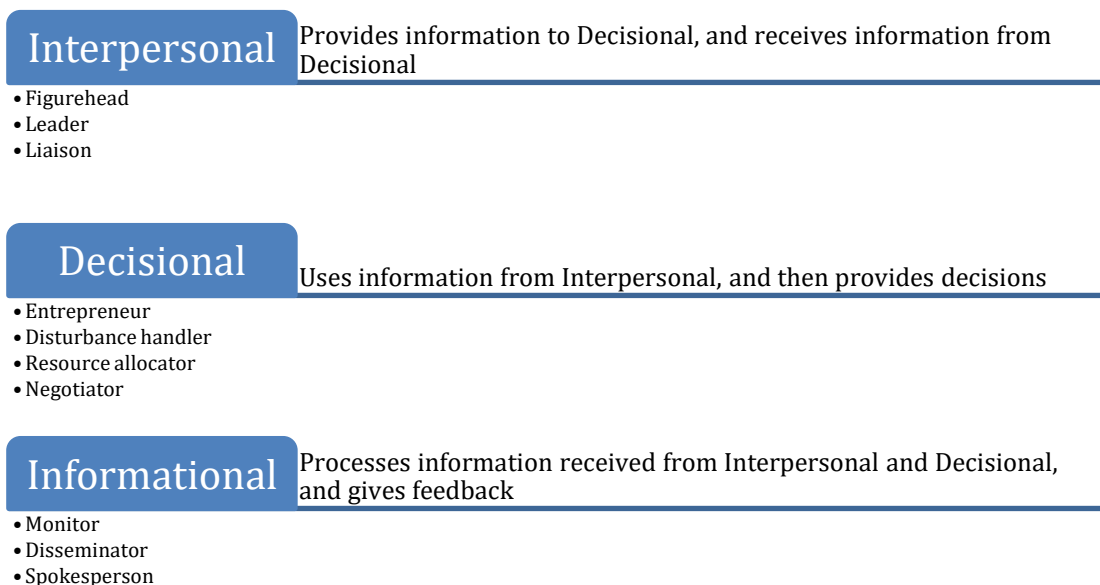
To be an effective manager, there are essential skills that have become crucial in the twenty-first century. Let us look at these now.

- **Total quality management:** Managers today need to focus on improvement in areas such as products, services, or processes in an organisation. This needs to be done in conjunction with everyone in the organisation so that customers can be more satisfied (Akkoyun, 2021).
- **Risk-taker:** The manager is seen as someone who must focus on both the customer and an organisation's employees. By doing this, he can assist to see the risks that employees face or that an organisation faces in meeting its customer needs. The manager will then devise ways to overcome these risks to keep the organisation competitive (Prabhu, 2020).

- **Empowering workers:** While providing feedback to their employees, it is best the manager encourage the workers' efforts by acknowledging their successes. Managers should also develop their workers by sharing information with them and allow workers to make more decisions or have more authority in their roles (Akkoyun, 2021).
- **Negotiation:** As there can be more uncertainty as the management level moves to the top level, there is a need for a manager to have greater analytical skills to solve issues that arise. The manager needs to interact with others to influence them and therefore must be a good communicator.
- **Digital understanding:** Having technology as knowledge can be beneficial to the organisation and its employees (Reddy, n.d.). This knowledge will allow the organisation and its employees to advance and be globally competitive.

1.8 MANAGERIAL ROLES

Within each of the three managerial skills held by a manager, noted by Mintzberg (1989), there are key roles played by managers. There are 10 such key roles that are all designed to ensure that a manager can meet their functions, and we will now explain each of them, many of which have evolved since 1989.



Source: Adapted from Prabhu, 2018

Figure 1.5 Managerial roles

- **Interpersonal.** This includes three roles:
 - a) Figurehead: The manager represents his/her organisation at events such as social, legal or other ceremonial events. Examples include attending a wedding of an employee or taking a client for lunch or supper (Zartler, 2018).
 - b) Leader: The leader provides direction and leadership to people by coaching and supporting them (Tawk, 2021).
 - c) Liaison: As a liaison, the manager must build networks with all stakeholders, whether internal or external.
- **Decisional.** This includes four roles:
 - a) Entrepreneur: This manager is full of ideas, creative, and implements ideas and solves problems (Prabhu, 2020).
 - b) Disturbance handler: The manager avoids and manages any issues as they arise.
 - c) Resource allocator: The manager is responsible for allocating resources including financial, technological, and human resources.
 - d) Negotiator: The manager negotiates with people in the team and department, as well as within the organisation.
- **Informational.** This includes three roles:
 - a) **Monitor**: The manager obtains information from those in industry as well as from within the organisation with the aim of improving the productivity of workers (Prabhu, 2020).
 - b) **Disseminator**: This is about providing information that is of importance to employees and also about the manager delegating tasks to others to perform.
 - c) **Spokesperson**: The manager is the brand of the organisation as he/she represents the organisation. They give organisational information to external stakeholders.

Example:

As a manager, John knows the tasks that need to be done to complete reporting in his accounting department. He teaches his team to do this task well and evaluates their work at the end. While current employees have been doing this task, the team has been growing and he has found that many of the new employees are struggling to manage certain parts of the task as it has become more demanding.

He realises that telling the employees what to do is no longer helping them as they go back to work and then come back saying they do not understand. Instead, John decides to ask them questions to get them to come up with solutions. He also supports them as they work to improve their work on their own. This role is the one of the many important roles played by a manager, being the leader.

Activity

Kevin owns his own printing business. He chooses to buy his ink for his printers at Blue Wholesalers and is also considering buying a new printing press. There can be many managerial roles at play here. Think about this and then write down what you understand by these managerial roles.

Activity

Visit the following link to get more information on the four functions of management:

<https://courses.lumenlearning.com/suny-principlesmanagement/chapter/primary-functions-of-management/>

Summarise the four functions of management, and then write down an example found in each function of management.

Summary

This topic provided an overview of what management entails. You were first introduced to understanding the term **managers** and then **management**. We saw that one of the definitions of management included controlling others to meet the goals of the organisation, but by using limited resources. The manager is the individual in charge of achieving the objectives of the organisation by using resources efficiently and effectively.

To understand this further, you were introduced to the three levels of management, namely, top, middle and low level. The four functions of management were then discussed, which are all traditional functions, namely, planning, organising, leading, and controlling. Management tasks are also fundamental to understanding the nature of management, so we delved into some of them, such as setting goals, taking leadership, training and development and also mentioned the big part that administration plays in a manager's role.

Managerial skills, such as technical, conceptual, and interpersonal skills, have all been highlighted. Interpersonal skills have grown in importance over the last few years as management is more about engaging in the right way with others to ensure they do their work effectively, and this means having good relationships with others. We finally looked into twenty-first century skills, such as being a risk-taker, empowering others, and negotiation. The manager also needs to be able to see and manage risks as they occur. The manager does not only assign tasks to others, but also needs to be someone who can praise the work of others, thereby empowering them to succeed in their tasks. The manager should also share his knowledge with others to empower them.

We moved onto discussing managerial roles. These included interpersonal, decisional, and informational roles. Interpersonal included three roles, namely, a figurehead, leader and liaison. Decisional included entrepreneur, disturbance handler and resource allocator, among others. An informational role included being able to monitor others and disseminate information.

This topic provides a foundation for the rest of the topics that will discuss the most important part of management — its functions of planning, organising, leading and controlling. We will provide more of an in-depth understanding of these parts of management in the next topics.

Self-Assessment Questions

John was recently appointed as the regional manager of Standard Bank in the Western Cape, which was underperforming in terms of its sales. John was appointed to turn the region around and focus on its sales strategy. There are seven area managers within the region who report to John. At the same time, each area manager has many branch managers who report to them.

John has investigated the reason for the poor performance of the province and has found that the previous regional manager was the cause of this. John develops a new sales strategy and communicates this with his area managers. He initiates certain projects that will improve sales within the branches and makes sure that staff are made aware of these. He instructs the area managers to create teams in their areas where they will have a competition to see which branch can make the most sales and exceed their sales targets. The branch manager will ensure that each team functions properly and meets the goal of increasing their sales. Each team that reaches its target will receive a financial reward depending on the sales made. There are also 'milestones' put in place to show how far teams should be with reaching their goal and how far they still have to go.

The area managers find it a pleasure to work with John, as he understands the crisis they are in and has come up with a workable solution to fix the problem. John is also approachable, and the managers feel they can come to him with challenges they are facing, as well as with suggestions they have to improve sales.

1. Which levels of management are evident in this scenario? Explain each one with reference to the definition of each role you have covered.
2. Which four management functions would John apply in making sure that the sales objective is being met?
3. Which two management roles are dominant in John's scenario? Provide the category they each fall under.
4. Show how John is motivating his staff to reach their goals, based on the information in the case study.

Topic 2 Planning

2.1 INTRODUCTION

This topic relates to the following module outcome:

2. Explain the roles and responsibilities of the business manager in the twenty-first century.

Patrice Motsepe is successful because he plans for success. He creates a vision and, together with his team, he determines what has to be done to realise the vision.

This topic will focus on the first managerial task of **planning**. Planning looks at what the business wants to accomplish and how it is going to go about it. Significant aspects of planning will be covered in this topic, including why planning is important, the different types of planning and what the planning process entails. It will also provide an overview of strategic planning and decision-making.

In this topic, you will gain knowledge in the following areas:

1. Planning
2. The planning process
3. Three types of planning
4. Decision-making
5. Importance of planning

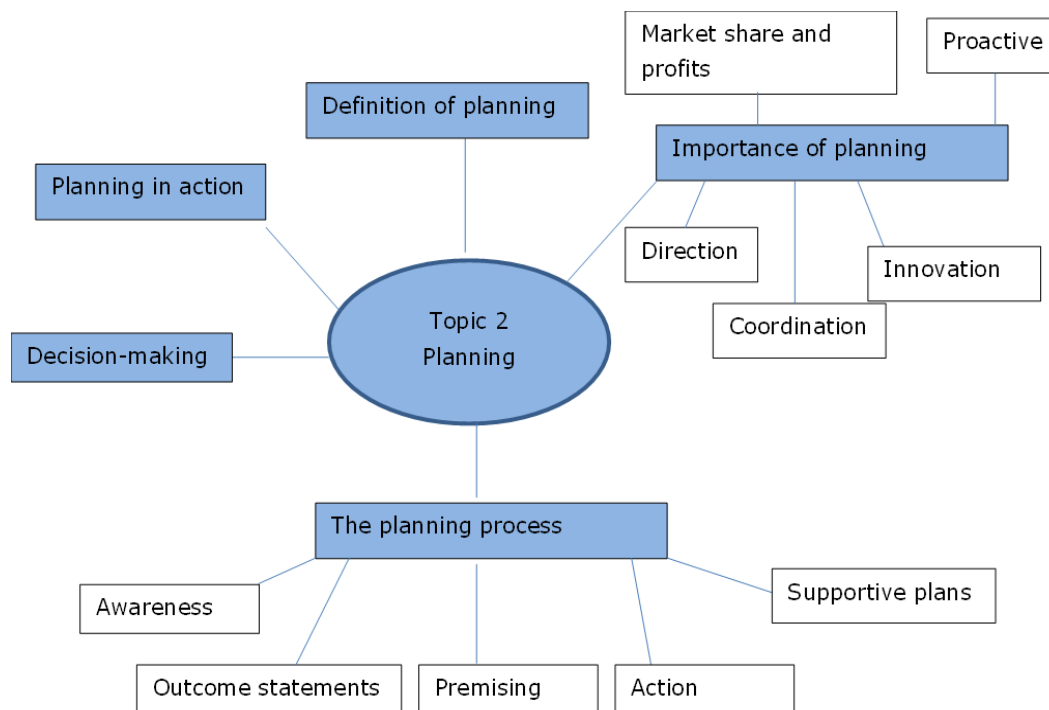


Figure 2.1 Topic 2 mind map

2.2 CASE STUDY: PLANNING IN ACTION

Planning is the process whereby an organisation sets objectives or goals that it wants to achieve, both short term and long term. Action plans are then put in place to ensure that these goals are met. Finally, the plan will be evaluated to determine whether the implementation of the plan is successful or not. The case study below gives an overview of what the planning process entails. It shows what the management of the Verge Hotel Group proposes to accomplish with its hotels and how it plans to realise its goal and objectives.

Read the case study for a demonstration of the planning function.

Case study

Background to the Verge Hotel Group (*a fictitious organisation*)

The Verge Hotel Group (Pty) Ltd was established in 2017 and opened the doors of its first three hotels simultaneously in Cape Town, Durban and Johannesburg on 1 January 2018. Rapid expansion in 2020 saw the group also open hotels in Bloemfontein, Port Elizabeth and Tshwane. The Verge Hotels are small boutique hotels, each possessing 20–25 rooms, and targeting young, upcoming managers and executives who travel extensively for business.

The Verge Hotels seek to create a relaxing yet inspiring working/sleeping environment away from the office/home. The architecture and interior design of the hotels are high-tech and minimalist, with open spaces and lots of natural light. The rooms are not traditional hotel rooms and are instead studio or loft-type rooms that have a sleeping area, working area and time-out area. The working areas are fitted with adjustable desks and office chairs, as well as the latest in information technology applications. The name of each regional hotel reflects the group's awareness of catering to the young, upcoming, technology-savvy business executive and they are known as *verge@jozi*, *verge@ct*, *verge@pr*, *verge@bloem*, *verge@dbn*, *verge@tshwane*. Verge Group CEO, Johnstone Luhabe, says that, from its inception, the mission of the Verge Hotel Group has been "to provide the travel-weary executive with an inspirational working/sleeping space that supports productivity while minimising the stress of extended business trips".

The importance of planning

Many factors contribute to the Verge Group's success. Luhabe cites one of these factors as the Verge Group's ability to plan in detail and to execute plans successfully. Detailed strategic, tactical and operational plans ensure that each manager and employee knows exactly what the group, each hotel and each employee has to achieve. Luhabe emphasises that, through the focus on rigorous planning, the Verge Group remains aware of the opportunities and threats that the hospitality industry brings, as well as the unique requirements of its target market.

All planning, be it strategic or operational, is based on the mission of the group. Long-term goals for the group were derived from the mission statement, and each hotel has a set of tactical goals that are based on the group's overall strategic goals, which are translated into more detail with operational goals.

Once a year, the general managers of all the hotels, together with the board of directors and the chief executives, meet for a three-day planning session. The first step in the planning session is to review progress; in other words, the extent to which the previous year's goals have been achieved. Time is also spent on analysing both the internal and external environments of the Verge Group. The tactical goals are then reviewed, adjusted, and reformulated, ensuring that the new set of tactical goals remains aligned with the strategic goals of the Verge Group.

Once the tactical goals have been agreed on, tactical plans are developed. Each general manager then returns to his hotel, where these tactical plans are discussed in detail with the employees of each hotel. Operational goals are then developed, and detailed operational plans and initiatives developed for each hotel's tactical plan to ensure that the tactical goals are achieved, which in turn contributes to the achievement of the strategic goals of the Verge Hotel Group.

Mission statement of the Verge Hotel Group

Firstly, we provide the travel-weary executive with an inspirational working/sleeping space that supports productivity and minimises the stress of extended business trips; secondly, we seek to become an employer of choice, and lastly, we will earn above-average returns for our shareholders.

Through our mission, we are committed to our strategic goals:

1. Offer our shareholders returns of 19% over the next 10 years
2. Expand market share from 10% to 20% over the next five years
3. Establish Verge hotels in Tanzania, Botswana, and Nigeria in the next six years.

Source: STADIO Higher Education Ltd, 2022; adapted from Du Toit *et al.*, 2008

2.3 A DEFINITION OF PLANNING

The planning function of management is a tool that is used by managers to manage relationships with people in the organisation (Victoria, 2019). The tool allows managers to make decisions in the future. Planning therefore involves defining objectives, methods to get the goals in a certain time period and then making the actual decisions. Good decision-making assists the organisation to review its action plans for the future of the organisation. Planning is an efficient manner of performing duties that determines when, how, and who will be responsible for various tasks. It bridges the gap from where the organisation is now to where it sees itself in the future.

Openstax College (2019:550) defines planning as: "the process by which managers establish goals and specify how these goals are to be attained".

Another definition states: "the process of setting goals for the future, designing strategies, and deciding on the actions and resources needed to achieve success" (Neck, Houghton, & Murray, 2020).

From the above definitions, it is evident that, in order to reach the organisation's objectives, planning needs to take place. During this process of planning, the organisation will look at ways in which to achieve these goals and allocate the necessary resources. There are also numerous free planning software programmes that are available to project managers to use in this planning process.

Activity

Watch the following video to provide an overview of planning:
<https://www.youtube.com/watch?v=29qE4FSxc1w>

Write down the four levels of planning in an organisation, and then explain each of them.

2.4 THE IMPORTANCE OF PLANNING

As mentioned before, planning is the foundation of all the other managerial tasks and, without planning, we cannot organise, lead, or control effectively and efficiently. There are various reasons that planning is essential, which we will now discuss (Kabeyi, 2019):

- **Planning gives direction**
The plan allows for realistic goals and objectives in an organisation to be set. Planning in this way can therefore provide stability and more consistent work processes, which is what all organisations want to achieve.
- **Planning promotes coordination between the various departments and people in the business**
At this stage, the tasks and resources can be allocated so that the organisation can be effective in accomplishing its realistic goals. This can lead to greater efficiency in business work.
- **Planning facilitates innovation**
Changing consumer needs and new competition encourages organisations to introduce new products, services or new programs in their planning. This is a must so that the organisation can survive and thrive.

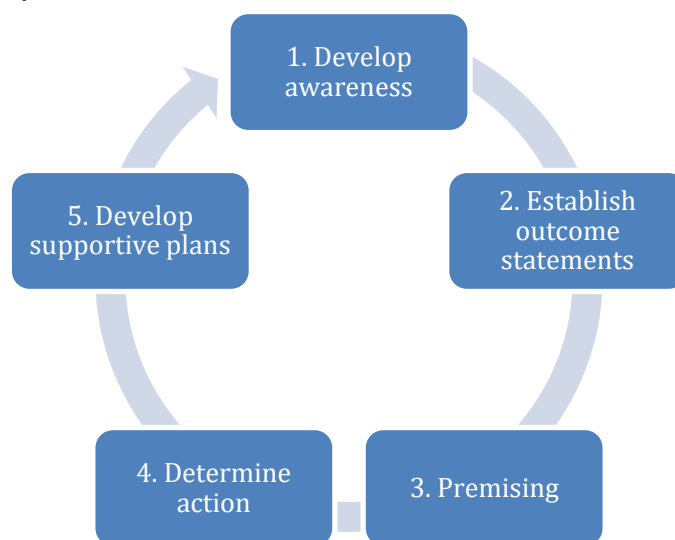
- **Be proactive**
Planning prevents a manager from being reactive to problems. The manager, in planning, can do predictions of the future, therefore enabling him/her to be proactive in situations. The organisation can be more adaptable to problem situations as they arise and this may result in a more functional organisation that does not unnecessarily incur expenditures to keep it surviving.
- **Increased market share and profitability**
Valuable insights can be gained from research into market trends, industry benchmarking as well as the available products/service offerings in the market. All of this can lead to an organisation planning in advance so that the organisation can increase its market share and profits.

Activity

Show your understanding of the term 'planning' by defining it in your own words. Research at least two other sources to do this. Write down at least two examples of how you use planning in your day-to-day activities.

2.5 THE PLANNING PROCESS

The planning process is a step-by-step process that is continuous in nature. We will now outline five of the steps involved in planning by management (Openstax, 2019):



Source: Adapted from Koontz and O'Donnell, 1972, and Openstax, 2019

Figure 2.2 The planning process

2.5.1 Develop awareness

Developing an awareness of the present state and the history of the organisation provides the foundation for developing the plan. It is just as important for a manager to view the organisation's history as much as its current state so that the manager can gauge its strengths and weaknesses, what worked well and what did not work well. In this way, the manager can develop a strong vision of the future by setting strong goals.

2.5.2 Establish outcome statements

This step involves decisions about the organisation's final destination and is about the manager setting goals. These goals are, however, set so that each department supports the level above it, such that finally all departments support the organisation's goals. There are three such elements involved in this step: goal planning, domain planning, and hybrid planning.

1. Goal setting

This is when goals are set by the manager and then a course of action is taken, or action statements are created. This is more likely to be used at lower levels of management where the level of uncertainty is relatively low. This is similar to you saying you want to win a prize for passing with a distinction in all your subjects in your undergraduate degree, and then you develop a plan to achieve this goal.

2. Domain planning

This is when a manager develops a course of action first and thereafter this facilitates the choice of specific goals. This is likely to be used at higher management level where there is high uncertainty in tasks and managers deal with external stakeholders. At these management levels, there may also be no clear agreement about goals, or an organisation may be new so domain planning can be used. The 3M Corporation is a classic example of this when they took a decision to develop new cohesive substances that replaced page markers in books. This allowed them to be innovative early in the process.

3. Hybrid planning

This involves starting off with domain planning; however, as there is more certainty in tasks and goals, managers start to move towards goal planning.

Types of goals

Putti (2019) states that there are three types of goals an organisation has. The first is known as an official goal, which comprises the goals made openly available to every employee in the organisation. This can be an organisation policy or charter. The second is an operative goal. Operative goals stem from the official goals set and affect the work being done. The third type of goal is known as an operational goal and comprises standards that measure how activities meet all these goals.

It is important to note that achieving the organisation goals requires a group effort. Besides a group effort to reach the goals, all the efforts of employees need to be efficiently coordinated and this can be achieved with management that has good leadership styles, strong communication skills and good motivational techniques. It is therefore important that authority be used to coordinate the work of employees

A hierarchy of goals

Gordon (2022) notes that there are three types of organisational goals — strategic, tactical, and operational. Gordon also states that goals can depend on the function, such as finance, marketing, sales, or accounting and the time of completion. These goals are real goals (adopted and obtained by the organisation) and stated goals (stakeholders informed of this but not obtained by the organisation).

We will now discuss each of the organisational goals. Before we do, it is important to remember that organisational goals are set with the vision and mission statement of the organisation in mind. We will discuss the vision and mission statement first.



Source: Adapted from McQuade, 2021

Figure 2.3 The hierarchy of organisational goals

Mission statement

A vision is a “reference point used to influence the organisational goals and is concerned with where we are going” (McQuade, 2021). It shows the future of the organisation, having obtained its strategic goals (Alshameri & Green, 2020). A mission statement includes “why” the organisation exists, “who” it exists for and also the benefits or service it provides to these stakeholders. Together, the vision and mission statement can affect the attitude of employees, employee values and ultimately create the culture the organisation desires to see. The mission statement supports the vision.

Strategic goals

These are also known as long-term goals. They are set by top-level management such as the board of directors and are derived from the mission statement; therefore their target focus is on the organisation as a whole. Top-level managers need to show how their work meets the strategic goals and the mission statement of the organisation (McQuade, 2021). These goals normally include increasing the profitability, productivity, expansion, and competitive position or reducing the taxes of the organisation (Milano, n.d.). Strategic goals cover a period of five to ten years (Lewtak, 2020).

Tactical goals

These are also known as functional goals, and middle-level management is tasked with executing these goals (Gordon, 2022). In order to reach the strategic goals, the strategic goals need to be broken down into smaller goals and this occurs by the major division or function within the organisation. These goals usually cover a period of one to three years.

Operational goals

These are also known as short-term goals, covering a maximum period of one year. Low-level management is responsible for determining these goals, and they deal with operational issues. These goals are usually very specific and need to be measurable and are carried out by employees within their relative functions (Gordon, 2022).

Activity

Research the mission statement and values of Woolworths.

Analyse the mission statement and write down how it differentiates from other retail stores in the industry.

Read the following case study. It indicates how important the hierarchy of goals is in the planning of an organisation. Even though the case study looks at a large organisation, the basic principles can be adapted to smaller entrepreneurial businesses.

Case study

Taking big decisions at Nokia

Stephen Elop, who joined Nokia as CEO in September 2010, was faced with a significant amount of uncertainty and ambiguity in determining the future strategy of the company. With a rapidly declining market share in developed markets (where Google's Android and Apple's iPhone have heralded the invasion of smartphones) and a weakening competitive position in emerging markets (such as India), the decisions he is taking are significant for the survival of the organisation. In February 2020, he addressed his employees and then asked three questions to all employees in his organisation.

This story is about a man who was working in the North Sea. He woke up one night from a loud explosion, which suddenly set his entire platform on fire. In mere moments, he was surrounded by flames. Through the smoke and heat, he barely made his way out of the chaos to the platform's edge. When he looked down over the edge, all he could see were the dark, cold, forbidding Atlantic Ocean waters.

As the fire approached him, the man had mere seconds to react. He could stand on the platform, and inevitably be consumed by the burning flames or he could plunge 30 metres into the waters. The man was standing upon a 'burning platform' and he needed to make a choice.

He decided to jump. It was unexpected. In ordinary circumstances, the man would never consider plunging into icy waters. But these were not ordinary times — his platform was on fire. The man survived the fall and the waters. After he was rescued, he noted that a 'burning platform' caused a radical change in his behaviour.

Three questions were posed to the employees: "What do you think I need to change?", "What do you think I need not or should not change?" and "What are you afraid I'm going to miss?"

Jean subsequently announced the strategic decision to create a joint venture with a software company and adopt their Windows operating system to power their new smartphones in his business. It offers tactically leveraged branding for these businesses in both developed and emerging markets, but moreover still requires Nokia to make the operational decision of maintaining support for its in-house platforms to finance the transition of the company. A large challenge given the extensive history of organic and in-house technological development and the corporate culture it has developed.

Source: STADIO Higher Education Ltd, 2022; adapted from Pownall, 2012

The table below provides examples of how the Verge Hotel Group (refer to the case study in section 2.2) can strategise with regard to the mission, strategic, tactical, and operational goals.

Table 2.1 Planning for Verge Hotel group: an example

TYPE OF GOAL	VERGE HOTEL GROUP
Mission	<ul style="list-style-type: none"> • Provide an inspirational working/sleeping space for travel-weary executives • Become an employer of choice • Earn above-average returns for its shareholders.
Strategic goals (long-term) (five to ten years)	<ul style="list-style-type: none"> • Offer shareholders returns of 19% over the next 10 years • Expand market share from 10% to 20% over the next five years • Establish Verge Hotels in Tanzania, Botswana and Nigeria.
Tactical goals (functional) (one to three years)	<ul style="list-style-type: none"> • Increase room occupancy rates to 70% over the next two years (marketing goal) • Increase profit margin by 3% in the next year (financial goal) • Reduce staff turnover by 3% in the next three years (human resources goal).
Operational goals (short-term) (one year at the most)	<ul style="list-style-type: none"> • Develop a seasonal promotion campaign aimed at corporate travel agents • Extend restaurant hours during conferences • Establish supply partnerships with local laundromats and dry cleaners.

Source: Adapted from Du Toit *et al.*, 2008:155

Activity

Now that you understand strategic, tactical, and operational goals, assume for a moment you are a manager of a company producing textiles. Which strategic, tactical, and operational goals would you have in this company? Write this down and discuss this with a friend.

Criteria for setting effective goals

Good goals are generally described as being specific, measurable, achievable, relevant, and time-bound (SMART) and this is very much applicable to process type of work (Allan, 2019). Let us take a look at examples to understand its meaning.

Goals that are only specific and measurable: Should an organisation just set a goal to increase its profits by 5%, it shows exactly what is expected and it can still be measured if needed at a future date. This does not, however, indicate the time period by when the profits need to be achieved.

Goals need to be SMART: An example of this is the following: you as an employee of Sasko decide to send out five tweets each week to promote the company brand, but you decide not to do this when you are on annual leave or when the company is closed. This goal is specific, measurable, achievable, relevant, and time-bound. You can use the SMART criteria to develop your own personal action plan.

2.5.3 Premising

This step involves establishing assumptions about future events or tasks to be able to build action statements. This entails keeping an eye on both the internal and external environment to scan information that would be useful to the organisation (Ogolo, 2019). An example of premising is making assumptions to answer the question, “what technology applications in smartphones can we expect to see in the next year in South Africa?”

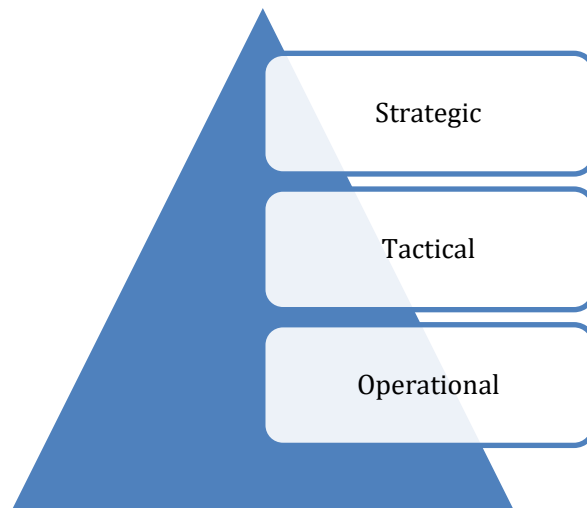
2.5.4 Determine action

This is when action is taken and involves determining what is to be done, by whom, how it will be done and by when it will be done. A part of this process is also evaluating all other alternative actions to determine how each will assist the organisation to reach its goals.

2.5.5 Develop supportive plans

Usually, one main general plan is never used in the planning process. There are always other supportive plans used to help the organisation achieve its objectives (Ogolo, 2019). We will take a look at some of the main plans an organisation uses to target various levels of management.

The figure below depicts the various organisational plans at each management level.



Source: Adapted from Strydom, 2008:71, and Openstax, 2019

Figure 2.4 Types of organisational plans

Strategic planning

These plans are developed by top-level management such as the company executives to accomplish the mission of the organisation. Here organisational goals are determined, and it is the organisation actions in strategic planning that must always support the vision and mission statement of the organisation (Openstax, 2019). The strategic plan can be short term or long term in nature but tend to be more long term. If these goals are short term, then we may look at quarterly marketing sales targets. A long-term strategic goal can include opening up a new factory in another location. Posch & Garaus (2019) mention that strategic planning plays a massive role in improving innovation within organisations, improving internal communication, and also generating new ideas.

Tactical planning

This is also known as functional planning because this planning takes place in the functional areas or divisions of the organisation, such as marketing, production, finance, etc. This is the area of planning that derives from strategic planning and where resources are utilised to achieve the organisation's strategic goals. An example of tactical planning is the following: your company sells investment products and now you decide to use online advertising to reach more customers. The detail of every component of an online advertising campaign needs to be specified when doing tactical planning.

Operational planning

This is also referred to as short-term planning and the timeframe in which it operates is 12 months and less. Operational planning concentrates on the short-term projects or processes of an organisation (UN, n.d.). These projects or processes are done by low-level management as they best understand current issues and daily work that needs to be done (Al Shobaki, Abu Amuna & Abu Naser, 2017). It makes sense therefore that if this level is where tasks are performed, this is where tasks are defined. For example, if part of the Human Resources tactical planning includes staff training, operational planning will focus on scheduling staff for the necessary training.

Example:

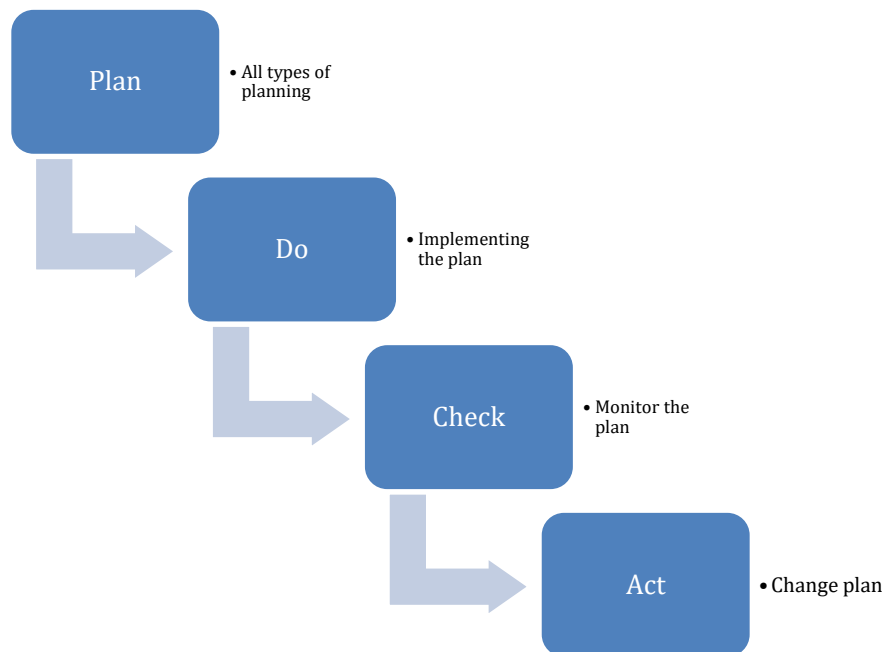
You are the division manager of the lady's clothing division at a prominent clothing store in the Western Cape. The strategic plan in this department is to obtain at least 20 000 new followers on a social media platform annually. There are various ways in which obtaining 20 000 new followers can be achieved by using social media. You now need to figure out how you will achieve this strategic plan. Part of understanding this is to understand and be aware of the tactical goals. You look at these goals and realise that one of them is to grow the customer base by 5% over the next one to three years. Now that you know this, you need to work on how to achieve this goal. Together with your marketing team, you decide to use a few social media campaigns on the popular platforms. Since your company has a website, it is decided that blog posts will be written once every two weeks, describing the customer experience and detailing the new product range the store receives. Articles will be written on a regular basis to explain the store's history and how it has expanded. In addition to this, a live video of new products will be made and posted on the Facebook page as well as the website. Once this has been done, deciding who will do these tasks and defining each of these social media campaign tasks in detail will need to happen and this is when operational planning occurs.

