

BUSINESS MANAGEMENT 1A MODULE GUIDE 2014 (First Edition: 2012)

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Using this Guide

This guide has been developed to support your use of the textbook prescribed for this module. There may be occasions when the textbook does not provide sufficient detail regarding a particular idea or principle. In such instances, there may be considerable additional detail included in the guide. However, this guide should not be used as a stand-alone textbook, as the bulk of the information that you will need to engage with will be covered in the prescribed textbook.

In addition, each Learning Unit in this guide could contain three (3) different types of engagement, referred to as Interactive Work Spaces, as listed below:

- 1. *Izimvo* Exchange *Izimvo* is an isiXhosa word for ideas and so this is the exchanging or sharing of ideas. These are in-class debates or discussions linked to the subject matter and/ or current affairs.
- 2. Activities These are varied interactions in which you can engage with the subject matter.
- 3. Revision Exercises These are questions/ tasks based on theory.

The purpose of the Interactive Work Space is to provide opportunities for you to engage with the subject matter in the Learning Unit both in and outside the classroom in preparation for assessments. In different modules there would be more or less emphasis on the different types of engagement, depending on the nature and objectives of the particular module.

Introduction

This module will introduce you to the field of business management. The rapidly changing and competitive context within which a business operates will be examined and the purpose of a business in society discussed. The exciting field of entrepreneurship will be investigated and the decisions relating to starting a business explored. You will also learn about the contemporary issues relating to corporate social responsibility.

Learning Units 6–10 focus on the primary functions of management. You will discuss various management processes and principles which will lay a foundation for understanding what managers do and why it is so important. The success of business organisations relies on how well management is able to use resources effectively and adapt to changes in the business environment. This module will prepare you for your journey to becoming a successful business manager.

This module guide has been structured in such a way as to guide you through your prescribed textbook, draw attention to important information and explain key concepts. Activities are provided for you to engage with the material.

Please note that you are expected to read and research beyond your prescribed textbook and this module guide. This is necessary to enhance your own learning and understanding. Useful references are provided to assist you in developing a deeper understanding of the content.

Module Resources		
Prescribed Book for this Module	Erasmus, BJ, Strydom, JW and Rudansky-Kloppers, S. 2013. Introduction to business management. 9 th edition. Cape Town: Oxford University Press. Please note that this Module Guide is intended to support your learning – the content of this module is in the prescribed textbook. You will not succeed in this module if you focus on this Module Guide only.	
Recommended Additional Reading Digital and Web Resources	 You will be referred to additional reading in your Module Guide. Access to the Internet will be a requirement for this module. This module has additional digital resources available – log on to the Student Portal, and follow the links to <i>Supplementary</i> <i>Digital Material</i> Other Web Resources and Web links you could access are provided throughout this module guide. Students should however be keeping up to date with business news through websites such as: Bloomberg. 2013. [Online] Available at: <u>http://www.bloomberg.com/</u> [Accessed 11 December 2013].; Business Day. <i>s.a.</i> [Online] Available at: <u>http://www.bdlive.co.za/</u> [Accessed 11 December 2013].; Fin24. 2013. [Online] Available at: <u>http://www.fin24.com/</u> [Accessed 11 December 2013].; Moneyweb. 2013. [Online] Available at: <u>http://www.moneyweb.co.za</u> [Accessed 11 December 2013].; 	

Module Purpose

The purpose of this module is to provide students with a broad introduction to the field of business management and the business environment. Students will develop an understanding of the basic management activities involved in the establishment and on-going management of a business.

Modul	Module Outcomes		
MO1	Demonstrate knowledge and understanding of the concepts, principles		
	and practices of management in the business world.		
MO2	Apply knowledge of management activities in a business context.		
MO3	Evaluate the impact that different business environments have on the		
	business and managerial roles.		
MO4	4 Explain the role that corporate social responsibility plays in an		
	organisation.		

Module Pacer		
Code BMNG5111	Hour Sessions 38	Credits 12
Learning Unit 1	Theme: The Business World and	Notes on this LU
	Business Management	
Sessions: 1–4	Objectives:	
Related Outcomes:	 Explain, in your own words, 	
• MO1	the role which business	
	organisations play in making	
	available products and	
	services for society;	
	• Describe the needs of society	
	and its limited resources;	
	• Distinguish between the main	
	economic systems in the world;	
	 Distinguish between the 	
	different need-satisfying	
	institutions of the market	
	economy and their	
	contributions towards	
	satisfying the needs of	
	society;	
	Describe and comment on	
	the nature of business	
	management and its	
	development as a science;	
	 Distinguish between and 	
	comment on the different	
	business management	
	functions.	
Learning Unit 2	Theme: Entrepreneurship	Notes on this LU
Sessions: 5–8	Objectives:	
Related Outcomes:	• Explain entrepreneurship in	
• MO1	your own words;	
	Explain the role of	
	entrepreneurship and small	
	businesses in the economy;	
	Discuss the state of	
	entrepreneurship in South	
	Africa;	
	Distinguish between the different entrepreneurial traite	
	different entrepreneurial traits	
	and characteristics;	

Theme: Entrepreneurship	Notes on this LU
(CONTINUED)	
 Objectives: Comment on the skills, resources and industry experience required to 	
 become an entrepreneur; Distinguish between and comment on the different elements of the entrepreneurial process; 	
 Distinguish between and comment on the different ways in which to enter the business world; Explain what a feasibility 	
study is and its value to the	
-	Notes on this LU
•	
 Understand and explain the key aspects to be considered when choosing the form of ownership of a new business; Distinguish between the main forms of enterprises found in South Africa; Explain the objectives and importance of, and need for a business plan; Describe and comment on the aspects to be included in a business plan; Identify and discuss the location factors of a business. 	
Theme: The Business	Notes on this LU
 Explain, in your own words, the meaning of environmental change; Explain the composition and characteristics of the business environmental 	
	 (CONTINUED) Objectives: Comment on the skills, resources and industry experience required to become an entrepreneur; Distinguish between and comment on the different elements of the entrepreneurial process; Distinguish between and comment on the different ways in which to enter the business world; Explain what a feasibility study is and its value to the entrepreneur. Theme: Establishing a Business Objectives: Understand and explain the key aspects to be considered when choosing the form of ownership of a new business; Distinguish between the main forms of enterprises found in South Africa; Explain the objectives and importance of, and need for a business plan; Describe and comment on the aspects to be included in a business plan; Identify and discuss the location factors of a business. Theme: The Business Environment Objectives: Explain, in your own words, the meaning of environmental change; Explain the composition and characteristics of the

Learning Unit 4	Theme: The Business	Notes on this LU
Ū	Environment (CONTINUED)	
Sessions: 13–16 Related Outcomes: • MO3	 Objectives: Distinguish between and discuss the sub-environments of the environmental model; Describe and comment on how each of the environmental variables in the micro, market and macro-environments influence an industry or business organisation; Distinguish between and comment on the differences between opportunities, threats, strengths and weaknesses; Discuss how and why 	
	environmental scanning is	
Leerning Unit E	conducted.	Notos on this 111
Learning Unit 5	Theme: Corporate Social Responsibility	Notes on this LU
Sessions: 17–19	Objectives:	
Related Outcomes: • MO4	 Explain "corporate social responsibility" (CSR) in your own words; Explain the rationale for implementing CSR programmes in business organisations; Explain corporate governance; Distinguish between the stakeholders of a business organisation (company); Provide reasons why it is important for a business organisation to engage with its stakeholders and how to engage with stakeholders; Describe the concept "sustainable development" in your own words; Explain the contribution of CSR to sustainable development. 	

Learning Unit 6	Theme: Introduction to General	Notes on this LU
	Management	
Sessions: 20–23	Objectives:	
 Related Outcomes: MO1 	 Explain the role of management in business; Describe the four fundamental management functions; Explain the management process; Discuss the different levels and functional areas of management; Describe the skills needed at different levels of management; Discuss the various roles of managers; Explain the development of management theory and the 	
	various schools of thought in	
	management.	
Learning Unit 7	Theme: Planning	Notes on this LU
Sessions: 24–27 Related Outcomes:	Objectives:Explain, in your own words,	
• MO2	 the nature of planning as a management task; Describe the importance of planning as the first step in the management process; Distinguish between the elements in the planning process; Evaluate whether goals are meaningful; Describe and comment on goals, distinguish between the different organisational goals, and discuss the hierarchy of goals; Differentiate between strategic, functional and 	
	 operational planning; Differentiate and comment on the different strategies that could be implemented to accomplish different goals. 	

Learning Unit 8	Theme: Organising	Notes on this LU
Sessions: 28–31	Objectives:	
Related Outcomes: • MO2	 Describe and comment on the importance of organising as a management task; Discuss the fundamentals of organising; Explain and comment on "informal organisation"; Distinguish between and comment on the factors that influence organising. 	
Learning Unit 9	Theme: Leading	Notes on this LU
Sessions: 32–35 Related Outcomes: • MO2	 Objectives: Describe "leadership" in your own words; Distinguish between leadership and management; Distinguish between the different components of leadership; Describe and comment on the major leadership theories; Identify and discuss contemporary leadership issues and emerging approaches to leadership; Explain why it is important for managers to understand the motivations for employee behaviour; Differentiate between and comment on groups and teams in the organisation; Describe a simple communication model, in your own words. 	

Learning Unit 10	Theme: Controlling	Notes on this LU
Sessions: 36–38	Objectives:	
Related Outcomes: • MO2	 Explain "management control" in your own words; Provide an overview of the purpose of control; Distinguish between the elements of the control process and how the control process functions; Distinguish between the different types of control; Distinguish between and comment on the characteristics of an effective control system. 	

Assessments

Integrated Curriculum Engagement (ICE)		
Minimum number of ICE activities to complete	4	
Weighting towards the final module mark	10%	

Assignments/ Projects	Assignment
Weighting	25%
Duration	10 hours
Submit after	LU5
Learning Units covered	LU1–5
Resources required	The prescribed textbook and at least four other relevant textbooks, e-books or articles. You will require library and web access.

Tests/ Examination	Test	Examination
Weighting	30%	35%
Duration	1 hour	2 hours
Total marks	60	120
Open/ closed book	Closed book	Closed book
Resources required	N/A	N/A
Learning Units covered	LU1–5	LU1–10

Assessment Preparation Guidelines		
	Format of the Assessment	Preparation Hints
	(The Focus/ Approach/	(How to Prepare, Resources to
	Objectives)	Use, etc.)
Assignment	This assignment will challenge you to do some independent reading and research on the material covered. This assignment has been designed with two question styles in mind, the first being an essay to offer critical debate and source integration. The second question is a practical-based question to ensure that you apply your theoretical	You will need to start preparation well in advance. Consult the recommended additional readings in the relevant learning units.
	knowledge to a case study.	

Assessment P	Assessment Preparation Guidelines		
	Format of the Assessment (The Focus/ Approach/ Objectives)	Preparation Hints (How to Prepare, Resources to Use, etc.)	
Test	Questions will be theory-based, and will consist of a variety of formats. There <u>may</u> be limited multiple choice and/ or match- the-column questions, but the majority of questions will consist of short questions and longer paragraph questions. Practical examples may be requested and a case study may be included.	 To prepare effectively for this test you can include the following in your preparation: Ensure that you work through all the revision questions and activities in the LUs tested; Check if you are confident that you could answer questions relating to all of the learning objectives for the LUs tested. 	
Examination	Questions will be theory-based, and will consist of a variety of formats. There <u>may</u> be limited multiple choice and/ or match- the-column questions, but the majority of questions will consist of short questions and longer paragraph questions. Practical examples may be requested and a case study may be included.	 To prepare effectively for this examination you can include the following in your preparation: Ensure that you work through all the revision questions and activities in the LUs tested; Check if you are confident that you could answer questions relating to all of the learning objectives for the LUs tested. 	

Glossary of Key Terms for this Module

Term	Definition	My Notes
Achievement	One of the traits of an entrepreneur	
motivation	which refers to a person's higher-than-	
	average need to achieve (Erasmus et al,	
	2013).	
Authority	This is the right to command or give	
	orders (Erasmus <i>et al</i> , 2013).	
Budgetary control	A formal plan expressed in financial	
	terms that indicates how resources are to	
	be allocated to different activities	
	(Erasmus <i>et al</i> , 2013).	
Business	Described as "all the factors or variables,	
environment	both inside as well as outside the	
	business organisation, which may	
	influence the continued and successful	
	existence of the business organisation"	
	(Erasmus <i>et al</i> , 2013).	
Business ethics	A subset of ethics that focuses on	
	deciding between right and wrong at the	
	workplace and in business generally	
	(Erasmus <i>et al</i> , 2013).	
Business plan	A written document that spells out where	
	the business is heading and explains in	
	detail how it is going to reach that	
	destination. (Nieman & Nieuwenhuizen,	
	2009, p.103).	
Business trust	An increasingly popular but complex form	
	of enterprise managed by trustees for the	
	benefit of beneficiaries. It has unique	
	characteristics that distinguish it from	
	other forms of enterprise. (Erasmus et al,	
	2013).	
Business world	"a complex system of individuals and	
	business organisations, that in a market	
	economy, involves the activity of	
	transforming resources into products and	
	services in order to meet peoples' needs"	
	(Erasmus, <i>et al</i> , 2013).	
Capital (Limited	"buildings, machinery, cash registers,	
resource of	computers and other products produced,	
society/ factor of	not for final consumption, but for making	
production	possible the further production of final	
	consumer products" (Erasmus et al,	
	2013).	

Term	Definition	My Notes
Command	Type of economic system where the	
economy	state owns and controls the community's	
(Communism)	resources or factors of production.	
	Individuals own no land, factories or	
	equipment (Erasmus <i>et al</i> , 2013).	
Competition	Businesses compete with each other for	
	a share of the market, labour, capital and	
	materials. In the market environment,	
	competition is the situation where	
	businesses offering more or less the	
	same product or service compete for the	
	patronage of the same customers	
	(Erasmus <i>et al</i> , 2013).	
Co-operative	An uncommon form of business used	
societies	when certain economic advantages can	
	be obtained through joint action by	
	members. In South Africa they are mainly	
	found in agriculture where farmers	
	benefit financially from buying and selling	
	through being part of a co-operative	
	society (Erasmus <i>et al</i> , 2013).	
Corporate	Recognises corporations as legal	
citizenship	persons with certain rights and	
	responsibilities in the same way that	
	individual citizens have rights and	
	responsibilities as members of a	
	community. As a legal entity, a	
	corporation has certain rights and is	
	bound by responsibilities (Erasmus et al,	
	2013).	
Corporate	Entrepreneurship that takes place within	
entrepreneurship	an existing business.	
also known as	-	
Intrapreneurship)		
Corporate social	A company's commitment to invest pre-	
investment (CSI)	tax profits in community-based projects.	
· · · ·	CSI does not refer to a company's	
	contribution to society through its core	
	business activities or local business	
	development (Erasmus, et al, 2013).	

Term	Definition	My Notes
Corrective action	Required in situations where actual	
	achievements do not match the required	
	standards (Erasmus et al, 2013).	
Creativity	The creation of something new, such as	
	a new business, by developing a new	
	product or service. Basically creativity	
	involves new ideas but includes	
	innovation which is the application of	
	these new ideas (Erasmus et al, 2013).	
Delegation	Assigning responsibility and authority for	
	achieving organisational goals (Erasmus	
	<i>et al</i> , 2013).	
Departmentalisati	Process of grouping activities into	
on	departments (Erasmus <i>et al</i> , 2013).	
Economic	In inventory management, it is the most	
ordering quantity	efficient quantity to order when	
	considering both inventory carrying costs	
	and inventory ordering costs (Erasmus et	
	<i>al</i> , 2013).	
Economic	Society must choose how it will use its	
principle	scarce resources to maximum effect in	
	order to satisfy its needs (Erasmus et al,	
	2013).	
Entrepreneurial	The process of identifying, creating or	
process	sensing an opportunity where others do	
	not see it and finding and combining	
	resources to pursue the opportunity until	
	it becomes a successful business	
	(Erasmus <i>et al</i> , 2013).	
Entrepreneurship	"The act of initiating, creating, building,	
	expanding and sustaining a venture,	
	building an entrepreneurial team, and	
	gathering the necessary resources to	
	exploit an opportunity in the marketplace	
	for long-term wealth and capital gain"	
	(Van Aardt <i>et al,</i> 2011, p.4).	
Entrepreneurship	The process by which individuals pursue	
	opportunities without regard to resources	
	they currently control (Erasmus, et al,	
	2013).	

Term	Definition	My Notes
Environmental	The process of measurement, projection	
scanning	and evaluation of environmental change	
	(Erasmus <i>et al</i> , 2013).	
Feasibility	The expectation that an idea or	
	opportunity will survive and become a	
	successful business venture (Erasmus et	
	<i>al</i> , 2013).	
Franchise	A business concept that is bought from a	
	franchisor that gives the franchisee (the	
	person who purchases the concept) the	
	right to operate a business, using the	
	franchise company's name, products and	
	systems (Erasmus <i>et al</i> , 2013).	
Free market	An economic system that is based on the	
	demand for goods and services that are	
	produced by private organisations	
	seeking profit. The state, therefore, has	
	minimum interference in the market	
	(Erasmus <i>et al</i> , 2013).	
Functional	An organisational structure that is	
organisational	designed based on activities belonging to	
structure	each management function being	
	grouped together (Erasmus et al, 2013).	
Groups	Two or more individuals who regularly	
	interact with one another and who work	
	for a common purpose (Erasmus et al,	
	2013).	
Human	The physical and mental talents and	
resources	skills of people employed to create	
	products and services (Erasmus et al,	
	2013).	
Informal groups	Groups that form due to the common	
	interests or to satisfy the social needs of	
	their members (Erasmus et al, 2013).	
Informal	Interpersonal relations in a business that	
organisation	are not defined by the formal	
	organisational structure – achieved	
	through informal communication (the	
	grapevine) (Erasmus <i>et al</i> , 2013).	
Innovation	The act of introducing something new or	
	approaching an old concept in a new way	
	(Erasmus <i>et al</i> , 2013).	

Term	Definition	My Notes
Intermediaries	Organisations that play a role in bridging the gap between the manufacturer and consumer (Erasmus <i>et al</i> , 2013).	
Inventory	Raw materials, work-in-process, components and finished stock held by the company (Erasmus <i>et al</i> , 2013).	
Joint ventures	A joint venture is a generic term designating some sort of co-operation between persons or businesses (Erasmus <i>et al</i> , 2013).	
Just-in-time	A production system which eliminates the need to hold inventory as suppliers deliver materials only as they are needed (Erasmus <i>et al</i> , 2013).	
Legal/ juristic personality	A juristic/ legal person exists independently of its owners and has its own rights, assets and obligations. It provides a business with continuity and is linked to limited liability (Erasmus <i>et al</i> , 2013).	
Line authority	Authority delegated down through the line of command (Erasmus <i>et al</i> , 2013).	
Location departmentalisati on	Organising of a business according to the various locations that it services (Erasmus <i>et al</i> , 2013).	
Macro- environment	The macro-environment is external to both the organisation and market environment. It is made up of six components: the technological, economic, social, physical, institutional- governmental and international environments (Erasmus <i>et al</i> , 2013).	
Market economy	A system in which individuals themselves decide what to produce, how to produce it and at what price to sell their products (Erasmus <i>et al</i> , 2013).	
Market environment	This is encountered directly outside the business. The variables in the market environment determine the nature and strength of competition in the industry (Erasmus <i>et al</i> , 2013).	

Term	Definition	My Notes
Matrix	The matrix structure incorporates the	
organisational	advantages of the other organisational	
structure	structures. Project managers and	
	functional managers both have authority	
	over the same subordinates (Erasmus et	
	<i>al</i> , 2013).	
Micro-	Factors that are within the control (at	
environment	least to some degree) of organisational	
	members. It contains the vision, business	
	functions and resources of the	
	organisation (Erasmus <i>et al</i> , 2013).	
Motivation	An inner desire to satisfy an unsatisfied	
	need (Erasmus <i>et al</i> , 2013).	
Natural	The production factor of land, including	
resources	agricultural land, industrial sites,	
	residential stands, mineral and metals,	
	forests, water and all such resources that	
	humankind accesses in nature (Erasmus	
	<i>et al</i> , 2013).	
Operational goals	Short-term goals concerning matters	
	such as a special for a particular month	
	or short-term additional staff	
	requirements (Erasmus <i>et al</i> , 2013).	
Operational	Organisational planning which covers the	
planning	immediate future. It extends up to about	
	one year from the present time.	
	Operational planning is done by lower	
	management to achieve operational	
	objectives (Erasmus <i>et al</i> , 2013).	
Opportunity	A favourable condition or trend in the	
	market environment that can be exploited	
	by a deliberate management effort	
	(Erasmus <i>et al</i> , 2013).	
Organisational	The beliefs and values shared by people	
culture	in a business. The "personality" of the	
	business (Erasmus <i>et al</i> , 2013).	
Organisational	A particular future state of affairs to be	
goals	achieved by a business (Erasmus et al,	
	2013).	
Organisational	Organisational structure determines how	
structure	tasks are divided and resources	
	deployed (Erasmus <i>et al</i> , 2013).	

Term	Definition	My Notes
Outsourcing	Outsourcing occurs when a business organisation appoints people other than its full-time employees to complete work that needs to be done. It usually takes place when a business organisation identifies activities that can be completed by other organisations or individuals that	
	are particularly skilled at and experienced in completing those activities (Erasmus <i>et al</i> , 2013).	
Partnership	A partnership is a type of business entity in which partners share profits or losses of the business undertaking in which they have invested. A partnership does not have a legal personality and partners are jointly and severally liable (Erasmus <i>et al</i> , 2013).	
Personal disposable income	The amount an individual has left over for personal expenditure on goods and services after payment of personal direct taxes and credit repayments (Erasmus <i>et al</i> , 2013).	
Planning	The process in which objectives or goals are set, and policies, strategies and procedures to meet these are formulated (Erasmus <i>et al</i> , 2013).	
Power	A manager's ability to influence his or her employee's behaviour (Erasmus <i>et al</i> , 2013).	
Private company	A private company is a company which may not have more than 50 shareholders. The right to transfer shares is restricted (Erasmus <i>et al</i> , 2013).	
Product departmentalisa- tion	Assembles the activities of creating, producing, and marketing each product into one department (Erasmus <i>et al</i> , 2013).	
Profit	Can be considered to be the reward for meeting the needs of people and it enables those people who have earned the profit to live off it (Erasmus <i>et al</i> , 2013).	

Term	Definition	My Notes
Public company	A company whose shares (ownership) can be bought and sold by the public. It is subject to more legal requirements than a private company (Erasmus <i>et al</i> , 2013).	
Quality control	The process of ensuring that products and services meet the defined requirements in order to satisfy customers' expectations (Erasmus <i>et al</i> , 2013).	
Resources	Required to produce goods and services to satisfy society's unlimited needs. These resources are, however, very limited and consist of natural resources, human resources, capital resources and entrepreneurship (Erasmus <i>et al</i> , 2013).	
Responsibility	The duty to perform the task or activity as assigned (Erasmus <i>et al</i> , 2013).	
Sole proprietorship	A business owned and managed by one person, who is personally liable for all business debts and obligations. For tax purposes, the owner and his or her business are one entity, meaning that business profits are reported and taxed on the owner's personal tax return (Erasmus <i>et al</i> , 2013).	
Staff authority	An indirect and supplemental authority, usually based on special knowledge in a particular field (Erasmus <i>et al</i> , 2013).	
Stakeholder engagement	The process whereby companies interact with stakeholders so as to understand and respond to society's expectations, to help build better relationships with all parties and to help align business practices with societal needs and expectations (Erasmus <i>et al</i> , 2013).	
Stakeholders	"Persons or groups who are directly or indirectly affected by a project, as well as those who may have interests in a project and/ or the ability to influence its outcome, either positively or negatively" (International Financing Corporation, 2007, p.10).	

Term	Definition	My Notes
Stakeholders	Individuals or groups who are affected by or can affect the business activities of a company. Primary stakeholders are vital	
	for the success of the company, while secondary stakeholders have a less direct impact (Erasmus <i>et al</i> , 2013).	
Standards	A planned target against which actual performance is compared. They are set at strategic points and form part of the control process in management (Erasmus <i>et al</i> , 2013).	
Strategic planning	The creation of long-term plans to achieve the strategic goals derived from the vision and mission statements. These plans create synergy within the whole organisation (Erasmus <i>et al</i> , 2013).	
Suppliers	Individuals who, or organisations that, provide a business with inputs such as raw materials, equipment, capital and labour. These inputs are needed to produce the products and services which the business offers (Erasmus <i>et al</i> , 2013).	
Sustainable development	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Erasmus <i>et al</i> , 2013).	
Threat	An unfavourable condition or trend in the market environment that can, in the absence of a deliberate effort by management, lead to the failure of the business and its products or services (Erasmus <i>et al</i> , 2013).	
Timeliness	A characteristic of an effective control system, timeliness means that control data is supplied regularly as needed (Erasmus <i>et al</i> , 2013).	
Transactional leadership	A leadership style where the leaders motivate their followers by appealing to their self-interest (Erasmus <i>et al</i> , 2013).	

Term	Definition	My Notes
Transformation	The process whereby resources are	
	transformed into goods and services that	
	satisfy society's needs. Also known as	
	the production process (Erasmus et al,	
	2013).	
Transformational	Process in which "leaders and followers	
leadership	raise one another to higher levels of	
	morality and motivation" (Erasmus et al,	
	2013).	
Triple bottom line	The economic value that corporations	
	add as well as the environmental and	
	social value they add or destroy	
	(Erasmus <i>et al</i> , 2013).	
Work team	Team made up of a small number of	
	employees with complementary	
	competencies who work together on a	
	project, are committed to a common	
	purpose, and are accountable for	
	performing tasks that contribute to	
	achieving an organisation's goals	
	(Erasmus <i>et al</i> , 2013).	

Le	Learning Unit 1: The Business World and Business				
Management					
Material used for this Learning Unit:		sed for this Learning Unit:	My Notes on this		
•	Prese	escribed text pp.3–37. Learning Unit:			
How to prepare for this Learning Unit:					
•	 Before the first class, be sure that you read Chapter 1 of your prescribed textbook. 				
•	Make notes of any areas where you require further explanation.				
As you read Chapter 1, consider the following questions:					
	0	What purpose do businesses serve in society?			
	0	Do businesses only exist to make a profit?			
	0	Which economic system is South Africa			
		following?			
	0	Which of your needs are satisfied by government, non-profit-seeking organisations and businesses?			

1 Key Concepts Covered in this Learning Unit

1.1 Role of Business in Society

The basic objective of business is to develop, produce and supply products and services to the society within which it operates. This has to be done in such a way as to allow businesses to make a profit, which can be used to obtain and pay for additional resources to continually develop, produce and supply products and services and to make a living. In the market economy, businesses are grouped together into industries. However, businesses are also required to act responsibly towards the people and the society it serves as well as to accept stewardship for the natural resources it relies on. This is referred to as social or corporate social responsibility.

The role of business in society thus consists of three main areas:

 Activities involved in the transformation of resources into products and services in order to meet people's needs which emphasises four elements, namely: Study Figure 1.1 on p.5. Provide a graphic illustration of the type of resources which a construction company will use and what products and services will be delivered to satisfy the need for shelter of a community.

- Human activities;
- Production;
- Exchange;
- o **Profit**;
- The market economy, 10 industries in which businesses are grouped together and the difference between the formal and informal sector;
- Accepting responsibility for the society it serves; namely, social responsibility, affirmative action, business ethics, consumerism and environmental damage.

Read section 1.2 "The role of business in society" on pp.5–12 of your textbook. Underline the main ideas related to the three main areas of the role of business in society as indicated above. Then paraphrase the three areas and elements, industries or factors within each area.

1.2 Needs and Need Satisfaction

"A need may have a physical, psychological or social origin, but no matter what form it takes, it requires satisfaction" (Erasmus *et al,* 2013, p.12).

1.2.1 Multiplicity of Human Needs

Human needs are multiple and unlimited and vary according to the nature of society. Highly developed Western societies will have different needs to developing societies in Africa. Human needs that businesses aim to satisfy have been classified by Abraham Maslow in the following categories:

- Physiological needs;
- Security needs;
- Social needs;
- Esteem needs;
- Self-realisation (or actualisation) needs.