The Deming Cycle

Planning is important; however, learning from past errors or omissions is just as important to ensure that continuous learning takes place. This is where the Deming Cycle comes in — it helps to use learning from planning and integrates it into the planning process (Openstax, 2019). The cycle consists of planning, doing, checking, and acting. Planning is what we just covered. Doing is the implementation of the plan. Checking is about monitoring the progress in its

implementation. Acting is about using the learning found in the checking process to change or improve the plan.

Let us view the Deming Cycle:



Source: Adapted from Openstax, 2019

Figure 2.4 The Deming Cycle

Activity

Watch the following video on types of organisational planning:

<https://www.youtube.com/watch?v=gbuJXAD9IBk>

Now discuss with your friend the type of goals and levels of management that fall within each type of plan mentioned in the video.

2.6 DECISION-MAKING

2.6.1 Introduction to decision-making

Decision-making forms part of every managerial function — planning, organising, leading, and controlling. Even at the functional level, decisions are made. If you choose a particular action, then you are making a decision. A

production manager may need to decide to increase production or lower production when consumer demand keeps changing.

In the case study below, the importance of decision-making within organisations is reflected. It highlights decisions made by management and in this case, senior management, and the impact of the decisions they made.

Case study

Edgars: Death of a successful business

Edgars was once a very successful and profitable company, yet it is viewed as one of South Africa's most spectacular corporate failures. Edgars opened its first store in Johannesburg, South Africa, in 1929. The company grew massively from then but quickly was hit with crisis after crisis during its lifespan.

Edcon drew credit from its customers and in 2009, the year of the financial crisis, it could not repay its massive debt. The business did not have any cash to invest in new stores or improve its customer service, with the result that shares plunged from 32% to 25% in 2007. The decision was made then to default on payments to the banks. A business rescue practitioner was appointed to deal with the situation, and this signalled the end of the company. An agreement was reached to drop the debt repayments owing by Edcon from R4-billion a year to R500-million a year. Some mentioned that this amount owing was nothing, given that the company was negligent in making no investment in any of its stores over the past decade.

As a result of the situation, staff turnover was at 30% as employees were uncertain of remaining at the company. The internal systems used proved highly inefficient: the company used 192 advertising agencies to market its brand and owed them more money than they could afford. Stock valued at R600-million was sitting on the shelves and not moving at all.

Since the profits were expected to drop, the company decided to focus on the operations. The problem was that the business decided to cut out staff to serve customers, so there was no training of staff and customers began complaining. Some would argue that the decision to bring in international brands that were not known at all by customers was not good, and therefore sales dropped. Edgars started to neglect its own private-label clothing items at the expense of bringing in these many new overseas labels. Edgars also lowered the quality of

its items to reduce costs with rising competition from other cheaper brands such as Cotton On and Mr Price. The company also did not consider selling fashionable items, a decision that cost them millions of rands. The management layers were also constantly changing, and this worsened the situation at Edgars.

Home brands such as Kelso will be more of a focus together with stores in regional malls. In 2022, Edgars launched a click-and-collect option online to make it easier for consumers to buy goods.

Source: STADIO Higher Education Ltd, 2022; adapted from Shevel, 2016; and Thukwana, 2022

2.6.2 Defining decision-making

Putti (2019) defines decision-making as “choosing one course of action from several other possible actions”.

Simon (1960) defines decision-making as “searching the environment for conditions calling for a decision; exploring, developing and analysing the available courses of action; and choosing one of the particular courses of action”.

Various challenges or problems require managers to make decisions differently. There are criteria used to categorise decisions. We will look at some of the criteria used in practice.

Decisions can be routine and non-routine (Putti, 2019). Routine decisions are those that are repetitive and those that follow organisation procedures and rules. An example of this is when a factory supervisor inspects the products manufactured to ensure they meet the quality standards. Other decisions are non-routine and require some analytical thinking and problem-solving. An example of a non-routine decision is deciding where to locate the new restaurant you want to open.

Decisions can also be classified as means–end (Putti, 2019). When a decision is made depending on the “end”, then decisions about the goals of the organisation need to be made. The goal can be to be the market leader in the production of the goods you manufacture, and the decision is to prepare this goal. When using the “means” decision, the organisation or manager must decide on the action to reach this goal. To reach the goal, the organisation may decide to increase its stores all over South Africa.

Example:

A client comes into the bank to check on the status of his recently deceased wife's account. When the consultant looks at the account, she sees that the bank has listed the husband as deceased and not the wife. As a result, the husband, who is still alive, has an Estate Late account. The decision taken to rectify this situation would be a non-routine decision, as this type of problem does not occur on a regular basis and there might not be a process in place for such a situation.

Activity

Think of a time when you needed to complete a project. This would have involved many types of tasks, some working on your own and other tasks requiring you to work with others. Write down at least two routine and non-routine tasks you performed in the project.

Summary

This topic covered all the important aspects of planning and decision-making. We first identified the definition of planning, being a process by which managers establish goals and specify how to reach these goals. The importance of planning was discussed. We found that planning provides direction to an organisation and can help to facilitate innovation. Planning helps to provide coordination among departments which is essential to ensure everyone is on the same page when meeting the goals of the organisation. We also delved into the planning process, which includes **developing an awareness, establishing outcome statements, premising, taking action,** and then **developing supportive plans**. These are all necessary for planning to be implemented successfully. When we discussed establishing outcome statements, it was here where we detailed the various types of goals that exist and also expanded on the hierarchy of goals. Each goal was used at the various management levels. We found that the mission statement is also included in the hierarchy of goals, being “why” the organisation exists, “who it exists for” and the “benefits it provides to others”. The criteria for setting effective goals were then highlighted.

At each level of management, planning happens and we found that top-level managers use strategic planning. This is where top management works to accomplish the mission of the organisation. At middle-level management, tactical planning occurs and this occurs within the divisions of the organisation. Operational planning happens at low-level management as they understand the work that is done operationally.

Decision-making was also discussed as this is important when it comes to planning among various choices. We focused on routine and non-routine decision-making. Routine decision-making looks at solutions to routine problems determined by rules, procedures, or habits. Non-routine decision-making offers specific solutions created through an unstructured process to deal with non-routine problems.

Self-Assessment Questions

1. Define planning using your own words. What does it mean to you?
2. Identify and briefly explain the process of planning, using an example from your own experience
3. Andre assists Randall, who needs to have power of attorney over his father's account. He arranges the necessary form and ensures that both Randall and his father complete it. Candice comes into the bank and complains that money has been withdrawn from her bank account without her knowledge. On further investigation, the consultant realises that an ATM card was wrongfully issued on her account. Distinguish between routine and non-routine decision-making based on the scenarios. Provide examples from the scenarios to motivate your answer.
4. At the beginning of the financial year, the branch manager discusses the required targets to be met. This includes how they will market their products for the next three years. What type of planning does this refer to? Give reasons for your answer.

Topic 3

Organising

3.1 INTRODUCTION

This topic relates to the following module outcomes:

2. Explain the roles and responsibilities of the business manager in the twenty-first century.
3. Perform basic management tasks in a business context

In the previous topic, planning was discussed in detail. Once the mission and vision have been set and all the goals to be achieved have been selected, the organisation must make sure these plans are implemented. This is done with the resources within the organisation as well as with the assistance of the various departments within the organisation. Organising is where various jobs are defined by specific duties, which are further divided into well-defined areas or teams. This is where duties are assigned and the staff given authority needed to carry out their tasks.

Organising refers to “the art of organising – identifying, grouping and assigning activities necessary to achieve the desired objectives” (Singh & Gupta, 2020). The desired objectives would be to produce goods and services with the work assigned to managers to assist in coordinating others to do the work. This follows the planning function and aims at implementing the plans of the organisation. Organising enables the organisation to reach its objectives.

In this topic, you will gain knowledge in the following areas:

1. The definition of organising
2. The organising process
3. The principles of organising
4. The elements of organisational design
5. The aspects of job design

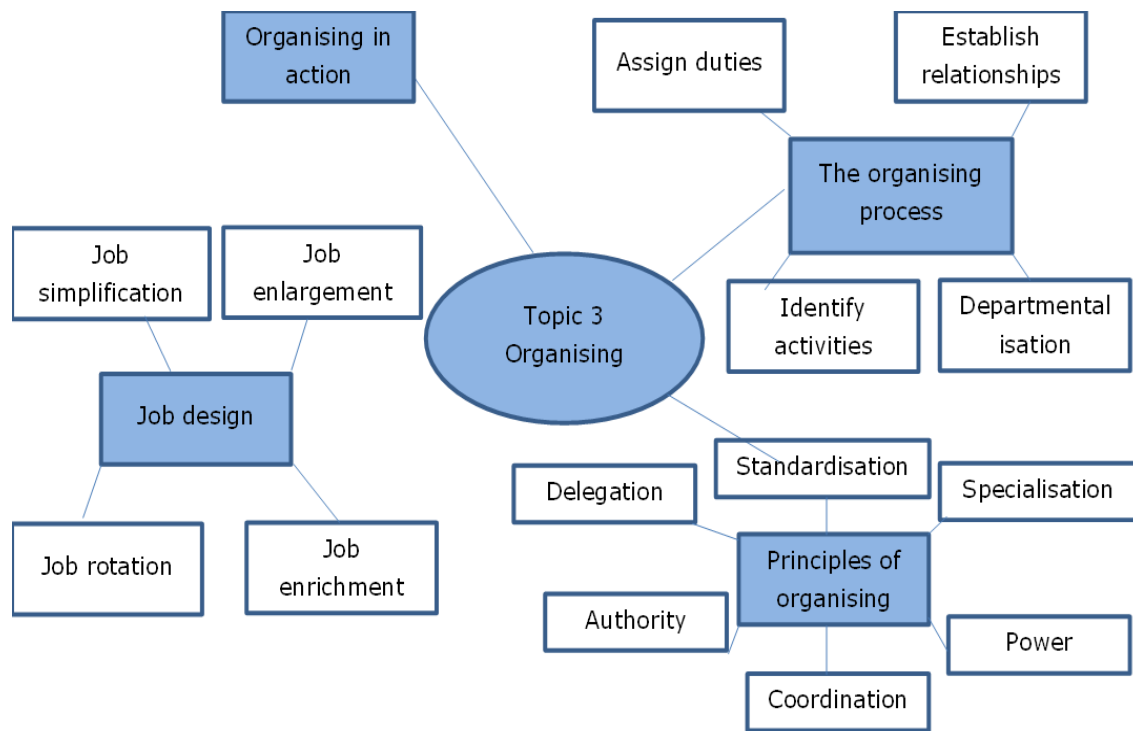


Figure 3.1 Topic 3 mind map

3.2 CASE STUDY: ORGANISING IN ACTION

The following case study of a South African bank serves to introduce you to the management task of organising in a real-life organisation.

Case study

A South African insight: Organisational design in Standard Bank

The Standard Bank Group is one of the big four banks in South Africa. The bank aims to apply the universal banking competencies it has developed and refined in its home market in South Africa to other emerging markets in which it operates. As South Africa accounts for the majority of the group's earnings, it will still be the focus of their market for years to come. The bank believes their deep roots in South Africa have given them the insight to compete in the global emerging markets. This requires that they acquire businesses from a position of in-depth local understanding in any given market and align their country or regional strategy accordingly. They aim to do this while driving group-wide operating effectiveness wherever possible by way of centralised controls,

shared systems, and economies of scale. Let us see how Standard Bank has evolved in its organising.

In 2020, Standard Bank decided to improve its management structure and form new business units to meet the needs of customers. The idea behind this was to be more unified in view and have a more comprehensive view of all clients. In early 2021, Standard Bank organised itself into three client areas, namely, consumer and high-net-worth clients, business and commercial clients, and wholesale clients. The Standard Bank Business & Commercial Clients (BCC) division provides an example of the work done with its aim to leverage SMMEs to expand businesses in Africa. The workforce in this division in South Africa is experienced and they assist business banking and the emergence of domestic businesses in 15 African economies. The division also wants to leverage the use of simple technologies to these economies to assist the development of more businesses.

The bank's organisation into three areas stemmed from a need to service the needs of diverse customers, reduce costs and time to manage customers, and to increase the level of innovation at Standard Bank. In order to accomplish this, Standard Bank must form networks with others to offer products or form ecosystems that allow the bank to combine its offerings with others. This means the bank will add its products on other client platforms. It has already started forming partnerships with Amazon Web Services and Microsoft to increase its capabilities in this regard. Furthermore, a new division, Client Solutions, was formed to deal with solutions for banking, investments, and insurance, and also to create revenue.

In 2021, Standard Bank merged with Liberty Holdings, being a wholly owned subsidiary of Standard Bank. This is part of Standard Bank's plan to become more integrated through the production and distribution of its products using the new ecosystem model and increase the scale of its asset management and insurance business sectors. Liberty can leverage the economies of scale of Standard Bank while Standard Bank will provide wider access to its products by Liberty's clients.

Standard Bank is also focused on enhancing the capability and depth of all employees as digital skills grow in importance. Training programmes have been designed for employees to increase their digital skills, analytical skills, and customer journey mapping. An example of this training programme is the Card Fraud One and Done, set up in 2019, where front-line workers are taught to identify any fraudulent transaction, block a card, and do customer refunds, as well as open a fraud case. This training helps provide relief to workers who can now avoid repetitive or mundane tasks in their jobs, so the job becomes more

motivating to them. Also, the turnaround time to answer questions for clients can be reduced. Other training programmes set up add to the current tasks employees have, such as the Power Use programme, as the employees can be certified and also promoted. Partnerships through a Global Elite Programme also assist employees to build their skills in computing.

Standard Bank's IT Group has also made major changes- it used the systems development lifecycle methodology (SDLC), where due dates were targeted. This did not work, and led to management control and employees not having the ability to make decisions themselves. There were various projects that came up during the time of use of this methodology, and this meant that many employees in-house needed to jump onto these projects at any time in addition to performing their core function. As a result of this, silos developed where projects and functional areas used their resources and managers did not have regard for the global bank's need for resources. This was when Accelerate, an initiative, started to improve the bank's current existing IT processes. One of the many priorities included centralising the software asset management system to manage its licences. There were also attempts to decentralise control of workers, as the centralisation of worker control did not work. An approach taken was to work closely with teams in developing new products.

It was then that the move towards more collaboration among workers came about. This meant that there was no longer a top-down approach to management, but instead teams engaged with each other and worked hard to solve issues. The manager positions would take on roles that would evolve as they worked on different projects. Other divisions, such as Finance and Human Resources, were also interested in making this transformation. All these changes mentioned go towards achieving the 2025 goal of becoming a platform business.

Source: STADIO Higher Education Ltd, 2022; *adapted from* Hellriegel, Jackson, Slocum, Staude, Amos, Klopper, Louw & Oosthuizen, 2008:206–207; Blackie, 2022; Businesstech, 2022; Fourie, 2022; Fischer, 2019; and Johnston & Gill, 2017

3.3 THE ORGANISING PROCESS

Sushma (2020) discusses four stages in the organising process, namely:

1. Identifying activities and division of activities
2. Departmentalisation
3. Assigning duties to workers
4. Establishing reporting relationships.

In essence, the organising process starts with the planning phase. We will now discuss each of these four stages in organising.

3.3.1 Identifying activities and division of activities

This is the first stage of organising that focuses on the outlining of activities to be finalised to accomplish organisational goals. These activities are divided into smaller jobs, leading to specialisation, such that each employee gets one job to perform; for example, a cashier in a bank accepts the cash from customers as their job, and another employee receives EFT payments to check. This allows the bank to work with structure and this example can apply to any type of organisation.

3.3.2 Departmentalisation

After this stage, departmentalisation occurs on the basis of functions, product type being manufactured and lastly, region. Departmentalisation by function can occur when activities are grouped into their own related function; for example, production activities will fall under the production department or finance activities will fall under the finance department. Departmentalisation by product type is when activities such as production or finance fall under the specific product being manufactured; for example, if plastic is being manufactured, then jobs dealing with the production of plastic will fall under the product, plastic. Regional departmentalisation is when activities are assigned depending on the region or territory they are done in.

3.3.3 Assigning duties to workers

The duties must be assigned to workers according to their abilities and qualifications.

3.3.4 Establishing working relationships

Each employee must know who they report to in their job.

Activity

Click on the following link for a video on organising:

<https://www.youtube.com/watch?v=Qa6vk-EyD3Y&t=318s>

Write down each step in the process of organising, and then describe at least three elements of each step.

3.4 THE PRINCIPLES OF ORGANISING

Six principles of organising will be discussed. They are:

1. Coordination
2. Authority (including responsibility and accountability)
3. Power
4. Delegation
5. Specialisation
6. Span of control.

3.4.1 Coordination

Coordination entails organising the work tasks to attain the objectives that management in administration aim to achieve; you will recall administration is a big part of the role of the manager (Agrawal & Gupta, 2020). Agrawal & Gupta (2020) indicate that, when employees are coordinated, the organisation can perform well, as coordination ensures that productive activity results. Imagine an organisation with thousands of employees, and each of them works in different levels in the organisation — it would be difficult to integrate the work of all these employees to meet the organisation goals if there was no coordination of work among them. There is also a need to coordinate the diverse tasks done by various departments in an organisation, as activities and specialisation within these activities are so diverse. Coordination helps to avoid duplicated efforts in work done so that employee work and time will be more efficient. Conflicts between line staff can also be prevented. It can be that individuals in an organisation understand the organisational goals in varying ways, which can lead to conflict of goals. When this does occur, coordination can assist everyone to be on the same page in reaching the goals.

Example:

If we look at the different departments in a bank (branch banking, home loans division, credit card division and vehicle finance division), even though they work separately, they can also be seen as interdependent. This is evident when a client walks into a branch and applies for a home loan. The application is completed at branch banking and forwarded to home loans to process. Whether the application is approved or declined, there are a series of activities completed by both branch banking and home loans. Coordination then looks at the linking of the activities between the two departments for one outcome for the customer.

Agrawal & Gupta (2020) further indicate that there are three elements to coordination, namely: integrating, balancing, and timing.

1. **Integrating**

It may be that employees each have their own view of the organisation and what it aims to achieve. The organisational objectives can differ from the individual's own objectives, resulting in a clash, as we mentioned. At this point, integrating the objectives of all employees will assist the organisation to successfully reach its goals.

2. **Balancing**

Balancing refers to the balanced allocation of resources across various departments in an organisation. This means that certain projects will not receive more workers and be prioritised as they are more important. There will not be an over-allocation or an under-allocation of resources to tasks in the organisation; coordination assists with this.

3. **Timing**

Coordination also carries an important element of timing; this is when all tasks or activities have a time schedule that is fixed ahead of time. Where there need to be adjustments to the time schedules of any activities, coordination plays an important role in doing this to ensure that the activity can be completed on time. This is also about coordinating the time of work by departments; for example, if the purchasing department of H&M purchases clothing material early and on time, and then delivers this on time to the manufacturing department, it is likely that the sales and marketing department will have what they need to do their work on time (Sharma, n.d.).

Activity

Vusi is a team leader and has ten people reporting to him. A project has been prioritised within Vusi's team, as the client has made demands to have the project fast-tracked. Vusi has decided to allocate more resources to this project. Identify which element of coordination is being referred to in the scenario. Explain why this element could be problematic.

3.4.2 Authority

Singh & Gupta (2020:56) define authority as “power to take decisions”. “It is the right a person has to allocate resources efficiently, to take decisions and give orders to achieve the organisational objectives” (Juneja, n.d.). It is usually top-level management that has the highest level of authority. We need to clearly distinguish between responsibility and accountability here. The level of authority given should be equal to the level of responsibility. Although authority can be delegated to another person, this does not mean that person who delegated the authority is not accountable for their work anymore. Let us view the definitions of responsibility and accountability.

- **Responsibility** can be defined as “the obligation to complete the job assigned on time” (Singh & Gupta, 2020:56). When a person is employed at an organisation, they must ensure they complete the work assigned to them. There should be no excuses provided for not completing the assigned work. Even managers have a responsibility to achieve the objectives of the organisation by performing certain tasks. We can therefore say that from authority, responsibility arises. Example: A branch manager reports to the regional manager within a bank. It is the branch manager’s responsibility to make sure the branch is running smoothly by ensuring customers are happy, the necessary procedures are followed, and the branch is making a profit.
- **Accountability** can be defined as “the obligation of the individual to carry out his duties as per the standards of performance” (Juneja, n.d.). It is from responsibility that accountability arises. In organisations, the performance of employees is monitored and the employees must explain if there is a difference between the expectations and their performance. Accountability cannot be delegated. Example: Branch managers within a bank are held accountable if their branches perform or do not perform. These branch managers can delegate tasks to their employees at the branch, and so give them responsibility, but they are still held accountable for the overall performance of the branch.

We can conclude from the above that authority, responsibility, and accountability go hand in hand within an organisation.

Example:

Assume that you are the production manager at Ford South Africa. It is your responsibility to produce 5 000 vehicles in one month. This responsibility was delegated to you; however, you were only authorised to use raw materials that can be used to produce 1 000 vehicles. There is a mismatch between the production goal and the authority given to you. This scenario shows that the authority provided to you needs to match the responsibility given. It also illustrates that, if there is a mismatch, then the production target of producing 5 000 vehicles in a month will highly likely be delayed by the production manager. The manager may also feel less confident in doing his/her work.

Source: STADIO Higher Education Ltd, 2022; adapted from Singh & Gupta, 2020

Example:

As a 'fit and proper' FAIS representative, John is given the authority to provide financial advice to his clients. John has the responsibility to provide correct advice that is beneficial to the client. If he provides advice recklessly and the client is disadvantaged because of it, he will be held accountable for his actions.

Authority can further be divided into various types. The types of authority include **formal, informal, line, staff, centralised**, and **decentralised** authority.

Formal authority

Formal authority refers to a situation where employees are being supervised in their work role by someone higher up in the organisation (Romme, 2021). The authority to make decisions arises from the organisation structure and gives employees the right to make important decisions and set targets or have certain behaviours followed. These decisions essentially are made at a higher authority level in the organisation and then they are delegated to lower levels of authority.

Example:

The team leader in your finance company instructs you and your team members to ensure that you have all your files for the project you are working on saved by end of day in the correct folders. Your team leader's manager needs to do a quality check on these files. The team leader has formal authority because the company organogram shows that the team leader reports to the senior manager.

Informal authority

Informal authority arises from differences in personal status rather than formal authority; personal status comes from your professional position, age, experience, or how society views you (Romme, 2021).

Example:

Sharika has been working as a consultant for a research firm for the past ten years. Joy started as a consultant at this firm two months ago. Joy sees Sharika as an authority figure because she has been around longer and has been helping Joy. Joy takes Sharika's advice and uses it to perform her daily activities. From this example, it is clear that Sharika and Joy are peers, as they perform the same role within the organisation. Since Sharika has been assisting Joy with her new job, Joy sees Sharika as an authority figure, even though it does not show on the organogram. The informal relationship seen here stems purely from the current relationship between the two employees.

Line authority

Line authority refers to "managers having the ability to give employees reporting to them orders or directives" (Daum, 2020).

Example:

You work for Vodacom in the Gauteng region of Bedfordview. The branch you work at as a salesman has a sales manager. This sales manager has provided you and your colleagues with orders to keep all customers informed of the new cellphone deals that arrive weekly. In addition, you have all been requested to monitor feedback received from customers who pursue these deals, on a daily basis. This sales manager has line authority over all employees by giving them orders, and it is in terms of the organisation's reporting structure.

Staff authority

Staff authority is "the right to assist or guide those who hold line authority and other employees" (Daum, 2020). This means they can help to improve the efficiency of work done by line workers. They influence and collaborate with those in line authority, but have no power except for activities in their own department. An example of staff authority is the Human Resources department.

If a position needs to be filled, such as a sales position, the job description, advert and possibly the screening of potential candidates will be done by the HR department. They could also recommend the top five candidates. The line function will make the final decision regarding the appointment of a salesperson, as they would form part of the sales department. This example shows the interaction between line and staff authority.

It is important to note that line and staff authority can vary depending on the organisation. In a manufacturing company, marketing, production, and purchasing may be seen as line authorities, whereas the human resources and legal department would be classified as staff authorities. When an organisation is a law firm, the legal function is seen as line authority, but the legal function can be a staff authority in another organisation.

Widodo (2019) noted that authority in an organisation can be classified as centralisation and decentralisation. We will now unpack centralisation and decentralisation.

Centralised authority

When an organisation has centralised authority, this means that it is defined as “the concentration of power and authority at the top level of an organisation which allows managers to develop a broad view of operations, carry out rigorous financial control exercises, and reduce costs by eliminating redundancy within the organisation” (Away, Simamora, Nadeak, Nugraha, Prasetia & Hendriarto, 2021:3).

Decentralised authority

Decentralisation of authority is “the process of encouraging authority in the decision-making process of an organisational hierarchy, through the provision of lower level personnel with more responsibility and power to make and execute decisions” (Away *et al.*, 2021:3).

Decentralised authority has become popular within organisations because it empowers middle- and lower-level management to make decisions regarding their own departments; for example, decisions on salaries, working hours, and how to allocate resources.

Read through the following case study that demonstrates how organisations use centralised and decentralised authority.

Case study

Real-life example: centralisation versus decentralisation

Google is one noticeable example of a company whose structure is decentralisation. There are managers working in product categories, such as online search and mobile Android, who make decisions independently without having to get approval first from higher management. There is a sense of ownership among the middle- to lower level management working at Google who are given the opportunity to make decisions, and this ultimately has improved the productivity of all employees. Higher level management at Google has been found to have more time to focus on issues and tasks that are important and urgent.

As the employees at Google are more aware of what is going on, they stay informed about work tasks and can better service customers. This allows workers to respond to any issues or opportunities they encounter, especially given the highly competitive environment. Decentralisation just makes sense for Google, given the large size of the organisation at close to 150 000 full-time workers, who all work across many global locations.

Innovation is an area that is largely decentralised to the organisation at Google. Why is this necessary, you may ask? Firstly, as the opinions of employees can be obtained in the decentralisation of innovation, choices in innovation grow and with this the best ideas can be selected. Secondly, this allows for a smarter innovation strategy to be developed as middle managers tend to know the ins and outs of tasks and can therefore contribute to higher quality ideas in innovation. Thirdly, the chances of business survival are higher. This means that as products constantly evolve, delegating authority is needed to survive. Delegating authority allows for ideas to be experimented with and for employees to respond faster to customers. Finally, decentralising innovation increases the engagement of employees, as some employees are rewarded for sharing their ideas; therefore they feel they can contribute more ideas to the organisation.

There are some workers who do not fully agree with decentralisation of authority in an organisation. Take the CEO of General Electric, Jack Welch, who noted that when business environments fluctuate and companies need to be responsive to change, decentralisation in innovation cannot work. What is called for here is rather knowledge and power from higher levels of authority

such as corporate leaders, as they have the expertise to intervene in turbulent times. There are fast-food organisations, for example, Pizza Hut and McDonald's, which use a centralised structure so that they can control all outlets. These fast-food organisations want to have consistent customer experience and quality of food at all the locations. They also desire to achieve economies of scale in the business by keeping a centralised authority. Apple is also one noticeable example of a company that has a centralised management structure. Most the decisions rest with the CEO and managers, so all important decisions flow from the top level. It is due to use of centralisation at Apple that there is increased coordination among employees and policies can be quickly implemented. It is noted that decisions in response to the competitive environment can also be made quicker. There are increasing efforts being made, though, to decentralise the organisation.

Source: STADIO Higher Education Ltd, 2022; adapted from Yu, 2016; StudyCorgi, 2021; Tutor2u, 2021; and Tasnim, 2018

Advantages and disadvantages of decentralisation

Away *et al.* (2021:3) outlined a few key advantages and disadvantages of decentralisation:

Advantages of decentralisation:

- Improved level of job satisfaction and therefore higher levels of employee commitment.
- Low-level managers can be part of decision-making and develop their leadership skills, meaning that organisations can now respond quicker to consumer demands.
- Decentralisation of decisions allows more flexibility. This is, of course, necessary in a rapidly changing environment.
- Encourages increased innovation and levels of creativity as environment becomes more competitive.

Disadvantages of decentralisation:

- Communication between levels of managers may not be efficient.
- There is the danger of duplicating tasks.
- Low-level managers may not all have the necessary skills or be trained to do their work, so additional money needs to be spent to train them.
- Objectives across various levels of management may be competitive in nature, and not in line with each other.

3.4.3 Power

Lazenby (2016) refers to French and Raven's (1959) typology of power, stating that it refers to the skill to change the behaviour of others within the organisation. French and Raven (1959) identify and define five types of power that can be recognised within organisations:

1. **Legitimate power:** is the power that an organisation grants a particular position. Example: the branch manager has more power than the front-line supervisor.
2. **Reward power:** refers to the power to give or withhold rewards. These rewards can be of a financial or non-financial nature. Example: the marketing manager can decide, based on performance appraisal, which employees in the department qualify to get a year-end bonus and which will not.
3. **Coercive power:** is where employees are being forced to comply through fear, either psychological or physical. Example: a team leader forces her staff to work overtime and if they refuse, he/she will give them a bad performance review.
4. **Referent power:** relates to personal power. This type of power is not affiliated to a position, but rather to an individual person. People normally follow this person because they like, respect, or identify with them. Example: Sian is a mature female working as an information technologist at Microsoft. All the other information technologists respect her because of her age and knowledge about the company. As a result, she is able to influence them because they respect and like her.
5. **Expert power:** is based on knowledge and expertise. A leader who possesses this type of power is advantaged over those who need his knowledge. Example: Vuyani has been the financial manager at Sanlam for the past 10 years. Prior to that he worked in banking for over 20 years. He has received various accolades and awards for having the best financial expertise and also won financial guru of the year. As financial manager, he has turned many non-performing areas of the business such as investment sales around to performing successfully. He also develops the financial strategy in the Gauteng region in which he works. He is seen as an expert in his field, as there are various role-players who require his knowledge and assistance.

Activity

There are five types of power that can be found within an organisation, as mentioned above. Think about a situation where you have encountered at least two different types of power. This can be any situation; for example, at work, at school, or in a social context (sport, religious, or cultural). Now reflect on whether these two types of power benefited you or not.

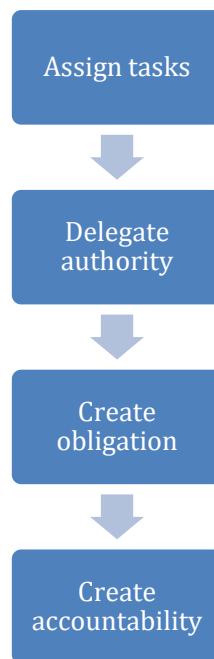
3.4.4 Delegation

Managers do not always have the capacity or the necessary skills to perform all tasks for which they are responsible. In these instances, specific tasks will be delegated. Mihai (2020:182) defines delegation as “sharing projects with your team members by giving them the opportunity to finalise these projects effectively with minimal intervention”. Authority is also given to the employee to utilise resources to complete the delegated task; therefore it is seen as the manager giving his/her confidence to trust the employee with work.

When authority to perform a task is delegated to an employee and responsibility assigned as a result, that employee should be made accountable for their performance. It is important to note that even though this is the case, the manager also shares accountability for the task delegated to the employee (Gordon, 2022). Authority to do the task is also not fully given to the employee; the manager must still monitor the work delegated to him/her. Delegation is important to both the organisation and the employee. For the organisation, it ensures succession planning; for example, if a manager resigns or retires, there will be someone who can move into their position. Likewise, it is beneficial for employees as it allows them to develop their decision-making and problem-solving skills and, ultimately, their management skills.