Read section 1.3.1 "The multiplicity of human needs" on pp.12–14 of your textbook. Underline the main ideas related to different human needs as identified by Abraham Maslow. Then paraphrase the needs and discuss how they can be satisfied by the products and services developed and produced by businesses.

Note: Paraphrasing requires you to rewrite what you have read in other/ your own words.

Ensure that you understand and can provide examples of Maslow's different needs.

1.2.2 Limited Resources

We have already mentioned that the objective of business is to satisfy the needs of society. The resources available to satisfy the needs of society are, however, limited. The resources can be grouped into four categories:

- Natural resources (also known as the production factor of land);
- Human resources (also known as the production factor of labour);
- Capital;
- Entrepreneurship.

Read section 1.3.2 "Society's limited resources" on pp.14–16 of your textbook. Underline and paraphrase the main ideas related to the four categories of limited resources.

1.2.3 Need Satisfaction Cycle

To be able to satisfy the needs of the community, entrepreneurs have to utilise scarce resources in certain combinations in order to produce products and services. The community decides which institutions should be responsible for the production and distribution of products and services, as well as the role that each institution has to play and the <u>economic system</u> in which these need-satisfying institutions are established.

Three main role-players can thus be identified in the need-satisfaction cycle:

- The community;
- The entrepreneur;
- The economic system.

The process involved in producing products and services that will satisfy the needs of the community is illustrated and explained in the need-satisfaction cycle reflected in Figure 1.6 on p.18 of your textbook.

Read section 1.3.3 "Need satisfaction: A Cycle" on pp.16–18 of your textbook. Study this section and pay attention to some of the examples discussed.

The limited resources of society are also known as the factors of production.

If you can identify the different resources for different businesses complete Izimvo Exchange Activity 1.

Study Figure 1.6 on p.18. Do you see that if the needs of the community are not met, the community will change the system in some way?

Can you explain the economic principle?

1.3 Main Economic Systems

In the discussion on the need-satisfaction cycle, the economic system is identified as one of the role-players in the cycle. The need-satisfying institutions are established within the economic system and each country is confronted with the fundamental economic problem of which economic system to choose to solve the problem of what products should be produced.

There are three main economic systems that exist (although none is ever found in a pure form) and there is often an interaction between political ideologies and economic systems, with the latter usually being influenced by politics. The main economic systems that exist, and which are briefly discussed, are:

- Market economy also known as the free-market economy or system;
- Command economy;
- Socialism.

As no economic system ever exists in a pure form, they occur as mixed economies incorporating elements of different systems. Figure 1.8 on p.23 of your textbook illustrates where different countries fall on the spectrum from command economy to market economy. In every economic system, the state intervenes in some way and there are divergent views on what a state's role should be.

Study 1.4 "The main economic systems" and Sub-Paragraphs 1.4.1–1.4.6 on pp.18–24 of your textbook. Underline the main ideas related to the three market systems (market economy, command economy and socialism), the mixed economic system and the state and economic systems. Then paraphrase the discussions identifying the differences between the three main market systems.

Read section 1.4.7 "Final comments on different economic systems" from pp.24–26 of your textbook and the summary of the main market systems in Table 1.2 on p.25 of your textbook. Add the main differences that you have identified above to this table.

Can you explain the difference between the economic systems?

Once you have a good understanding of the different economic systems, complete the recommended digital engagement activity

1.4 Need-Satisfying Institutions of the Market Economy

In Figure 1.6 referred to earlier, it is indicated that the economic system is chosen to achieve the highest possible satisfaction of needs using scarce resources. This is obtained by means of need-satisfying organisations/ institutions that produce products or services aimed at satisfying the needs of the community. These organisations deliver different types of products and services that are all necessary for the growth and economic well-being of the community they serve. The different types of need-satisfying institutions are:

- Business organisations;
- Government organisations;
- Non-profit-seeking organisations.

Read section 1.5 "The need-satisfying institutions of the market economy" (including 1.5.1 "Business organisations", 1.5.2 "Government organisations" and 1.5.3 "Non-profit-seeking organisations") on pp.27–31 of your textbook. Underline the main ideas related to the different need-satisfying institutions. Then distinguish between the three need-satisfying institutions by briefly referring to the type of products or services that they deliver.

1.5 Nature, Purpose and Task of Business Management and its Development as a Science

Economics and business management are seen as related sciences. Economics is "...a social science that studies how humans choose different ways of using their scarce resources to produce products and services" (Erasmus *et al*, 2013, p.31). Business management is "...an applied science that is concerned with the study of those institutions in a particular economic system that satisfy the needs of a community. In a mixed-market economy, as is found in South Africa, private business organisations are the main area of study" (Erasmus *et al*, 2013, p.31).

Think about the purchases you make. Which needs are satisfied by the different types of institutions? Other disciplines related to the study of business management include:

- Anthropology;
- Economics;
- Engineering;
- Law (especially mercantile law);
- Computer science;
- Accounting;
- Psychology;
- Sociology;
- Mathematics and statistics.

Read section 1.6 "The nature of business management" on pp.31–35 of your textbook. Summarise this section. Then paraphrase the description of economics and that of business management and highlight the scientific relationship between them, and the purpose, task and study of business management. Also differentiate between the characteristics of science and how business management measures up against these. Develop a table listing the characteristics and in the second column indicate whether or not the field of business management reveals each of these characteristics described in your textbook.

1.6 Classifying the Study Material of Business Management

The various activities that management undertakes to ensure the optimal functioning of a business organisation require some degree of specialisation. This specialisation can also be seen as management areas or business functions and the field of business management is divided into seven business functions, namely:

- General management;
- Marketing management;
- Financial management;
- Production and operations management;
- Purchasing management;
- Human resources management;
- Public-relations management.

Read section 1.7 "Classifying the study material of business management" on pp.36–37 of your textbook. Summarise this section, ensuring that you identify the various activities that management must undertake and the seven business functions.

Can you answer the question: Is business management an independent science?

2 Recommended Additional Reading

Bradley, J and Donway, R. 2010. Capitalism, Socialism, and "the middle way" a taxonomy. *Independent Review*, 15(1) Summer 2010. , pp.71–87.

Fulcher, J. 2004. *Capitalism: A very short introduction*. Oxford: Oxford University Press.

Li, M. 2013. The 21st century: Is there an alternative (to socialism)? *Science & Society*, 77(1), September 2011. pp.10–43.

Nieman, G and Bennett, A. 2006. *Business management: A value chain approach*. 2nd edition. Pretoria: Van Schaik.

Zhao, S. 2010. The China model: Can it replace the Western model of modernization? *Journal of Contemporary China*, 19(65), pp. 419-436.

3 Recommended Digital Engagement and Activities

Different people have different viewpoints on capitalism, socialism and the command economy. Find a short movie on YouTube which supports one system over another. Share the link and reference to your movie online with fellow students and your lecturer.

YouTube. 2013. [Online]. Available at: <u>http://www.youtube.com/</u> [Accessed 12 December 2013].

4 Interactive Work Space

4.1 Izimvo Exchange 1

Consider the qualification you are studying. You need to decide which resources were used in compiling the qualification package and classify these according to the following four (4) resource categories:

- Natural resources;
- Human resources;
- Capital;
- Entrepreneurship.

Also answer and debate the following questions:

- What types of needs in the community are satisfied by providing the qualification?
- What type of production/ transformation processes are involved in presenting the qualification?
- Is the qualification a product or a service?

4.2 Izimvo Exchange 2

Read the case study on p.4 of the textbook and then answer the first question for discussion on p.38. Prepare your answer as a debate, looking at both sides of the topic.

4.3 Activity

Purpose:

To develop a deeper understanding of needs, limited resources and the impact of the economic system.

Task:

- Select any product of your choice;
- Identify which needs it satisfies, according to Maslow;
- Discuss the limited resources of society/ factors of production that the company uses to manufacture the product;
- Evaluate whether, if the country moved towards a command economy, there would be any impact on the company.

Commentary Related to Activity Design:

This activity is designed to prepare you for providing and analysing real examples.

4.4 Revision Exercise

- 1. List and briefly discuss the four elements of the description of a business
- 2. List the 10 industries into which businesses are grouped in South Africa.
- 3. List the needs in Maslow's hierarchy of needs.
- 4. Identify and briefly describe the limited resource categories.

Consult your textbook on pp.38–39 for additional activities.

- 5. Compare the main economic systems using the following aspects:
 - 5.1 Main characteristics;
 - 5.2 Driving force;
 - 5.3 Advantages;
 - 5.4 Disadvantages.
- 6. Briefly discuss the purpose and task of business management.
- 7. In your own words, describe "business management" as a field of study.
- 8. List the seven business functions.

Learning Unit 2: Entrepreneurship				
Material used for this Learning Unit:		My Notes on this		
•	Prescribed text pp.41–67.	Learning Unit:		
How	to prepare for this Learning Unit:			
•	Read Chapter 2 of your prescribed textbook.			
•	Make notes of any areas where you require further			
	explanation.			
•	As you read Chapter 2, consider the following			
	questions:			
	 What is entrepreneurship? 			
	 Why is entrepreneurship important? 			
	 Do you have what it takes to become an 			
	entrepreneur?			

1 Key Concepts Covered in this Learning Unit

1.1 Different Concepts of What an Entrepreneur is

Different scientists tend to provide different definitions or views of whom and what an entrepreneur is. In the field of management there are also different descriptions and entrepreneurs have been described as people who:

- Are creative and have innovative ideas;
- Identify opportunities;
- Find resources to pursue these opportunities for personal gain;
- Take financial risks;
- Bring about change, growth and wealth in the economy;
- Re-energise economies and create jobs;
- Start, manage and grow small businesses.

Erasmus *et al* (2013, p.42) define entrepreneurship as "the process of creating and building something of value from practically nothing in the midst of uncertainty and risk, and having the determination to succeed against all odds."

Van Aardt *et al* (2011, p.4) define entrepreneurship as "the act of initiating, creating, building, expanding and sustaining a venture, building an entrepreneurial team, and gathering the necessary resources to exploit an opportunity in the marketplace for long-term wealth and capital gain." Can you write your own definition of entrepreneurship?

1.2 Renaissance of Entrepreneurship

Entrepreneurs throughout the world have an impact by means of:

- The establishment of new business and the growth of existing businesses;
- Generating jobs traditional job creators, large organisations, have been replaced by small businesses as the main providers of jobs;
- Supporting efforts to address problems of unemployment.

1.3 Entrepreneurship in South Africa

South Africa needs a consistent GDP growth rate of 6% and higher to ensure economic stability and growth, and entrepreneurs are seen as making a positive contribution to obtaining this. Unfortunately, the level of entrepreneurial activity in South Africa is not high.

Read section 2.2 "Different concepts of what an entrepreneur is", 2.3 "The renaissance of entrepreneurship" and 2.4 "Entrepreneurship in South Africa" on pp.42–47 of your textbook. Underline the main ideas related to the concepts of renaissance of entrepreneurship and entrepreneurship in South Africa. Then paraphrase the main concepts of entrepreneurship and the definition of entrepreneurship.

1.4 The Role of Entrepreneurs and Small-Business Owners in Society

Entrepreneurship is identified in Chapter 1 as one of the production factors/ resources needed to develop and produce products and services that address the needs of the community. Entrepreneurial spirit can be seen as the spark that brings the other production factors (natural and human resources, and capital) into motion, which will usually lead to the growth of the business organisation. The entrepreneur brings in creativity and skills that are unique.

Small-business owners, on the other hand, are satisfied with some autonomy and earning a reasonable income for themselves and their employees, and seldom have the intention to grow the business into a large corporation. Entrepreneurship is vital to a growing economy.

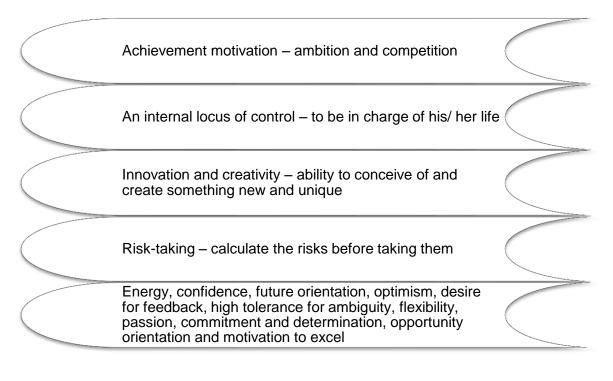
Why do you think the level of entrepreneurship in South Africa is not high? Consult the additional readings to obtain more information. Small business owners are not all entrepreneurs, as entrepreneurs strive towards growth and usually leave the business organisation once it becomes large and appoints effective managers to manage the business.

1.5 Why do Entrepreneurs do what they Do?

This section deals with why entrepreneurs do what they do and discusses entrepreneurial traits and characteristics, the skills and industry experience that entrepreneurs need and the opportunities that arise from outsourcing.

1.5.1 Entrepreneurs' Traits and Characteristics

Diagram 2.1 summarises the entrepreneurial traits and characteristics



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Table 2.1Entrepreneurial traits and characteristics<br/>(Developed from: Erasmus et al, 2013, pp.49–<br/>51)
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Think about the entrepreneurs mentioned in the textbook. Which traits do they exhibit?

1.5.2 Entrepreneurs' Skills and Industry Experience

Two types of entrepreneurs exist:

- <u>Necessity entrepreneurs</u> are people who become entrepreneurs due to job termination or job dissatisfaction, thus out of necessity to earn a living. Often these people do not have access to the resources or skills necessary to be successful entrepreneurs.
- <u>Opportunity entrepreneurs</u>, however, are people who choose to enter the field because they see an opportunity which can be exploited. These entrepreneurs are usually more successful than necessity entrepreneurs. More successful entrepreneurs usually have experience, training and education in a specific field.

1.5.3 Opportunities Owing to Outsourcing

Outsourcing occurs when a business organisation appoints people other than its full-time employees to complete work that needs to be done. It usually takes place when a business organisation identifies activities that can be completed by other organisations or individuals that are particularly skilled at and experienced in completing those activities.

Outsourcing is part of the strategic plan of an organisation to acquire skills that are unavailable inside of the organisation or which are not cost-efficient to handle in-house. This trend creates opportunities for entrepreneurs to provide outsourced services.