The delegation process

Delegation does not happen automatically. It is for this reason that the manager initiates the process by informing the subordinate of what is required. There are four steps in the delegation process (Mihai, 2020):



Source: Adapted from Mihai, 2020

Figure 3.2 The delegation process

1. Decide on the tasks to be delegated

Managers should delegate tasks that they know their subordinates can do successfully. The manager cannot perform all the work; therefore there is a need to delegate some of the tasks to subordinates. This means they must determine what tasks the subordinates need to do, based on their capabilities, skills, and/or experience.

2. Delegate authority

When authority is delegated to the subordinates by the manager, the subordinates must be informed about their level of achievement from the tasks they perform. The subordinates determine how the tasks will be carried out successfully. To do these tasks successfully, the subordinates will need to take action and make decisions.

3. Create obligation

The employees are entrusted to do certain tasks by their manager; therefore the employees have an obligation to complete the assigned tasks satisfactorily. Having an obligation means the employees are answerable for tasks assigned and this must be equal to the authority

delegated to the task. The employees need to be given sufficient authority to do the task if they are responsible for it.

4. **Create accountability**

Employees to whom authority is delegated must be accountable for the tasks that are assigned to them or stand up for their own actions taken in these tasks. Employees should update managers on their tasks regularly to ensure that they are accountable for the work performed.

Example:

Bright Research is a market research consultancy based in Cape Town. The company recently employed Khaya and Sumaya. Khaya has an information technology background while Sumaya has previously worked in the fashion industry. As a manager, you decide to play to their strengths and delegate a new research project on information technology in the electrical industry to Khaya, and a new research project on emerging trends in South Africa's fashion industry to Sumaya. You on-board these new employees by informing them what the report they need to prepare must contain, as well as the outcomes they need to meet. Based on their skills and capabilities, you trust that they can perform their roles to the best of their ability and allow both to take responsibility for the production of the reports within the next month. In your meeting with Khaya and Sumaya, you inform them they are responsible for meeting their strict deadlines.

The following week, both Khaya and Sumaya set up weekly status update meetings with you to inform you about the progress they are making in their reports. This is how they take accountability for their work, and you are so impressed by this as you can give them feedback. You, as a manager, need to be informed about the status of the report as you still need to report to the director about the progress made. This will ensure a smooth workflow.

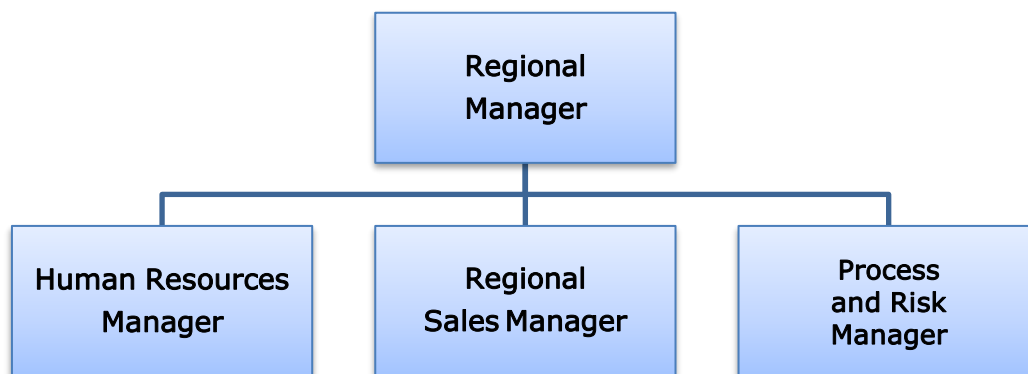
Activity

Judy is the manager at Makro and is going on maternity leave next week. She will be gone for six months, and various tasks need to be completed during this time. A schedule needs to be prepared for weekend and temporary staff over this period. One of the cashiers has just resigned and this position needs to be advertised and filled within the next month.

Lastly, two staff members need to be scheduled for an induction training course. Identify and explain, using the delegation process, how the assistant manager would complete these tasks.

3.4.5 Specialisation

Weber (1947) defines specialisation as “the division of work into smaller task sets to ascertain that every set of tasks is assigned to the right person or the one who has the capability of fulfilling it”. The employee gets a task that matches his/her experience, skills, and capabilities. Very few employees possess all the necessary skills to perform all the tasks within the organisation. It is for this reason that specialists are appointed, as they have the necessary skills to carry out the task at hand. The diagram below shows an example of a regional office of a bank:



Source: Adapted from Milpark Education (Pty) Ltd

Figure 3.3 Example of a regional office of a bank

From this diagram, you can see that the Human Resources manager is a specialist in his area, focusing on employment contracts, staff files, and disciplinary issues, to mention a few. Likewise, the same can be said for the Regional Sales manager who focuses on sales, and the Process and Risk manager who focuses on processes and risks.

3.4.6 Span of control

This refers to “how many employees are directly subordinated to one supervisor” (Urwick, 1974). A manager who manages ten people in an organisation will have a SOC ratio of 10:1. A study by Graicunas found that

there should be a maximum of 6 subordinates to a supervisor or manager, due to the increase in the management of relationships (Bedeian, 2018).

There is, however, no optimal number of subordinates that can be assigned to a supervisor or manager. This is because organisations differ by type of work and size and every employee needs attention in a different way (Danha, 2020). By type of work, we can refer to one organisation type that is hierarchical, with a narrow span of control; versus a flexible organisation that will have a wider span of control. By size, we refer to large and small organisations; large organisations will have a wider span of control relative to the small organisations. Employees may be inexperienced and need training; in this sense, there will be a need for a narrow span of control or close supervision. More experienced employees will require a wider span of control or less supervision.

3.5 ORGANISATIONAL DESIGN

Organisational design is about the structures, processes, and roles in an organisation. Daft (2021) defines organisational design as providing “the tools to understand, design, and manage organisations more successfully, such as how to adapt to a changing environment, cope with increasing size, manage internal conflict and shape the right kind of culture to meet goals”.

In the ever-changing business environment, it is important for any business to remain relevant, and organisational design can assist with that. Organisational structure will be discussed as part of organisational design.

3.5.1 Organisational structure

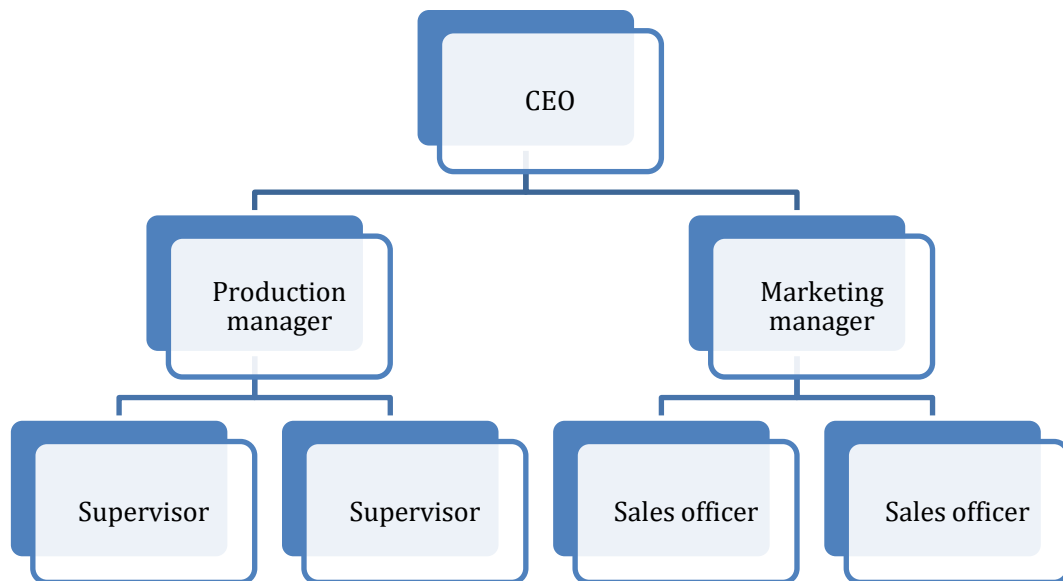
Bhatia (2018) defines the organisational structure as the “framework in which managerial and operating tasks are performed”. Specifically, it outlines the relationships between all individuals in an organisation and resources used.

Below we will discuss six types of organisational structures:

1. **The line organisational structure:**

This is a simple hierarchical structure where authority runs from the top to the bottom of the organisation and is commonly used by small business and medium-sized businesses. Here managers have authority over all work in their respective functional areas (Putti, 2019). For example, a sales manager of a car parts business needs to know his

workers, train them and also know everything else related to all sales activities. As you will see in the following figure, each employee reports to his supervisor or manager.

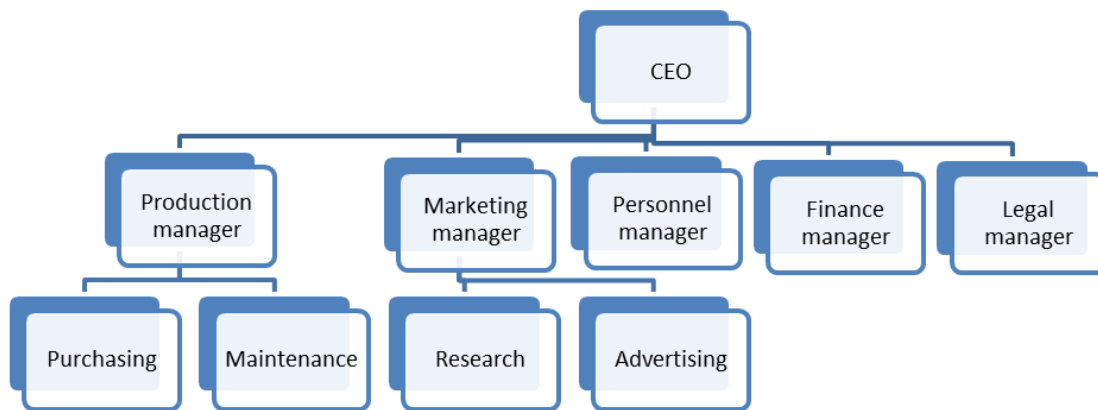


Source: Adapted from Putti, 2019

Figure 3.4 Line organisational structure

2. The line-and-staff organisational structure:

As with the line structure, there are vertical lines of authority running from the top of the organisation to the bottom. Note that the line workers in this structure are those who work towards meeting the organisation's goals, while the staff workers help line workers to achieve their goals (Putti, 2019). These staff workers include those who work, for example, in research and development, legal, finance, and personnel. The staff workers' job is merely to advise others in the organisation while not enforcing any authority over line workers, and they work in specialised areas of service. In the following figure, you will see the staff functions included: personnel manager, finance manager, and legal manager. All of these staff managers help the line managers, namely, the production manager and marketing manager, achieve their goals.



Source: Adapted from Putti, 2019

Figure 3.5 Line and staff organisational structure

3. The functional organisational structure:

This structure reflects the basic functions within an organisation. Here it is a given that a supervisor or manager cannot have all the expertise to assist their subordinates, so there are many supervisors or managers set up in a unit to assist and who are given their own responsibilities within their own function (Putti, 2019). Each employee will then report to all these individual supervisors or managers set up in the unit. As you will see in the figure below, the functions are finance, production, research and development, and marketing, and employees are grouped into these units or departments according to their skills.

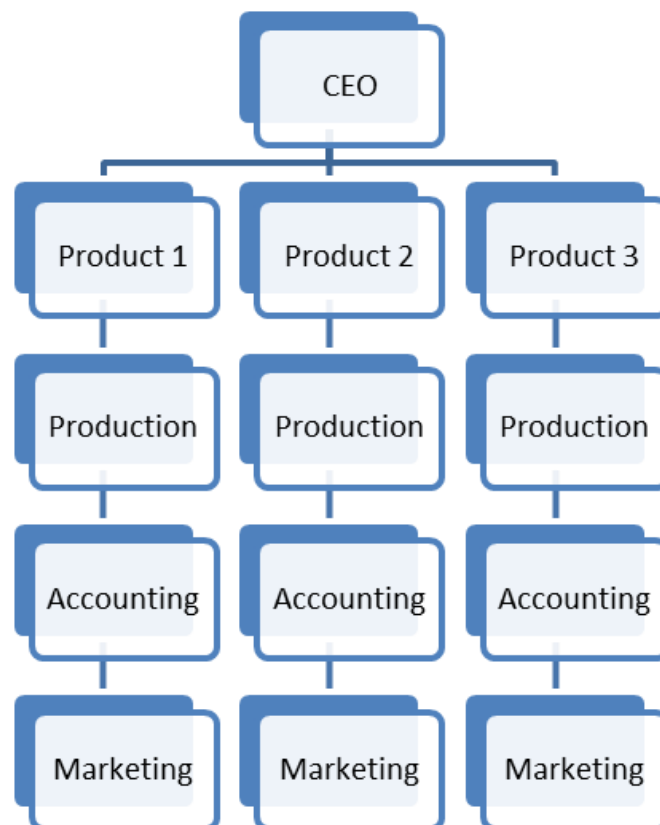


Source: Adapted from Li, 2019

Figure 3.6 A functional organisational structure

4. The divisional organisational structure:

Focuses on self-contained divisions that work independently of one another. Where there are unique products or services within the organisation, they will each have a department, headed by a department head. Each department will then have its own functional areas or departments such as marketing, accounting, sales, production, or research and development. See below to get an idea of this structure.

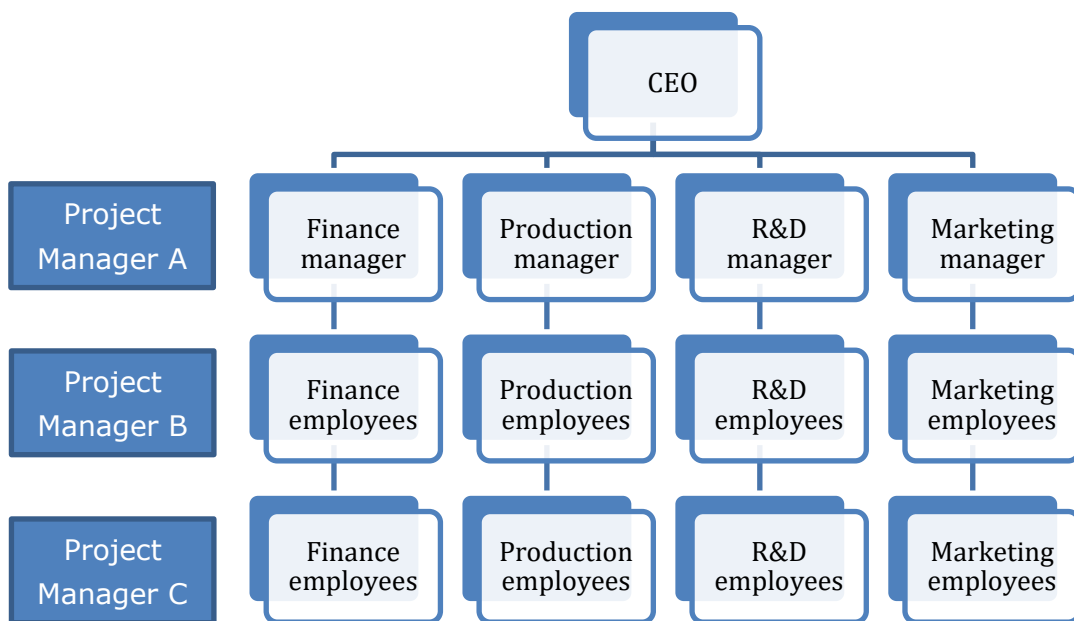


Source: Adapted from Openstax, 2019

Figure 3.7 A divisional organisational structure

5. **The matrix organisational structure:**

This structure incorporates both a divisional and functional structure. The functional structure is used to obtain economies of scale, while the divisional structure offers customisation (Lloyd & Aho, 2020). This is generally used with project-type work where the skills of various employees in the organisation are required.

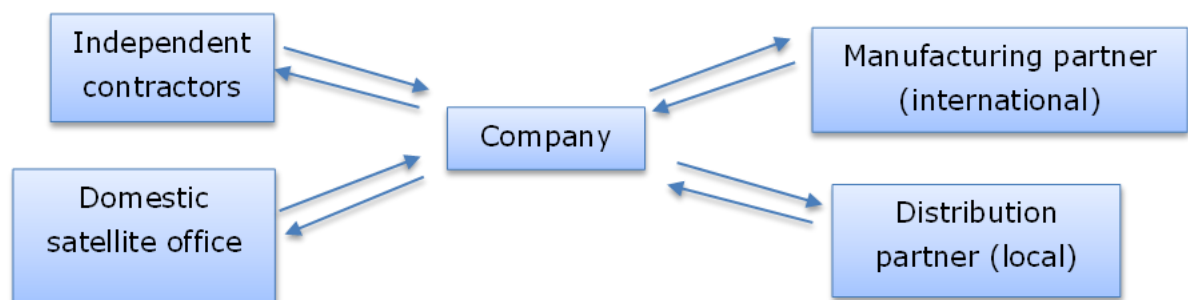


Source: Adapted from Openstax, 2019

Figure 3.8 A matrix organisation structure

6. The virtual organisational structure:

This structure is more informal in nature, relative to the organisational structure types we just discussed, and consists of a network of organisations that come together to produce a product or service (lumenlearning, n.d.). Resources are shared among organisations and work is outsourced to other organisations or contractors (Gordon, 2022). Resources are shared to share costs and work is outsourced to share competencies. Organisations that use this structure use work groups that are designed on function or location, among other elements (Schwer & Hitz, 2018). An example of a network structure is the formation of a joint venture, or many construction companies networked to form a bigger structure of companies. Below you will notice how the company outsources many of its services; therefore it forms a network.



Source: Adapted from lumenlearning, n.d.

Figure 3.9 A virtual organisational structure

Example:

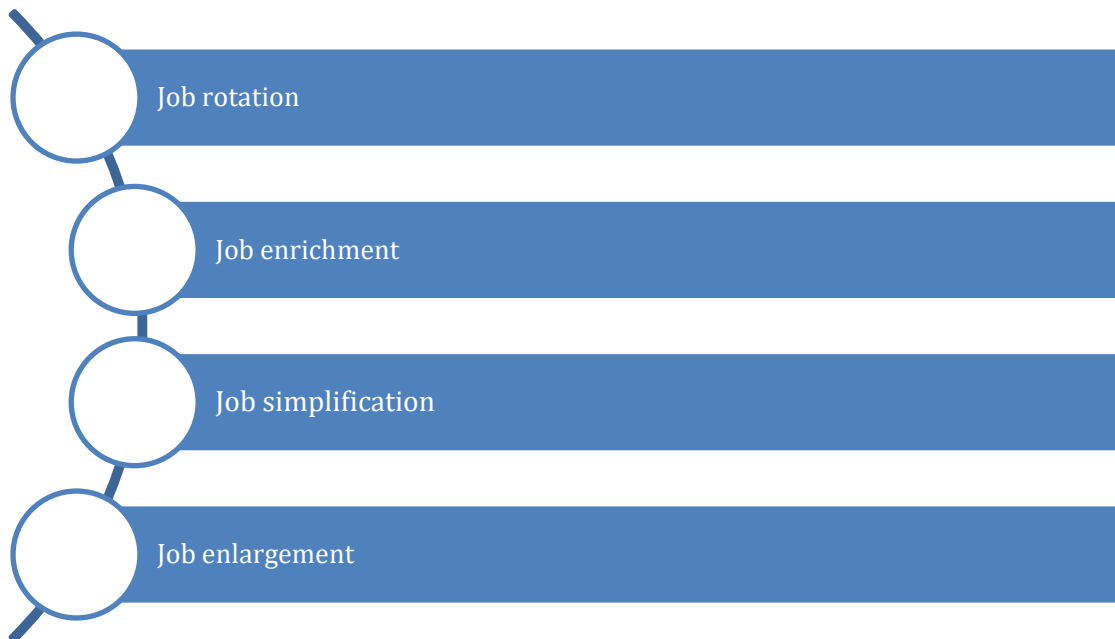
Assume you work as a content developer at an advertising agency. You report to the manager of Content Development. This is your functional manager. At times you get called upon to assist with projects related to various topics in content development, ranging from site advertisements to blogs on LinkedIn. When you work on any specific project, there is a project manager to whom you report. You therefore report to two line managers, which you are used to, but you find at times that you get confused about the work requirements as both managers have different expectations from you. The project work is more or less the same as your content development work, but the project work demands something more. You also find that as the project demands get higher, you sometimes neglect your main content development work in your function. On the other hand, you like that you can use your skills in various projects that you find interesting and that suit your strengths. This scenario describes a matrix organisational structure, which you can see has both strengths and weaknesses.

Source: STADIO Higher Education Ltd, 2022; adapted from Usmani, 2021

3.6 JOB DESIGN

In the previous sections, we focused on how the structure of the organisation is formed. Once that process is completed, the organisation needs to focus on the various employee positions and how they can contribute to reaching the organisation's goals. Job design is about deciding how the work is going to be organised; therefore it arises from the organisation structure. Armstrong (2014) refers to job design as "establishing what people in individual jobs or roles are there to do". We can distinguish between jobs and roles here — a job being a unit of an organisation with a group of tasks to be done by an employee and a role the part the employee takes on or behaviour he/she shows in the job. Armstrong (2014) further adds that, just as it is important to satisfy work requirements in the job, it is important to meet the needs of the worker in a job so that they can be kept engaged. Job design improves the job by updating it to keep relevant in the market (MBA Skool, 2021). Essentially, the job does not stay routine and instead is upgraded all the time to keep the employee satisfied.

There are various approaches to job design that will be discussed. These are **job rotation**, **job enrichment**, **job simplification** and **job enlargement**.



Source: Adapted from MBA Skool, 2021

Figure 3.10 Approaches to job design

3.6.1 Job rotation

Job rotation involves training employees by moving them from one job to another one to experience these jobs in the company (MBA Skool, 2021). This job design method is used to increase the motivation of employees, productivity, and ultimately the performance of the organisation (Evans, 2021). Rotating from job to job increases the variety of tasks for the employees, which increases their skills with the result that the employees become aware of the complete work process (Mlekus & Maier, 2021). Job rotation is associated with knowledge sharing between functions and this contributes towards establishing products and improving innovation.

3.6.2 Job enrichment

According to MBA Skool (2021), job enrichment is about “enriching the work of the employee by adding more responsibility, value and decision-making powers”. More challenging tasks get added to a job as the job is enriched, giving the employee more responsibility. The elements of job enrichment include skill variety, task identity, task significance, autonomy, and feedback (Sharma, 2022). Task identity is about allowing the employee to prepare a product from start to finish instead of just preparing one part of it; this gives the employee more variety of tasks and responsibility (Ziwewe, 2021). The first three elements provide meaningfulness to the job; autonomy provides

responsibility for the job and feedback provides knowledge of the work completed. Job enrichment is regarded as a motivational job design method that not only increases the skills of workers by giving them more responsibility, but also helps the organisation earn profits. It is important to note that job enrichment makes the job more challenging and satisfying and employees need high order skills (Lal, 2019).

3.6.3 Job simplification

Job simplification is “the process of eliminating or combining tasks and/or changing the work sequence to improve performance” (Greggu, 2019). The job is broken into steps and then the employee will decide whether to combine similar tasks, remove tasks that are not needed or change the order of work done to reduce the time. By doing this, the workers are more motivated as they understand the job more.

3.6.4 Job enlargement

Job enlargement is about “adding the number of tasks in a job with the aim of meeting the diverse social and personal needs of the employees” (Msofe, 2018). This job design method reduces the routine nature of work that becomes monotonous by increasing the tasks given to workers. Specialisation of work occurs, resulting in increased worker productivity. It is important to note that job enlargement reduces the boredom found in work and employees do not need special skills (Lal, 2019).

Example:

Bongani works as a junior human resource management executive. His job is to make contact with new candidates for job opportunities once he receives their CVs, and then he keeps a close eye on these candidates by keeping records of documents received from them. The human resource manager decides to increase the responsibility in the job given to Bongani and increase his motivation by allowing him to also work with the finance department and accounting department. In this respect, Bongani will provide all the account details of the new candidates to the finance department, and then do follow ups on this to see all is in order, also working with the accounting department to manage the joining of the retirement fund for all new candidates.

The additional tasks provided to Bongani will give him more authority and responsibility, thereby making him more content and motivated in his work. These additional tasks aim to increase the quality of work provided by Bongani. We would name the variety of tasks given to Bongani as job enrichment.

Example:

Karishma works as a junior sales manager at a clothing factory. She has worked here for the last three years and manages the sales of lady's high fashion clothing, and so meets regularly with new and existing fashion retailers who want to buy clothing from the factory. Her job is demanding, but recently she spoke with the human resource manager, John, and informed him that her job is starting to bore her. John, after several weeks, informed Karishma that she would be given additional responsibilities in her job, and this would include doing market research for new clients, searching for new clients as well, and assisting in training new sales executives.

These added tasks are in line with Karishma's role as a junior sales manager, will increase the quantity of work provided by her, which is an example of job enlargement.

Source: STADIO Higher Education Ltd, 2022; adapted from MBA Skool, 2021

Activity

Watch the following link on job design:

<https://www.youtube.com/watch?v=uUG-Z5sq2UM>

Write down your understanding of job design, role, and job analysis.

Activity

Research any organisation of your choice. Write down examples of job simplification and job rotation. When you provide the examples, notice the difference between the two job design approaches.

Summary

The focus of this topic was to understand how the organising part of management comes into play in the organisation after the planning stage. Once all the goals and objectives of the organisation have been set, organising takes place.

This topic focused on the organising process and why it is important. The six principles of organising, namely, coordination, authority (including responsibility and accountability), power, delegation, specialisation, and span of control were also discussed in detail.

- Coordination involves organising all the work tasks to meet the objectives of an organisation. This involves integration, timing, and balance.
- Authority is having the power to make decisions and the right to allocate resources to achieve the objectives of the organisation. It was at this point we discussed responsibility and accountability. Authority consists of formal, informal, line, staff, centralised, and decentralised authority.
- Power plays an important role in any organisation as this is a skill to alter the behaviour of others in the organisation.
- Where managers do not have the capacity to complete all their tasks, they will delegate it by assigning some of the workload to others. The delegation process at this point was highlighted, including assigning tasks, delegating authority, creating an obligation, and creating accountability.
- Specialisation ensures that the workload is divided into smaller tasks so that employees having the right skills can do them and reach the goals of the organisation.

Organisational design, which focuses on the organisational structure, was discussed, showing how each employee knows to whom they report within the organisation. We saw that an appropriate design of the organisation is important for an organisation to remain competitive in the market. We discussed six types of organisational design, namely, line, line and staff, functional, matrix, divisional matrix, and virtual structures.

Finally, the organising function was brought together by indicating where the employees fit into the way the job is designed. It was here that we discussed

job design approaches such as job rotation, job simplification, job enrichment, and job enlargement. These job design approaches helped us to see how organisations can motivate employees and keep them satisfied.

Self-Assessment Questions

1. Briefly explain the concepts of authority, responsibility and accountability, and then provide an example that shows how these concepts interact with one another.
2. Raeesa works at the accounting department as a junior accounts assistant at Truworths. Her job is to focus on managing the accounts receivables from customers. She is now tasked with handling cash received from customers, managing the statements of all new clients and overseeing the overall maintenance of all accounts of customers. Which job design approach is this an example of? Provide reasons for your answer.
3. Carin is a teller at a pharmacy and failed to balance her till last night, therefore was short of R78.55. Her supervisor is not interested in the reason for Carin falling short of money in her till, but rather that Carin pays in the shortage amount. The supervisor indicates that Carin will get a final written warning if she fails to pay in the money. The branch manager, Kevin, intervenes and advises Carin that this will not be necessary, but she would have to trace the origin of her difference. Identify two types of power in the scenario. Give reasons for your answer.

Glossary of terms

Accountability: This is an expectation created that employees will accept credit or blame for the results of their work done.

Administration: This involves tasks such as reading, responding to emails, processing payroll functions at times, and completing important documentation.

Controlling: This is when managers can view deviations from standards in the areas of operations, human resource management or policies, and decide if operations at planning, organising, and leading levels have been executed.

Decision-making: This involves choosing one course of action from several other possible actions.

Domain planning: This occurs when a manager develops a course of action first and thereafter decides on the specific goals to pursue.

Leading: This is when the manager communicates objectives to employees and makes sure that they understand them. Leaders ensure they motivate their team members.

Management: This is the art of getting things done through and with people in formally organised groups. It is about creating an environment in which people can perform and individuals cooperate with each other to help attain goals.

Manager: This is someone who takes responsibility for achieving organisational objectives through efficient and effective utilisation of resources.

Modern management style: This is management style with a focus more on human resources and services in the business.

Organisational design: These are the tools used to understand, design, and manage organisations more successfully.

Organising: This leads from planning, where management designs and develops an organisational system to implement the plans. Human, physical, and financial resources are combined to implement the goals set out in the planning phase.

Outcome statements: This involves making decisions about the organisation's final destination.

Planning: This involves defining objectives, identifying methods to achieve the goals in a certain time period and then making the actual decisions.

Responsibility: This is about having the obligation to complete a job assigned on time.

Traditional management style: This involves planning, organising, leading and controlling, all of which occurs in an organisation.

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Answers to Self-Assessment Questions

TOPIC 1 SELF-ASSESSMENT ANSWERS

1. There are three levels of management evident from the case study. They include top management, middle management and low-level management.
 - a) Top management — John forms part of top management as he needs to devise a strategy to get the region's sales up to standard.
 - b) Middle management — this includes the area managers. They work closely with John (top management) and communicate the strategy to the branch managers (low-level management).
 - c) Low-level management — the branch managers fall into this category. They will implement the strategy and make sure that staff produce the necessary services in order to reach their sales target.
2. The four management tasks are planning, organising, leading, and controlling. **Planning** refers to the setting of goals and John did this by developing a sales strategy and communicating this to his area managers. **Organising** refers to the process of developing an organisational system to implement the plans, which is done when John delegates and coordinates the tasks in order to achieve the objective of increasing sales. John has delegated the task of getting staff into groups to the branch managers and just coordinates the activities involved with implementing the sales strategy. **Leading** refers to the process of inspiring and motivating employees to work towards achieving an objective. The motivation for the branch staff to make a success of this is the financial incentive they will receive once they reach their sales goal. **Controlling** is the process of establishing and implementing mechanisms to ensure that Standard Bank reaches the objectives set out. John has put 'milestones' in place to show how far the teams are with reaching their goal.
3. The **interpersonal** and **decisional** management role categories are dominant. In the interpersonal role category, John acts as a leader by motivating staff to meet the new objective and strategy he

implemented by offering financial rewards. In the decisional role category, John acts as an entrepreneur as he implements and initiates certain projects in order to meet the objectives.

4. He motivates the teams by giving financial rewards should they meet their targets.

TOPIC 2 SELF-ASSESSMENT ANSWERS

1. **Planning** can be defined as involving those activities of management that determine the mission and goals of an organisation, the ways in which these are to be accomplished, and the deployment of the necessary resources to realise them.
2. **Develop awareness** — this includes developing an awareness of the history and present state of the organisation. This helps the manager to set a strong vision.
Establish outcome statements — this involves the manager setting goals. Domain and hybrid planning are both types of goal setting.
Premising — this refers to assumptions about future tasks. An environmental scan is important to understand factors that can affect the assumptions.
Determine action — this is deciding what is going to be done, by whom, by when and how it will be done.
Develop support plans — supportive plans are necessary to support the main general plan developed.
3. **Routine**: the transaction Andre was completing for power of attorney is a routine transaction and there are processes in place for it.
Non-routine: the issuing of an ATM card in error is not something that happens often; therefore the consultant would have to take this case on its merits and rectify the situation.
4. **Tactical planning**: the timeframe is between 12 months and three years and in this case, it is for three years. Middle management normally implements these plans, which in this case refers to the branch managers.

TOPIC 3 SELF-ASSESSMENT ANSWERS

1. **Authority** is the power to take decisions, or the right to decide and act.
Responsibility is the obligation of an employee to perform assigned tasks or complete the assigned tasks on time.
Accountability is the expectation that employees will accept credit or blame for the results of their work. He/she must carry out his duties as per the standards of performance expected.

Example of how the three interact: Simon works as a bank consultant at Standard Bank. He has the authority to issue new bank accounts to customers who have the proper identification. Simon issues the incorrect type of account to a customer by giving him an investment account and not a normal transactional account, and he is responsible for the mix-up. As a result, he will be held accountable by the branch manager and a verbal warning will be issued for his negligence.

2. This is an example of **job enlargement**. Raeesa is given additional tasks that are all in line with her current job. The responsibility of work for Raeesa has increased and she will be doing more work now in her current job. There is no additional skill required to do this additional work.
3. **Coercive power** — Carin's supervisor uses her position of authority by coercing her to pay in the difference.
Legitimate power — Kevin intervenes and asks Carin to trace her difference. His power is legitimate as it is used in his capacity as branch manager.

STADIO



Business Management
MAN152

PART TWO:

TOPIC 4-7

Table of contents

Heading	Page number
Module purpose and outcomes	1
TOPIC 4 LEADING AND MOTIVATING	2
4.1 Introduction	2
4.2 Case study: Leadership in action	4
4.3 Definition of leading	6
4.4 Three components of leadership	7
4.5 Leadership versus Management	8
4.6 Elements of leadership	8
4.7 Leadership theories	9
4.8 The trust relationship in leadership	14
4.9 Contemporary issues in leadership	14
4.10 Defining the term 'motivating'	18
4.11 The motivation process	19
4.12 The approaches to motivation	21
4.13 Monitoring motivation	30
4.14 Money as a motivator	31
Summary	33
Self-Assessment Questions	34
TOPIC 5 CONTROLLING	37
5.1 Introduction	37
5.1 Case study: A South African insight: BMW South Africa	38
5.2 Definition of the term 'controlling'	40
5.3 Types of control	40
5.4 The control process	42
5.5 Characteristics of an effective control system	47
5.6 Benefits of controlling	49
Summary	50
Self-Assessment Questions	51
TOPIC 6 THE BUSINESS ENVIRONMENT	53
6.1 Introduction	53

6.2	Case study: The business environment	55
6.3	Defining the business environment	57
6.4	The internal or micro environment	58
6.5	The market or task environment	59
6.6	The external or macro environment	60
6.7	Ethics	73
6.8	Social responsibility	76
6.9	Entrepreneurship	78
	Summary	93
	Self-Assessment Questions	94
GLOSSARY OF TERMS		96
REFERENCES		97
ANSWERS TO SELF-ASSESSMENT QUESTIONS		108
	Topic 4 Self-assessment answers	108
	Topic 5 Self-assessment answers	110
	Topic 6 Self-assessment answers	111

Module purpose and outcomes

Module purpose

This module, Introduction to Business Management, introduces you to the fundamental principles of management and the essential skills and competencies for effective management. You will be exposed to the primary management tasks: planning, organising, leading, and controlling. Supporting management tasks, such as communication, motivation, and delegation are also covered. You will be introduced to how these management competencies and tasks are applied across management functions, notably, operations, financial, marketing, and human resources management. The focus of assessment will be on practical application of tasks such as planning and organising.

Module outcomes

Upon successful completion of this module, you will be able to:

1. Discuss the nature of the business environment.
2. Explain the roles and responsibilities of the business manager in the twenty-first century.
3. Perform basic management tasks in a business context.

Topic 4

Leading and motivating

4.1 INTRODUCTION

This topic relates to the following module outcome:

2. Explain the roles and responsibilities of the business manager in the twenty-first century.

Organisations are made up of people. If they were run only by machines, the function of leading would not be necessary within organisations. This topic will focus on leading as one of the managerial tasks. In the previous topics, we focused on planning by setting goals and objectives for the organisation. We then organised the business by creating organisational structures and defining jobs. Leading focuses on the people involved in carrying out the processes of planning and organising. This topic will examine the components of leading, leadership, management versus leadership, elements of leadership, leadership theories, and contemporary issues in leadership. Traditionally, there are four managerial tasks, namely, **planning, organising, leading, and controlling**. Recent literature has now included **motivating** as an extension of the leading task because of the importance of this concept within organisations. The section on motivation is important to managers as it shows how motivation can be used to increase work performance.

In this topic, you will gain knowledge in the following areas:

1. Leading defined
2. The components of leadership
3. The differences between leadership and management
4. The elements of leadership
5. The different types of leadership
6. The trust relationship in leadership
7. Contemporary issues in leadership
8. Motivation and the process of motivation
9. The various approaches to motivation
10. Monitoring motivation in organisations
11. Money as a motivator.

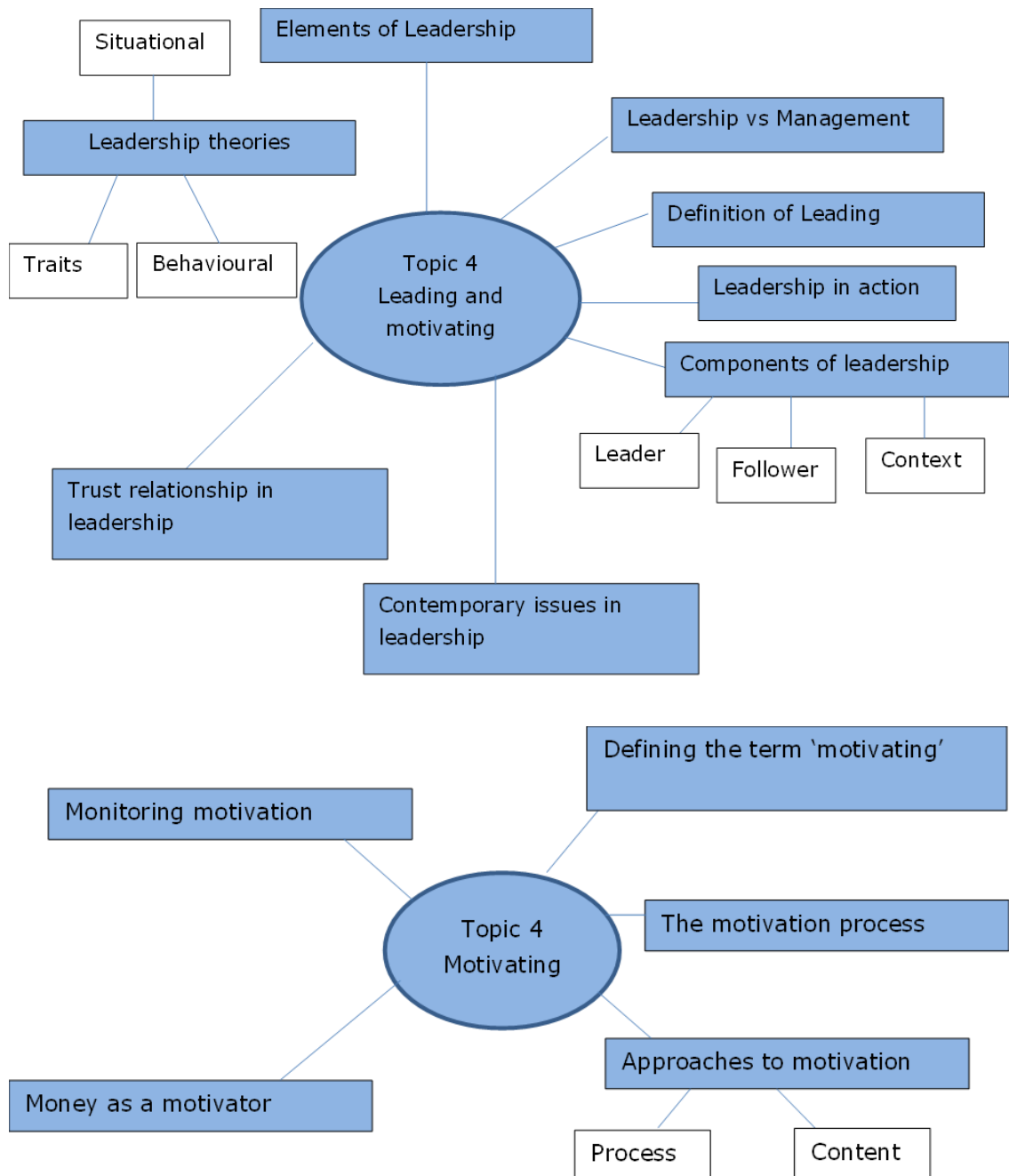


Figure 4.1 Topic 4 mind map: leading and motivating

4.2 CASE STUDY: LEADERSHIP IN ACTION

The case study below demonstrates the importance of strong leadership within organisations. Read through the case study as it looks at the leadership skills of Barack Obama and the impact he had on people.

Case study

Barack Obama; inspirational leader

Barack Obama was the 44th president of the United States and was the first black president of the United States. Barack Obama had a multifaceted approach to leadership which we will now look at in detail.

Barack Obama's leadership style

Barack Obama is known as a visionary. He is known for being clear on what he aims to achieve to others he works with. He is known for being thoroughly organised and was regarded as influential in his work.

His leadership style is one characterised as transformational — wanting to enact change with his followers. He showed this with his election campaign that included the words, “respect, empower and include” being the principles used. He was able to form a connection and respond to the hopes of people, thereby allowing him to increase his followers. He told many people to lead themselves and started implementing the bottom-up empowering style.

Being an African-American president meant that he was going to represent African-Americans in the US, but this was not the case. Instead, Barack Obama represented all nations of the US to try to implement change. In his election campaign, he demonstrated a clear transformational leadership as he delegated authority and responsibility to his team while he focused on creating a shared vision with the people of the US. He also was inclusive in his speeches and included youth, old people, women, and people of all races.

Obama also used ethical leadership in two ways. He built trust within his own team by using his communication style to do this. He was also able to build trust with the public through reaching out via emails and using social media. He was able to speak confidently and able to change the volume and tone of his voice to

ensure people understood what he was emphasising. Besides speaking confidently, he was also an active listener which enabled him to further increase trust with others.

Some would even argue that it was particularly Barack Obama's charismatic style that drew others to him and allowed him to believe in his vision. With foreign policy, he adopted a cross-cultural approach, considering the interests of other nations besides just the US.

Obama also displayed a contingency–ituational leadership style. He responded to various situations using specific leadership styles. When he needed to be tough, he was, especially when the automobile industry was weakening. When challenges presented themselves, he faced them, including unemployment, government dissatisfaction, and healthcare.

In an interview with Obama, Obama (2020) noted a few key traits of being a leader:

1. Create generative teams: He notes the importance of having teams to point out anything incorrect, provide information, and to encourage debates. He noted that "My interest in rigorous debate, making sure that we have looked at every problem from every angle is not because I think that you can actually come up with a perfect answer, but it's that by engaging in that exercise, you can at least eliminate bad answers, you can at least have some humility around what outcomes you should expect".
2. Have trust, resilience and optimism: You need to be able to handle difficult situations, and this creates trust. Resilience is knowing that you will go through positive and negative experiences. He noted that "Just because something doesn't have a perfect answer doesn't mean it doesn't have a better answer".
3. Transform your imposter syndrome: It is important to be humble and open-minded as this allows you to listen to others and be curious about other options that exist.
4. Diversity and collective values: Obama notes the importance of values and diversity in an age where technology progress is speeding up. He noted that women leaders are more likely to have fast-growing economies relative to men.

He noted in another interview that one of the biggest mistakes he sees in a leader is that that they ask themselves, "How do I dominate and stay on top of other

folks?” This prevents a close connection to develop with others, and your vision to be shared. The most important aspect of leadership is “knowing how to empower others around you and to help them succeed” (Obama, 2020).

Source: Adapted from StudyCorgi, 2021, Brown, 2020 and Cameron, 2019

Activity

Watch the video on leadership:

<https://www.youtube.com/watch?v=BEZDIx0aA60>

Write down the role of a leader in an organisation. Then note down the seven characteristics of a good leader in an organisation.

4.3 DEFINITION OF LEADING

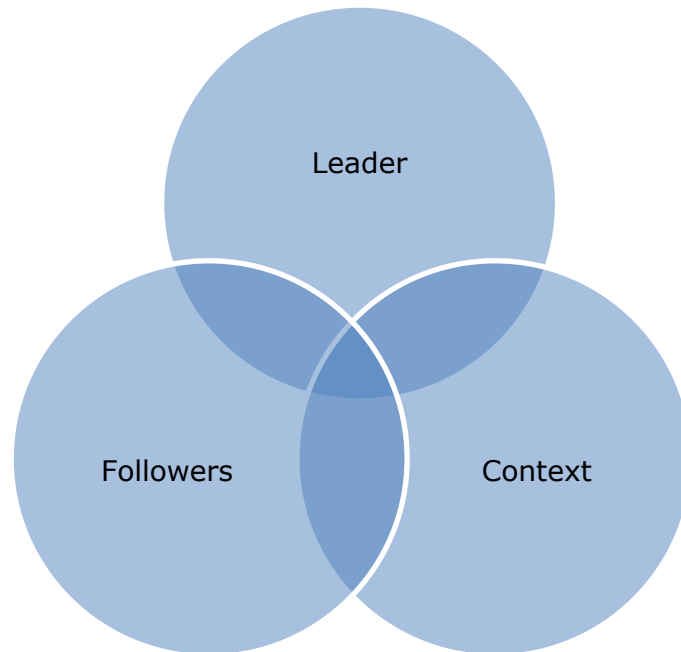
The world of work has changed significantly from one where managers just manage people and machines. It has moved to one where leaders are leading people and managing processes and machines.

Riggio (2017) defines leadership as “looking beyond the everyday management of people to creating a vision for the collective, developing strategy, inspiring and motivating, and making key decisions”. Leadership can be direct, in the sense that it describes how leaders try to influence those they work with; for example, this can be when doing a presentation. Indirect leadership describes leaders influencing employees at a lower organisation level; for example, this can be the CEO influencing others by starting a social initiative to change the mindset of employees.

Leaders play an important role in an organisation as they ensure that they meet the objectives of an organisation in line with the organisation’s mission and vision (Cakir & Adiguzel, 2020). Employees are also inspired by a leader’s behaviour, thereby encouraging them to perform well in their jobs. In this topic, the focus will be on the process of leading and it will specifically focus on issues related to leadership, its followers, and its context.

4.4 THREE COMPONENTS OF LEADERSHIP

Bratton (2020) identifies three components of leadership, namely, the **leader**, **followers**, and the **context**, all of which are related to leadership.



Source: Adapted from Bratton, 2020

Figure 4.2 The three components of leadership

These three components of leadership interact, forming the interactive framework of leadership. Bratton (2020:5) explains these three interactive components of leadership as follows:

- **The leader:** this is the person who contributes to the leadership process, so here we would examine their attributes, capabilities, knowledge, and power.
- **The followers:** this refers to the employees the leader wishes to influence, who may be managers as well. This also looks at how leaders and followers both influence each other through any actions they take or how they behave.
- **The context:** this refers to the context, with a focus on external drivers of change (social, technology, economic, political, legal, ecological) and organisational design and strategy. All these factors influence the leader–follower relationship.

4.5 LEADERSHIP VERSUS MANAGEMENT

There are distinct differences between the qualities of a leader and those of a manager. Toma, Catană & Grădinaru (2020) argue that leaders have a vision of their goals, communicate this to others in the organisation and motivate them too to attain the goals. Managers use their authority, on the other hand, to obtain the necessary resources to get the best result they want. The following table shows some of the main differences between management and leadership.

Table 4.1 Differences between managers and leaders

MANAGERS	LEADERS
Focus on things	Focus on people
Execute organisational plans	Develop a clear vision
Focus on directing others in a work situation and coordinating the work of others	Focus on trust and developing others they work with
Manager of change	Creator of change
Have authority to use	Have influence to use
Authority arises from the position they hold	Authority arises from the relationships they have with others
Establish the organisation's strategies and objectives	Thinking is more strategic
Act with decisiveness	Delegates responsibility to others
Decision-maker of resources	Taker of risks and innovator

Source: Adapted from Azad, Anderson, Brooks, Garza, O'Neil, Stutz & Sobotka, 2017

4.6 ELEMENTS OF LEADERSHIP

In the previous topic on organising, the elements of leadership were discussed. It is mentioned here again to emphasise that they do impact on motivation as well.

Rosari (2019) identifies four elements of leadership that need to be present for a leader to exist:

1. **Influence:** this is the ability of a leader to provide direction to others, as well as motivate others, especially when they all are seeking to attain the same goal in an organisation. The leader uses his social or interpersonal influence or persuasion to motivate others (Openstax, 2019).
2. **Leaders and followers are people in the influence relationship:** this refers to followers being active in the relationship with leaders, so they also do leadership work but not the same work as leaders do. They both have a relationship with each other, thereby influencing each other and the organisation too.
3. **Leaders and followers intend real change:** this refers to leaders and followers wanting changes that are transformative in an organisation or society. These changes are real in the sense that they affect lives, attitudes, and behaviour of people.
4. **Leaders and followers develop mutual purposes:** the transformative changes leaders and followers desire must show their common purpose, which is to put the interests of the community ahead of their interests.

4.7 LEADERSHIP THEORIES

Good leadership within an organisation is beneficial to both the organisation and its employees. Leadership has been studied for many years and researchers have come up with various theories. Three leadership theories will be discussed, namely, trait theories, behavioural theories and situational theories.

4.7.1 Trait theories

This is based on the idea that some people “are born with special traits that made them great leaders” (Northouse, 2021).

An example of a leader like this is Barrack Obama, who before he became US President, caught the public’s eye as a senator. He had been compared to Abraham Lincoln and Martin Luther King Jr. Focus was placed on his characteristics such as self-awareness, clarity of speech, keen intellect, and an ability to relate to people (Robbins & Coulter, 2007:488).

Stogdill (1948) noted that, if we had to compare leaders to non-leaders in various types of situation, we would not be able to come up with a regular number of

traits to distinguish them apart. This meant that the person who has leadership traits in one type of situation may not necessarily be a leader in another type of situation. Leadership was starting to be seen as a relationship that exists between people in a situation, rather than just merely a quality. Northouse (2021) describes traits as “the characteristics or qualities that describe a person”. Let us look at the major traits a leader should possess:

- **Determination:** leaders exhibit a high effort level. They take initiative in tasks, are persistent and are driven. Leaders with determination are proactive and this means that they can be dominant when the situation calls for it.
- **Sociability:** leaders with this trait desire positive relationships with others. They tend to be sociable, cooperative with others and are sensitive to the needs of others.
- **Integrity:** leaders build trusting relationships between themselves and followers by being truthful and trustworthy. These leaders also take responsibility for their behaviour and inspire others with their actions.
- **Self-confidence:** leaders will display certainty about their skills, therefore acquiring self-esteem. Leaders can feel better about influencing others knowing they possess the self-confidence to do this. Steve Jobs was an example of a leader who displayed this trait, never doubting his ability to create any device.
- **Intelligence:** Zaccaro, Kemp & Bader (2017) found that leaders had more intelligence than non-leaders. Leaders with intelligence tend to be those who have strong problem-solving, reasoning, and social judgment skills as well possessing a high IQ.

4.7.2 Behavioural theories

Researchers have found that traits alone cannot explain leadership. They therefore decided to focus on the behaviour of leaders to see whether this would distinguish between people who would make a good leader and those who would not.

In a study by Michigan State Leadership Research, the behaviour that made leaders more effective than non-leaders was analysed. Demirtas (2020) mentioned two such behaviours that were recognised: job-oriented and

employee-oriented. We will discuss these two behaviour types now, but before we do, let us take a look at an example of a leadership style.

Example:

The leadership style of Derek Keys

Derek Keys was a former South African Minister of Finance and Chairman of Gencor. These are his thoughts, which seem to present a timeless perspective on management and leadership:

"I don't think of myself as a manager... I have never managed anything. I have acted as an intelligent audience, watching some very remarkable managers, trying to be helpful and constructive. I try to be a loving, critical audience. The only way to develop an excellent manager is to give that kind of setting.

Why love? Contrary to external appearance, a Chief Executive is a sensitive flower. If he thinks you are not with him, he can't communicate. He must feel you don't represent a threat. He should be presented with a picture of himself as he could be. People need help in seeing the next stage in their own development.

Why critical? If you are not critical, you are not doing your job. You must raise the other point of view, generate an alternative scenario that could actually be better. I stress that one is an audience because you are a passive spectator. You can't interfere with a manager in full career.

Finally, you have to provide the applause. That's why I see my role in Gencor as being a loving, critical audience to superior people so that they can become the stars they really are."

Source: Adapted from Smit and Cronje, 2003:287

The two leadership styles are:

1. **Job-orientated behaviour:** is also known as autocratic leadership. This type of leader prioritises work or tasks over the needs of their followers. The tasks need to be done on time; therefore, they pressure their followers to meet their deadlines and also monitor their work performance closely.
2. **Employee-oriented behaviour:** is also known as democratic leadership. In this style, these leaders prioritise their followers' needs over that of

tasks. Based on the views of their followers, these leaders will set performance expectations and targets.

The Michigan State Leadership Research project found that group performance was higher when the employee-oriented behaviour was adopted by leaders. Use of job-oriented behaviour tended to result in high employee turnover, poor employee commitment to work, as well as low trust levels. What should be remembered, though, is that both dimensions of leadership are important and may be necessary for the success of an organisation.

4.7.3 Situational theories

A focus on only the traits theories and behaviour theories does not provide an explanation for how effective leaders can be. This results in ignoring the situation at hand, being the organisation and the followers within the organisation (Demirtas, 2020). Trait and behaviour approaches to leadership have shown that no single trait or behavioural style is effective in all situations. We can thus conclude that leadership traits and behaviour must work with the situation to get an effective leader.

There are various situational models that discuss the situational leadership approach; however, we will focus on two theories to illustrate this. They are Fiedler's Contingency Theory of Leadership and House's Path–Goal Theory.

1. Fiedler's Contingency Theory of Leadership

This approach states that the effectiveness of a leader is determined by the leadership style and meeting the circumstances of the situation (Demirtas, 2020). The model is broken into three phases: identifying the leadership style, defining the situation, and then matching the style and situation.

These three phases are described below:

- a) **Identifying the style of leadership:** whether the leader has job-oriented or employee-oriented behaviour.
- b) **Defining the situation:** this is used to determine the match between the situation and the leader. Whether leaders favour a situation depends on leader–member relations, task structure, and position power. Leader–member relations exist due to the amount of trust between the leader and his followers. If followers trust their leader, the leader has more influence. Task structure

is when tasks are clearly defined, also giving the leader more influence. Position power is the authority leaders have by virtue of the position they hold, allowing them to reward or dismiss employees.

- c) **Matching the style and the situation:** it will be established whether task-oriented leaders do better than employee-oriented leaders in certain situations. How effective a leader is depends on task structure matching situational control.

The essence of the model is that leaders with certain leadership styles that match a certain situation will exist. A leader will not be effective in every situation.

Example:

Coin Bank is having its annual audit. The Branch manager instructs the employees to gather all the required documentation for the auditors. This scenario is very simple, but it is evident that, in this situation, the branch manager is using a job-oriented leadership style. This is because he instructs employees to complete a task, i.e. to gather all audit documentation. The branch manager is also being autocratic as there is no room for negotiation and the instruction should be carried out. The branch manager has used his situation to determine the style of leadership being used.

2. **House's Path–Goal Theory**

This theory only looks at leader behaviour and the situation, and not the traits of leaders, suggesting that leaders can easily adapt to various types of situations (Demirtas, 2020). The path–goal theory states that leader behaviour can influence the expectations of followers, thereby motivating them. There are two assumptions in this model: one is that leader behaviour can satisfy followers, and the other that leader behaviour is motivated by the need to satisfy the needs of their followers.

The leader determines the path that the follower takes in this model, and also supports his followers by providing them with prizes for good performance. This model argues that there are three tasks the leader carries out. The first is that he must consider the needs of his followers to enable him to control the results achieved. The leader's second task is to provide rewards and punishments to followers in line with their performance. The leader's third task is to lower any obstacles to performance by the followers by managing their expectations.

Activity

1. Two leadership behaviours are identified, namely, job-oriented and employee-oriented. Which one best describes your leadership skills? Write down the answer and an explanation why you say so.
2. From the scenarios below, identify the correct leadership approach for each, and provide reasons for your answers.
 - a) John adapts his leadership style depending on the circumstances he finds himself in.
 - b) Samantha is characterised as a good manager by her subordinates because of the way she conducts herself at work.
 - c) Audrey was chosen as the new team leader because of certain characteristics she possesses.

4.8 THE TRUST RELATIONSHIP IN LEADERSHIP

Trust is becoming an important part of effective leadership. Leaders cannot manage effectively if their employees do not perceive them as trustworthy. There are five dimensions of trust (lumenlearning, n.d.):

1. **Integrity:** a manager's honesty and truthfulness.
2. **Competence:** a manager's technical knowledge and abilities.
3. **Consistency:** a manager's reliability is important.
4. **Loyalty:** a manager's willingness to protect another person's interests.
5. **Openness:** individuals can rely on a manager to be open with them.

Activity

Read the following article by Stephen Covey on trust in leadership:

https://www.youtube.com/watch?v=Es_RZEtTzu8

Reflect on the video, then write down the most important ability of a leader, as identified by Mr Covey. Then note down the reason this is the case.

4.9 CONTEMPORARY ISSUES IN LEADERSHIP

Leadership theories, as discussed in the previous section, see leadership as influencing employees to achieve organisational goals. The focus has shifted slightly, portraying leaders as “individuals who define organisational reality through the articulation of vision” (Du Toit, Erasmus & Strydom, 2008:191). They continue by stating that leadership is not limited to top-level management only, but should filter to the lower levels as well. This will ensure that those managers become stronger leaders and this can be done if they communicate their vision for their department or team.

There are several contemporary perspectives that are researched; however, we will focus on three, namely: **charismatic leadership**, **visionary leadership** and **transformational leadership**.

1. **Charismatic leadership**

Murray (2020) notes a few distinct traits in charismatic leadership:

- a) The leader is authentic, so it is about being honest and respecting others. This helps build trust between the leader and his followers and can build effective teams.
- b) These leaders display personal power to get the attention of others to believe in them. To display personal power, the leader needs to be positive, energetic, and assertive.
- c) These leaders are persuasive, so communicating effectively with others is key to being able to encourage and motivate others.
- d) Traits of a charismatic leader include: self-confidence, vision, the ability to communicate vision, unconventional behaviour, and environmental sensitivity.

2. **Visionary leadership**

Karwan, Hariri & Ridwan (2021) note the following traits of visionary leadership:

- a) This goes beyond charisma, as these leaders have the ability to grow a vision with their followers. They therefore can inspire others through this vision.
- b) Visionary leaders create change and want followers to own initiatives.
- c) These leaders support their followers and are very committed to their beliefs. They are independent thinkers, set decisive goals, and take actions that promote their vision.

The following case study relates to Steve Jobs, who has displayed many leadership styles that are so noted.

Case study

Leadership in action

Steve Jobs was an entrepreneur who is still highly regarded today by most people. He was the pioneer of Apple and displayed some leadership styles that are still admired today.

He has been described as someone who never liked to delegate work to anyone and always wanted to be involved in every aspect of the business. Steve Jobs was of the view that "It doesn't make sense to hire smart people and tell them what to do; we hire smart people so they can tell us what to do". He was also innovative and believed that innovation is about putting together unlikely ideas to form something new. Jobs combined calligraphy and design into technology, a winning formula for him that produced the first technology company that was so innovative. He also possessed problem-solving abilities when he combined calligraphy and design into technology. He would regularly empower and inspire his staff to perform in their jobs, and soon enough was seen as a role model for his employees through the behaviour he displayed. He was fond of checking on staff and always providing ideas so that all employees were encouraged to do their best. His passion for new ideas and hard-working ability filtered down to all levels of the organisation, inspiring others to also be like him. What is more intriguing is that Jobs involved all his employees in generating new ideas.

Jobs also enjoyed thinking out of the box and believed that this thinking played a role in being able to always motivate his staff. In essence, he sought to transform those he managed to perform successfully in their roles. Some have also described his leadership style as being charismatic, enabling him to motivate employees successfully and create a vision that was unique. Jobs stuck to his guns with any ideas he had, and this style characterised him. It is challenging to ignore the traits leadership style as Jobs also displayed determination and self-confidence throughout being a CEO of Apple.

Source: Adapted from Kassim, 2020, and StudyCorg, 2021

3. Transformational leadership

Jaroliya & Gyanchandani (2022) describe transformational leadership as follows:

- a) "Through influence, inspirational motivation, intellectual stimulation and individualised consideration, transformational leaders can change members' behaviour" (Bass, 1985).
- b) They are similar to charismatic leaders but the main difference is that transformational leaders encourage others to work towards a mutual objective and achieve goals they did not think were possible.
- c) These leaders can influence the assumptions and perspectives of others, enabling them to be committed to the goals of the organisation.
- d) These leaders impact team innovativeness, and also encourage others to take on challenges.

Activity

1. Trust is seen as an important part of effective leadership. Choose one of the five dimensions and relate it to a manager you know. Write this down, and also motivate why you chose this manager and what traits indicate the dimension chosen.
2. Three contemporary leadership issues were discussed. Choose the contemporary issue that you think applies to your organisational leaders or any other leader you know, then write this down and again motivate your answer.

The following case study demonstrates the importance of motivation.

Case study

Applying the concept: Pick 'n Pay

Research has shown that customer service begins inside an organisation, with the way employees are treated, valued, respected, empowered, and rewarded. For this reason, the emphasis on adding value and delivering good results is increasingly being linked to the way organisations manage and motivate their people. As Tom Peters explains in his book *In search of excellence*, "Business success today rests on quick action, service to customers, practical innovation, and the fact you can't get any of these without virtually everyone's commitment."

No one knows this better than one of Pick 'n Pay's previous CEOs, Sean Summers. He has been widely praised for *Vuselela*, a staff motivational campaign that involves extensive training; for example, trips for staff at all levels to courses at Disneyworld in the USA. In stark contrast to the knee-jerk antics of many panicky SA retailers, Summers backed a long-term strategy aimed at creating a climate in which Pick 'n Pay employees can realise their own potential. He is reportedly a firm believer that motivated employees keep the tills ringing.

And the results speak for themselves. In an interview in the *IMM Journal of Marketing*, Summers cited dignity and respect as two commodities essential to growth. He also confirmed his belief that if you can't deliver a good experience for employees within the workplace, you are highly unlikely to deliver a positive experience for customers.

Yet, despite the clear need for staff motivation, there is still very little to be found in the adult world of work. Why is it that the innovative spirit we are born with seems to get tamped out, and fear or passivity sets in?

Source: Adapted from Du Toit *et al.*, 2008:232

4.10 DEFINING THE TERM 'MOTIVATING'

Employees form a major part of an organisation's profitability and productivity. It is the manager's responsibility to ensure that the organisation's goals are met through its employees. As a result, it is important for managers to know what motivates an employee to perform to the best of her ability. This is easier said

than done. Motivation is not always well understood or practiced within organisations and therefore it is important for managers to understand what motivates each person reporting to them.

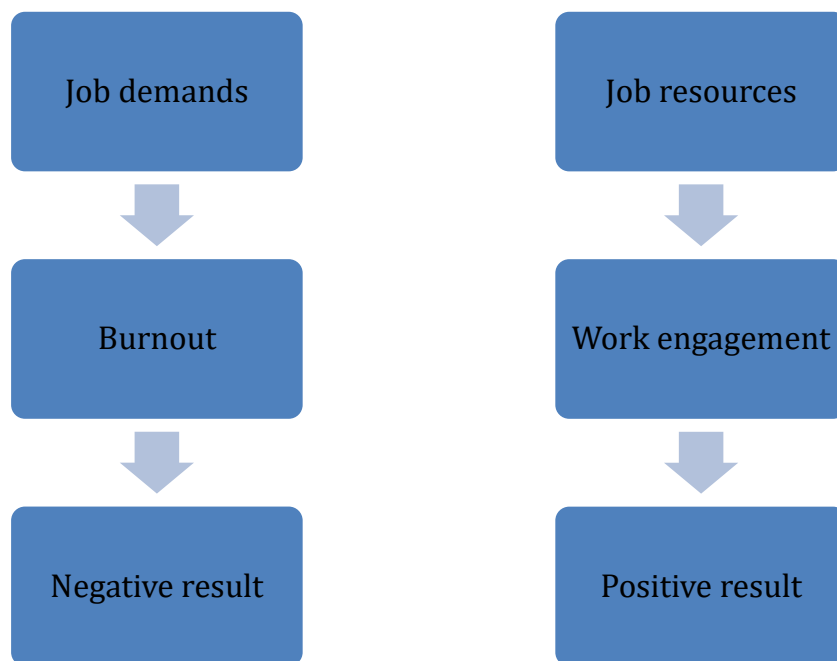
Motivation can be seen as an extension of the managerial task of leading, as managers or leaders need to understand and find ways to improve an employee's performance. Motivation can affect employee performance, and this also depends on whether the motivation strategy used meets the needs of the employees (Okine, Addeh, Olusola & Asare, 2021). James and Stoner (2009) define motivation as "the psychological characteristics of a person that contribute to the determination to achieve a goal".

Berelson & Staines (2003) define motivation as "an internal state that promotes goal-directed behaviour as well as leadership and controlled action". Another source defines motivation as "notion of man's necessity and desire is related" (Koontz, 2008).

Because motivation forms such an integral part in the performance of employees, many different theories or approaches to motivation have been researched. In this topic, we will focus on various applicable theories or approaches and see how they impact on the motivation of employees. It is, however, important to note that no single theory addresses all areas of motivation.

4.11 THE MOTIVATION PROCESS

Here we will focus on one such model, known as the Job Demands Resources Model. This model shows us the process of motivating an employee in the work environment.