Services most often outsourced:

- Architectural design;
- Trash and waste removal;
- Housekeeping;
- Facility systems;
- Landscape maintenance;
- Property appraisals;
- Hazardous material removal;
- Major redesigns;
- Furniture and other big moves;
- Food services.

Can you think of examples of entrepreneurs and small business owners?

In South Africa, security and cleaning services are typically outsourced. Identify what services are outsourced on your campus or place of work.

1.5.4 Other Reasons for Entrepreneurship

Retrenchment, lay-offs, resignations and even government privatisations will always contribute to the growth in entrepreneurship. However, these are not the only reasons for people becoming entrepreneurs. Entrepreneurs and owners of small businesses come in every shape, size and colour and from every type of background, and the reasons why they start these ventures vary just as much.

Read section 2.5 "The role of entrepreneurs and smallbusiness owners" and 2.6 "Why do entrepreneurs do what they do" on pp.47–52 of your textbook. Underline the main ideas. Then differentiate between entrepreneurs and small-business owners and identify the main reasons why people become entrepreneurs, by identifying their traits and characteristics, their skills and industry experiences, opportunities arising from outsourcing and the other contributing factors.

1.6 The Small Business

Entrepreneurship is usually strongly associated with the establishment and ownership of new businesses. In this section, small businesses are defined and their role in the economy, explained.

1.6.1 Defining a "Small Business"

Various descriptions of what a small business entails exist. The National Small Business Amendment Act (Act 29 of 2004) has added to all these descriptions by describing micro businesses, very small and small businesses and mediumsized businesses, detailing the number of employees and turnover. Erasmus *et al* (2013, p.53) provide a comprehensive definition of a small and medium-sized enterprise (SME) and small, micro and medium-sized enterprise (SMME) as any enterprise with one or more of the following characteristics:

- Fewer than 200 employees;
- An annual turnover of less than R64 million;
- Capital assets of less than R23 million;
- Direct managerial involvement by owners.

1.6.2 Role of Small Businesses in the Economy

Entrepreneurs and small businesses are seen as a key factor in economic development due to their contribution in the areas included in Diagram 2.2.

Production of products and services	 They combine resources to produce products and services for the society in which they operate 	
Innovation	They have been responsible for most innovations world-wide	
Aiding big businesses	 They not only act as suppliers but also distribute the products and services of big businesses 	
Job creation	 They provide many of the new job opportunities needed by a growing population 	

Table 2.2Areas in which entrepreneurs play a role in the
economy. (Developed from Erasmus *et al*,
2013, pp.53–54)

Read section 2.7 "The small business" on pp.52–54 of your textbook. Underline the main ideas. Then define a small business in your own words and differentiate between the different aspects in which the entrepreneur plays a role in the economy.

1.7 The Entrepreneurial Process

Van Aardt *et al* (2011, p.4) define entrepreneurship as "the act of initiating, creating, building, expanding and sustaining a venture, building an entrepreneurial team, and gathering the necessary resources to exploit an opportunity in the marketplace for long-term wealth and capital gain."

From this definition it is clear that entrepreneurship is a process of identifying, creating or sensing opportunities and of finding and combining resources to pursue the opportunity until it becomes a successfully established business.

The entrepreneurial process is graphically illustrated in Figure 2.2 on p.55 of the textbook. According to this process, the potential entrepreneur goes through various phases of decision-making before the implementation of a business plan or launching and managing the new business. The following factors are key to each next phase/ factor:

- Having what it takes the personal characteristics, abilities and skills to be an entrepreneur;
- Having access to resources;
- Having a real opportunity that can be pursued;

Why do you think small businesses are more innovative than big businesses?

See Chapter 4 of Nieman and Niewenhuizen, listed in your recommended reading list for ideas.

Successful entrepreneurs work through this process carefully.

• Conducting a feasibility study on the opportunity;

- Developing a business plan for a feasible opportunity;
- Combining resources and a feasible opportunity together by implementing the business plan and launching and managing the business venture.

The dynamics of the entrepreneurial process are illustrated in Figure 2.3 on p.56 of your textbook.

1.7.1 Skills Required for Entrepreneurship

The following skills are required to start and manage an entrepreneurial venture:

- Strategy skills;
- Planning skills;
- Marketing skills;
- Financial skills;
- Project-management skills;
- Human relations skills.

All these skills are important and if the entrepreneur does not have each and every one, she/ he could obtain it by forming an entrepreneurial team.

1.7.2 Resources Needed to Start a Business

The entrepreneur must have adequate resources to start a business or have access to resources.

Three kinds of resources are required to start and build an entrepreneurial venture:

- Financial resources: Cash, bank overdraft, loans, outstanding debtors or investment capital;
- Human resources: People such as the management team, lawyers, accountants and technical or other consultants;
- Operating/ physical resources: Assets such as vehicles, offices, equipment, raw materials, machinery and the factory/ plant.

These resources need to be acquired and that process could involve risks that should be calculated before starting and building the venture. Be sure you know the difference between traits/ characteristics and skills required for entrepreneurship.

1.7.3 Business Opportunities

Aspiring entrepreneurs have various options when considering business opportunities. These could be starting their own new business, buying an existing business, acquiring a franchise or even becoming a corporate entrepreneur. Entrepreneurs have to be careful not to overrate their ideas and to remember that having a great idea is not the only criteria for success. The entrepreneur has to be able to transform the idea into a feasible product or service.

- <u>New Business Idea</u>: New business ideas can come from the environment that the entrepreneur finds him/ herself in. The environment could be economic; political; or one of social trends, fashions that change over time, new ways in which products are distributed, new ways of doing things, new services that can be developed, etc. Changes in the lifecycle of industries (introduction, growth, maturity and decline) could also lead to new ideas (see Figure 2.4 on p.59 of your textbook). The following have been identified as growth industries in the African and South African landscape:
 - Education;
 - Health care;
 - o **Tourism**;
 - Privatisation of government and semi-government institutions.
- <u>New Venture Opportunities</u>: A good idea is not necessarily a good opportunity – either as a new venture or as an investment – and the entrepreneur needs to identify a good new venture opportunity that will work. The following are requirements of good investment opportunities:
 - A clearly defined market need for the product or service;
 - The ability to achieve a sustainable competitive advantage;
 - A potential to grow;
 - Is rewarding to investor and/ or entrepreneur;
 - The timing of the opportunity is right.
- <u>Buying an Existing Business</u>: The advantages and disadvantages of buying an existing business are reflected in Table 2.1.

Why do you think these industries are identified as growth industries for entrepreneurs?

Entrepreneurs are often too focussed on their product and not enough on the market and competition.

On the internet, research a business that is for sale. Write down the reasons why buying it would be a good idea and possible negative factors.

Advantages	Disadvantages
Customers will be familiar	The business location may be
with the business location.	undesirable or threatened with
	becoming undesirable.
There will be an established	The image of the business will
customer base.	be difficult to change.
Experienced employees will	Employees are inherited
come with the business.	rather than chosen.
Planning can be based on	There may be difficulties in
known historical data.	changing the way the
	business is run.
Supplier relationships will	There may be liabilities for
already be in place.	past business contracts.
Inventory and equipment will	The inventory and equipment
be in place.	may be obsolete.
Financing may be available	Financing costs could drain
from the owner.	the cash flow and threaten the
	survival of the business.

Table 2.3Advantages and disadvantages of buying an
existing business (Erasmus *et al,* 2013, p.62)

• <u>Franchising</u>: The word "franchise" originates from French and refers to "privilege" or "freedom". It can be seen as giving people the opportunity and freedom to own, manage and direct their own businesses without having to do so unaided (Van Aardt et al, 2011, p.119).

The Franchising Association of South Africa (FASA, 2012, p.2) describes a franchise as "a grant by the franchisor to the franchisee, entitling the latter to the use of a complete business package containing all the elements necessary to establish a previously untrained person in the franchised business and enable him or her to run it on an on-going basis, according to guidelines supplied, efficiently and profitably."

A franchise concept provides an opportunity for an entrepreneur to start a business that has been established in the marketplace. When buying a franchise, the entrepreneur becomes a franchisee who obtained the right to operate a business from the franchisor, which includes using the franchise name, products or services and systems. Make sure you understand the difference between a franchise and buying an existing business.

Do you think people who buy franchises should be classified as entrepreneurs?

Refer back to your definition of entrepreneurship.

The Standard Bank Franchise Factor® 2010 survey indicates that franchising is a growing concept and makes a contribution to the local economy. At the date of the survey, 551 franchised systems were operating in South Africa. The close to 30 000 franchised outlets contribute 12.5% to South Africa's GDP.

• <u>Corporate Entrepreneurship</u>: This is also known as intrapreneurship and refers to entrepreneurship in an existing business.

Existing businesses provide corporate entrepreneurship opportunities to develop and introduce new products or services or even new business units within large organisations or even by starting a new business linked to the existing business. Corporate entrepreneurs use the resources of the existing business and create opportunities for the business to diversify or develop new industries.

1.7.4 Feasibility of the Idea or Opportunity

Ideas have little value until they are converted into products, services or processes. In order to test whether the idea or opportunity is a good one, it is subjected to a feasibility test. The feasibility study is not the same as a business plan and precedes it. If, through thorough analysis, the idea is shown to be feasible, the entrepreneur will move to the next stage which is drawing up a business plan.

Read section 2.8 "The entrepreneurial process" on pp.54–65 of your textbook. Underline the main ideas related to the entrepreneurial process, the skills and resources needed to start a business, business opportunities and the feasibility of the idea or opportunity.

2 Recommended Additional Reading

Entrepreneur South Africa. 2013. [Online]. available at: http://www.entrepreneurmag.co.za/category/advice/successstories/case-studies/ [Accessed 20 September 2013 Compare South Africa's franchise situation with Australia and the United Kingdom. The information can be found on p.63 of your textbook.

Read the case study on p.64 to gain better insight into corporate entrepreneurship. First National Bank. *s.a. The entrepreneurial dialogues: State of entrepreneurship in South Africa.* [Online]. Available at: http://www.gibs.co.za/SiteResources/documents/The%20Entrepreneurial%20Dialogues%20-%20State%20of%20Entrepreneurship%20in%20South%20Africa.pdf [Accessed 20 September 2013].

Nieman, G and Bennett, A. 2006. *Business management: A value chain approach*. 2nd edition. Pretoria: Van Schaik.

Petty, JW, Palich, LE, Hoy, F and Longenecker, J. 2012. *Managing small business: An entrepreneurial emphasis.* 16th edition. Mason, (OH): South-Western.

Van Aardt, I, Hewitt, M, Bendeman, H, Bezuidenhout, S, Janse van Rensburg, L, Naidoo, P, Van Aardt, CJ, Van der Bank, J and Visser, T. 2011. *Entrepreneurship and new venture management.* 4th edition. Cape Town: Oxford University Press.

3 Recommended Digital Engagement and Activities

You are required to make a short PowerPoint presentation on an entrepreneur of your choice. You will need to use the internet to research your chosen entrepreneur.

Your presentation should include:

- A picture and the name of the entrepreneur on the first slide;
- The second slide should contain a description of what the entrepreneur has done that indicates that he/ she is an entrepreneur. In other words, has he/ she started a business? What business is it?
- The characteristics or traits that the entrepreneur possesses should be included on the third slide. Do not just list them but motivate why he/ she has these traits;
- On the final slide, indicate and explain how the entrepreneur entered the business world. For example, did the start as a corporate entrepreneur, buy a franchise etc.

4 Interactive Work Space

4.1 Izimvo Exchange

Consider the statement: "Entrepreneurs are born and entrepreneurship cannot be learned."

In order to develop an argument that you could debate, you will need to do additional reasearch.

Type the following phrase into scholar.google.com and search.ebscohost.com (Password available from your librarian):

"Can entrepreneurship be taught"

Select and read as many readings as possible in order to help you formulate an argument.

4.2 Activity

Purpose:

To develop deeper thinking relating to the different ways to enter the business world.

Task:

In terms of risk and reward, compare starting your own business, becoming a corporate entrepreneur, buying an existing business and buying into a franchise.

Commentary Related to Activity Design:

N/A

4.3 Revision Exercise

- 1. In your own words, describe the following:
 - 1.1 An entrepreneur;
 - 1.2 Entrepreneurship.
- Identify and briefly discuss the different views of researchers on whom or what an entrepreneur is.
- 3. List and briefly discuss the entrepreneurial traits and characteristics.

Consult your textbook on pp.65–67 for additional activities.

- 4. What three aspects are the main reasons why people become entrepreneurs?
- 5. In your own words, describe outsourcing.
- 6. Explain what SMEs and SMMEs are and how they are classified.
- 7. Explain the areas in which small businesses play a role in the economy.
- 8. According to the entrepreneurial process, the potential entrepreneur goes through various phases of decision-making before the implementation of a business plan or launching and managing the new business. List the factors that are key to each phase/ factor.
- 9. Provide a graphic illustration of the entrepreneurial process.
- 10. The entrepreneur must have adequate resources to start a business or have access to resources. Identify and briefly discuss the three kinds of resources that are required to start and build an entrepreneurial venture.
- 11. List the requirements of good investment opportunities.
- 12. Differentiate between the advantages and disadvantages of buying an existing business.
- 13. In your own words, describe the following:
 - 13.1 Franchisee;
 - 13.2 Franchisor;
 - 13.3 Franchise.

Learning Unit 3: Establishing a Business					
Mat	Material used for this Learning Unit:My Notes on this				
•	Pres	cribed text pp.69–96.	Learning Unit:		
Hov	v to pr	epare for this Learning Unit:			
•	Read Chapter 3 of your prescribed textbook.				
•	Make notes of any areas where you require further explanation.				
•	As y	As you read Chapter 3, consider the following			
	ques	stions:			
	0	What are the most criteria that would influence the form of ownership you would choose?			
	0	How much detail do you think should go into a business plan?			
	0	What will happen if an entrepreneur does not			
		do a business plan?			
	0	Do location decisions play a role in why some businesses close down?			

1 Key Concepts Covered in this Learning Unit

1.1 Different Concepts of what an Entrepreneur Is

1.2 Legal Form of Ownership

Recent legislation has changed the landscape around forms of ownership. Entrepreneurs need to be aware of the current situation in order to ensure they make the correct decision.

1.2.1 Introduction to the Legal Form of Ownership

When starting a business venture, the prospective entrepreneur has to consider in advance what type of ownership to choose. In South Africa, new ventures and other business enterprises mostly take the form of sole proprietorships, partnerships, companies (profit and non-profit companies) and co-operatives.

Until the promulgation of the new Companies Act (2008) which came into operation on 1 May 2011 (the dti, 2010), a close corporation was also one of the forms of business enterprises (as discussed on pp.77–80 of your textbook).

The main impact of the Act (Companies Act 2008) is that no new close corporations will be registered by the Companies and Intellectual Property Commission (CIPC) and no company will be allowed to convert to a close corporation, although the uninterrupted and continued existence of existing close corporations for an indefinite period of time is catered for (CIPC, 2012a).

Co-operatives which may be established in terms of the Cooperatives Act of South Africa are a type of ownership with limited possibilities of utilisation. Co-operatives are established to achieve certain economic advantages for their members through joint action. These co-operatives are usually found in the rural farming communities and operate as marketing and/ or supply organisations for products, goods and services primarily to their members.

Because of the distinctive characteristics of a co-operative, it is not an alternative type of ownership that can be considered by the prospective entrepreneur, and will, therefore, not be included in the discussion of the alternative types of ownership which follow.

The type of ownership has to be suited to the particular circumstances, objectives, requirements and personal characteristics of the entrepreneur. In choosing the type of ownership when starting the venture, the entrepreneur should remember that the original form chosen can be changed at a later stage if the circumstances, objectives or requirements of the venture have changed. The correct choice before establishing the venture can eliminate many problems, formalities and expenses which may otherwise occur at a later stage.

1.2.2 Considerations in Choosing a Form of Ownership

The choice of the type of ownership is important as the various types have different implications for the owner and influence various important aspects. The following considerations should apply:

<u>The legal (juristic) personality of the venture</u>. A venture that has a legally independent personality can own assets in its own name, can conclude contracts and can also sue or be sued in its own name. Some of the characteristics of a legal person or entity are that: It exists independently from its members (owners);</u>

Close corporations still need to be studied as they are still in use today.

- The change in membership has no influence on the existence of the legal entity;
- If a member dies, it remains in existence and does not dissolve;
- It has its own assets and obligations and the members are not responsible for the debts of the legal entity.
- <u>The liability of the owner</u>. This is closely connected with the previous aspect and refers to whether or not the owner can be held liable for any outstanding debts or claims against the venture. Limited liability means that the owner's personal assets are protected.
- <u>The extent to which the owner has direct control</u>. Does the owner have control and/ or authority over the activities of the venture, over the utilisation of its assets and the distribution of its profits?
- <u>The ability of the venture to acquire capital on its initial</u> <u>establishment and with further expansion</u>. The ability to raise capital is influenced by the legal form chosen.
- <u>Compliance with legal requirements regarding the</u> <u>establishment, management and dissolution of the</u> <u>venture</u>. These include legal requirements such as those prescribed by the Employment Equity Act and other requirements such as the requirements of professional associations for engineers, architects, medical professionals and others.
- <u>Tax liability of the venture and its owner</u>. There are various different types of taxation which may be applicable including income tax, pay as you earn (PAYE), value added tax (VAT), capital gains tax and transfer duty.
- <u>The possibilities of a change in ownership</u>. This refers to the ease with which an owner can transfer his interest/ share in the venture to someone else when he wishes or is obliged to withdraw from the enterprise. In this regard the term, existence or continuity of the venture, also come into consideration.

Note that you must be able to explain the legal personality of a business and liability of the owner. The following types of ownership and the impact of the new Companies Act on them are discussed in detail on pp.74–85 of the textbook:

- Sole proprietorship;
- The partnership;
- The close corporation;
- The company.

The details of all these types of ownership are summarised in Table 3.1.

1.2.3 The Business Trust

This is becoming an increasingly popular type of enterprise and it is established when the founder places assets under the control of a trustee to be administered for the benefit of the founder and other beneficiaries. It has the following characteristics:

- No limit on the number of beneficiaries, although they should all be natural or juristic persons;
- It has the object to generate a profit;
- Separate from its founder or beneficiaries;
- Does not have a juristic personality;
- Limited liability for founder and beneficiaries;
- Existence does not depend on the trustee or beneficiaries;
- Limited potential for capital acquisition;
- Easy and cheap to establish;
- Trust is a separate taxpayer.

Read section 3.2 "The legal form of ownership" on pp.70–88 of your textbook. Underline the main ideas related to the legal form of ownership and the considerations when choosing a form of enterprise and the different types of enterprises available in South Africa. Then paraphrase the considerations when choosing a form of enterprise and summarise the characteristics of the different types of enterprises available in South Africa. Although the business trust does not have a legal personality, it does have limited liability.

The table on the following pages provides a useful summary.

Pay careful attention to the advantages and disadvantages of each form of ownership.

<u> </u>					
Legal personality	Not a separate legal entity.	Not a separate legal entity.	Separate legal entity.	Separate legal entity.	
Membership	1	At least 2	1–10	1–50	At least 7
Liability of owner	Individually liable.	Jointly and severally liable.	Limited liability.	Limited liability.	
Registration	Must register name.	Must register name.	No new registrations – The registrar (CIPC).	The registrar (CIPC).	
Legal requirements	Limited to different trade licences.	Limited to different trade licences.	Simple, must have CC in name. Similar to companies.	Comprehensive requirements. Private companies have (Pty)Ltd and Public Companies only Ltd.	
Control by owner	Control and authority rests with owner.	Joint control and authority.	Controlled by members	Control and authority rests with board of directors appointed by the shareholders.	
Who is the taxpayer	Individually taxed on profit whether it is drawn or not.	Partners are taxed on profit, whether or not it stays in the business.	Profit taxed at a fixed rate. Dividends declared are taxed.	Profit taxed at a fixed rate, dividends declared are taxed.	
Salaries	Any amount distributed is seen as income and taxed.	Salaries plus partners' share of profit is taxed when paid.	Salaries plus members' share of profit is taxed when paid.	Salaries paid to members are taxable and deducted by company – salaries must be reasonable.	
Change of ownership	Owner may decide to sell at any time.	By mutual agreement of partners.	By mutual agreement of members.	Shares can be sold by mutual agreement by members.	Shares can be sold freely on the open market.
Life of business	Terminated at death/ insolvency/ incapability of owner.	Terminated by death, withdrawal or insolvency of a partner.	Unlimited – does not end with death, withdrawal or insolvency of a member.	Unlimited – does not end with death, withdrawal or insolvency of a member.	
Ability to acquire capital	Limited to owner's assets and outside borrowing.	Limited to partners' investments and outside borrowing.	Limited to members' contribution and outside borrowing.	Limited to share-holders' contribution, new shareholders and outside borrowing.	

Table 3.1 Summary of types of ownership (Developed from Van Aardt *et al,* 2011, p.103 and Erasmus *et al*, 2013, pp.74–85)

1.3 Developing a Business Plan

1.3.1 Importance of the Business Plan

A business plan is a written document indicating the type of business opportunity or new venture. The main objectives of the business plan are to:

- Identify and describe the nature of the business opportunity or new venture;
- Present a written plan on how the entrepreneur plans to exploit the business opportunity;
- Attract investors or persuade a bank, other institution or person to lend the entrepreneur the money which she/ he needs to establish the new venture.

The business plan, furthermore, provides the following advantages:

- Systematic, realistic evaluation of the chances of success in the market;
- Identifying key variables that will determine the success of the venture as well as the risks involved;
- Provides a game plan to manage the venture;
- Is a management tool to compare actual results with targeted and projected performance;
- Primary tool to attract finances.

1.3.2 Importance and Necessity of the Business Plan

The eight reasons why an entrepreneur should compile a business plan are:

- To sell the business to himself/ herself;
- To obtain bank financing;
- To obtain investment funds;
- To arrange strategic alliances;
- To obtain large contracts;
- To attract key employees;
- To complete mergers and acquisitions;
- To motivate and focus management.

1.3.3 Stakeholders in a Business Plan

There are both internal and external stakeholders for which the business plan is important or who can have an impact on the business plan. Table 3.2 below describes the common stakeholders.

Stakeholders are individuals or groups who are affected by, or can affect, the business activities of a company.

Why do you think the

herself?

entrepreneur needs to sell

the business to himself/

Stakeholder Importance/ Impact of Business Plan			
The management team	 Vision that the entrepreneur has for the business; Mission that defines the business; Key objectives – derived from vision and mission; Clear understanding of the: Overall strategy to accomplish objectives; Functional strategies – marketing, financial, human resources, etc. 		
Employees	 Understand the mission and objectives to be able to work towards attaining the objectives; Improve communication between employees Establish a corporate culture; Provides focus for activities; Helps prospective employees to understand emerging culture of a new business; Can contribute to the development of the business plan. 		
	External Stakeholders		
Stakeholder	Importance/ Impact of Business Plan		
Customers	 Assurance that the business will still be around in 3–5 years' time to provide parts or service; Proves the entrepreneur thinks about the future. 		
Banks	 Capital – banks expect owners of small businesses to make a substantial investment in their own business before making a loan; Collateral – owner's willingness to pledge collateral (personal or business assets) as an indication of dedication to make the business a success; Character – Aspects of the owner's character (e.g. honesty and track record) help banks determine whether to grant a loan; Conditions – factors relating to business operation (potential market growth, competition and form of ownership) and the state of 		

These are known as the four "C"s of credit.

Study Figure 3.2 on p.91 of your

textbook.

Stakeholder	Importance/ Impact of Business Plan		
Investors	 An investor has a single goal: to earn return on any investment while at the same time minimising risk; Business plan may stimulate investors' interest – basic elements may attract (or repel) prospective investors' interest more than others. 		

Table 3.2Internal and external stakeholders in a business
plan. (Developed from Erasmus *et al,* 2013,
pp.89–92)

1.3.4 Scope of the Business Plan: How Much Planning is Needed?

Considerations that determine the amount of planning required to develop the business plan include:

- Style and ability of the entrepreneur(s);
- Preferences of the management team;
- Complexity of the product and/ or services and of the business;
- Competitive environment;
- Level of uncertainty.

Depth and detail of the business plan depend on the size and scope of the proposed new venture

1.3.5 Components of the Business Plan

Two issues are of primary concern:

- Basic format of the written preparation;
- Contents or components of the business plan.
- Format of the business plan. This will be influenced by:
 - Who will write it the entrepreneur, a team or a professional consultant – Table 3.1 on p.93 of the textbook can be used to assess the skills needed to write a business plan;
 - The appearance/ attractiveness required of the business plan;
 - Length requirements it can vary from 5–20 pages.

Some successful companies such as Apple started without a formal business plan?

Is it thus necessary to do a business plan?

- <u>Content of the business plan</u>. The following are the most important components of the business plan:
 - Executive summary;
 - General description of the venture;
 - Products-and-services plan;
 - Marketing plan;
 - Management plan;
 - Operating plan;
 - Financial plan;
 - Supporting materials.

Tables 3.2 and Table 3.3 on p.94 of the textbook provide a summary of the overview of a business plan and the outline of a simple business plan.

1.3.6 Analysing the Market

Entrepreneurs often become focused only on their product or service, hoping that there will be a market for it. It is essential to include an analysis of the market that the new venture will operate in and/ or deliver products and services to. This should include the following:

- Concepts (marketing concepts discussed in more detail in Chapter 12);
- Identification of the target market;
- Research and forecasting in the target market;
- A marketing plan or strategy for the selected target market(s).

1.3.7 Determining the Financial Needs of the New Venture

In order to be able to attract funds from banks and other investors, certain crucial financial questions should be answered to enable them to determine whether the new venture is attractive and feasible. Key issues to be addressed here are:

- An understanding of how financial statements work;
- An understanding of how profitability is assessed;
- An ability to determine a venture's financial requirements.

Financial considerations will be dealt with in more detail in BMNG5112.

It is important that you know what goes into each component of a business plan.

The marketing and financial sections are often considered the most important by potential investors. Read section 3.3 "Developing a business plan for the new business" on pp.88–97 of your textbook. Underline the main ideas. Then paraphrase the objectives and importance and necessity of the business plan, differentiate between the stakeholders in the business plan and identify the scope and components of the business plan.

1.4 The Location of the Business

Choosing the geographical location of the business is crucial for all kinds of businesses, as it will impact on the success and future growth of the business. The following location factors are some of the most important to consider:

- Sources of raw materials;
- Availability of labour;
- Proximity of and access to the market;
- Availability and cost of transport facilities;
- Availability and costs of power and water;
- Availability and costs of a site and buildings;
- Availability of capital;
- Attitude, regulations and tariffs of local authorities;
- Existing business environment;
- The social environment;
- Climate;
- Central government policy;
- Personal preferences.

Read section 3.4 "The location of the business" on pp.97–98 of your textbook. Underline the main ideas. Then differentiate between and discuss the location factors that entrepreneurs should consider.

2 Recommended Additional Reading

Brothers, L. 2011. Location often dictates success or failure of restaurants, *Rochester Business Journal*, July. [Online]. Available at: <u>http://www.rbj.net/article.asp?alD=188404</u> [Accessed 11 January 2013].

Entrepreneur. 2013 *Top 10 business plan mistakes.* [Online]. Available at: <u>http://www.entrepreneur.com/article/81188</u> [Accessed 11 January 2013].

Nieman, G and Nieuwenhuizen, C. 2009. *Entrepreneurship: A South African perspective*. 2nd edition. Pretoria, Van Schaik.

Once you are familiar with the location factors, complete the Digital Engagement Activity.

3 Recommended Digital Engagement and Activities

You are required to research the factors that different businesses consider in selecting a location. Compile a PowerPoint presentation explaining the factors that each of the following businesses would consider:

- A McDonald's fast food branch;
- A power station;
- A warehouse for Pick 'n Pay.

4 Interactive Work Space

4.1 Izimvo Exchange

Read the "Description of Calabash Guided Tours and Transfers" on p.95 of the textbook. Imagine you are an investor and these entrepreneurs have approached you to invest in their new company. Answer the following questions:

- What additional information would you need in making your investment decision?
- What risks do you think there are in investing in this business?
- Do you think it would be a good investment?

4.2 Activity

Purpose:

To apply knowledge about the different forms of ownership to a new situation.

Task:

Imagine you and a friend are going to start a business once you have graduated. Select and motivate which form of ownership you would choose.