Source: Adapted from Schaufeli, 2017

Figure 4.3 The motivational process

In this model, it is taken for granted that every job has demands and work resources. The job demands are, according to Demerouti, Bakker, Nachreiner & Schaufeli (2001:501), "job aspects that require sustained physical or mental effort and are therefore associated with certain physiological and psychological costs". These include a high workload or having conflict with others at work. Job resources help to achieve goals, lower the demands or conflicts in a job and help grow an employee. Feedback on performance, support, and control of the workload all assist to provide the necessary job resources an employee requires.

The motivational process comes in when there is an abundance of job resources or support provided to employees (Schaufeli, 2017). This enables employees to engage more with their job, resulting in higher commitment to their work and more successful work performance. It is important to note that both high job demands and the provision of poor resources can result in burnout, while only the provision of abundant job resources helps to engage employees and motivate them. This therefore means that if an organisation decides to provide more resources to their employees, they can prevent burnout and also increase the motivation of employees. On the other hand, if the organisation chooses to only reduce the job demands, then work engagement and motivation will not be affected at all — only burnout will be reduced.

Activity

Think of a situation where you had a massive workload to do and the process you followed to meet this workload. Draw a diagram of how you could use the motivation process to change an unsatisfied need to a satisfied one.

4.12 THE APPROACHES TO MOTIVATION

Motivation theories can be classified into content theories and process theories. Content theories deal with the *what* of motivating, while process theories deal with the *how* of motivation (Erasmus, B., Rudansky-Kloppers, S. & Strydom, J. 2016). Table 4.2 provides a brief overview of the theories.

Table 4.2 Classification of motivational theories

	Content theories	Process theories
Focus	<ul style="list-style-type: none">• Identifying the needs that employees want to satisfy• Identifying the factors that influence the behaviour of employees.	<ul style="list-style-type: none">• The process of goal-setting• Evaluation of satisfaction after goals have been achieved.
Theories	<ul style="list-style-type: none">• Maslow's Hierarchy of Needs• Alderfer's ERG theory• Herzberg's Two-factor theory• Acquired Needs theory (also known as McClelland's Theory of Needs).	<ul style="list-style-type: none">• Equity theory• Expectancy theory• Goal-setting theory.

Source: Adapted from Brevis & Vrba, 2014

4.12.1 Content theories

The four content theories to be discussed are **Maslow's Hierarchy of Needs**, **Alderfer's ERG theory**, **Herzberg's Two-factor theory**, and **McClelland's Theory of Needs**.

a) **Maslow's Hierarchy of Needs:**

Abraham Maslow is one of the best-known motivational theorists with his Hierarchy of Needs theory, where needs are organised from lowest-level to highest-level needs (Brevis & Vrba, 2016).



Source: Adapted from Lazenby, 2016)

Figure 4.4 Maslow's hierarchy of needs

- i. The lowest-level needs are *physiological needs* and these include food, water, clothing, and shelter. This refers to the basic things that are needed for survival and natural functioning. Within an organisation, these needs could translate into salary, lunchrooms, decent workspace, heating and lighting, etc.
- ii. The next level is *safety and security needs*, which include protection from both physical and emotional harm. This could include job security, pension plans, and structure within the organisation.
- iii. *Social needs* are next in the hierarchy and concentrate on the need for belonging and affiliation. They include the need for friendships, love and affection. Being accepted by peers and family also forms part of fulfilling this need.
- iv. Next in the hierarchy is *self-esteem needs*. This is the need for a positive self-image and self-respect, and also recognition from others. Within the organisation, this need can be satisfied through compliments given, job titles, and challenging job tasks.
- v. *Self-actualisation* is at the top of the hierarchy. This need aims at realising one's potential through growth and development.

Within the organisation, it could be decision-making opportunities, with the focus on creativity and innovation.

Activity

Watch the following video for a simple explanation of Maslow's Hierarchy of Needs: <https://www.youtube.com/watch?v=xT6BpFhPsfY>

Answer the following questions:

1. Explain what a hierarchy is and write this down.
2. Draw Maslow's Hierarchy of Needs, noting down all the various types of needs in this diagram.

This theory assumes that an individual starts by attempting to satisfy his basic needs before continuing with satisfying the higher-order needs (Du Toit *et al.*, 2008). Once a need has been satisfied, the individual will move on to the next level in the hierarchy. Maslow is a very popular management theorist but has been regarded as oversimplifying individuals' needs. To improve on Maslow's theory, Alderfer has supplemented the hierarchical theory with three core needs, as outlined below.

b) Alderfer's ERG theory

The three core needs according to Alderfer are existence, relatedness and growth (ERG) (Yang, Jiang & Pu, 2021):

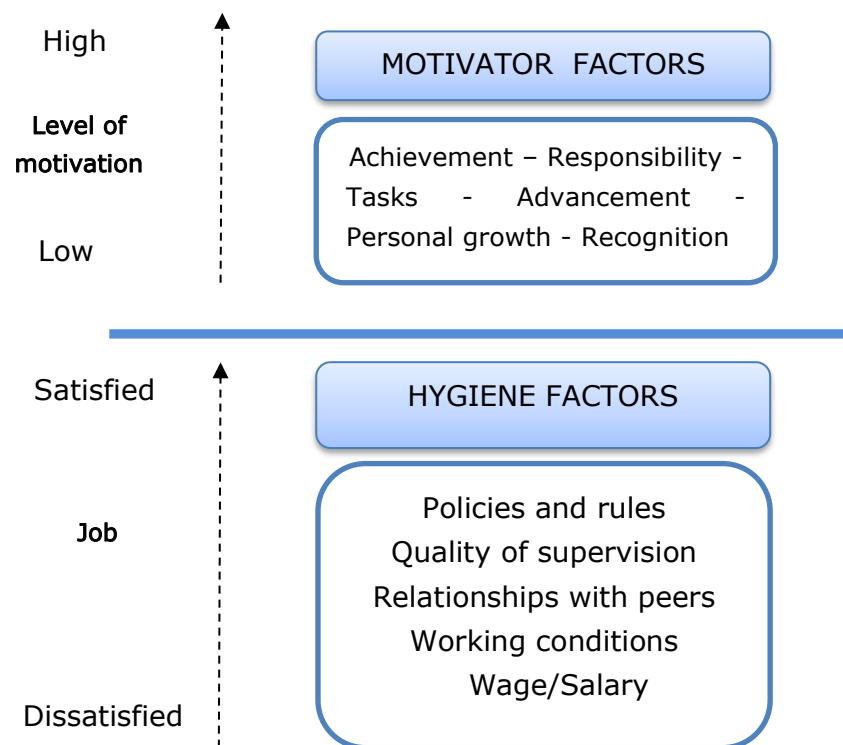
- i. **Existence needs:** this refers to a person's basic material existence needs — this is similar to Maslow's physiological and safety needs.
- ii. **Relatedness needs:** this conveys an individual's desire for interpersonal relationships and interaction — this is similar to Maslow's social needs and esteem needs.
- iii. **Growth needs:** this is the desire of an individual to make a productive contribution — this is similar to Maslow's self-actualisation needs.

The major difference between Maslow's Hierarchy of Needs and Alderfer's ERG is that the ERG does not subscribe to an inflexible hierarchy,

whereby needs are satisfied from the lower to the top levels. The ERG theory states that two or even three needs can influence behaviour simultaneously (Du Toit *et al.*, 2008).

c) **Herzberg's Two-factor theory**

Frederick Herzberg researched the relationship between job satisfaction and productivity and found that factors leading to job satisfaction among employees were separate from those leading to job dissatisfaction (Smit & Cronje, 2003). This is where the name 'two-factor' theory derives from. Herzberg identified sources of job satisfaction as 'motivator factors', while sources of dissatisfaction are 'hygiene factors' (Okine *et al.*, 2021). Motivator factors that encourage job satisfaction include achievement, recognition, responsibility, tasks done, advancing in the role, as well as personal growth. This means that improving the motivator factors leads to more job satisfaction. Hygiene factors that are sources of job dissatisfaction include working conditions, relationships with peers, policies and rules, supervisor quality, and wage/salary. This means that improving the hygiene factors leads to more job dissatisfaction. You will see this clearly in the following diagram:



Source: Adapted from Strydom, 2008:125, and Okine *et al.*, 2021

Figure 4.5 Herzberg's Two-factor theory

An organisation needs to ensure that the hygiene factors do not result in job dissatisfaction as this is what will result in reduced productivity of workers. Here, we could even say that job enrichment is what is called

for to increase the motivation of employees and help them be productive. The organisation should therefore focus on motivator factors to increase work quality. Although this theory has its positives, it has also been criticised due to some arguing that the sources of job satisfaction will differ among various age groups.

Example:

In a study done in South Africa in 2018, it was found that there were five factors that lead to the dissatisfaction of employees generally. This included a lack of proper training of workers, the working conditions, management in practice, the pay of workers and the selection of employees. We can see the hygiene factors at play here, according to Herzberg's two-factor model. The reason that employees left their jobs was mainly due to the unemployment rate dropping, and also the personal interests and status of employees. It was found that in those organisations where there is a skills shortage, job dissatisfaction was even higher due to the high workload provided to employees. The motivator factors arise here. There was also a mismatch between the tasks provided and the skills of the workers, so workers felt more dissatisfied. Where there are cases of a negative relationship with management, employees in South Africa tend to respond by performing poorly in their jobs or resign. It was noted that management quality is definitely a case for improvement in South Africa. We can see in this example how motivator and hygiene factors play a role in determining job satisfaction and dissatisfaction respectively.

Source: Adapted from Ntimba, 2020

d) McClelland's Theory of Needs

This theory looks at three needs, all of which McClelland believes can be acquired and transformed through training of workers (Okine *et al.*, 2021). There are three needs that explain motivation, namely: *need for achievement*, *need for power* and *need for affiliation*.

- i. **Need for achievement** — this is the need to excel or be successful at a certain standard. These people set out to achieve challenging tasks.
- ii. **Need for power** — this is the need to be influential and make others behave in a way in which they would not have otherwise behaved.
- iii. **Need for affiliation** — the desire for warm and close relationships to be formed and sustained.

Smit & Cronje (2003:353) observed how this theory can improve employee performance by placing them in jobs according to their predominant needs. They are as follows:

- **High need for achievement:** Employees are motivated by non-routine, challenging tasks with clear, achievable objectives. These employees should be given challenging tasks and increased responsibility. High achievers work well in independent groups in large organisations. The fact that an employee is a high achiever does not mean he will make a good manager. They are normally interested in how well they do personally and not in influencing others.
- **High need for affiliation:** They are best motivated if they are able to work within a team and if they receive praise and acknowledgement from their managers. They seek approval from the people they interact with, rather than from the job itself.
- **High need for power:** These employees would rather work where they can direct others' actions. They can also be seen as competitive individuals. It seems as if a high need for power is a prerequisite for being an effective manager, as research has shown that the best managers rank high in their need for power compared to their need for affiliation.

Activity

Identify and explain the three ways in which organisations can improve their worker performance using the McClelland needs model. Write down your answers. Then identify which one of the three ways can apply to you.

4.12.2 Process theories

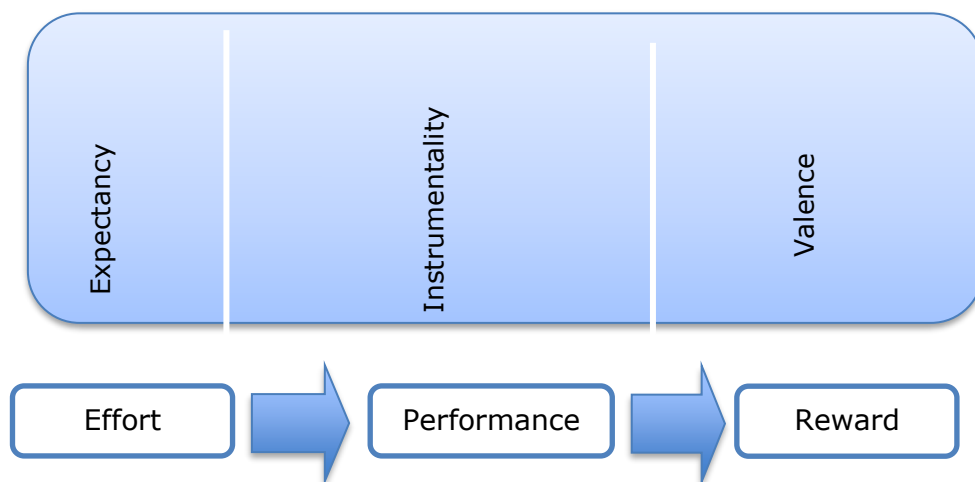
As discussed, content theories attempt to identify individuals' needs. Process theories, on the other hand, focus on how motivation occurs. There are various process theories, but we will focus only on three, namely, **expectancy theory**, **equity theory** and **goal-setting theory**.

1. Expectancy theory

Victor Vroom developed the expectancy theory. The theory asserts that the behaviour of an individual is determined by (Lokman, Hassan, Ustadi, Rahman, Zain & Rahmat, 2022):

- a) receiving an outcome from doing something; and
- b) how attractive the outcome of the action is.

There are three key concepts in the expectancy theory, and they are: expectancy, instrumentality and valence. Below is a diagram that shows the expectancy theory model:



Source: Adapted from Brevis & Vrba, 2014

Figure 4.6 The expectancy theory model

The three key concepts of the expectancy theory include (Lokman *et al.*, 2022):

- i. **Expectancy:** Also known as the effort–performance linkage. Expectancy refers to an individual’s belief that a specific level of effort will lead to a specific level of performance. Certain aspects such as an individual’s self-esteem, previous success, and support from others will influence a person’s expectancy perceptions.
- ii. **Instrumentality:** Also known as the performance–reward linkage. It is the strength of an individual’s belief that a certain performance will help lead to a specific desired outcome.

- iii. **Valence:** Also known as 'attractiveness of reward'. It focuses on the significance the person places on the outcome of a task, and this considers the needs and goals of the person.

The theory stresses that an "individual's own perceptions of performance, reward and goal outcomes will determine his or her motivation or level of effort" (Lokman *et al.*, 2021).

Example:

EXPECTANCY THEORY

Imagine that you want to use the expectancy theory to determine if John, a sales representative, will be motivated to promote the products of the company.

Expectancy: this refers to John's belief that a certain level of effort will lead to a particular level of performance (effort–performance expectancy). John may have the expectancy that, if he works hard on promoting products, sales targets will be met (performance). If he has zero expectancy that the effort will lead to performance (in terms of meeting the sales targets), he will most probably not promote the products. Factors such as John's self-esteem, previous success, support from others, access to information, and self-efficacy will influence his expectancy perceptions. We assume John is of the opinion that his effort will most probably lead to performance.

Instrumentality: refers to the strength of John's belief that a certain performance will lead to a specific desired outcome (performance–reward). This belief is probably based on learning from previous experiences, and the outcome refers to outcomes that are important at a specific time. John believes that meeting the sales target will lead to promotion to a managerial role. His belief is based on, among other things, the current practice in his company.

Valence: (desirability) refers to the importance John places on the outcome and is determined by his perceptions about how much the outcome will fulfil or interfere with his needs. John has stronger power needs that can be fulfilled in a managerial role, making promotion to a managerial role very attractive.

Based on the above discussion, it seems clear that John will most probably put in a big effort to promote the products of the company, as this may fulfil his needs.

Source: Adapted from Du Toit et al., 2008:240

2. Equity theory

This theory was developed by Stacey Adams and is based on the perception workers have of fairness (Adams, 1963). People will be more motivated when they are fairly treated and, if not fairly treated, they will be less motivated. This really speaks to the principle of Ubuntu, which holds that if people in an organisation are treated well enough, they are likely to perform better.

The theory focuses on personal inputs and outputs, where inputs include time, effort, enthusiasm for a task and any personal sacrifices made, and outputs include rewards, job security, praise, higher salary and recognition from a manager (Kanfer & Ryan, 2018). Besides looking at actual equity, the theory also considers perceived equity where people compare their input and output to other people (Swain, Kumlien & Bond, 2020). A worker who finds that he provides the same effort level as another worker, but the other worker receives a higher salary, is likely to lower his motivation level.

Brevis and Vrba (2014:480) postulate that, if employees are aware that they are being under-rewarded, they will try to return to equity by:

- reducing their own inputs by means of lower performance
- increasing their reward, by asking for a raise
- distorting the ratios by rationalising
- trying to get the other individual to change inputs and/or rewards
- leaving the situation, or
- finding a new person to compare their situation to.

To summarise, the equity theory focuses on the feelings of individuals and how fairly they are being treated within the workplace. It is evident from this theory that rewards can only motivate if workers perceive them to be fair and equitable. Unfortunately, these feelings are based on the individual's own perceptions and this can be distorted by employees overrating themselves compared to colleagues. One solution to this problem is for management to be transparent in all processes so that employees are aware of where they stand in relation to colleagues or peers.

3. **Goal-setting theory**

This theory helps to explain goals set and task performance. Locke (1991) stated that goals are "conceptualized as an end-state which an individual is trying to accomplish; it is the object or aim of an action".

The setting of goals leads to improved task performance which occurs through the following ways (Locke & Latham, 2002):

- it allows employees to focus their efforts on their goals
- it energises employees to focus their efforts on the goals
- more challenging goals lead to higher effort to achieve goals, and
- a focus on goals leads to strategising in tasks.

Activity

Zuleigah is a teller at Capitec Bank. She is always on time and her work is always completed to the best of her ability. She gets very good reviews about her customer service but she is often unable to balance at the end of the day. When the performance bonuses were issued, Zuleigah did not get a bonus.

Sandra, who is late most days but manages to always balance at the end of the day, received a bonus, and this upset Zuleigah. Brainstorm about which theory has affected these two staff members.

4.13 MONITORING MOTIVATION

Table 4.3 depicts the indicators to the level of motivation in the workplace.

Table 4.3 Indicators of motivation in the workplace

High morale	Low morale
• High level of commitment to the organisation and the team	• Low levels of commitment to the team and organisation
• High levels of productivity	• Low levels of productivity
• Loyalty	• No loyalty
• Good customer service	• Poor customer service
• Low absenteeism	• High absenteeism
• Good work attendance	• High levels of sick leave and absenteeism
• Low level of employee turnover	• High level of employee turnover
• Constructive conflict between individuals and departments.	• Destructive conflict between individuals and departments.

Source: Adapted from Strydom, 2008, and Manzoor, Wei & Asif, 2021

4.14 MONEY AS A MOTIVATOR

According to Brevis and Vrba (2014), money as a motivator is underrated. Most of the motivational theories we have discussed look towards other motivators, such as challenging jobs, recognition for achievement, and opportunities for personal growth. These factors do have a place within motivation for job performance, but money also plays a huge role in the motivation of employees.

Below we will find a breakdown of the various motivational theories and how money can be seen as a motivator (Brevis & Vrba, 2014:485):

- Maslow's lower order needs are satisfied with money.
- Likewise, Herzberg's two-factor theory states that when money, such as a merit bonus, is linked to the recognition of good performance, it also acts as a motivator.
- The equity theory makes the assumption that we use money as a measure to compare our outputs to determine whether we are being treated fairly.
- The expectancy theory states that money is a motivator if employees perceive that good performance results in a monetary reward that they value highly.

Traditional management believes that nothing influences employees more than high wages (Strydom, 2008). However, more recent research has indicated that, while money is an important motivator, other factors, such as a challenging job or social rewards, do play a huge role in motivation.

When it comes to need theories, it is important to realise that every individual is motivated by a different need. As a result, it is important for a manager to understand the various needs of employees to satisfy their needs.

In conclusion, it does not matter how much a person is paid — money can motivate people but there are also other factors that enter into the equation affecting their motivation.

Activity

Write a paragraph on your personal views of the motivational power of money. How does money motivate you?

Summary

This topic concentrated on the aspects of leadership and motivation. Leadership forms an integral part of any organisation as it directly involves people in the organisation. It is important to understand that leadership is not a position, but rather a process, and is the ability to influence other people to voluntarily contribute to the achievement of organisational goals. Three components of leadership were identified, namely, *leadership*, *followers*, and the *context*. This explains the environment in which a leader operates. All these components of leadership interact together, with leaders interacting with followers and vice versa, all of whom are influenced by drivers of change, which refers to the context. We also discussed the difference between leadership and management, which is fundamental to understanding the striking similarities between leadership and management at times and yet the striking differences between them as well. A manager is someone who typically manages any changes in the organisation while the leader creates change. For a leader to exist, we recognised certain elements that need to be present, such as influence, intention of change, and developing a mutual purpose, among others. Leadership theories have also proven to be an integral part of the success of the organisation. There are three leadership theories, namely, *trait theories*, *behavioural theories* and *situational theories*. In leadership, trust is such an important element in developing relationships with others. We found that there are five dimensions of trust, such as integrity, competence, consistency, loyalty, and openness. There are many types of leaders, and we moved onto discussing three contemporary perspectives of leadership, charismatic, visionary and transformation leadership. We discussed the traits that each of these leadership styles have.

Motivation can be seen as an extension of leading others. This term is so fundamental to leading others. Motivation is about the manager ensuring that the organisation is productive and profitable. It can be defined as the desire and willingness of employees to achieve the goals of the organisation. Understanding the motivation process is important as it explains how a manager can transform an unsatisfied need of an employee to a satisfied one. We recognised that job demands and job resources can produce either a favourable or unfavourable outcome on people, therefore leading to either demotivating or motivating people in a work environment. Various motivation theories have been proposed, namely, *content* and *process* theories that attempt to understand the *what* and *how* of motivating employees. Money is also often used as a motivator, but it is important for a manager to understand that money alone cannot sustain employee motivation.

Self-Assessment Questions

1. Vuyo is a manager and discusses a plan to increase sales for the next quarter. He asks all employees to provide ideas on how they could increase sales and ways of implementing them. Sandy is a team leader within the same organisation and, in order to save her team time away from their work to come up with sales ideas, provides ideas on behalf of her team and informs them that she has already put forward her ideas. Using the behavioural approach to leadership, identify and explain what type of leadership both Vuyo and Sandy are displaying. Motivate your answer.
2. ABC Wholesalers is not doing well financially and has appointed a new CEO to turn the business around. The new CEO starts by cutting unnecessary expenses in the organisation and makes small changes to increase both productivity and profits. He implements a reward system whereby employees with the highest sales for the month receive an incentive. Within six months, the business profits show a slow but steady improvement. Which contemporary leadership style is being displayed by the new CEO? Provide reasons for your answer.
3. Peter has completed high school and is an orphan who takes care of his younger siblings. Currently they are living on the streets as they cannot afford a place to stay. Peter finds a job at a local grocer as a shelf packer. He is able to make enough money pay for a room for him and his siblings. He is also able to buy food for the household. After one year Peter becomes permanent and is able to rent a flat for his family. He also joins the local soccer club where he plays games every Saturday. He applies for the supervisor job at his local grocer and gets the job. Within two years Peter is able to afford his own home and has also moved up the ranks within the grocer. Using Maslow's Hierarchy of Needs, explain how this applies to Peter's situation.
4. Assume you are working in a team, producing financial reports for various clients. You notice after a few months that your manager has started to acknowledge team members through various actions so that team members are happier. He has started to reward those in the team for performing well by giving them a gift card, and then also bringing up this successful performance at company meetings. Identify the type of leadership found here and state the reason you have chosen this.

5. A manager at a retail company, Woolworths, works in a team of ten people. These employees do research and produce marketing presentations. One of the employees is struggling to meet his deadline for the marketing report as the workload was higher than expected. This employee decides to inform the manager that he will not be able to meet his deadline and is unsure of what to do. The manager, having found this out, investigates which team members can assist this employee to help him finish the report. Managers can either display manager or leadership characteristics. In this case, state which type of characteristic is being displayed. Once you have done this, state the opposite characteristic that would exist in this situation.
6. Fezile works in a team of people doing sales and marketing for a company that produces smartphones. She regularly has many deadlines and tasks that are all due at the same time. She is also hardworking and does her job well most of the time. She recently has been struggling to complete one of the tasks assigned to her and that is due as there is too much work allocated to her. She decides to approach her manager and inform her that she has been struggling to cope with her workload. The manager listens to Fezile and instead of emphasising that the work needs to be done, the manager tells Fezile how much her work is valued and that she values her positive attitude to her work. The manager also asks her for her ideas on how to solve this problem. What type of leadership style is being illustrated here? Once noted, provide two reasons for identifying this.
7. Various leadership models exist. John as a manager follows this model in his job: he always values the needs of workers and likes to consider what their skills and capabilities are before he assigns any tasks to them. He is also a believer in rewards, so if any worker exceeds performance expectations, there should be a monetary reward provided. Identify the leadership model used, and provide two reasons you have identified this.
8. Differentiate between charismatic and visionary leadership, providing two differences. Think of leaders you have been exposed to, in answering this question.
9. How is motivation an extension of leadership? Explain this, using your own example.
10. Define job demands in the motivational process and then explain how they can lead to a negative impact in the motivational process.

Topic 5

Controlling

5.1 INTRODUCTION

This topic relates to the following module outcome:

2. Explain the roles and responsibilities of the business manager in the twenty-first century.

Controlling is the final managerial task. This task brings together all the other managerial tasks of planning, organising, leading and, by extension, motivating by ensuring that proper controls are in place to reach the goals and objectives of the organisation. This final step in the management process aims at comparing the actual performance against the planned performance. This topic will focus on the various types of control, the actual control process, the key areas of control, the benefits of control and the characteristics of an effective control system.

In this topic, you will gain knowledge in the following areas:

1. The definition of controlling
2. The different types of control
3. The control process
4. The characteristics of an effective control system
5. The benefits of controlling.

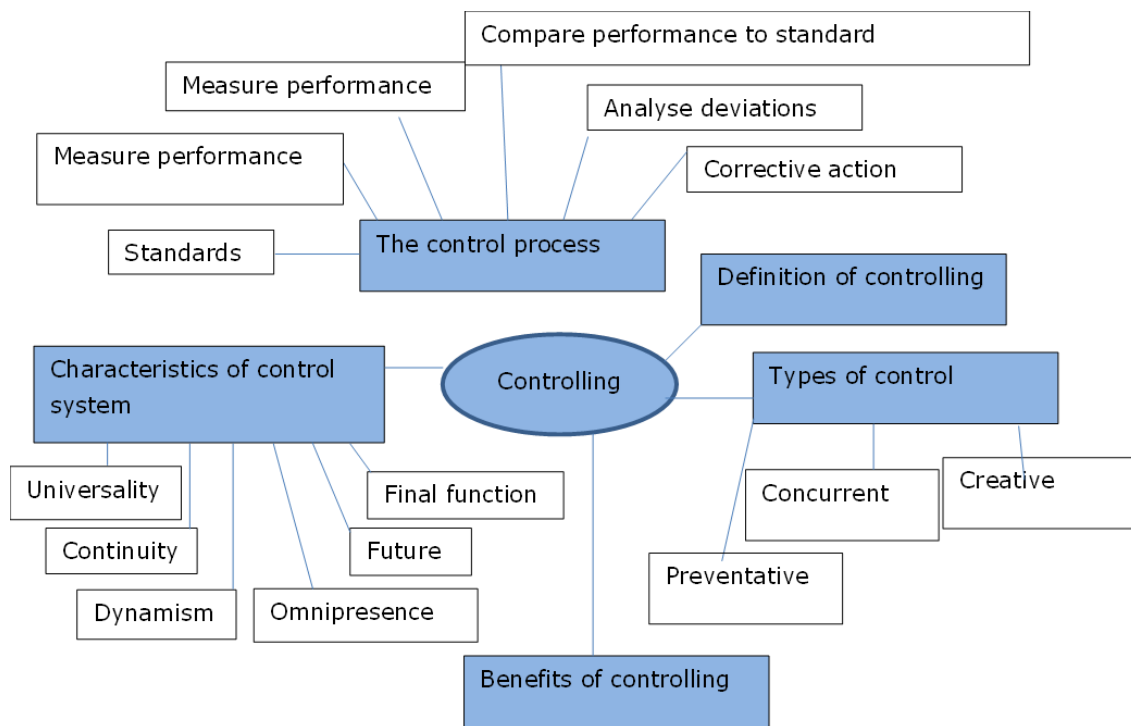


Figure 5.1 Topic 5 mind map: The control process

5.1 CASE STUDY: A SOUTH AFRICAN INSIGHT: BMW SOUTH AFRICA

The case study below shows how important control is as a function of management and how it can improve an already successful business model. Read through it to gain insight into controlling within an organisation.

Case study

A South African insight: BMW South Africa

Over the last 30 years, BMW South Africa has moved from assembling vehicles with limited customisation possibilities for the local market to a world-class plant capable of producing customised cars for discerning global customers. In 1994, the export programme kicked off with the first 500 3-series models being exported to Australia. During the same year, BMW became the only motor manufacturer to achieve the ISO 9002 certification. BMW South Africa is therefore capable of producing vehicles and components within a quality management system that meets the highest internationally set standards.

In 1999, BMW South Africa became the first motor manufacturer in the world to achieve certification for its integrated (quality, health and safety, and environmental) management system (ISO 9001, ISO 14001 and BS 8800). In 2005, Plant Rosslyn started with production of the fifth-generation 3-series.

Each car that leaves Plant 9 starts life as a unique customer request that goes into the first phase of production in the body shop at the Rosslyn plant. The body shop works as a combination of high-tech automated robotic equipment, and a team of specialists ensures that the body frames leaving the body shop are divided into 40 welding cells. Each one has its own function in the process of completing a body shell. Each individually pressed part for the manufacture of wheel housings, engine supports, and front panels is gripped using pneumatic valve support systems, positioned by one of 46 multitasking robots, and then welded. Once the underbody is complete, the side and roof panels are placed in position.

In the paint shop, the body frame goes through approximately 20 processes before the final coat is applied. The car is then polished and waxed using 42 computerised nozzles. The electrostatically supported paint application systems used guarantee the optimum use of materials, making it possible to reduce overspray by 30%. The assembly line of Plant 9 is where all the customer-ordered features, as well as the engine and drive train, are added. Using a just-in-time (JIT) system saves space by minimising the stock kept on the premises.

At any given time, there is only one-and-a-half hours' worth of stock on the assembly line. This prevents damage to stock and saves on storage and transport costs. The build quality of completed vehicles is established by means of a complete product audit (CPA) during which paintwork, assembly and final finishing are assessed. The delivered quality and long-term reliability performance of vehicles produced at Plant Rosslyn are measured through various sensors (internal and external). These sensors are considered as performance standards.

The quality of newly introduced vehicles and options is secured in the Launch and Change Control Department. BMW South Africa's unmistakable approach to cost-effective production, total quality management, continuous improvement and technical social controls with internationally set standards for performance allow it to be a market leader in effective operational control.

Source: Adapted from Hellriegel, Jackson, Slocum, Staude, Amos, Klopper, Louw & Oosthuizen, 2008:402

5.2 DEFINITION OF THE TERM 'CONTROLLING'

Control is the final component in the management process of planning, organising, leading, and controlling. This managerial task — controlling — is used to ensure that the organisation is reaching the goals it set out in the planning stage (Du Toit, Erasmus & Strydom, 2010:227). Even though control is seen as the final component, it also forms the basis for a new cycle of management activities.

In the planning stage, organisations would have come up with exceptional plans, good organisational structures may have been put in place, and good leaders and managers may have been appointed who motivated their staff, but none of these ensure that the plans are carried out according to organisational standards and in actual fact become a reality. The role of management in the control process is thus to follow up and make sure that planned tasks are carried out.

Based on the information provided, control can be defined as: “establishing standards of performance, measuring current performance, comparing this with established standards and taking corrective action where any deviation is found” (Mir, Yattoo, Khan & Kumar, 2021:17).

According to Du Toit *et al.* (2010:228), the management process takes place between planning and control. A good manager, therefore, is one who depends on sound planning and effective control. The reason why control is an important managerial task is that even the best plans could go wrong and it would be in these cases where follow-up is important.

5.3 TYPES OF CONTROL

There are three types of control, namely, *preventative* control, *concurrent* control and *post- or reactive* control.

1. **Preventative controls:** these controls are expected to predict issues and then take actions to decrease errors and omissions proactively (Alemu, 2020). In so doing, this reduces the need for corrective action. In the BMW case study, Plant Rosslyn ensures that quality materials are used for the manufacturing and assembly process. They make sure that quality materials are used when manufacturing doors, seats, etc. This can be seen as preventative because, if quality materials are used, it will eliminate deviations, and therefore no corrective action will be necessary. **Examples** of preventative controls also include rules and

regulations, standards, using complete documents, having established procedures to authorise transactions, and employing qualified workers.

2. **Concurrent control:** this type of control monitors activities of employees while they are taking place. The aim is to concentrate on problems as they are happening and not to rely completely on post-control. This applies to situations where employees work with customers closely or when they are involved in a manufacturing process (Palmer, 2019). This type of control works well in industries where time is important. The BMW case study mentions that they use the Just-in-Time (JIT) assembly line whereby time is of the essence. Should a problem occur, concurrent control would be effective as it concentrates on the problem as it happens. The main difference between preventative and concurrent control is that preventative controls are put in place before any activity has taken place.
3. **Corrective control:** this focuses on resolving the problem by understanding its cause after it has already occurred (Alemu, 2020). In this case, all the damage has already been done and focus should be on correcting the problem. Even though nothing can be done to prevent the problem from occurring or fixing it as it occurs, it does have future value. Corrective action should be taken at this point and be documented for a future situation. BMW uses complete product audit (CPA) to assess the final product when it comes off the production line. This is a check that has been put in place to make sure that the vehicle has been assembled to set performance standards. This happens after the car comes off the assembly line but before it reaches the customer. They can pick up errors at this point and address them so that the same errors are not made in the future.

Activity

Kevin had R 10 000 invested in a fixed deposit, with his interest paying out monthly into his cheque account. After the third month, he realised that he was not receiving the correct interest amount as stated when the account was opened. He queried this with the bank, and they realised they had invested it at a lower interest rate than originally quoted to Kevin.

Identify the type of control that would apply to Kevin's situation, and write down the answer.

5.4 THE CONTROL PROCESS

Keup (2021) identifies five steps in the control process, namely:

1. Establish standards
2. Measure actual performance
3. Compare actual performance to performance standard
4. Analyse deviations
5. Take corrective action.

Step 1: Establish standards

The control system should look exactly like the planning system, as the plans indicate the goals and setting of standards necessary for control. Without the standards, it is a possibility that employees will steer away from the plan.

A performance standard is “a goal that is tasked to a specific department or team member” (Keup, 2021). Criteria are used to measure the performance standards achieved through teamwork and cooperation among employees in an organisation. These standards comprise two types, specific and abstract. A specific standard is one that is tangible, so includes time, cost, output, or even sales. An abstract standard is intangible and includes a worker’s attitude or performance.

Example:

Let us assume you begin a new job manufacturing clothes. You work in a team manufacturing ladies’ shirts in a factory. Your manager gives you a set of guidelines you must follow so that you know what is expected of you in your job. This is a performance standard that you are expected to meet on a daily basis. In this work situation, you are required to work as part of a team, so the performance standard can be teamwork or how well you work with other people in your team. You will need to fit into the team and cooperate with or help others in the team to meet this standard. For example, if someone in your team is sick for a week, you may then be expected to assist this team member and also the team member must be willing to share any information with you so you can help her.

Taking accountability for work done is another example of a performance standard. This standard tells the employee that she can work independently and that it is okay to do so, and also that she is capable of being responsible for work done. These are three examples of performance standards used in an organisation.

Step 2: Measure actual performance

Even though control is the last of the managerial tasks, measuring actual performance is a continuous activity. The regularity of the control should depend on what is being controlled. Measuring actual performance allows the manager to notice and correct any deviation from the plan. Measurements are easier with tangible or specific standards, while measurements of abstract or intangible standards get done through the assistance of the team itself.

Example:

Assume you work in a car assembly plant. You were recently promoted to checking of parts in the quality management team, so you are responsible for checking each part once it is produced before assembling this. You also check that each part conforms to the requirements laid out by the manufacturing team. You work in a team of people, so communication among your peers is key to performing and meeting the stringent deadlines for your checks. You therefore also are assessed by your peers in terms of how you communicate any problems you encounter and how you solve the problems. Problem-solving is another task you do most of the time, by which you also get measured. The number of parts being checked can be measured. The checking of requirements can be measured and your communication and problem-solving skills are measured by your peers and will be sent via a report to management.

Step 3: Compare actual performance to performance standard

This step aims at comparing the performance standard to actual performance, known as the variance. It is important to understand what the deviations were, what caused them and the impact they have on the business. We will look at this in the next step.

Step 4: Analyse deviations

This is where the deviations are analysed further. If the standards are not being met by employees, the manager must assert more control or change the standard. It is likely the standard is not working sufficiently.

If there is a gap between planned and actual performance, the manager must investigate the cause and also see the extent of the cause and its impact on the business. If the variance is small, it would be appropriate for the manager to ignore the variance. If the variance is large, the manager needs to find a solution to address the large variance.

Step 5: Take corrective action

This step is taken to lower the deviation and to ensure that in future the standard will be met. Processes and behaviours are likely to change in this step.

Example:

Assume you are a manager of a team. You notice that one of your team members, Riyaaz, has not been performing up to standard; he seems very distracted and you had a recent performance review with him where you noticed that he is slow in producing reports and also does not deliver his work on time. His peers have also assessed his teamwork and communication skills, and found that he is lacking in assisting the team where required.

As the manager, you have measured his performance and decided to take action to help him by giving him regular feedback sessions on his reports and following up on his due dates for his reports. You also decide to have a meeting with him where both of you will design a plan for improving his performance. At the end of every meeting, you will document all that was decided and you hope that these steps will assist to improve Riyaaz's performance. This is an example of taking corrective action to ensure that Riyaaz meets his performance standard.

The following case study shows how Johnson & Johnson took corrective action and how it had a positive effect on the business:

Case study

Crisis at Johnson & Johnson

James Burke's biggest career challenge came as chairman and CEO of Johnson & Johnson (J&J) in 1982, when seven people died in the Chicago area after taking cyanide-laced, extra-strength Tylenol capsules, a pain reliever sold by J&J subsidiary, McNeil Consumer Products Co. The most prominent, and by now legendary, example of good crisis management remains J&J's handling of the Tylenol disaster. James Burke's actions in the weeks after the first death, which was reported on 30 September 1982, have been the subject of case studies in numerous business schools and management texts, not to mention the impetus for a new sub-speciality in public relations. Burke not only preserved the reputation of his highly respected consumer company, but he saved the Tylenol brand. At no point did he try to back off from the company's responsibility in the incident, even though it was later proven that the tampering had occurred at retail level.

"When those people died," says Burke, "I realised there were some things we hadn't done right. Responsibility for that incident had to be, in part, ours. It wasn't easy to take responsibility...but it was clear to us, to me especially, that, whether we could be blamed for the deaths or not, we certainly could have helped to prevent them. How? Through packaging. The fact is that the package was easily invaded. You could take the capsule out, open it up, put the poison in them and put the capsule back together. It was easy to do. I felt, and still feel, that it was our responsibility to fix it."

Burke's conviction, and his total commitment to safety of the customer, led the company to spend \$100 million on a recall of 31 million bottles of Tylenol, which before the tampering had been the country's best-selling over-the-counter pain reliever. The recall decision was a highly controversial one because it was so expensive. There were plenty of people within the company who felt there was no possible way to save the brand, that it was the end of Tylenol. Many press reports said the same thing. But Burke had confidence in J&J and its reputation. And also confidence in the public to respond to what was right. It helped turn Tylenol into a billion-dollar business. Within eight months of the recall, Tylenol had regained 85% of its original market share and a year later 100%. The person

who tampered with the Tylenol was never found. In 1984, J&J replaced capsules with caplets and in 1988, the company introduced gel caps, which look like capsules but cannot be taken apart.

Source: Adapted from Du Toit *et al.*, 2008:280

Based on the above case study, we can discuss the five steps of the control process.

Step 1: Establish standards — being a non-prescription drug, Tylenol had to subscribe to certain medical standards to be sold on the market. We can assume from the case study that Tylenol, prior to the incident, was meeting the necessary standards as they “had been the country’s best-selling over-the-counter pain reliever”. If this was the case, they would have been meeting the necessary standards.

Step 2: Measure actual performance — if it was the best-selling over-the-counter pain reliever, it might be safe to assume that its actual performance did measure up to the performance standards. Only after it had been tampered with can it be stated that it was not measuring up in terms of performance.

Step 3: Compare actual performance to performance standard — this product was not meeting the performance standard as there were deaths through tampering with the product.

Step 4: Analyse deviations — this step focuses on understanding the cause and impact of the performance gap between the actual performance and the performance standard. In this case, the performance gap was because of malicious tampering with the drug and not any fault of J&J’s. The deviation was due to the package being easily invaded. “You could take the capsule out, open it up, put the poison in them and put the capsule back together. It was easy to do.”

Step 5: Take corrective action — James Burke took corrective action by recalling all the stock from the retail stores. He also changed the product so that it could no longer be tampered with.

Activity

View the following video which shows a different perspective of the control process:

<https://www.youtube.com/watch?v=3BabPH-uXw8>

Write down the first step in the control process. Then write down the rest of the steps in the control process, also giving a brief explanation of benchmarking.

Activity

Imagine for a moment that you aimed to pass this module with flying colours, so you want a distinction. It is the start of the semester, and you need to find ways to ensure you keep on track and meet your goal.

Write down the steps you will take to measure your progress in meeting your goal and the steps you will take if you go off track. This is about ensuring control, similar to a manager's role.

5.5 CHARACTERISTICS OF AN EFFECTIVE CONTROL SYSTEM

Below are the characteristics of an effective control system, according to Dedekova (2020:513).

5.5.1 Universality

The control system of an organisation is the same in each organisation, despite the type of organisation. It is the manager's role to ensure that operations stay focused on its goals.

5.5.2 Continuity

Koontz compares the control process to a navigator taking readings to compare where his position to his destination. The manager needs to do the same, always ensuring he is on track with the control process. This is done through review and revising of work to ensure that everything is on track.

5.5.3 Dynamism

The control process is dynamic, as this process needs to be changed if plans or objectives in an organisation change.

5.5.4 Omnipresence

As control happens at all levels in an organisation, the nature of control will vary together with its practices. An example of this is that, at higher levels of management, strategic control is practiced; middle managers use tactical control and lower levels of management use operational control.

5.5.5 Future

The past experiences or issues will assist to redefine a better action plan in the future. Preventative actions will be taken and can assist to prevent wastage of resources, money, and any deviations from performance standards.

5.5.6 Final function

Control is linked to other managerial functions. Planning is the first managerial function and allows us to plan goals. The organising process helps to organise resources for tasks. Leading inspires people to perform well in their jobs, and controlling ensures that what is going to happen is right and at the right time. Control assists to get tasks on track when they fall off track (Dedeckova, 2020).

Where there is no performance, it has been noted that managers should still use the control process, as they must understand and compare actual performance to the performance standard. Effective controls by managers help to “ensure that activities are completed in ways that lead to the attainment of goals. Whether controls are effective, then, is determined by how well they help employees and managers achieve their goals” (Dedeckova, 2020).

Activity

Read the following article on control. This article looks at control from a broader perspective and focuses on areas such as what good controls are, what controls are needed and how to achieve good control.

<http://sloanreview.mit.edu/article/the-control-function-of-management/>

Consider the three ways of achieving better control and then summarise this.

5.6 BENEFITS OF CONTROLLING

Strydom (2008:147) states that the aim of controlling is to provide a manager with information. The information provided should suggest whether certain objectives or performance standards have not been met. There are eight tasks, according to Samiksha (n.d.), that need to be performed to empower a manager:

1. The manager can achieve organisational goals by knowing the activities in the plan and ensuring they all take place, and take place at the right time. The manager needs to ensure that where there is any deviation from the plan, he takes immediate action to bring the plan on track.
2. The manager can judge the accuracy of the performance target and decide to revise the standard to suit any environmental influences.
3. The manager can use resources efficiently.
4. The manager in the control process can communicate the goals and performance standards to employees in advance to motivate them and therefore increase their performance.
5. The manager can create order and ensure discipline in the organisation. In essence, the manager checks the performance of employees regularly, also checking their level of honesty.
6. The manager needs to coordinate departments to ensure they work according to established performance standards.
7. The manager can improve the performance of employees by continuously checking them and creating order. As employees are made aware of the performance standards, they become more efficient in their jobs.
8. Managers can reduce errors through the process of monitoring and checking employee work.

Activity

Watch the video and then summarise your understanding of some key points on the controlling function:

<https://www.youtube.com/watch?v=ttX50IRiaJc>

Summary

Control is seen as one of the five managerial tasks and the final step in the management process. The control process tightens the gap between planned performance and actual performance. Control is about the monitoring and evaluating of activities to ensure that they are being implemented as per the original plans set out and to put corrective actions in place if necessary. The original plans set out by the management of the organisation are not always implemented as intended and therefore the control process is necessary.

The process focuses on five steps, namely:

1. Establish standards
2. Measure actual performance
3. Compare actual performance to performance standard
4. Analyse deviations
5. Take corrective action.

Establishing standards refers to the standards and criteria put in place that will be compared to the actual performance. Measuring the actual performance is a process that is continuous to ensure errors are detected early. One needs to compare the actual performance to the performance standard to see just how much deviation or variance exists. Analysing deviations aims to determine the gap between performance standards and the actual performance by trying to understand what caused these deviations. The final step in the process is taking corrective action, which is taken if there were any deviations from the original standard and steps are taken to rectify the situation.

An important aspect of the control function is that it allows the organisation to check its standards and actual performance and improve its product or service, which would start at the planning function again. We also discussed what makes for an effective control system; some of the characteristics were universality, continuity, dynamism, future, and omnipresence, among others. There are many tasks that need to be performed to empower a manager, and we outlined these tasks in detail. One of these tasks is ensuring that activities take place as scheduled. A big part of empowering managers is the ability of the manager to use resources efficiently and communicate the performance standards clearly to employees to motivate them.

Self-Assessment Questions

1. Ben implemented a sales presentation for his team at a client's office. Based on the questions asked by the staff, the team realised they had overlooked some points when preparing for the presentation. They went back and one of Ben's team members addressed all the issues. The next sales drive was more successful, and Ben rewarded his team member for his input. Identify the two benefits of controlling evident from the scenario. Explain your answer.
2. A customer purchases a laptop and, when he opens it at home, finds the screen is damaged. He takes it back to the store for a replacement. The consultant apologises for the oversight and attempts to solve and investigate the problem. The store finds that four other laptops were damaged inside their boxes as a result of bad handling during transport. Identify which type of control applies. Explain your answer.
3. A group of five people assist in the process of manufacturing shirts in a factory. One team employee, Naseema, noticed that some of the shirts coming off the production line were starting to tear. There was no supervisor who could assist to do checks on the shirts once manufactured. Naseema decided to bring this to her manager's attention. The manager was happy to hear this and then decided to implement in-house testing of a sample of shirts being produced every two hours to prevent such an issue arising in future and to ultimately ensure quality of the shirts. Identify the type of control used by the manager in this scenario. Then explain why you have identified this as the control.
4. Identify two characteristics of an effective control system, explaining each of them. Think of control systems that you might have been exposed to, when answering this question.
5. Assume that a company is not performing — it has remained constant in its performance over the last year. Do you think this is a reason for the company not to use the control process? If yes or no, provide a reason for your answer.
6. A variance has occurred in a manufacturing process. In this manufacturing process, microwaves are being produced. There is a

component that uses more cobalt than required in the process. This means that costs are likely to increase. What steps would you take when analysing these deviations in the control process?

7. Explain two methods that can be used to measure the attitude of workers in a team. Do some desktop research on this to find the answer.
8. A new retail store selling personalised gifts decides to start a website advertising their gifts. The website uses a password system for employees in the business to access certain sections of the website. This was done to prevent anyone from entering the website without authorisation and hacking the site. Identify the type of control used in this scenario and provide the reason for this.
9. A manager, Justin, decided to compare the actual hours worked by employees in his team for writing a report to the standard number of hours that should be used by all team members. The reason for this was that he was concerned that most of the team kept delaying this task. Justin found that workers were spending more hours than the standard number of allocated hours for this task. He did some research to understand the root cause of this delay in task, and discovered that workers were struggling with completing one part of the report writing that they had no knowledge of. Justin made a decision to train all his team members so that the time taken to do this task could be reduced. Identify, based on this scenario, the steps that Justin took in the control process.
10. Give an example of concurrent control you would use if you were a manager of a team and one of the employees made an error in his work.

Topic 6

The business environment

6.1 INTRODUCTION

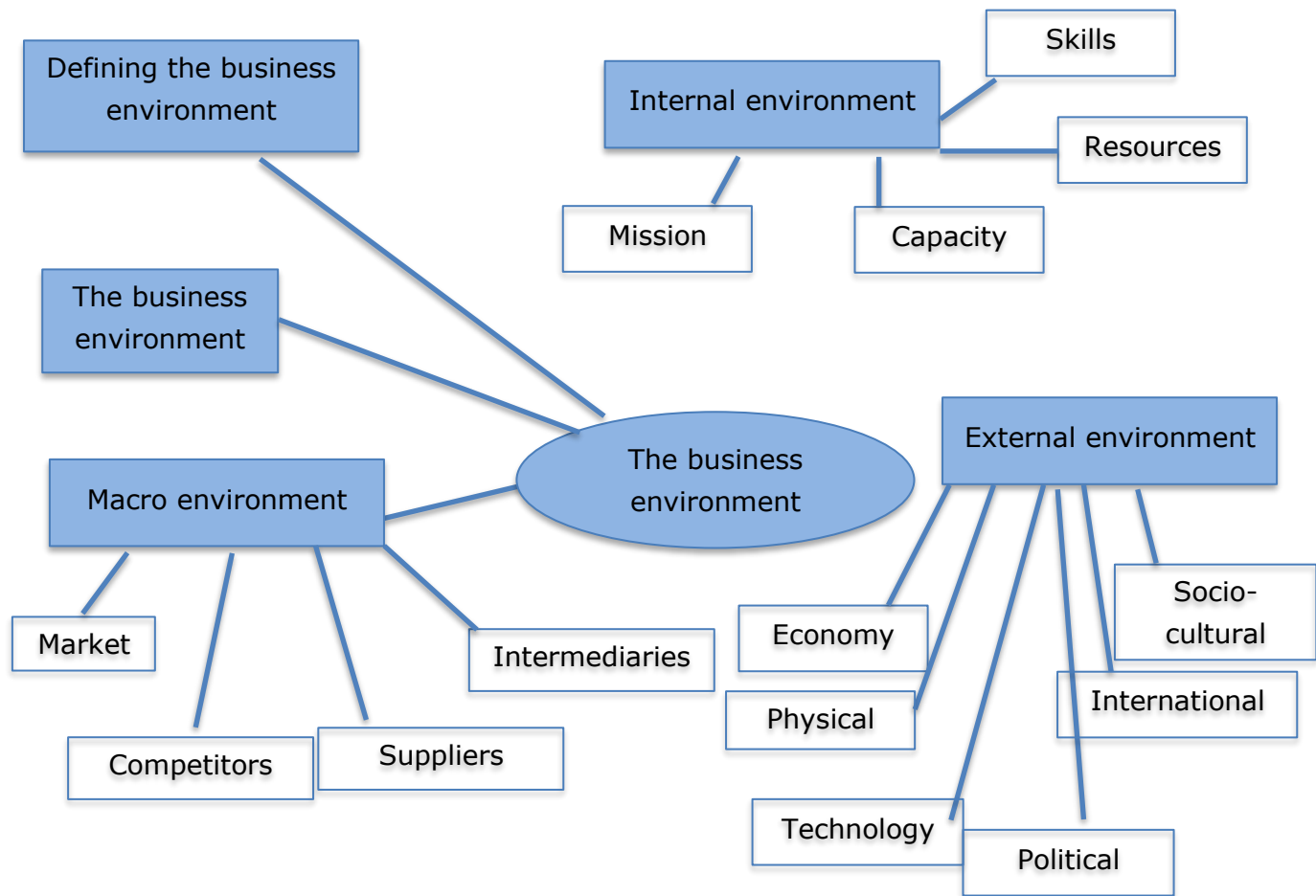
This topic relates to the following module outcomes:

1. Discuss the nature of the business environment.
2. Explain the roles and responsibilities of the business manager in the twenty-first century.
3. Perform basic management tasks in a business context.

This topic will focus on the various facets of the manager's and business environment. This includes both the internal and external environments and the impact they have on the formulation of strategies within the business. In the previous topics, the managerial tasks of planning, organising, leading, motivation, and controlling were discussed. This topic will also focus on how managers deal with ethics and social responsibility within the organisation. Entrepreneurship is an important aspect of growing our economy. This promotes job creation and increases earning potential. Entrepreneurs possess various skills and abilities that set them apart from others and these aspects are explored in this topic.

In this topic, you will gain knowledge in the following areas:

1. The business environment
2. The different environments in which the business operates
3. Ethics within the organisation
4. Social responsibility within the organisation
5. The importance of entrepreneurship.



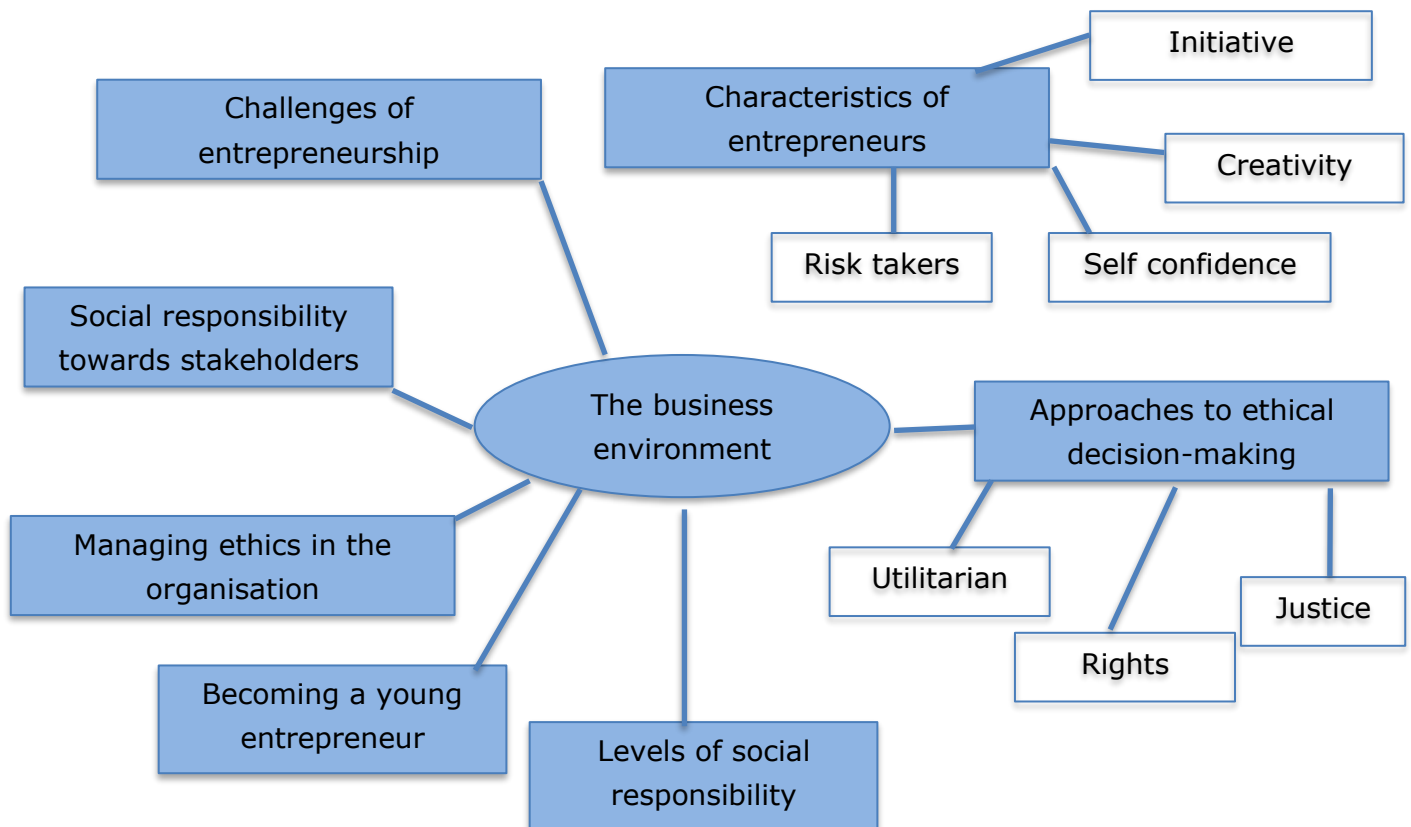


Figure 6.1 Topic 6 mind map: The business environment

6.2 CASE STUDY: THE BUSINESS ENVIRONMENT

The case study below looks at the three environments that make up the business environment of an organisation. It illustrates how the three components (internal, market, and macro environments) impact upon De Beers. See if you can identify and categorise issues within all three environments. If you are interested in finding out more about how De Beers has developed over time, visit their website at [De Beers Group](http://www.debeersgroup.com).

Case study

De Beers faces challenges before going ahead with new diamond mine in Cullinan

De Beers was established in 1888 and is today the world's leading diamond company, producing approximately 40% of the world's supply of rough diamonds. In its early years, when the company produced over 90% of the world's diamonds, it was able to control the production and hence the supply of

diamonds almost at will. Then, from the early 1900s, when competitors began to challenge its prominence, De Beers used its position to coordinate and regulate the supply of diamonds in pursuit of price stability and consumer confidence. During the 1990s, the diamond industry experienced dramatic swings in the supply of diamonds, the world economy moved onto a low inflationary path and the industry experienced a period of pricing pressure. It was clear that De Beers would have to re-think its business model and strategy.

One key challenge the De Beers Board faced was the decision on whether or not to go ahead with the R7 billion Centenary Cut diamond mine project in Cullinan, near Pretoria. The cut would create a new mine underneath the existing 100-year-old mine and extend mining operations for another 30 years, producing more gems of astonishing quality. The old mine produced diamonds of outstanding quality, for example, the flawless 545.67 carat Golden Jubilee diamond and the 530 carat Cullinan 1 — the latter now part of the Crown Jewels in England.

It is an important decision to be made, taking into account an industry that has changed radically in the last few decades. The South African mines were once the leading producers in the world but now only produce marginal quantities of diamonds in comparison to mines in other African countries. The Orapa mine in Botswana, for example, produces 12 million carats a year compared to the 1.5 million carats produced by the Cullinan mine. Under the leadership of the general manager, the old Cullinan mine has been able to reduce costs and increase productivity drastically. The strength of the Rand has, however, nullified the gains and the mine may be nearing the end of its working life, unless De Beers decides to go ahead with the Centenary Cut. New technology and engineering processes will allow the company to mine deeper. The production level of the first block in the new mine will be 932m below the surface. In the second stage of development, production will be at the 1 153m level.

"All development and production activities will be mechanised and the use of automated systems will be applied where possible. This hands-off process allows for maximum efficiency and security. When the board makes the R7 billion decision on the Centenary Cut, they will be mindful of the increased competition from Australia, where the Argyle mine produces huge quantities of small diamonds, and Canada, with its fine Arctic diamonds. If De Beers is to stay ahead of the game, it needs to produce the best diamonds and substantial quantities. The most likely source of such gems is the proven Cullinan mine. On the other hand, new legislation would mean De Beers would have to pay an 8% royalty to the South African government on all diamonds found, on top of the standard

range of corporate taxes” (Robinson, 2004). Whether it will go ahead with the project or not, De Beers is fully aware of and ready to face numerous internal and external challenges.

Source: Adapted from Du Toit, Erasmus and Strydom, 2008:89

6.3 DEFINING THE BUSINESS ENVIRONMENT

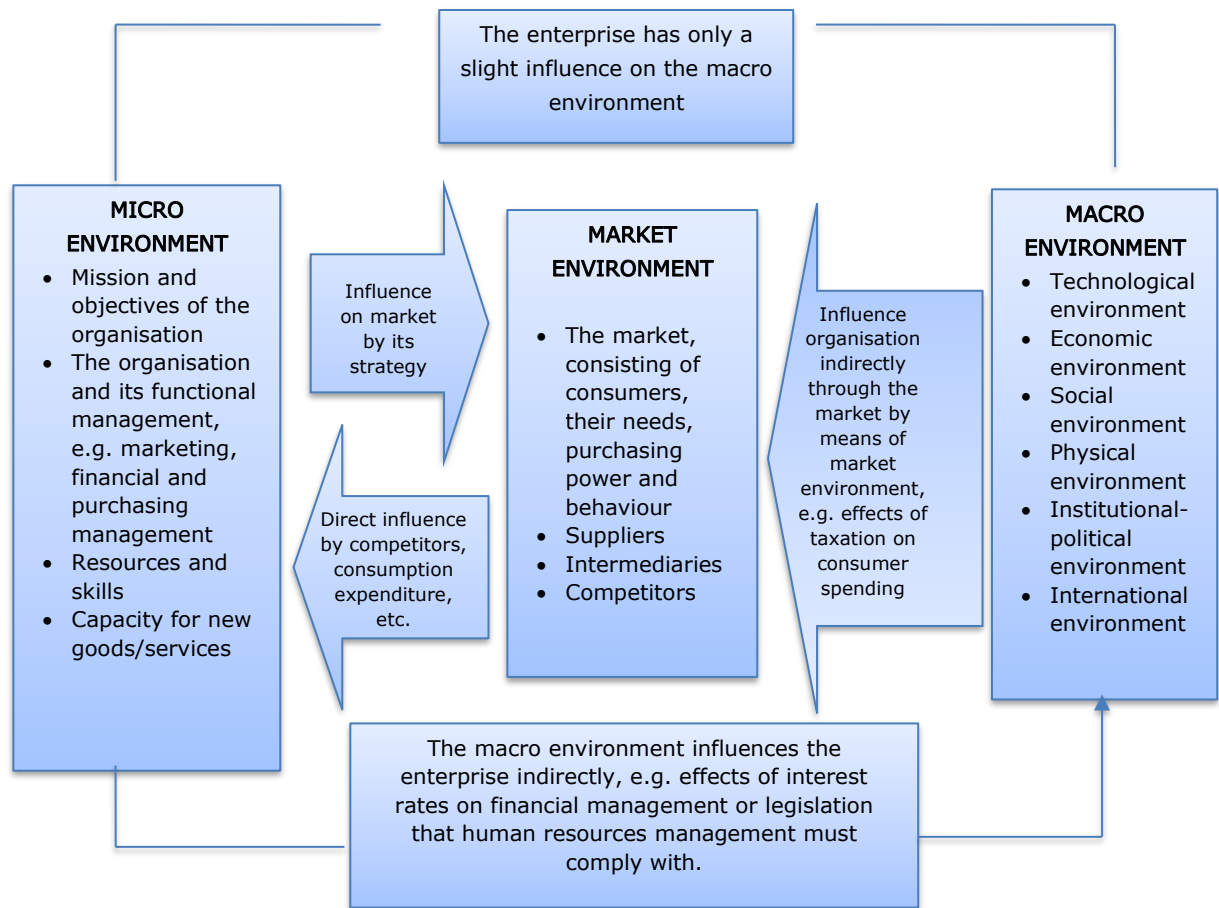
No organisation operates in isolation; each business is part of the environment (Hans, 2018). According to Hans (2018), a business is an “economic activity of generating income through buying and selling, manufacturing and rendering auxiliary services to trade”. The business environment consists of all “internal and external factors that influence a company’s operating situation, including employees, customers, management, supply and demand and business regulations”. The business environment also includes competition, technology improvements and market changes such as trends.

The environment in which an organisation operates is characterised by change. It would be the role of management to make sure that they are aware of the changes and adapt their organisations accordingly. The case study of De Beers shows this. In the early years, De Beers produced 90% of the world’s diamonds. Due to environmental changes, they now only produce 40%. They are facing stiff competition from Canada and Australia to produce the best diamonds in the world.

It would be up to De Beers’ management to assess the environment and make the necessary changes, as they need the Cullinan mine to produce the best diamonds and a substantial amount of them. De Beers’ management should also be mindful of legislation changes that would impact on the organisation, as well as how it competes with the diamond-producing companies around the world.

6.3.1 The composition of the business environment

Figure 6.2 depicts the three sub-environments of an organisation’s business environment.



Source: Adapted from Du Toit *et al.*, 2008

Figure 6.2 The composition of the business environment

The environment in which organisations operate can be divided into three components. They are the **internal environment** (also known as the **micro environment**), the **market environment** (also known as the **task environment**), and the **external environment** (also known as the **macro environment**). These environments are explored in the following sections.

6.4 THE INTERNAL OR MICRO ENVIRONMENT

This refers to the environment inside the organisation and is the main environment in which management operates. Management has full control over what happens in this internal environment. The internal environment consists of the skills, resources and capacity to deliver goods and services (Okeyo, Gathungu & K'Obonyo, 2016). It also consists of the mission and objectives, and organisation management. According to Patil & Kinange (2020), this internal environment influences how fast an opportunity is taken by an organisation.

The decisions managers make within this environment directly influence the market environment. For example, management can decide to employ a marketing strategy whereby pricing and advertising are used to increase market share. This can be seen from the De Beers case study, where Hans Gastrow implemented a strategy to reduce costs and increase productivity. This would have an impact on the market environment, as it would produce more diamonds for suppliers and ultimately more for consumers to buy.