Commentary Related to Activity Design:

Your answer will be based on issues such as whether external finance will be required. As there are two owners, a sole proprietor is not an option and close corporations can no longer be registered.

Consult your textbook on pp.98–99 for additional activities.

4.3 Revision Exercise

- The choice of the type of ownership is important, as the various types have different implications for the owner. List and briefly discuss the aspects that should be considered in choosing a form of ownership.
- 2. List the different types of ownership that an entrepreneur can consider in South Africa.
- 3. Compare the sole proprietor with the partnership, by specifically referring to the following aspects:
 - 3.1 Legal personality;
 - 3.2 Membership;
 - 3.3 Liability of owner;
 - 3.4 Control of owner;
 - 3.5 Change of ownership;
 - 3.6 Life of business;
 - 3.7 Ability to acquire capital.
- 4. Compare the private and public company with each other, by specifically referring to the following aspects:
 - 4.1 Legal personality;
 - 4.2 Membership;
 - 4.3 Liability of owner;
 - 4.4 Control of owner;
 - 4.5 Change of ownership;
 - 4.6 Life of business;
 - 4.7 Ability to acquire capital.
- 5. Discuss all the objectives and advantages of compiling a business plan.
- 6. List the eight reasons why an entrepreneur should compile a business plan.
- 7. Provide a table differentiating the internal and external stakeholders in a business plan and explaining why it is important to them.
- 8. Provide an overview of the most important components in the business plan. Your answer should be in the form of a table.

- 9. Provide the outline of a simple business plan in table format.
- 10. List the items that are involved in analysing the market and developing a marketing strategy for a new venture.
- 11. List and briefly discuss the location factors that should be considered when choosing the most appropriate location for a new business venture.

Learning Unit 4: The Business Environment					
Mat	Material used for this Learning Unit:My Notes on this				
•	Preso	cribed text pp.100–135.	Learning Unit:		
How	How to prepare for this Learning Unit:				
•	Read Chapter 4 of your prescribed textbook.				
•	Make notes of any areas where you require further				
	explanation.				
•	As you read Chapter 4 consider the following				
	ques	tions:			
	0	What makes successful companies so good?			
	0	What changes in the business environment can			
		impact either positively or negatively?			
	0	How should businesses keep up to date in a			
		rapidly changing world?			

1 Key Concepts Covered in this Learning Unit

1.1 The Organisation and Environmental Change

Change is the only constant in life (Heraclitus [c. 535BC– 475BC], Greek philosopher).

This statement was made long before the age of technology we experience today. Change occurs when the *status quo* is altered and it could be either for the best or not.

However, change can also bring about uncertainty, as it could be a change from stability to instability or a shift from the predictable to the unpredictable, and change is usually hard to predict. Change occurs in three sub-environments of the business environment, as illustrated in Diagram 4.1.

1.2 The Composition of the Business Environment

The business environment is described as "all the factors or variables, both inside as well as outside the business organisation, which may influence the continued and successful existence of the business organisation" (Erasmus *et al*, 2013, p.106).

From this, one can derive that the business environment refers to both the internal and external environment and the factors from both that impact on the business organisation.

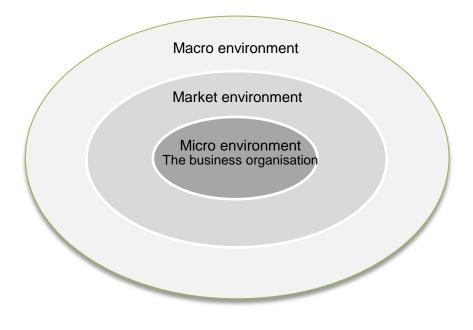


Diagram 4.1 Sub-environments of the business environment (Erasmus *et al,* 2013, p.102)

1.2.1 The Three Sub-Environments

The three sub-environments are illustrated in Figure 4.2 on p.106 of the textbook. From this picture it is clear that the three sub-environments and the factors that need to be considered can be summarised as follows:

- Micro-environment: The business itself and includes the following aspects:
 - Vision, mission and objectives of a business;
 - Business functions and management;
 - Resources;
 - Determines the strengths and weaknesses;
- Market environment: Immediately outside the business and includes:
 - Consumers;
 - Competitors;
 - Intermediaries;
 - Suppliers;
 - Also known as the task environment;

Make sure you understand and can explain the differences between the different environments.

- Macro-environment: External to both the business and the market environment and includes:
 - Technological environment;
 - Economic environment;
 - Social environment;
 - Physical environment;
 - Institutional-governmental environment;
 - o International environment.

1.2.2 Characteristics of the Business Environment

The following are the most important characteristics:

- Interrelatedness of the environmental factors or variables;
- Increasing instability and change;
- Environmental uncertainty;
- Complexity of the environment.

Read section 4.2 "The business and environmental change" and 4.3 "The composition of the business environment" on pp.102–110 of your textbook. Underline the main ideas related to environmental change and the business environment.

Then identify the three sub-environments of the business environment and paraphrase how changes in the environment impact on businesses in South Africa, and differentiate between the three sub-environments of the business environment.

1.3 The Micro-Environment

Three sets of variables exist within the micro-environment:

- The vision, mission and objectives of the business, which reflect the reason for the existence of the business:
 - Vision: What do we want to become?
 - Mission (linked to and derived from the vision): What is our business?
 - Objectives (derived from the mission): How we are going to achieve the mission?
- Its management, which refers to the different areas of management or business functions;
- Its resources, which include the following:
 - Tangible resources;
 - Intangible resources;
 - Organisational capabilities.

Do you think the business environment has always had these characteristics? What do you think might have changed that has made it more complex and uncertain?

The micro-environment is the only internal environment.

Read section 4.4 "The micro environment" on pp.110–112 of your textbook. Underline the main ideas related to micro environment. Then differentiate between the sub-elements of the micro-environment.

1.4 Market Environment

This is also referred to as the task environment, which is immediately outside the business environment and consists of the following:

- <u>The market</u>, which refers to the people who have needs to satisfy and have the financial means to pay to do so. The market environment consists of the following factors:
 - Purchasing power: Consumers' personal disposable portion of personal income after subtracting taxes and credit repayments that could be used to buy products and services;
 - Consumer market that can be divided into the types of products which they buy:
 - Durable products;
 - Semi-durable products;
 - Services.
- <u>Suppliers</u>: They provide the resources that the business needs to operate, which includes:
 - Raw material: Practically every business, whether manufacturing, construction, retail and contracting, depends on regular supplies;
 - Capital: Financial resources are needed to pay for supplies and human resources and are provided by banks and shareholders;
 - Labour/ human resources: This could include labour brokers, trade unions and educational institutions.
- <u>Intermediaries</u>: They usually bridge the gap between manufacturers and the consumer and include wholesalers and retailers, agents and brokers, representatives of communities, spaza shops in townships, financial institutions, asset managers and insurance brokers. Decision-making by management is influenced by the dynamic and ever-changing nature of intermediaries.

• <u>Competitors</u>: They compete in attracting consumers to buy their products and services and have an influence on the number of products/ services that can be sold as well as the price at which they could be sold.

1.4.1 The Competitive Forces in an Industry

The intensity or level of competition in an industry affects the survival prospects of businesses operating in the industry. The level of competition also helps entrepreneurs decide if an industry should be entered into. The nature and intensity of competition in any industry is determined by five forces:

- The possibility of new entrants or departures of existing competitors;
- The bargaining power of buyers (clients/ consumers);
- The bargaining power of suppliers;
- The availability of substitute products or services;
- The number of existing competitors.

These five forces are often indicated graphically which illustrates how these forces impact on the competition in the industry.

These are known as Porter's Five Forces.

Diagram 4.2 The competitive forces in an industry (Erasmus *et al*, 2013, p115)

The strength of these forces collectively determines the competitiveness in the industry. If these forces are very strong, competitors may struggle to survive and the industry will not be attractive for entrepreneurs.

A brief discussion of each force follows:

- <u>Potential new entrants</u>: If it is easy for new entrants to enter the market and become competitors this force is strong. For example, to open a tyre replacement business (e.g. Supa-quick or Tiger Wheel & Tyre) requires significant financial resources, but does not require specific skills or knowledge.
- <u>Bargaining power of buyers</u>: Buyer power would be strong when there are few customers and they can thus negotiate favourable terms and discounts from competitors. For example, by obtaining quotes on tyres from various tyre replacement businesses, you may be able to negotiate a small discount. As there are many customers who need to buy a small quantity of tyres, you cannot exert significant power over the tyre business.
- <u>Bargaining power of suppliers</u>: Generally, if there are many suppliers offering a similar product, this force is weak. This is similar to buyer power but represents the influence suppliers have over a business.
- <u>Substitute products</u>: This force refers to the extent to which the business' product or service may be substituted, this is sometimes referred to as indirect competition. For example, a gym may lose customers to not just other gyms (competition) but also to sports clubs (substitutes).
- <u>Number of existing competitors</u>: The rivalry between the businesses in an industry may increase the level of competition. In some industries price wars between competitors are a symptom of a high level of rivalry. Generally, the more competitors there are, the more intense the rivalry.

Read section 4.5 "The market environment" on pp.112–116 of your textbook. Underline the main ideas related to market environment. Then differentiate between the sub-elements of the market environment.

Consider which the strongest forces are that affect the education institution where you are

1.5 The Macro-Environment

The macro-environment is divided into six variables or components that a business organisation has to respond to or observe:

- <u>Technological environment</u>: Manifested in technological innovation or processes through which human capabilities are enlarged. Continued assessment of the technological environment should include the following:
 - Identification of important technological trends;
 - Analyses of the potential change in the current and future technologies;
 - Analyses of the impact of important technologies on competition;
 - List of priorities to be included in a technology strategy;
 - Continual assessment of technology trends in following areas:
 - Water technology;
 - Mineral technology;
 - Marine technology;
 - Agricultural and veterinarian technology;
 - Medical technology;
 - Transport technology;
 - Power technology.
- <u>Economic environment</u>: The economic climate of a country will have a direct effect on the business and its operations. The following aspects should be analysed:
 - Economic growth rate expressed in monetary terms, such as the gross domestic product (GDP);
 - Employment rate;
 - Consumer income and buying behaviour;
 - Inflation rate;
 - Monetary policy influences the interest rate;
 - Fiscal policy influences the exchange rate, taxation and tax reforms.
- <u>Social environment</u>: Reflects changes in demographics, attitudes and behaviour in society. The following aspects should be considered:
 - Demographic (makeup of the population) changes;
 - Urbanisation;
 - Level of education;
 - Changing role of women;

Think about how the travel industry has changed since the development of the internet. Airline tickets can now be booked directly with airlines. Travellers can do their own research and do not need to rely on travel agents as much anymore.

It may help you to remember the Macroenvironment components better using an acronym such as:

- P Physical
- E Economic
- S Social
- T Technological
- I Institutional
- I International

- Consumerism consumers have the following rights:
 - Right to safety;
 - Right to be informed;
 - Right to freedom of choice;
 - Right to be heard;
- Social responsibility and business ethics;
- HIV/ Aids;
- Culture.
- <u>Physical environment</u>: This refers to the physical resources that people and businesses need to support life and development, such as water, air, the oceans, rivers, forests etc. The following factors should be considered:
 - Population and health patterns;
 - o Food;
 - o Water;
 - Energy and climate;
 - Biodiversity;

The following factors link with the physical environment and present opportunities and threats to businesses:

- Cost of energy;
- Growing cost of pollution;
- Environmentalism;
- Scarce resources.
- <u>The institutional-governmental environment</u>: This refers to the influences on management decisions by the course of politics and would also include the following areas:
 - Legislation, annual budget, taxation, import control, export support, price controls, etc.;
 - o Government expenditure;
 - Philosophy of government.
- <u>International environment</u>: In the global economy businesses are exposed to international trends and competition and may be affected in different ways. Operating in an international environment brings about a complexity as countries have different technologies, culture, laws, politics, etc. Management should thus be aware of global trends and threats to the local market.

Can you see how these environments will interact with each other? That is why we said the business environment has interrelated components.

1.6 Strengths, Weaknesses, Opportunities and Threats (SWOT)

You will deal with SWOT analyses in more detail in later studies. However, as a SWOT analysis is the result of analysing the different environments, a short introduction is provided.

Strengths and weaknesses are found in the microenvironment. In general, strengths are things that an organisation is good at. Strengths can be from a combination of resources, strategy or management of the different business functions. Weaknesses represent aspects which the organisation does poorly and can lead to vulnerability.

The changes brought about in the market environment and the trends from the macro-environment can be classified into two groups:

- Changes that offer an opportunity;
- Changes that pose a threat.

An environmental opportunity can be defined as "a favourable condition or trend in the market environment that can be exploited to the business's advantage by a deliberate management effort" (Erasmus *et al*, 2013, p.131).

An environmental threat can be defined as "an unfavourable condition or trend in the market environment that can, in the absence of a deliberate effort by management, lead to the failure of the business, its products or its services" (Erasmus *et al*, 2013, p.131).

Read sections 4.6 "The macro-environment" and 4.7 "Opportunities and threats in the market environment and the macro-environment" on pp.116–131 of your textbook. Underline the main ideas related to the macro-environment and its sub-environments.

Then differentiate between the technological, economic, social, physical, institutional and international environments and the factors that managers should analyse within each, and how these changes could contribute to environmental opportunities and threats.

Can you think of strengths, weaknesses, opportunities and threats for the education institution at which you are studying?

Once you have a good understanding of the business environments, complete Digital Engagement Activity 1.

1.7 Environmental Scanning

As the management of a business is affected by changes in the environment, management needs to identify, measure and evaluate the different environmental variables.

The importance of environmental scanning is:

- The environment is continually changing: purposeful monitoring is necessary to keep abreast of change;
- Scanning is necessary to determine what factors pose threats to the present strategies of the business;
- Scanning is necessary to determine what factors in the environment present opportunities;
- Businesses that systematically scan the environment are more successful than those that do not.

The extent of environmental scanning is determined by following factors:

- Basic relationship between business and its environment;
- Nature of the environment in which the business operates and the demands made by the environment on the business;
- Source and extent of change.

Guidelines for conducting environmental scanning are:

- The most elementary is to update relevant secondary (or published) information obtainable from a wealth of sources;
- More advanced form of scanning is the addition of primary information or special investigations on particular aspects;
- A much more advanced form of scanning is the establishment of a scanning unit within the business.