6.5 THE MARKET OR TASK ENVIRONMENT

The organisation conducts its business within the market or task environment. This is the environment closest to the organisation, so it has factors that directly impact the organisation. There are four components within the market environment that we will discuss, namely, **consumers, competitors, suppliers, and intermediaries.**

6.5.1 Market or consumers

Consumers are those people who will buy or acquire and use the organisation's products or services. Monitoring the behaviour of consumers is so important to any organisation as their preferences impact the competitiveness of the business (Patience & Ifeoma, 2020).

6.5.2 Competitors

Competitors are other businesses that sell the same or similar products or services (Strydom, 2008:27). They are seen as competitors because they compete for the same customers. Competitors attract potential customers or draw a business's existing customers away. Strydom (2008:27) identifies ways in which profits can be lost, through:

- reduced sales — this affects a small business which may not be able to raise prices (Hans, 2018)
- reduced prices (to remain competitive) and
- possible increases in advertising costs (both to keep existing customers and to attract new customers).

6.5.3 Suppliers

This refers to businesses that provide the organisation with the inputs (usually materials like raw materials, equipment, and energy) needed to convert into outputs to ultimately sell (Erasmus, Rudansky-Kloppers & Strydom, 2016).

Strydom (2008:26) indicates that it is essential for businesses to have suppliers that can provide materials or goods of the right quality, in the right quantity, at the right price and at the right time. If any of these requirements are not present, it will affect the functioning of the business and eventually reduce its profits.

6.5.4 Intermediaries

They play a pivotal role in “distributing goods of a manufacturer to the end consumer (Kumar, Scheer & Steenkamp, 1995). Smit & Cronje (2003:69) state that, by bridging this gap, the benefits of place, time, and ownership are created. Examples of intermediaries include dealers, wholesalers, retailers, commercial agents, institutional buyers, and brokers (Sharma, Cosguner, Sharma & Motiani, 2020).

Activity

Let us assume you go every day to a bakery to buy your favourite bread. One day you notice there is no bread and then two weeks later, you notice there are many new brands on the shelf.

Write down some factors you think can affect this bakery.

6.6 THE EXTERNAL OR MACRO ENVIRONMENT

The macro environment comprises all the factors that are challenging to control, such as political, economic, socio-cultural and technological factors (Singh, Sarangal & Singh, 2022). It is important to understand that the management of an organisation has little or no control over this environment. Management’s role in this environment is to try to predict certain factors and to deal with the consequences thereof. These consequences could either be positive or negative for the organisation.

We will discuss a few key variables found within the macro environment.

6.6.1 Technological environment

Technology determines how the organisation makes products or serves customers, and it also affects the organisation’s markets and its ability to compete in those markets. It is for this reason that technological change affects

the entire organisation and has strategic implications for organisations. The technological environment can also be seen as the factor responsible for all the changes within the environments.

Think about some of the biggest business names today. Some of these businesses would include Apple, Microsoft, Facebook, Amazon, and Google. What is common among these businesses is that there was a change in technology and innovation which led to new products and services becoming available in the market.

Automation, digitisation, and technology changes have occurred. There are many effects of these changes, which we will now discuss (Gupta, 2022):

- **Disruption:** In a sense, traditional businesses are the ones being disrupted. Take, for example, the television industry; now more consumers watch television shows on Netflix, Amazon Prime, and other streaming services on their laptops, computers, and smartphones. Now a so-called “gig economy” has emerged wherein part-time workers exist to provide many services that are needed. The newspaper industry has also been disrupted with many news portals becoming available on the internet. Media23, a large South African media company that was the largest publisher of community print newspapers in Africa, has felt the impact of digitisation of media. Nevertheless, the company is committed to keeping its print titles and also expanding its digital services through developing new applications and websites (Van der Spuy, 2020). As the newspaper industry faced economic pressure, staff cutbacks in the company started occurring and the challenge arose to maintain the value of its brand. As cheaper online services became available, advertisers moved to these services and customers also started moving away from print media as they also face economic pressure.
- **Convergence:** This relates to the blurring line between goods and services. Service convergence is arising which makes it possible for a business to combine many services into a bundle, for example, telecommunications with television. Businesses that used to be unique now provide goods and services, such as the phone and television services bundled into one product. New businesses have resulted due to these changes, and have had to develop new strategies or ways to compete in the market.
- **The new economy:** The new economy or digital economy focuses on services, information, and communication technologies (ICT)

particularly, with innovation and the production of new products or goods being a large part of this economy. The internet saw massive changes in the retail, printing, advertising, and entertainment industries (Ungureanu, 2021). Businesses have now been able to use business models based on technology to expand local operations to global operations; they can manage production from a central point while exploiting local resources where needed. Transactions done over the internet have allowed costs of doing business to reduce and with fewer labour requirements. The traditional economy focused on competition which comes into effect through price, volume, and quality. Before we examine existing models of e-commerce used that have transformed the traditional way of doing business, let us take a look at the main features that make digital economy stand out (Ungureanu, 2021):

- i. Mobile intangible assets: Digital businesses invest in research and development to upgrade software or to develop new software in their businesses.
- ii. Mobile users and customers: Users can do transactions over longer distances and customers too can be mobile by being able to make a transaction from anywhere globally.
- iii. Mobile business functions: Improvements in information software and personal computing has lowered the cost of transactions over long distances, allowing the business to reach remote locations.

Now let us examine the models of e-commerce used in the digital economy.

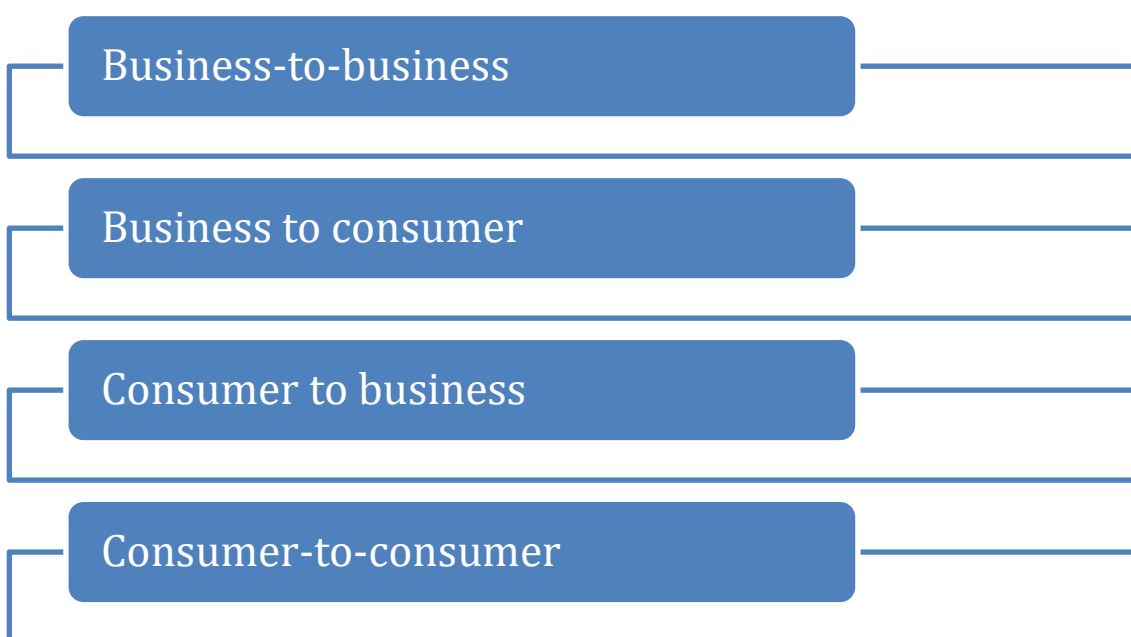


Figure 6.3 New models in e-commerce

We explain these models below:

- **Business-to-business models:** This is where one business sells products or services to another business; for example, a wholesaler buys online from a supplier and then sells the goods to a retailer.
- **Business to consumer models:** This is when a business sells goods or services to consumers; these can include online sellers with no physical stores, traditional brick-and-mortar stores that also have an online sales set up, as well as manufacturers that allow customers to order directly online.
- **Consumer to business models:** Individuals can use the internet to sell goods or services to a business and bidders.
- **Consumer-to-consumer:** These businesses help consumers to sell goods or services, acting like an intermediary.

As decision-making becomes driven by data and business processes become digitised, managerial skills required for the digital economy would include the following (Butler, 2020):

- **Virtual collaboration:** The manager needs to collaborate online regularly with his team. This helps ensure a strong, well-functioning team that can deliver increased productivity.
- **Flexible adaptability:** Due to new competition and regulations by the digital economy, managers need to be open-minded about new processes, new customers, and new systems that come up in the business.
- **Learning independently:** As the knowledge base constantly changes, managers need to take responsibility for increasing their knowledge.
- **Computational thinking:** Managers need to understand the principles and operation of the technologies available in the workplace. This includes being data literate, managing digital data and also being able to

appreciate the speed of technology and intelligence and adaptiveness of humans alongside each other.

- **Analytical thinking:** It is important to analyse data within context so that the best decisions can be made.
- **Industry 4.0:** This involves the use of technology such as 5G, Internet of Things, artificial intelligence and machine learning. Take, for example, artificial intelligence machines such as Amazon's Echo, Apple's Siri and Google Translate — all of these have benefits we as consumers love and desire to have as they add convenience our lives. Finlay (2018) describes artificial intelligence as "the replication of human analytical and decision-making capabilities".

The current products and services provided by businesses have become adaptive to consumer needs; there are examples that anticipate your choice and tailor their product/service to your choice (Finlay, 2018). Facebook does this by providing you with more information based on your current search activity. Machine learning helps businesses to predict the future behaviour of people based on the current status; for example, businesses can use the current purchase behaviour of customers to understand their likely future purchases. This enables businesses to tailor promotions for these products the customers have purchased and maximise their profits. Businesses can also see the price at which customers are willing to buy products, enabling them to develop a personalised pricing strategy to every person. Businesses can now also develop new products, based on this predictive information; companies such as Uber, Facebook and Google all use machine learning. Uber uses algorithms to match drivers with Uber vehicle passengers while Google uses algorithms to show advertisements in web searches by customers (Burns, 2021).

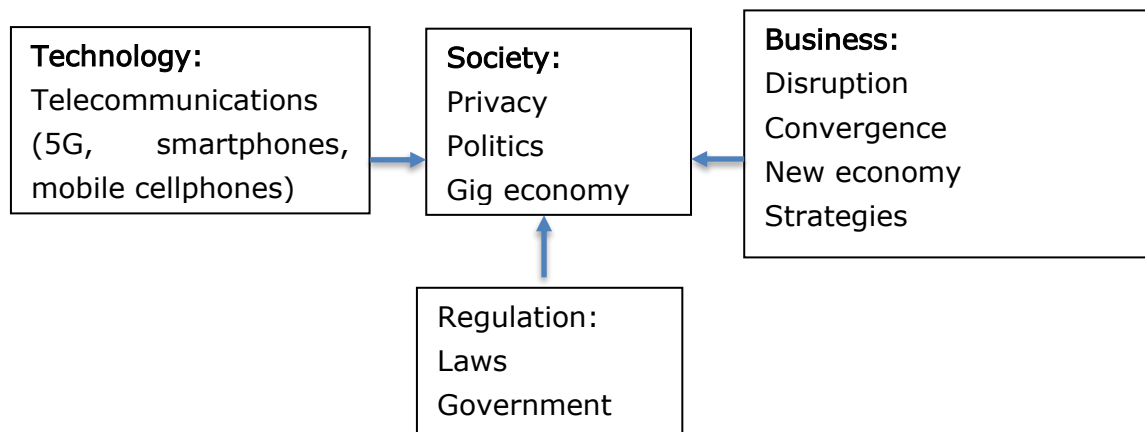
With the use of these technologies, it is expected that professions will become outdated. Replacing labour with machines is a reality with automation and has the ability to reduce the demand for labour and wages (Acemoglu & Restrepo, 2018). It can be argued though that machines complement workers and have the ability to increase worker productivity and the demand for workers (Rodriguez-Bustelo, Batista-Foguet & Serlavos, 2020). Workers may not have the skills to survive the digital industry, therefore it is the responsibility of businesses to upskill and reskill the workers for these technology types that can include drone technology, artificial intelligence and Internet of Things (Mzekandaba, 2019). In China, we can see how technological change has increased job creation; six million people are employed in e-commerce company, Dada.

Many organisations that are adopting machine learning and artificial intelligence are gaining a competitive advantage over others as they gain a cost saving and have an improved customer service experience. These organisations now need to attract certain skills into their organisations, such as judgment, collaboration, creativity, and ability to experiment. Managerial skills that will be required to deal with Industry 4.0, such as artificial intelligence, include the following (Chernov & Chernova, 2019):

- **Judgment skills** — creative thinking, strategy development, and analysis of all types of data
- **Social skills** — creating professional networks with people, leadership, and developing people
- **Routine skills** — managing time, planning, organising, and reporting.

Model of interaction: changes in technology that have caused new businesses to form have resulted in a need to regulate these businesses. There is also the additional impact on society from these changes that has resulted in more government involvement.

We can view these factors interacting in the following diagram:



Source: Adapted from Gupta, 2022

Figure 6.4 Interaction among elements in digital economy

The hybrid working model

The COVID-19 pandemic brought about the need for a hybrid working place. The virus disrupted work life and fewer social gatherings resulted. Iqbal, Farooq and Barykin (2021) describe hybrid as being “a whole new feature of technology’s infusion into human beings’ lifestyles” by allowing workers to work at a physical location and also work remotely using the internet. In this way, this hybrid model can meet the needs of the organisation by providing answers to issues of distance from work travelled, cost, availability of workers, and management.

By allowing workers to work from home or work remotely, technology has allowed work arrangements to become more flexible, cost of workers to reduce, productivity to increase and also workers to be happier in their jobs. There is also the need to ensure the internet is more secure and derive secure monitoring systems that work for the business. There are some successful examples of remote working that are to be noted, such as bloggers, writers, and content creators, who can easily enjoy the advantages of being able to work remotely from any global location (Hermann & Paris, 2020). Employers now rather employ someone who can multitask instead of employing many to do the same task. The costs of a physical office for a business have also reduced for those who have chosen a hybrid model, such as Wi-Fi, phone costs and utility bills (Dahmen, Wöllecke & Constantinescu, 2018). It is to be noted that technology improved while working remotely, as businesses needed to update their products to suit their business needs (Iqbal, Farooq & Barykin, 2021).

The use of the hybrid model now means that managers need to interact more with their team members to solidify the culture of the organisation. Managers

need more time to collaborate with their team members as they do not always see them face to face every day. This becomes especially important in meetings when some workers are physically present in a meeting and others are online, leaving room for misunderstandings to occur in communication. Communicating regularly with workers in this model is a skill the manager should use as often as possible and when necessary, so that the manager can allow workers to make decisions on their own; this enables him to empower his workers. The manager therefore needs to use his interpersonal skills more in the hybrid model.

The manager needs to have technology skills, so she know how to use various applications such as Microsoft office or other video meeting means such as Zoom, Skype or Google Meet. These skills need to be transferred to the team; therefore this is crucial skill for a manager to possess. She will also need to train her workers in online etiquette, for example, etiquette when being in an online meeting or messaging someone online during work hours (Levy, 2017). Part of this skill is staying up to date with the latest technology so that the manager can empower her workers to be technologically up to date. With the use of technology in the hybrid model, besides managers needing to foster certain skills, certain skills that workers need to have are now growing in importance. These skills include creativity, critical thinking, strategy, emotional intelligence, and problem-solving. Remote working also has seen workers become more motivated as it presents an exciting challenge to work remotely compared to going into the same office every day (Lahti & Nenonen, 2021).

Example:

In the 1980s, some banks' tellers were not yet automated. It meant that when a customer came into the bank to deposit money, it would not reflect immediately as the teller did not have a computer. The teller would write out a receipt to the customer and at the end of the day all documentation would be sent to the processing centre for capturing. The capturing was still not done in real time and the funds would only reflect in the account the following day.

Technology has changed this, and we take it for granted that when we make a deposit with a bank teller, the funds reflect immediately. It can take up to three days when doing an electronic funds transfer, but this method of payment using online technology has speeded up the payment of accounts and allows for more convenient transactions between consumers.

6.6.2 Economic environment

This is a complex sub-environment with many factors that impact on the organisation in different ways. This environment is directly linked to the overall profitability and survival of the organisation. When we refer to the economic environment, we mean the business cycles and growth of the economy. The way in which the business cycles affect the organisation could be through a recession, when it will negatively impact some businesses (Sinha, 2020).

The economy is influenced by the other environments, including technological, political, socio-cultural, physical, and the international environments. All these influences can bring about changes in the economic growth rate, levels of employment, consumer income, rate of inflation, exchange rate, and general state of the economy.

Case study

This case study shows how the economic environment affects the fast-food industry and specifically Steers within a South African context.

Steers: A South African success story

Steers, part of the Famous Brands retail franchise group, is an incredible South Africa success story, with more than 450 restaurants selling over 30 million flame-grilled burgers per year. Steers was the brainchild of George Halamandaris who, in the 1960s, decided to introduce the American concept of fast-food catering to South Africa. Steers is one of South Africa's leading burger franchises in the country and the company prides itself on providing consistent quality, cleanliness, and great service. The company describes its brand values as follows:

The three pillars of the Steers brand are: innovation, value for money and being the flame-grilled burger specialists. Steers remains the market leader by offering the widest range of classic and gourmet burgers using a unique flame-grilled process. It also offers the best value for money: a lot more for a little more, offering the consumer more quality and more satisfaction. Steers opened its first fast-food store in Jeppe in 1970 and the Steers franchising concept was launched in 1983. Since then, its franchising and retail operations have continued to grow and develop. The Steers story is one of growth driven by energy, enthusiasm, and commitment.

In 2004, Steers achieved sales turnover of R700 million from its South African stores and in 2008, Steers achieved a turnover of over R1 billion. While South Africa has always been its primary market, Steers has not escaped the influences

of globalisation, described earlier. During the 1990s Steers began expanding into Africa and now has restaurants in Kenya, Malawi, Mozambique, Namibia, Senegal, Sudan, Swaziland, Tanzania, Zambia, and Zimbabwe.

In 1994, Steers Holdings (now known as Famous Brands) was listed on the JSE Securities Exchange. The group expanded and now includes the following brands: Steers, Wimpy, Debonairs Pizza, FishAways, Brazilian and House of Coffees. Steers has pursued growth and profitability strategies, leveraging off Steers' position in the fast-food sector, as well as diversifying into other activities, such as sauce and spice production, and operating bakeries and butcheries. The sauces and other products are also marketed through the supermarket chains. The franchise network under the Famous Brands banner consists of over 1 500 restaurants located in South Africa, on the African continent and in the UK as Wimpy.

Source: Adapted from Boucher, 2011

6.6.3 Socio-cultural environment

The socio-cultural environment is sensitive to the variables of technology and the economy because it affects management indirectly through people as consumers and as employees.

This environment consists of all social factors operating around the organisation. Here the social factors can include the following, all of which influence business ethics (Sinha, 2020):

- Attitudes and beliefs: this includes lifestyle patterns and expectations of society from businesses that exist
- Social concerns: people will be concerned with environmental issues or corruption
- Education: this relates to level of education people have in an organisation
- Family structure — family values are important here
- Work ethic — this is important to any organisation.

We are looking at community demographics, which include the average age, education, religion, culture, language, educational levels, degree of urbanisation, or any other relevant feature. Community features can be taken even further. It can be said that people are products of their society: as members of a particular community, nation, or population group, they adopt the culture of that society. Community members learn the language, values, faith, expectations, laws, and customs. Culture influences an individual's lifestyle.

Example:

This example indicates how important it is for organisations to understand their socio-cultural environment to satisfy customer needs.

Alcohol discovered in a bottle of Coca-Cola

A Muslim doctor has told 702 Eyewitness News that he is outraged after discovering alcohol in a bottle of Coca-Cola. Dr Dindar said that recently during a family braai his daughter had complained to him that the Coke she had just poured had a funny taste. He then proceeded to send the Coke to a laboratory for testing, where it was discovered that the Coke had almost one gram of alcohol per hundred millilitres of the liquid. The Coca-Cola communications officer responded that this was an isolated incident caused by a crack in the bottle that allowed yeast in the air to combine with chemicals in the Coke to form a reaction, creating alcohol. Dr Dindar sent out a warning to Muslims, non-alcohol drinkers and parents of young children, stating that he would no longer drink any Coca-Cola products.

Source: Adapted from Strydom, 2008:29

6.6.4 Physical environment

This environment includes the availability of natural resources, which are the raw materials, as well as matters such as the climate, weather patterns and natural disasters (Strydom, 2008:29).

Since the 1960s, there has been a growing awareness of the need to conserve limited resources in our natural environment. Likewise, organisations are becoming aware of the physical environment and how businesses affect the environment in terms of depleting resources, the cost of energy, cost of pollution, and damage to the country's natural resources. It remains management's responsibility to ensure that the organisation acts in a manner that preserves the resources, not only to prevent unfavourable attitudes towards the organisation, but also to conserve, maintain, and manage the country's dwindling natural resources.

Example:

This scenario indicates how the physical environment impacts on businesses and how global warming can affect the agricultural industry, which ultimately affects the economy.

Global warming affects South Africa

Global warming will have extreme and frightening effects on South Africa over the next 40 to 100 years, which include higher temperatures and extreme weather fluctuations. Some climate experts estimate that by the year 2100, a third of the earth will be devastated by hunger, thirst, war, migration and death as a direct result of global warming.

This phenomenon will be particularly severe in South Africa, which will suffer lower rainfall and rising temperatures. Such weather changes will reduce water supply and will cause major difficulties in areas already relatively arid. The agricultural industry will be affected particularly negatively by these conditions.

Source: Adapted from Strydom, 2008:28

6.6.5 Political environment

Strydom (2008:30) defines politics as “the competition for power within a society”. Therefore, the political environment is the environment within which this competition takes place.

Decisions made by management are influenced by the politics within the country, especially political pressures exerted by the ruling government and its institutions in the business environment. Government influences the business environment as a regulating force by enforcing laws that include tax rates, labour laws and BEE policies.

Example:

The political environment within a country can directly affect an organisation and its deliverables. This case study shows how this happens in practice.

The impact of the political environment

During the 1980s, South Africa was in political and social upheaval. Industry was in turmoil with strikes and marches almost a daily event. Society was permeated with violence, the National Party's army and police suppressing opposition by force and the armed struggle at a high with regular bombings and attacks on government targets. The United Nations had imposed sanctions on South Africa, which meant that many goods could not be imported or exported. This had a dramatic impact on South African manufacturers; their markets were limited, and they could not obtain many types of raw materials and spare parts. When they did obtain these, it was at a significantly higher cost than those obtained from businesses in other countries.

Source: Adapted from Strydom, 2008:30

6.6.6 International environment

The international environment consists of events that occur in other countries that affect the organisation. Globalisation refers to "the linking of companies, governments and people through trade, media, ICT, investments and travel. It is about integration among sovereign states, cultural groups and people" (Timothy, 2019). Globalisation offers both opportunities and threats to organisations.

Organisations that operate in various countries find themselves in complex environments. This is because each country has its own technology, culture, laws, politics, economies, and markets.

Example:

Globalisation allows countries to trade across borders. The scenario below sheds more light on this issue:

The impact of globalisation in the re-entry of Barclays into South Africa

Barclays Bank used to be part of First National Bank when it first entered the South African market before it was a democracy. Barclays pulled out of South Africa, but subsequently re-entered the market as part of the ABSA Group. When re-entering the democracy, certain aspects of the environment had changed, such as labour laws, and this would have had an impact on the organisation.

Erasmus *et al.* (2016:63) highlight events at international level that have had an impact on business in South Africa:

- The US ban on oil exports from Iran
- Tourist attacks and political instability in Nigeria, Egypt, Iraq, Ukraine and Russia
- South African businesses encountering lower tariffs and protective measures against foreign competition than in the past
- The forming of the BRICS partnership between Brazil, Russia, India, China and South Africa; an economic alliance for development, integration, and industrialisation
- Support from the Industrial Development Corporation.

Example:

One of the global events was the earthquake and subsequent tsunami in Japan in March 2011. Below is an extract from the Guardian newspaper:

The economic impact of the Japanese tsunami

Toyota and Nissan said they were halting production at all of their 20 factories. Toyota, the world's largest car maker, evacuated workers from two plants in the worst-affected regions and has not been able to reach the sites to inspect the damage. The plants make up to 420 000 small cars each year, mostly for export. Two of Honda's three plants remain closed.

6.7 ETHICS

6.7.1 Definition of the term 'ethics'

Ethics can be defined as "making the right decision in moral dilemma situations" (Laasch, 2021). Managers are expected to maintain high ethical standards (Erasmus *et al.*, 2016). According to Kumar and Mehta (2021), business ethics is defined as "moral principles or rules of behaviour that govern conducting business enterprises". It guides people in doing their jobs.

Ethics is important to businesses as it can save a business money; for example, the cost of lawsuits and theft. Businesses can also suffer from reputational damage, lack of employee productivity, and reduced information flowing throughout an organisation (Weiss, 2021). Fostering ethics in a business environment is therefore so important.

Government laws and regulations are designed to govern business behaviour. It is important to understand that ethics goes beyond legal requirements. The King Code III provides guidance for JSE-listed companies on how to employ good corporate governance principles (Brevis & Vrba, 2016). King Code IV became effective in 2017 to incorporate all companies, including government organisations in South Africa. What might be considered as ethical in one country might be unethical in another.

Activity

Watch the following video on King Code IV, and then write down your main insights.

https://www.youtube.com/watch?v=aup_jXhG_y8

Source: Adapted from Smit and Cronje, 2003:444

Ethical issues are normally not black or white and there could be disagreements about what constitutes proper behaviour. Let's take a look at approaches to ethical decisions that are made.

6.7.2 Approaches to ethical decision-making

There are three fundamental approaches that managers use when making ethical choices:

1. **Utilitarian approach:** with this approach, a manager analyses the detail of a particular action based on the people directly influenced by it. The right action is one that will produce the greatest good or consequences (Savulescu, Persson & Wilkinson, 2020). This means that the manager weighs up the positives and the negatives of the decision. If the positives outweigh the negatives, the manager will follow through with the decision and there will be more well-being. Needless to say, there will be a minority that might be negatively affected by the decision.
Example: a manager choosing a medical aid scheme for an organisation will use this approach.
2. **Human rights approach:** this approach states that the fundamental freedom and rights of an individual cannot be taken away by another individual's decision. An ethically correct decision is one that best

protects the rights of those affected by it; this approach is “based on rights, fairness and justice” (Bouwer, 2019).

Example: the South African Bill of Rights allows us freedom of association, meaning that individuals have a right to belong to any organisation of their choice and to mix with anybody of their choice. If an employer forbids his employees to join a trade union, it goes against the rights of employees, according to the Bill of Rights.

3. **Justice approach**: this approach is based on “maintaining fairness, obligation, and equity through the application of moral principles, rules and established standards” (Juujarvi, Ronkainen & Silvennoinen, 2019). There is a hierarchy of rules and rights used to determine the outcome of a conflict situation in the work environment.

Example: employees want to know whether their pay scales are fair.

6.7.3 Managing ethics in the organisation

We have focused on the approaches that managers use in their decision-making. This section looks at ways in which organisations can ensure that ethical decisions are being made.

- **Leading by example**: this can be seen as the most important aspect in creating a culture of good ethics in an organisation. It has been found that ethical leadership helps employees become committed to their organisation and also make good ethical decisions (Bahadori, 2021). Seeing leaders act ethically encourages employees to also act morally as they see them as their role models (Malik, Mahmood, Sarwar, Obaid, Memon & Khaskheli, 2022). As more emphasis is placed on working in teams, ethical leadership is becoming more important.
- **A code of ethics**: organisations should try to set an internal standard of behaviour by developing a code of ethics that sets out guidelines for ethical behaviour within the organisation. The code will include the company’s values, beliefs, and norms of accepted ethical behaviour, and is usually developed by top management. The purpose of the code of ethics would be to assist employees with direction in dealing with ethical dilemmas and it will help to clarify the organisation’s position in areas of ethical uncertainty.

Example: One of the values of Edcon (retailing) is stated clearly in the company’s annual report: “Fairness and integrity in all our dealings, whether with employees, customers, merchandise and service suppliers,

unions, shareholders, and all other stakeholders” (www.edcon.co.za, as cited in Smit & Cronje, 2003:451).

- **Ethical structures:** in order for organisations to ensure an ethical culture within such organisations, structures can be implemented such as ethical committees, an ethical Ombudsman, or ethical training programmes. These would help to improve the ethical behaviour of employees within the organisation.
- **Whistle-blowing:** this occurs when the dishonest or unethical behaviour of an employee, or of the organisation itself, is reported by another employee to the organisation’s management, or to outsiders such as newspapers or the police. Whistle-blowing is only effective if the whistle-blower is protected by the organisation.
A good example of a whistle-blower is Sherron Watkins, who blew the whistle on Enron, an American company that committed fraud.

6.8 SOCIAL RESPONSIBILITY

Ethics and social responsibility are closely related. Chandler (2019) states that corporate social responsibility is a “responsibility among firms to meet the needs of their stakeholders and a responsibility among stakeholders to hold firms to account for their actions”. The stakeholder is someone who is affected by an organisation, either voluntarily or not, and who also can affect the organisation. In this section, we will focus on social responsibility towards stakeholders, and also the four levels of social responsibility.

6.8.1 Social responsibility towards stakeholders

There are key stakeholders we notice when practicing social responsibility. They will be discussed below:

1. **Customers:** the organisation should ensure that it provides safe products and services to its customers.
2. **Society:** the organisation should improve the quality of life of people in society.
3. **Competitors:** the organisation must be able to compete fairly with its competitors.
4. **Technology:** the organisation should develop new, sustainable technology that is in line with the future needs of society (Potocan, 2021). This can include nature-friendly technologies.

5. **Suppliers:** it should work together with the suppliers in a cooperative manner.
6. **Government:** the organisation should ensure that it abides by the rules of the law as they can use legislation to hamper production.
7. **Employees:** these are sometimes the customers of organisations, and equal employment opportunities should be provided for all employees.
8. **Economy:** the organisation should provide goods and services that satisfy the needs and wants of people, enabling it to maximise its profits (Khuong, Truong & Hang, 2021). In addition, the organisation must provide jobs and fair pay to its workers.
9. **Shareholders:** the organisation should ensure that shareholders are provided with a reasonable profit.
10. **Employees:** employees should be provided with safe working conditions and adequate pay and benefits. They must work under the best possible working conditions while allowing the organisation to maximise its profits (Marquis, n.d.).

Activity

Read through the following article on corporate social responsibility and capitalism and then write down how social responsibility fits into making profits:

Capitalism and Corporate Social Responsibility

Capitalism is based on the ideas of Adam Smith, who believed that, in the long term, public interests are best served by individuals and organisations pursuing their own self-interest, and that government interference should be kept to a minimum. The economist, Milton Friedman, elaborates on the ideas of Smith and says that, when an organisation makes a profit, it is being socially responsible. Friedman believes that diverting organisations from the pursuit of profit makes the economy of a country less efficient. According to him, private organisations should not be forced to accept responsibilities belonging to government. Friedman's view represents one extreme of the debate on social responsibility. At the other extreme are those who argue that social responsibility policies should be part of an organisation's mission statement. Most managers' views fall between the two extremes.

Source: Adapted from Smit & Cronje, 2003:452

6.8.2 Levels of social responsibility

Lussier (2000:66) identifies four levels of social responsibility, namely, **social involvement**, **social reaction**, **social obligation** and **social obstruction**, of which social obstruction is the lowest and social involvement the highest.

1. **Social obstruction:** on this level, managers intentionally perform or request employees to perform unethical or illegal business practices.
2. **Social obligation:** on this level, managers meet only the minimum legal requirements.
3. **Social reaction:** managers respond to appropriate societal requests. These requests include civic groups asking for donations for arts scholarships, sponsorships, etc.
4. **Social involvement:** on this level, managers voluntarily initiate socially responsible acts.

Activity

Find organisations that are involved in social responsibility activities. Write down at least two different levels of social responsibility within these organisations.

6.9 ENTREPRENEURSHIP

It is clear from the case study we learnt on Patrice Motsepe that his success has revolved around his entrepreneurial spirit. Without this spirit, Patrice would still have been a lawyer working for a boss; he would not have created his business empire that has empowered so many people. In today's volatile business environment, it is imperative that managers possess this entrepreneurial spirit to exploit opportunities and keep organisations competitive.