Read section 4.8 "Environmental scanning" on pp.131–132 of your textbook. Then paraphrase environmental scanning and the importance of it to businesses, and differentiate the factors that determine the extent of environmental scanning and the methods that can be used for environmental scanning.

Can you think of reasons why businesses might not conduct environmental scanning?

2 Recommended Additional Reading

Louw, L and Venter, P. 2010. *Strategic management: developing sustainability in Southern Africa*. 2nd edition, Cape Town: Oxford University Press.

Nieman, G and Bennett, A. 2006. *Business management: A value chain approach*. 2nd edition. Pretoria: Van Schaik.

Porter, ME. 2008. The five competitive forces that shape strategy. *Harvard Business Review*, 86(1), pp.78–93.

Shoemaker, PJH. 2012. *9 ways to see change coming (Before it kills your business).* [Online]. Available at: <u>http://www.inc.com/paul-schoemaker/9-ways-to-see-change-coming.html</u> [Accessed 21 September 2013].

3 Recommended Digital Engagement and Activities

Access the following business news websites:

- Bloomberg. 2013. [Online] Available at: <u>http://www.bloomberg.com/</u> [Accessed 11 December 2013].;
- Business Day. s.a. [Online] Available at: <u>http://www.bdlive.co.za/</u> [Accessed 11 December 2013].;
- Fin24. 2013. [Online] Available at: <u>http://www.fin24.com/</u> [Accessed 11 December 2013].;
- Moneyweb. 2013. [Online] Available at: <u>http://www.moneyweb.co.za</u> [Accessed 11 December 2013].

Select any article that deals with how the macro- or market environment has affected the company in question. Considering the theory you have learnt in this learning unit, write up a short commentary on how the company has been affected.

4 Interactive Work Space

4.1 Izimvo Exchange

In 1994, South Africa entered post-Apartheid democracy. The change in political system had far reaching implications for business.

Consider how businesses can be impacted by the macroenvironment. Discuss the ways in which businesses have been affected in South Africa as a result of the change in political system in 1994. Remember to consider how the different environmental factors can be interlinked.

4.2 Activity 1

Purpose:

To apply knowledge about the business environments to a new situation.

Task:

Select any company of your choice and perform a micro, market and macro analysis on the company. Conclude by noting the strengths, weaknesses, opportunities and threats.

Commentary Related to Activity Design:

N/A

4.3 Activity 2

Purpose:

To practice evaluating a statement.

Task:

Evaluate the statement "Businesses that do not scan the environment rigorously will fail".

Commentary Related to Activity Design:

This is a typical exam question requiring you to analyse the statement from different perspectives and reach a conclusion. In your answer, you should note the benefits and levels of environmental scanning. Further research would benefit your answer.

Consult your textbook on pp.133–134 for additional activities.

4.4 Revision Exercise

- 1. In your own words, describe "change".
- 2. Provide a graphic illustration of the three subenvironments of the business environment and the factors that need to be considered within each.
- 3. List the most important characteristics of the business environment.
- 4. Identify and briefly discuss the three sets of variables that exist within the micro-environment.
- 5. Identify and briefly discuss the aspects to be considered when analysing suppliers as part of the analyses of the market environment.
- 6. Provide a graphic illustration of the five competitive forces.
- 7. List the areas in which the continual assessment of technology trends are required when conducting an analysis of the technology environment.
- 8. List the rights that consumers have in South Africa.
- 9. Identify and briefly discuss the aspects and links with businesses that need to be considered when conducting an analysis of the physical environment.
- 10. List the various sub-environments that should be included in analysis of the macro-environment.
- 11. In your own words, describe the following:
 - 11.1 An environmental opportunity;
 - 11.2 An environmental threat.
- 12. List the different levels of environmental scanning that a business can conduct.

Learning Unit 5: Corporate Social Responsibility					
Mat	Material used for this Learning Unit:My Notes on this				
•	Pres	scribed text pp.141–168.	Learning Unit:		
Ηον	v to pr	repare for this Learning Unit:			
•	Rea	Read Chapter 5 of your prescribed textbook.			
•	Make notes of any areas where you require further				
	explanation.				
•	As you read Chapter 5 consider the following				
	ques	stions:			
	0	Why do companies do CSR?			
	0	Do you think companies always think about			
		their impact on society and environment?			
	0	Can you think of "good" and "bad" companies			
		from a CSR perspective?			

1 Key Concepts Covered in this Learning Unit

1.1 Introducing Corporate Social Responsibility

1.1.1 What is Corporate Social Responsibility?

CSR is an umbrella concept that recognises that:

- Companies have a responsibility (beyond legal compliance and individual liability) for their impact on society and the natural environment;
- Companies have a responsibility for the behaviour of others with whom they do business;
- Business needs to manage relationships with the wider society – for commercial viability and to add value to society.

(Erasmus *et al,* 2013, p.140)

CSR is sometimes also referred to as "corporate citizenship" or "corporate social investment". We see CSR, however, as a broader concept than "corporate citizenship" or "corporate social investment" which is explained in more detail below.

 <u>Corporate Citizenship</u>: According to this principle, organisations are recognised as legal persons with certain rights and responsibilities which include the right to: Study the definition of CSR in the King III report on p.140 of your textbook.

Note that CSR is much more than just donating money to a charity. It involves a deeper relationship with society and the environment.

- Govern internal affairs;
- Enter into contracts;
- To hire;
- To sue and be sued;
- Have constitutional rights.
- <u>Corporate Social Investment (CSI)</u>: This usually refers to a company's commitment to invest in community-basedprojects. CSR includes more than just financial investment as it looks at the contribution the business makes to society through its core activities.

1.1.2 The Triple Bottom Line

Future success for organisations means that they need to focus not just on profitability, but also on the environment and society. The planet, people and profit are all intertwined. Triple bottom line advocates that a company's worth should be measured in financial, social and environmental terms. Both the King II and King III reports encourage companies to report and audit the triple bottom line. Some companies, however, continue to only pay lip service to these responsibilities.

1.1.3 CSR in Contemporary Business Management

CSR has expanded in recent years with many countries passing laws mandating disclosure. Issues that are being focused on include corporate social performance, sustainability, stakeholder theory and business ethics.

Read on pp.144–145 of your textbook, how CSR has been affected by the 2008–2010 economic crisis.

CSR programmes may just be implemented as a marketing or public-relations tool, but programmes are adopted due to a combination of reasons, namely:

- Social drivers;
- Governmental drivers;
- Market drivers;
- Ethical drivers.

Summarise the discussion of these drivers on pp.145–149 of your textbook, in your own words.

If you are interested in environmental impacts of business, watch the 2000 movie, Erin Brockovich which starred Julia Roberts.

Erin Brokovich. 2000. [Film]. Directed by Steven Soderbergh. USA: Universal Pictures.

On the internet, research the corporate scandals that occurred at Enron and Worldcom. Were these companies being responsible to society and the environment?

One of the causes of the financial crisis that began in 2008 was irresponsible lending to home owners in the USA. The result was a worldwide financial crisis.

You must understand and be able to explain the different factors which drive businesses to implement CSR programmes. Read section 5.2 "Introducing Corporate Social Responsibility" on pp.139–149 of your textbook. Underline the main ideas related to what CSR is, how it has developed and the reasons why companies should implement CSR programmes.

1.2 Corporate Governance

The King II report provides seven primary principles of good governance namely:

- Discipline;
- Transparency;
- Independence;
- Accountability;
- Responsibility;
- Fairness;
- Social responsibility.

There is always a link between good governance and the law. The extent to which corporate governance practices are enforced by law varies from country to country. Corporate governance relates to morality and not just legal compliance. It is essentially about leadership that is transparent and accountable to the stakeholders.

1.2.1 Roles and Responsibilities within a Company in Terms of Good Governance

As a company is not a natural person, it needs natural persons to run the company. This is done in the following capacities/ roles:

- Board of directors: A group of people (directors with rights and responsibilities conferred on them) assembled to lead the company so that it functions in the best interests of the stakeholders. Directors stand in a fiduciary relationship (trust relationship) to the company. The board of directors may delegate some of its functions to board committees or management.
- Executive or non-executive directors: Executive directors are members of the management team appointed on the board and are thus full-time employees. Non-executive directors are independent from management and not involved in the day-to-day activities of the company and are only remunerated by means of a director's fee.

Corporate governance refers to how organisations are run.

Think back to Learning Unit 3 where we noted that in companies, directors run the company on behalf of the owners (shareholders). • Chairman of the board and chief executive officer: Chairman of the board (which may be required to be an independent non-executive director) is responsible for the running of the board and the chief executive officer, for the running of the company.

1.2.2 How does Corporate Governance Relate to CSR?

The relationship between corporate governance and CSR can be described by the following:

- Good corporate governance is an important aspect of CSR;
- CSR has evolved as an aspect of good corporate governance;
- The board should govern CSR programmes.

A corporate policy for CSR can be defined through a valuesbased system, a stakeholder-engagement process or a combination of the two.

Read section 5.3 "Corporate Governance" on pp.149–152 of your textbook. Identify the main ideas related to corporate governance, the roles and responsibilities in terms of good governance of a company and the relationship between CSR and corporate governance.

Then describe corporate governance in your own words and identify and discuss the different roles and responsibilities within a company in terms of good governance, and paraphrase the different ways in which corporate governance relates to CSR.

1.3 Stakeholder Engagement

One of the ways in which the board and the CSR committee can determine how to establish the corporate policy for CSR is a stakeholder-engagement programme. Other reasons why companies engage with stakeholders include the following: To understand and respond to society's expectations of what it means to be; e.g. a responsible manufacturer, marketer and employer

As a means to help build better relationships with all parties, resulting in improved business-planning and performance

To aid in providing opportunities to align business practices with societal needs and expectations and in driving long-term sustainability and shareholder value

Diagram 5.1 Reasons for stakeholder-engagement (Derived from Erasmus *et al*, 2013, p.152)

1.3.1 Defining "Stakeholders"

Stakeholders are "persons or groups who are directly or indirectly affected by a project, as well as those who may have interests in a project and/ or the ability to influence its outcome, either positively or negatively" (International Financing Corporation, 2007, p.10).

There are two kinds of stakeholders:

- Primary stakeholders: Their on-going support is vital for the survival of the business organisation and they have contractual or financial relationships with the business organisation;
- Secondary stakeholders: Have a less direct impact on the company;
- Secondary stakeholders can become primary stakeholders if conditions change.

1.3.2 Defining "Engagement"

The levels of engagement with stakeholders are reflected in Table 5.1 on pp.155–156 of the textbook. From this table it can be seen that the level of engagement is determined by the goals aspired to, mode of communication, nature of the relationship and the engagement process.

"Engagement" can include:

- Providing information;
- Capacity building to equip communities and stakeholders to effectively engage;

Can you think of examples of primary and secondary stakeholders for the education institution in which you are studying?

Where would you place students, lecturers and the government?

Make sure you can define stakeholders and engagement. Study the table on pp.155–156 of the textbook closely.

- Listening and responding to community and stakeholder concerns;
- Including communities and stakeholders in relevant decision-making processes;
- Developing goodwill and a better understanding of objectives and priorities leading to confidence in decisions;
- Establishing a realistic understanding of potential outcomes.

1.3.3 Principles for Stakeholder Engagement

The key approaches of the stakeholder engagement process are:

- Involvement;
- Candour;
- Relevance;
- Learning;
- Action.

These are reflected in the shaded box on p.154 of your textbook.

1.3.4 Stakeholder-Engagement Process

The steps in the stakeholder engagement process, as discussed in the shaded box on p.157 of the textbook, are:

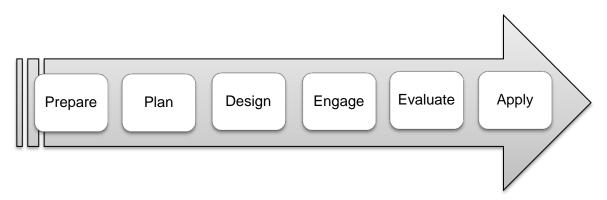


Diagram 5.2 Steps in the stakeholder-engagement process (Derived from Erasmus *et al*, 2013, p.157)

Corporations may align their overall stakeholder engagement process to the AA1000 Accountability Principles Standard. The three principles this includes are:

- The principle of inclusivity;
- The principle of materiality;
- The principle of responsiveness.

Read more about these principles on pp.157–158 of your textbook.

Read section 5.4 "Stakeholder Engagement" on pp.152–158 of your textbook. Highlight the main ideas related to stakeholder engagement.

Then paraphrase engagement and stakeholders and describe the levels of engagement, types of stakeholders, principles of stakeholder engagement, steps in the stakeholderengagement process and the discussion of the three principles.

1.4 Sustainable Development

1.4.1 Defining "Sustainable Development"

Sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Erasmus *et al,* 2013, p.158).

Two key concepts come from this definition:

- Concept of needs;
- Idea of limitations.

Sustainable development needs to be viewed in terms of systems thinking. Thus, the world is a system and air pollution in one region may affect air quality in another region. Major international meetings have created a widespread awareness of the concept of sustainable development.

1.4.2 The Contribution of CSR to Sustainable Development

The private sector has finances, management expertise and the technology to contribute to sustainable development through CSR. CSR efforts and interests, and areas of influence, could impact on efforts in sustainable development.

Read section 5.5 "Sustainable Development" on pp.158–159 of your textbook. Summarise this section, ensuring that you describe sustainable development and its key concepts in your own words and highlight the contribution of CSR to sustainable development.

Do you think businesses treat society and the environment in a sustainable manner?

Complete the activity under Interactive Work Space; which involves watching a video and answering questions.

2 Recommended Additional Reading

Catanach Jr, A and Ketz, J. 2012. Enron ten years later: Lessons to remember. *CPA Journal*, 82(5), May 2012.pp.16– 23.

Kao, RWY. 2010. *Sustainable economy: Corporate, social and environmental responsibility*. Singapore: World Scientific Publishing.

Nieman, G and Bennett, A. 2006. *Business management: A value chain approach*. 2nd edition. Pretoria: Van Schaik.

Padgett, BL. 2005. After Dot-com, after Worldcom, after Enron, after Capitalism. *Business Ethics Quarterly*, 15(2), pp.329–240.

Urip, S. 2010. *CSR strategies: Corporate social responsibility for a competitive edge in emerging markets*. Hoboken, (NJ): Wiley.