This subsection is not aimed at guiding you through the whole process of conceptualising and establishing a successful business. This subsection will introduce you to important aspects of entrepreneurship, serving as a launching pad for further studies and, ultimately, establishing your own business. This subsection will also alert you to the fact that successful managers are required to embrace an entrepreneurial attitude if they are to keep their organisations competitive in the volatile contemporary business environment.

6.9.1 Defining entrepreneurship

When we speak about business leaders, people often think of Microsoft's Bill Gates or Warren Buffet, the American business magnate and investor. These

people have certain characteristics or traits that are synonymous with business success. The business environment is ever-changing, as is the type of leader driving the change.

Entrepreneurship is the willingness to take risks and develop, organise, and manage a business undertaking in a competitive global marketplace that is constantly evolving (Cooney, 2012). Entrepreneurs are seen as pioneers, innovators, leaders, and inventors. They are at the forefront of technological and social movements in their fields and in their forward thinking. Thomas Edison stated that: "I have not failed, I've just found 10 000 ways that did not work." Entrepreneurs are dreamers but most importantly doers and find ways to make things work where others were unable to. Entrepreneurship plays an important role in the growth of the economy. Traditionally, it is the process of designing, launching, and running a new business offering a product, process, or service for sale. Instead of working as an employee, an entrepreneur manages a small business and takes responsibility for all the risk associated with it.

Activity

Watch the video at the link below for more information about entrepreneurship in turbulent times in South Africa:

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

Note and write down two reasons for any business to take on additional funding. Then explain what SAVCA looks for when they are willing to provide additional funding to any business.

Example:

Uncovering South Africa's hidden entrepreneurial talent

Below are a few South African entrepreneurs who have identified a need in local markets and have found unique ways to meet those needs:

Lesika Matlou (27 years old)
CEO of Ek Sê Tours

Inspired by a radio interview about the Awethu Project (a South African business incubator that helps develop local entrepreneurs), Lesika packed his belongings and moved from Rustenburg to Johannesburg. When he arrived, he didn't have a place to stay or a steady income, but he was determined to succeed. With the support of the Awethu Project, he started Ek Sê Tours in 2011, a tour operator specialising in unique township tour experiences. Today, Lesika is an experienced guide, has seven full-time employees, has secured financing for his first vehicle, and is making more than R40 000 monthly in profit.

Ludwick Marishane (22 years old)
Founder and Chief of Headboy Industries

According to the global business network, Entrepreneurs' Organization, Ludwick Marishane is the best student entrepreneur in the world. Ludwick started businesses as a teenager in Limpopo. Many failed, like his own brand of biodiesel, healthy cigarettes, and a security magazine. In 2009, he started HeadBoy Industries, a business that designs and commercialises new products and services in South Africa. He is South Africa's youngest patent-holder after having invented DryBath, the world's first bath-substituting solution, which he presented at a TED Conference in Johannesburg in 2012.

Elon Musk (51 years old)
Founder of X.com, PayPal, Tesla, SpaceX, Neuralink and SolarCity

Elon Musk is a South African-born entrepreneur. He finished his degree and paid his way through it. He grew up thinking very entrepreneurially. X.Com was one of the first online banks which merged with Confinity Inc., after which it became known as PayPal. Elon decided to invest all his money into Tesla and SpaceX when he sold PayPal. In September 2021, he became the third person globally to have a fortune of \$200 billion. It was SpaceX that was the first ever private company to send a liquid-fuelled rocket into orbit. Moreover, it was the Tesla 3 electric car that sold one million cars worldwide. Elon Musk is now regarded as the second wealthiest man globally, with a worth of over \$200 billion.

Vuyokazi Ngalo (38)
Owner of Wonga Designs

In 2009, Vuyokazi began designing and sewing her own clothes in her spare time. Two years later she started her own business, but her monthly revenue was seldom more than R1 000. Today, with the help of the Awethu Project, she has hired her first full-time employee and is generating revenue of about R20 000 per month. Vuyokazi's progress is set to continue with her designs showcased at the 2013 International Fashion Sale at the Gallagher Conference Centre. She has also recently secured financing from the Small Enterprise Finance Agency (SEFA) to assist with a new marketing campaign.

Ashley Uys (29 years old)

Founder and Managing Director of Real World Diagnostics

Ashley has a BSc Honours Degree in Biotechnology and a Management Advancement Programme (MAP) certificate from the University of Witwatersrand. He founded Medical Diagnostech in 2010, a company that develops and markets affordable and reliable medical test kits for malaria, pregnancy, syphilis, and HIV/Aids for Africa's rural communities. Each test kit costs R4, effectively bringing reliable diagnosis into the hands of millions of people who face illnesses every day. Having won the South African Breweries Innovation Award and listed as one of Forbes's 30 Under 30: Africa's Best Young Entrepreneurs in 2011, Ashley continues to research and develop new and affordable products, among them a pre-diabetic test.

Source: Adapted from Anon, 2018; Maggs, 2018; Makinson, 2021

6.9.2 Characteristics and skills of entrepreneurs

Entrepreneurs have certain characteristics and skills in common, but there is also individuality among them. For example, in sport some athletes excel based on their love for sport as well as the training they receive. Others have natural talent and require less training. Others are successful even though they have not received any formal training. The same can be said about entrepreneurs. Some may receive formal training and develop their skills while others have natural ability. Others will go against the grain and break every rule but still succeed. There is no formula for being a successful entrepreneur but there are certain characteristics and skills that are associated with success:

- **Risk-taking:** this refers to pursuing an activity to achieve benefits although there is a chance of a negative outcome, risk or uncertainty. Most people try to avoid risk; however, entrepreneurs understand that risk is a natural part of achieving success and are more tolerant to risk than others (Zaleskiewicz, Bernary & Traczyk, 2020). To start a business

is risky and even more so if they invest their own funds. The risk can be spread by convincing people to invest in the business.

- **Self-confidence:** this refers to entrepreneurs believing in their ability and skill, which applies more to those who have founded their own business (Singh, 2019). All start-ups and entrepreneurs experience problems and some have been found to be over-confident as they can overestimate their decision abilities and exaggerate the capabilities of their business.
- **Creativity:** this means finding innovative ways to solve problems. It looks at new and better ways to do things that may not have occurred to others. Steve Jobs and Mark Zuckerberg are two entrepreneurs who have introduced innovative products that have changed the way we live. Successful entrepreneurs are able to innovate in one of two ways. They can bring an entirely new product to the market, such as a new cellphone, or they can radically improve on something in a dramatic way, e.g. how the iPhone changed smartphones.
- **Initiative:** entrepreneurs are self-starters and be able to lead. They must be willing to start without being pushed in order for the business to get off the ground. They should be able to set both short- and long-term goals. Vision for the future of the business needs to be created and then they need to work to achieve it.

6.9.3 Challenges faced by entrepreneurs

With all the positives, entrepreneurship also has its challenges. Even experienced entrepreneurs face challenges, such as trying to establish a brand, adjusting to match or exceed the competition and keeping a business profitable. New and young entrepreneurs also have their own unique challenges, which are listed below (Fong, Jabor, Zulkifli & Hashim, 2019).

- **Developing something new**
Searching for a new idea and vision is challenging. Entrepreneurs need to see opportunities that can turn into new ideas. They essentially see value in ideas. When they search for a vision, they need to think to the future and solve problems.
- **Raising capital**
It is challenging for a new business to start without sufficient capital. The entrepreneur needs to search for investors to raise capital and convince them to do this by winning their trust in a new venture that may not

have even begun yet. Investors generally prefer to invest in established businesses that have low risk; that is why raising capital from investors is challenging.

- **Right location**

The new entrepreneur will need to consider the location as it can involve high rent that the entrepreneur may not be able to afford. The entrepreneur will likely consider locations where there is population growth and where infrastructure is good, and these are naturally areas where rent will be higher.

- **Competition**

Entrepreneurs can lose customers when faced with competition. The ideas of entrepreneurs may be similar to others, resulting in more competition and the loss of customers. Keeping up with trends can be to the detriment of entrepreneurs as they may not be very experienced in adjusting their business to these trends. Also, a lack of general experience can prevent them from managing competition.

- **Business challenges**

This can be challenging, as unexpected expenses are likely to occur and entrepreneurs need to manage this. Insufficient goods, unpaid customer bills, credit, taxes, or even bad debts are some of the challenges that can arise in the business. If these are not managed in time, it can lead to business failure.

- **Good customers**

As a business owner, you are expected to find good customers that can help build the business by being loyal and contributing valuable comments that can help improve the business. It is challenging as there are customers who tend to be picky about small issues and make this known. The entrepreneur should seek out the good customers — a challenging task, as these are the rare customers.

Activity

Complete the questionnaire on the following link to see whether you possess the characteristics and traits to be a successful entrepreneur:

<http://www.psychometrictest.org.uk/entrepreneur-test/>

Write down the key characteristics you possess as an entrepreneur and describe how you will manage these traits.

6.9.4 Becoming a young entrepreneur

Read through the case study on a young South African entrepreneur and answer the question at the end of the case study.

Case study

A young entrepreneur from Khayelitsha earns spot in Forbes list

Sizwe Nzima is a young entrepreneur from Khayelitsha whose business has landed him on an illustrious list, *Forbes Magazine's* "30 under-30: Africa's best young entrepreneurs" list. He started a bicycle courier business called Iyeza Express, which delivers chronic medication to the residents of Khayelitsha. The 21-year-old, a graduate from the Raymond Ackerman Academy of Entrepreneurial Development last year, said attending the academy helped him understand that the root of good business is doing good and helping people.

Nzima has four men who work for him and they travel around Khayelitsha by bicycle, collecting and delivering chronic medication from the public hospitals and clinics and delivering straight to the door of his clients on the prescribed dates. Clients pay a minimum R10 fee per collection. Speaking to Kieno Kammies of 567 CapeTalk, Nzima says he was shocked when he saw his name on the list but it has given him the confidence to carry on. "It doesn't matter where I come from, I have potential. I can have a go and make a success of this business. It was a motivational push."

Nzima started off with two clients — his grandparents — but now has more than 250. He grew up with his grandparents and used to collect their chronic medication. After school he'd go to the hospitals and wait in the long queues, sometimes in the morning, and it would clash with his school time.

He then read an article about how hospitals were struggling to cope with the sheer number of people who collect their medication, and knew that the problem could be solved, which is how the business was born. He hopes to eventually get the support of the Health Department and expand his business locally and even nationally.

Source: Adapted from Denker, 2013

Activity

1. Discuss with a friend what you think of Sizwe Nzima's business idea.
2. Think about and then write down any other business ideas that you may want to follow and implement in your community. Discuss this with your friend and be creative about your ideas.

A quick Google search will reveal that a number of the world's most famous and profitable businesses were started by students who were well under 20 years of age. For example:

- Facebook — was started by Mark Zuckerberg who was just 19 years old at the time. He is now worth almost \$25 billion.
- Microsoft — was started by Bill Gates in his hostel room when he was a student at Harvard University. He is now worth almost \$67 billion.

The message we want to convey to you is that anyone can become an entrepreneur. Entrepreneurship has no boundaries in terms of age, race, gender, or culture. In some instances, one does not have to excel in education to become a successful entrepreneur. However, with education, one can certainly improve one's chances of becoming a successful entrepreneur.

Characteristics of a successful young entrepreneur

Below you will find some key characteristics of a successful entrepreneur. Entrepreneurs generally have the following qualities (Hachana, Berraies & Ftiti, 2018):

- They are willing to bear risk
- They have a good leadership style
- They are independent

- They have a competitive nature
- They have a high need for achievement
- They are creative and intuitive
- They have abundant energy
- They are committed to a goal
- They like to discover new opportunities
- They have high intelligence levels
- They are emotionally stable so think positively in every situation
- They are assertive and sociable
- They search opportunities to get excitement
- They are open to new experiences
- They are agreeable
- They are self-motivated and self-starting.

Activity

Write down some of these characteristics you think you currently possess.

Now consider which of the above characteristics of an entrepreneur you wish to develop as soon as possible. Motivate why this is the case.

Useful tips on how to become a young entrepreneur

Figure 6.5 depicts a few guidelines to assist you in becoming an entrepreneur (Nicol, 2016), followed by a more comprehensive discussion in the following section.



Source: Adapted from Nicol, 2016

Figure 6.5 Tips to becoming an entrepreneur

Do what you love

Nicol (2016) argues that all successful teen businesses have one factor in common, namely, that these business owners started a business involving what they love to do. Mark Zuckerberg started Facebook with a few friends as they loved computers and, especially, they loved to design and develop computer software.

The idea being conveyed here is that you must select a business idea based on your current interest or hobby and what you love to do the most. In order to become a successful entrepreneur, you must have an interest in the goods or services that your small business is based on. As an entrepreneur, you must have hands-on experience, as this will be the only way that you can have complete understanding of your business.

Know what you want

Once again, Nicol (2016) reminds us that, in order for you to become a new entrepreneur, you must have a thorough understanding of what you want in life. Here are some questions that will help you decide what you want in life regarding your small business idea:

- Will you leave school, college, or university if your business takes off?
- Do you consider your business as a part-time project?
- What will you do if your business requires you to leave school or college?
Are you prepared for this?
- Will you consider hiring staff to manage your business while you continue your studies?

The above questions are extremely important, as your answers will allow you to make important decisions on how you will manage and organise your time.

Be innovative with rules

Being innovative means that you must 'think out of the box'. Thinking out of the box suggests that you should think of entrepreneurial ideas that are new and have never been thought of before; this will create new opportunities for you. The earlier case study we presented of Sizwe is a good example of someone who 'thought out of the box'. He developed a good, innovative idea of filling a gap in the community for the delivery of medicine. He started off small and now has plans to franchise his business, i.e. he wants to sell his idea to others in other communities in South Africa.

Nicol (2016) maintains that young entrepreneurs should not be afraid to try out a business idea that no one else has ever tried before.

Manage your time

Nicol (2016) argues that managing a business while attending school, college, or university is extremely stressful and difficult for any young person. She therefore reminds us that a new entrepreneur must understand thoroughly what is required of them, as their separate roles as a student and a business owner need to be differentiated and prioritised in a balanced manner.

Use your school, higher education resources where applicable

Being a student should not prove to be a stumbling block in your endeavour to become an entrepreneur. There are various success stories that show students becoming successful entrepreneurs even while studying. Facebook, Google, and Microsoft are good examples of businesses where entrepreneurs developed these businesses while still at college and university.

Baines (2013) states that being in school, college, or university can in fact be an advantage for a prospective student entrepreneur, as the student can access many resources while at these institutions. You may use the college or university computers and internet access free of charge or you may seek valuable advice from your lecturers or teachers who teach business subjects.

Mentorship and work shadowing

Mentorship and work shadowing are useful for learning the tricks of business. Mentorship means that you must identify an entrepreneur who is willing to teach you, advise you, and provide you with expert guidelines on how to manage and grow your business. There are many entrepreneurs who are willing to mentor you free of charge. It is their way of empowering the youth in our country.

You may also try the approach of work shadowing. It is similar to mentorship; however, in work shadowing you partner with an entrepreneur and follow and accompany him for long periods. In this process, you observe, learn, listen, follow, and practice their strategies in business. You learn the practical skills they possess in managing their business.

Exploit online resources

Your computer can connect you to hundreds of online resources for young entrepreneurs. Make sure you have the skills to access these resources. Online resources are becoming far cheaper to access as more and more people acquire connectivity to Internet. Online resources can serve as an inspiration and motivation for you to learn new ways of doing business and all the business opportunities that exist out there.

The business plan

You are not truly an entrepreneur if you cannot establish a successful business or conceive and successfully carry out a project within an organisation (intrapreneurship).

A business plan is a document that describes in detail every aspect of the business you are intending to start. The following is a simple template of a business plan to show you what is needed before you can establish your business:

Table 6.1 The business plan template

Name of the business	Provide the registered name of the company.
Executive summary	In this section, you provide a summary of all the sections covered below.
Description of the business	<ul style="list-style-type: none"> • Name of the company • Type of legal entity • Ownership • Significant assets • Mission statement • Goals and objectives • Company strengths and core competencies • The industry.
The opportunity, industry and market	<p>The opportunity</p> <ul style="list-style-type: none"> • Where is the gap in the market? • What has given rise to this gap? • How was this gap identified? • How will the gap be filled? <p>The industry</p> <ul style="list-style-type: none"> • What are the barriers to entry in this industry? • How much power do the customers have? • How much power do the suppliers have? • Are there substitute offerings for the product or service? • Who are the competitors and how strong is the competitive rivalry? • What are the major changes affecting the industry? <p>The market</p> <ul style="list-style-type: none"> • What is the total size of the market? • How fast is the market growing? • What percentage share of the market will you have? (This is important only if you think you will be a major factor in the market.) • What are the major trends in target market — trends in consumer preferences, demographic shifts and product development?
The strategy of the business	<ul style="list-style-type: none"> • The focus of the business: broad mass market or a specific niche?

	<ul style="list-style-type: none"> • How will the business succeed in the market? How will you create a unique and valuable position, involving a different set of activities? • What is unique about the business? How is the offering different from that of competitors? • What is the value for the customers? Describe the value proposition for the customer.
The business model to be followed	<ul style="list-style-type: none"> • The sources of revenue • The major costs involved in generating the revenue • The profitability of the business (revenue less costs) • The investment required to get the business up and running (to get to scale) • The critical success factors and assumptions for making the profit model work.
Management structure of the business	<ul style="list-style-type: none"> • A list of the founders, including their qualifications and experience • A description of who will manage the business on a day-to-day basis. What experience do these individuals bring to the business? What special or distinctive competencies do they offer? • An organisational chart if you have more than 10 employees, showing the management hierarchy and responsibility for key functions.
Marketing plan of the business	<ul style="list-style-type: none"> • The product (or service) and why it is valuable to customers • The focused and detailed description of the target market • The positioning of the product or service — how it should be perceived by customers • The pricing strategy with specific price points at which the product or service will be sold • The sales and distribution channels that will be used to get the product or service to the customer • The promotion strategy, including public relations activities, specific promotions, advertising, and intended viral marketing activities.

Operational plan of the business	<ul style="list-style-type: none"> • A description of the operating cycle that describes what the organisation will do to deliver its service or create and sell its product • A description of where all the necessary skills and materials will be sourced • What will be outsourced, what relationships are in place and how those relationships will be managed • The cash receipts and cash payments cycle of the business.
Financial plan	<ul style="list-style-type: none"> • Start-up expenses and capitalisation: a description and explanation of what it will cost to launch the business and where you expect to get this money • A 12-month profit and loss projection (month-by-month) and a three-year profit and loss projection (quarter-by-quarter) • A 12-month cash-flow projection and a three-year cash-flow projection (quarter-by-quarter) • A projected balance sheet at start-up and at the end of years one to three • A break-even calculation.

Source: adapted from Anon, 2016

Summary

This topic has covered a wide spectrum of issues that affect the manager's environment. These included the three environments in which a manager operates, namely, ethics, social responsibility, and entrepreneurship.

The internal or micro environment is controlled by the skills, resources, capacity to deliver goods and services, mission and objectives and, finally, the organisation management. This environment has a direct impact on the market or task environment. The market environment refers to the factors that impact the organisation. We recognised that these factors were consumers, competitors, suppliers, and intermediaries. In the case of a bank or an insurance company, the environment will be the financial services industry as opposed to the retail environment in which supermarkets operate. Finally, the external or macro environment refers to all the factors that impact an organisation but that the organisation cannot control well. These factors include the economy, technology, socio-cultural, physical, political environment and international environment.

Ethics also has a role to play within the manager's environment, as it pertains to the values that direct the behaviour of a manager to determine the difference between right and wrong. It is important to understand that good management practices are often threatened by unethical behaviour. We defined business ethics and the significance of understanding this. There are various approaches to ethical decision-making, such as the utilitarian approach, human rights approach, and justice approach, all of which can assist us to understand ethics in business. Also related to ethics is social responsibility. Social responsibility suggests that an organisation is obliged to act for the benefit of society. Social responsibility and ethics work together within an organisation.

Entrepreneurship plays an important role within the South African economy as it focuses on job creation. Entrepreneurs are those people who are willing to take risks and start new businesses and are seen as pioneers and leaders. South Africa has produced various entrepreneurs that have contributed to the economy by providing jobs and adding value through the manufacturing of goods and supplying services to the market.

Self-Assessment Questions

1. From the scenarios below, identify each component within the market environment. Motivate your answer.
 - a) ABC Mega Supermarket sells groceries, household, and outdoor items. It opens a new store close to Pick 'n Pay Hypermarket. ABC Mega Supermarket has done this as there are many affluent neighbourhoods in the surrounding areas.
 - b) Paul manufactures wood furniture and Woodcutters provide the wood. They grow their own maple trees on private land and ensure that the trees are well looked after and free of termites.
2. GenBank managers have been informed that the bank would like to reduce its carbon footprint. In doing so, it requested that all managers' emails have a message at the end asking recipients to think before they print and save a tree or to minimise pollution. Which of the variables within the macro environment is being referred to? Motivate your answer.
3. Nomanesi wants to establish her own hairdressing salon. She sees an opportunity for available space in her local community and rents it. She also negotiates a lower rental fee with the landlord. She finds hairdressing equipment at an auction and invests in this. She is very determined to do this venture as she is so motivated. Identify four characteristics of a young entrepreneur displayed by Nomanesi. She is already thinking of opening her second salon.
4. Define the micro environment and then note the composition of the internal environment. You might want to think of a particular example when answering this question.
5. During COVID-19, consumers slowed down their spending. The reduced spending led to lower profits for many businesses in South Africa and some of them had to start retrenching employees. Identify the factor in the macro environment that has made this impact on businesses in South Africa. Then provide a reason you have selected this factor.

6. The airline industry offers first class seats to passengers, as well as economy and business class to accommodate all types of passenger needs. The passengers in first and business class always pay more than those in economy class. Although airlines receive substantial money from passengers who fly business and first class, they try to get more money by allowing for cheaper rates in economy class. At the end of the day, the airline is producing benefits. Identify the approach taken to ethics used by the airline industry.
7. Give an example of an ethical decision that is made when leading by example.
8. It is likely that as more businesses use 4G and 5G networks, 2G and 3G networks will discontinue. This is a major factor that can affect the competitiveness of a business if other businesses move over to the most used networks. Identify which macro factor is impacting the business in this scenario and provide a reason for this.
9. Identify two social factors that influence business ethics, and then describe each factor. Can you think of an example when answering this question?
10. You work closely with your manager at a financial company. The manager has asked you to lower the expenses in the financial report you are preparing. You do know that you cannot change the figures as the expenses have remained the same. Identify the level of social responsibility seen in this scenario and explain why this is chosen.
11. You want to be an entrepreneur. Identify two characteristics of such that would make you successful.

Glossary of terms

Artificial intelligence: computer systems that replicate human tasks such as decision-making, speech recognition or visual perception.

Business ethics: moral principles or rules of behaviour that govern how businesses conduct their business.

Business environment: internal and external factors that influence a company's operating situation, including employees, customers, management, supply and demand, and business regulations.

Business cycles: economy goes through cycles of expansion as well as contraction, known as business cycles.

Controlling: checking the plans identified to ensure that planned tasks are carried out.

Concurrent: existing at the same time.

Entrepreneurship: willingness to take risks and develop, organise, and manage a business undertaking in a competitive global marketplace that is constantly evolving.

Financial plan: a layout of an explanation of what it will cost to launch a business and where you expect to get this money from.

Hybrid working model: the use of technology improvements in working remotely as well as having the ability to work at an office.

Industry 4.0: involves the use of technology such as 5G, Internet of Things, artificial intelligence and machine learning in the current economy.

Innovative: thinking out of the box and using this to improve a product or process in an organisation.

Intermediary: these people act as links between others to help with trade arrangements or negotiations in contracts.

Leading: the ability of an individual to influence, motivate, and enable others to ensure that the organisation can be successful.

Machine learning: a form of artificial intelligence that helps to make predictions of behaviour from data.

Motivation: an internal state in individuals that helps to focus on goals as well as leadership and controlled action.

Omnipresence: when something is widespread; control is widespread throughout an organisation.

Performance standard: a goal that is allocated to a specific department or team member, and is usually measured to see if it is followed.

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Answers to Self-Assessment Questions

TOPIC 4 SELF-ASSESSMENT ANSWERS

1. Vuyo displays **employee-oriented leadership**. This promotes motivation and participation in order to come up with ideas to increase sales. Sandy is a **job-oriented** leader as she is more concerned with the task at hand within her team and implements control by making the decision on behalf of her team so that they can continue with their jobs.
2. **Transformational leadership** — the new CEO was able to transform ABC Wholesalers from financial ruin to starting to show a profit. Transformational leaders are able to bring about change and the new CEO even implemented a reward system to outstanding employees.
3. **Physiological needs**: needs of food, water, shelter and clothing. Initially Peter and his siblings live on the streets and their physiological needs are not met. Only once Peter got a job was he able to rent a room and provide food for his family.
 - a) **Safety and security needs**: by becoming permanent at work, Peter is able to provide food and shelter and this provides physical safety. He is also financially secure because he has become permanent.
 - b) **Social needs**: this is the need for belonging and affiliation. Peter joins a local soccer club where he makes friends and becomes part of a team.
 - c) **Self-esteem needs**: this indicates recognition from others, such as the supervisor position he successfully applied for.
 - d) **Self-actualisation**: this is the realising of one's potential through growth and development. Within two years, Peter is able to afford a flat of his own and has moved up the ranks in the grocer.
4. This example displays **indirect leadership** by a manager. This type of leadership exists when a manager tries to influence the culture of an organisation in an indirect way, and in this case, it is through trying to change the values of the organisation. The manager is trying to recognise workers for the positive effort they make in their work, thereby motivating them and influencing them indirectly to increase their productivity.

5. The manager is trying to solve the issue brought to his attention by the team member. The manager does this by trying to direct and coordinate the work of the team member by getting another team member to assist with completing the assigned task on time. The characteristic displayed here is one of a manager, and the opposite characteristic would be one of trying to develop the trust of the employee.
6. The leadership style the manager shows is **employee-oriented behaviour**. Here the manager prioritises her employee needs over that of tasks due. The manager attempts to have an open mind by listening to Fezile's concerns and then allowing her to share her ideas on how the workload can be improved or managed. The manager is not just trying to come up with a solution to this issue by arranging for the task to be done or directing her to do the task in another way. Based on the views of Fezile, the manager will then set new performance expectations.
7. The model practiced by this manager is the **House path-goal theory**. This model uses three tasks generally undertaken by a leader, but in this case there are two such tasks being performed by John. The first is that the leader must consider the needs of his followers to enable him to control the results achieved. John does this by being open to his employees' needs by considering their skills and capabilities before assigning tasks to any of them. The leader's second task is to provide rewards and punishments to followers in line with their performance. John does this by rewarding those who exceed performance expectations with a monetary reward. These are the two actions performed by John and they are in line with this leadership model.
8. In **charismatic leadership**, leaders are persuasive, so communicating effectively with others is key to being able to encourage and motivate others. These leaders are also authentic, so they are honest and respect others and in this way they help build an effective team that is productive. A **visionary leader** is able to grow a vision for the company with his team, thereby encouraging and motivating the team members. These leaders also create change by introducing new initiatives or programmes and try to have the team follow these initiatives or join these programmes.
9. Motivation can be seen as an extension of the managerial task of leading, as managers need to find ways to improve an employee's performance. One way used to improve the performance of employees is to motivate them through using various motivation strategies, one of which could be

recognising employee performance in their task assigned or rewarding them with gifts.

10. The job demands are parts of the job that require physical or mental effort and that therefore have physiological and psychological costs. This can include having a high workload or having conflict with others at work. Job demands can lead to burnout and result in a negative result or workers being demotivated.

TOPIC 5 SELF-ASSESSMENT ANSWERS

1. The manager can improve the performance of employees by checking employees — Ben updated the sales presentation based on the feedback received, which assists in his continuous development.

The manager can reduce errors through the process of monitoring and checking employee work — Ben rewarded his team member for addressing all the issues in this process, also motivating him.

2. Corrective control. This focuses on resolving the problem that has already occurred. In this case, the problem of the damaged laptop screen has already occurred and the damage has been done. The consultant focuses on rectifying the problem by issuing the customer with a new laptop. Even though nothing can be done about the laptop screen, it does have future value because they found that other laptops were also damaged. Corrective action should be taken as transport was the cause of this.
3. This scenario shows the use of corrective control by the manager. The problem that occurs is that shirts are tearing, and now that the manager is aware of this, the manager is taking action to correct this issue. This is therefore the use of corrective control.
4. The first characteristic of an effective control system is universality. This means that the system used to ensure control in an organisation must be the same in every organisation. The second characteristic is continuity, which means that in the process of ensuring control, the manager needs to ensure that he keeps on track with the checks that need to be done. The manager must take action to review processes to ensure control, for example.

5. When a company has a constant performance, there is no reason not to use the control process. It needs to be used. Managers still need to compare the actual performance to the performance standard used in the company. The ultimate objective of the manager is to meet the goals of the company, and to do this means using the control system.
6. The variance in cobalt material used will need to be investigated to see what is causing the variance. This will likely have an impact on the production, and therefore its impact on cost needs to also be assessed. Should the impact on cobalt costs be small, then the manager can choose to ignore this. It is more likely, though, that its impact will cause costs to rise and therefore the manager will need to address this variance.
7. One of the ways an employee's attitude can be measured is by sending her a questionnaire to get her to open up about any issues she is having at work. This questionnaire should include questions on how she feels about her job responsibility and uncover her attitude towards the people she works with, including her managers and team people. A one-on-one interview can also be held with the employee to get her recommendations on what can be improved in the business.
8. Preventative control is being used. This type of control happens when there is action taken to prevent a problem ever arising, and in this case, it is using a password to prevent any person from entering the site unauthorised or prevent hacking into the site.
9. Justin is firstly comparing the actual performance, in this case the actual hours worked by team members for a task, to the performance standard which is the standard number of hours that should be used by employees for this task. Once this step is completed, Justin decides to investigate the reason for this deviation. In the process of investigating this, he finds that he must take corrective action, which he does when he decides to train his employees in the team.
10. The manager would try to fix the issue as it occurs. If the employee makes an error, the manager will see it and inform the employee about methods that can be used to correct the error.

TOPIC 6 SELF-ASSESSMENT ANSWERS

1. a) **Competitor** — ABC is directly competing with Pick 'n Pay.

It sells similar products and is therefore seen as a competitor. ABC wants part of the market share by attracting potential customers of Pick 'n Pay.

- b) **Supplier** — Woodcutters are the raw material suppliers to Paul who makes the actual furniture. Woodcutters are supplying good quality wood because they take care of their plantations.
- 2. **Physical environment** — organisations such as GenBank are becoming aware of the physical environment and the effect businesses have on that environment. To stop the depletion of resources such as trees and minimise the cost of pollution, managers are requested to add the message to their emails. It is in the best interests of the organisation to conserve resources and prevent unfavourable attitudes towards the organisation.
- 3. **Risk-taker** — she buys the equipment immediately, so is willing to take risks.
Opportunistic — she sees available space and rents it immediately. She likely enjoys discovering new opportunities.
High need for achievement — she is determined and motivated to open the salon.
Open to new experience — she has already envisioned her second salon.
- 4. The **micro environment** is the environment in which management works, so this refers to the internal workplace environment. Management therefore can control this environment. The internal environment is composed of worker skills, resources (such as materials or equipment), and capacity to deliver goods and services. The mission and objectives of the organisation as well the management of the organisation are also part of the micro environment.
- 5. The factor in the macro environment is the economic environment. The economic environment consists of factors in the economy that affect a business and in this scenario a business cycle of contraction is being experienced whereby consumer spending leads to job losses in businesses.
- 6. Utilitarian ethics is used by the airline industry. This type of ethics is used when decisions are made with the intention of providing the best circumstances and more well-being. The airline industry does this by offering different pricing levels for seats, thereby not excluding anyone

in its offering of seats to passengers. This helps to create well-being and also serves the interests of the airline.

7. You recently joined a new team of five people. Your manager works hard and you notice that all your team members are also starting to work long hours and work hard. Nobody wants to let the team down and they desire to perform successfully in their job. This is one example of making a decision in ethics when you lead by example.
8. Technology is the macro factor that is impacting business here. This is chosen as the factor occurs and is outside the business' control.
9. The two social factors are attitude and beliefs, and social concerns. Attitude and beliefs can include society's beliefs about working in business and this can affect business ethics. Social concerns arise when people are concerned about social issues that can impact ethics in business, particularly the environment and corruption.
10. The level of social responsibility is social obstruction. The manager intentionally asked you to fraudulently change the expense figures in the report so that the company looks better.
11. The first characteristic is that you would be a risk-taker. Risk-takers take chances to get reward despite negative circumstances. The second characteristic is self-confidence. Having self-confidence is believing in yourself, your business ideas, thoughts, and skills.