3 Recommended Digital Engagement and Activities

Select a JSE listed company. Prepare a PowerPoint presentation on the stakeholders of the business. Use one slide per stakeholder and illustrate how the stakeholder affects the business and how the stakeholder is affected by the business. Do not forget that there are primary and secondary stakeholders.

The JSE listed companies are available from the JSE website:

Johannesburg Stock Exchange. *s.a.* [Online]. Available at: <u>http://www.jse.co.za</u> [Accessed 12 December 2013].

4 Interactive Work Space

4.1 Izimvo Exchange

Research the FairTrade movement. You can start by looking at their website:

FairTrade International. 2011. [Online]. Available at: <u>www.fairtrade.net</u>. [Accessed 12 December 2013].

Identify products in South Africa that are certified FairTrade. Discuss why these companies have undertaken FairTrade and what benefits the company may get.

You should make sure you understand the different drivers of CSR programmes before you start this activity.

4.2 Activity

Purpose:

To develop critical thinking and analytical skills.

Task:

Watch the short movie entitled "The Story of Stuff" presented by Annie Leonard.

It is available at:

The Story of Stuff Project. 2013. [Online]. Available at: <u>http://www.storyofstuff.org/movies-all/story-of-stuff/</u> [Accessed 12 December 2013].

and

Story of Stuff. 2009. [Video online]. Available at: <u>http://www.youtube.com/watch?v=9GorqroigqM</u> [Accessed 12 December 2013].

Once you have watched it, answer the following questions. Additional research will help you answer the questions.

- 1. Are businesses responsible towards society and the environment?
- 2. In what ways can business have a negative impact on society and the environment?
- 3. There are many critics of Annie Leonard and this movie, what types of people or organisations might criticise this movie? How would they criticise it?

Consult your textbook on p.161 for additional activities.

4. Do you think the movie tells us the whole story?

4.3 Revision Exercise

- 1. In your own words, define "corporate social responsibility".
- 2. In your own words, define "corporate citizenship" and "corporate social investment".
- 3. Most corporate social responsibility programmes are driven by a combination of reasons. Identify and briefly discuss these driving reasons.
- 4. List the 10 myths about business ethics.
- 5. In your own words, describe the following:
 - 5.1 Corporate governance;
 - 5.2 Engagement;
 - 5.3 Stakeholders;
 - 5.4 Sustainable development.
- 6. Provide the three reasons why companies engage with stakeholders.
- 7. Discuss the differences between primary and secondary stakeholders in a business organisation.
- 8. Provide a diagrammatical discussion of the levels of stakeholder engagement.
- Identify and briefly discuss the key words that need to be remembered during the stakeholder-engagement process.
- 10. List and briefly discuss the steps in the stakeholderengagement process.

Learning Unit 6: Introduction to General Management					
Mat	erial used for this Learning Unit:	My Notes on this			
•	Prescribed text pp.167–188. Learning Unit:				
Hov	How to prepare for this Learning Unit:				
•	Read Chapter 6 of your prescribed textbook.				
•	 Make notes of any areas where you require further explanation. 				
•	As you read Chapter 6 consider the following				
	questions:				
	• What does the term "management" mean?				
	 What do managers do all day? 				
	 Why is management important? 				

1 Key Concepts Covered in this Learning Unit

1.1 The Role of Management

An organisation has goals as well as resources such as people, financial resources and physical resources. Management is indispensable in directing these resources towards achievement of the goals. Management is indispensable for the following reasons:

- Management directs a business towards its goals;
- Management sets and keeps the operations of the business on a balanced course;
- Management keeps the organisation in equilibrium with its environment;
- Management is necessary to reach the goals of the organisation at the highest possible level of productivity.

Read section 6.2 "The role of management" on pp.168–171. Underline the important points relating to the role of management and read the Vodacom case study.

1.2 A Definition of Management

Management is defined as "the process followed by managers to accomplish a business' goals and objectives" (Erasmus *et al*, 2013, p.171). Thus management is a process of activities carried out by managers. Management does four things:

- It decides what has to be done;
- It decides how this should be done;
- It orders that it be done;
- It checks that its order have been carried out.

Study Table 6.1 on p.168 of your textbook. Can you think of any businesses that have failed for these reasons?

These four management tasks are covered in detail in Chapters 7–10 of your textbook.

The preferred terminology for these four activities is the names of the four fundamental tasks of management:

- Planning;
- Organising;
- Leading;
- Control.

These four tasks are performed in this logical order, however, managers are likely to be engaged in several management activities simultaneously.

Read section 6.3 "A definition of management" on pp.171–173. Underline the key points related to explaining what managers do, the process they follow and tasks they execute.

1.3 The Different Levels and Functional Areas of Management in Businesses

Managers are found at all levels of a business and in different functional areas.

1.3.1 The Different Levels of Management

The management levels are broadly simplified into top, middle and lower management. The number of levels in an organisation varies depending on its size.

Top management is mainly concerned with long-term planning, monitoring the environment and for the performance of the business as a whole. The managing director is an example of a top manager.

Middle management is responsible for specific functional areas and executes the policies, plans and strategies determined by top management. The marketing manager is an example of middle management.

Lower management, sometimes called supervisory management is concerned with small sections of the organisation and direct the day to day activities of employees. Examples include foremen or a sales manager for a specific area. At the campus on which you are studying, or for an organisation you know well, identify managers at the different levels and list what you think they are each responsible for.

1.3.2 The Functional Management Areas in a Business Organisation

Each business function has its own functional management that is responsible for the performance of that particular function. Thus the financial manager or human resources manager plan, organise, lead and control their relevant department.

1.3.3 The Function of General Management

General management has a role to play in every organisation. This function, usually practiced by top management, integrates all the other functions.

Read section 6.4 "The different levels and functional areas of management in businesses" on pp.174–177 of your textbook. Underline the main ideas and pay particular attention to Figure 6.4 on p.175.

1.4 Skills Needed at Different Managerial Levels

Figure 6.5 on p.177 of your textbook depicts the different skills needed at the different levels of management. The three key skills required are:

- Conceptual skills analysing, thinking and planning;
- Interpersonal skills dealing with people;
- Technical skills knowledge of a particular discipline.

1.5 The Role of Managers

Mintzberg, a respected writer on management, identified 10 different roles. These can be placed into three broad groups namely:

- Decision-making role;
- Interpersonal role;
- Information role.

These are illustrated in Figure 6.6 on p.179 of your textbook. The role of managers will be determined by the manager's seniority in the business.

Read section 6.6 "The role of managers" on pp.179–180 of your textbook. Underline the main ideas relating to each role.

Ensure you understand the different skills required at the different levels of management.

1.6 Development of Management Theory

Table 6.3 on p.180 of your textbook illustrates how management has changed since the 1900s. As professional management developed, a number of theories have been developed to understand it.

1.6.1 The Main Schools of Thought on Management

The management theories that have evolved are grouped into a number of schools of thought. Each school of thought has made some contribution to our knowledge of management. The theories are broadly classified into classical approaches and contemporary approaches. Figure 6.7 on p.182 of your textbook illustrates the different schools of thought over time.

The main schools of thought are:

- Classical approaches:
 - The scientific school;
 - The management process school;
 - The human relations/ behavioural school;
 - The quantitative school;
 - The systems approach.
- Contemporary approaches:
 - The contingency approach;
 - Strategic management;
 - Total quality management;
 - The learning organisation and business reengineering;
 - Diversity management.

2 Recommended Additional Reading

Nohria, N, Joyce, W and Roberson, B. 2003, What really works. *Harvard Business Review*, 81(7), July 2003. pp.4–52.

Smit, PJ, Cronje, GJ, Brevis, T and Vrba, MJ. 2011. *Management principles: A contemporary edition for Africa*. 5th edition. Cape Town: Juta.

3 Recommended Digital Engagement and Activities

You are required to research a business that has failed either in South Africa or abroad. You have to compile a PowerPoint presentation explaining why the business failed and if management failed in their managerial duties. You should suggest how the failure could have been avoided.

4 Interactive Work Space

4.1 Izimvo Exchange

On the internet, you are required to visit business news websites such as:

- Bloomberg. 2013. [Online] Available at: <u>http://www.bloomberg.com/</u> [Accessed 11 December 2013].;
- Business Day. s.a. [Online] Available at: <u>http://www.bdlive.co.za/</u> [Accessed 11 December 2013].;
- Fin24. 2013. [Online] Available at: <u>http://www.fin24.com/</u> [Accessed 11 December 2013].

Your task is to find an article which interviews or discusses a manager at a larger business. Write a short analysis of the different roles he/ she performs. Explain, using the article, what skills the manager possesses.

You can share and present your article to your class or fellow students.

4.2 Activity

Purpose:

To develop the ability to evaluate a statement.

Task:

Evaluate the following statement "Conceptual skills are the most important skills for managers."

Commentary Related to Activity Design:

This activity requires you to consider both the benefits and costs of planning. You are also required to relate these to the small business context. Additional research will enhance your answer.

Consult your textbook on pp.187–188 for additional activities.

4.3 Revision Exercise

- 1. List the four things that managers do and how these relate to the four basic functions of management.
- 2. Summarise the four basic functions of management.
- 3. Explain what managers at the three different levels of management do.
- 4. Graphically illustrate how different levels of management require different types of skills.
- 5. Group the 10 roles of managers into the interpersonal role, decision-making role and information role.
- 6. Discuss the scientific school and strategic approach as schools of thought on management.

Learning Unit 7: Planning				
Mat	Material used for this Learning Unit:My Notes on this			
•	Pres	scribed text pp.189–206.	Learning Unit:	
How to prepare for this Learning Unit:				
•	 Read Chapter 7 of your prescribed textbook. 			
•	 Make notes of any areas where you require further 			
	exp	lanation.		
•	As y	ou read Chapter 7 consider the following		
	questions:			
	0	Who does the planning in a business?		
	0	What would happen if different managers or		
		departments have very different goals?		
	0	What makes a meaningful goal?		

1 Key Concepts Covered in this Learning Unit

1.1 Benefits and Costs of Planning

Planning gives direction to the business organisation and enables, and even forces, managers to be future-oriented so that the organisation is able to adapt to changes in the business environment.

1.1.1 Benefits of Planning

Planning has many benefits and those benefits increase as the turbulence of the business environment increases. The benefits of planning are illustrated in Diagram 7.1 below.

Why do you think the benefits of planning increase as the turbulence of the business environment increases?

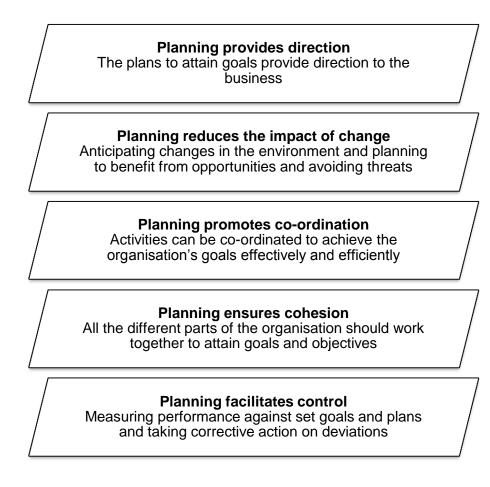


Diagram 7.1	Benefits of planning (Developed from Erasmus
	<i>et al,</i> 2013, pp.193–194)

1.1.2 Costs of Planning

Despite the above benefits, planning could also result in certain costs to the business organisation:

- Planning may create rigidity;
- Planning consumes management time;
- Formal plans may replace intuition and creativity;
- Planning could cause delays in decision-making.

Read section 7.2 "The benefits and costs of planning" on pp.192–194 of your textbook. Summarise the main ideas in this section. Then paraphrase planning and identify and differentiate between the benefits and costs of planning.

1.2 Managerial Goals and Plans

An organisational goal/ objective can be described as "a desirable state of affairs that an organisation aims to achieve at some point in the future" (Erasmus *et al*, 2013, p.194).

Some managers do not do enough planning because of these "costs".

An organisational plan can be defined as "the means by which the goal is to be realised" (Erasmus *et al,* 2013, p.194).

1.2.1 The Nature of Goals

Organisational goals flow from the mission statement of the organisation and provide the specifics on how the mission will be accomplished. The nature of organisational goals is reflected in the following:

- Organisations have multiple goals and the organisational level on which it was set will determine the type of goal – strategic to operational;
- Focus of goals differs according to the different aspects/ function within the organisation that sets it;
- The time period of goals may be short term, intermediate or long term;
- Goals may be publically stated or not, depending on whether the goal is official or operative.

1.2.2 The Importance of Goals

Goals are important for the following reasons:

- Goals provide guidance and agreement on the direction of the organisation;
- Clear and unambiguous goals facilitate planning in terms of resource deployment;
- Goals can inspire and motivate employees;
- Goals provide standards for evaluation and control of organisational resources;
- Effective goal-setting plays an important role in the success of the organisation.

1.2.3 Criteria for Effective Goals

Goals should meet the SMART criteria:

- Specific;
- Measurable;
- Attainable;
- Relevant;
- Time bound.

Make a list of the goals you have for your own studies and career. Make sure you think of a short-term, medium-term and longterm goal.

Are the goals that you have SMART? If they are not smart, they are not meaningful and may help you.

1.2.4 A Goal-Setting Technique: Management by Objectives (MBO)

According to MBO, individual and organisational goals should be integrated. "MBO is a system whereby managers and employees define goals for every department, project and person, and use them to monitor subsequent performance" (Erasmus *et al*, 2013, p.196). MBO follows the following process:

- Managers and employees have an initial discussion to formulate clear job descriptions and key performance areas for each employee;
- Key performance targets in the pre-determined areas of responsibilities should be developed by employees;
- Employees and managers meet to develop a set of goals for the employee to which both are committed;
- Employees and managers establish checkpoints to measure each employee's progress;
- Evaluation of the degree of goal attainment by the employee is done at the end of the pre-determined period. Evaluation focuses on analysis of the achieved results compared with the pre-determined goals.

Study Table 7.1 on p.197. Differentiate between the advantages and disadvantages of the MBO technique.

1.3 The Nature of Plans

In establishing the plans of the organisation to achieve the organisation's goals, the following should be considered:

- Alternative plans of action;
- External factors;
- Strengths and weaknesses.

Read section 7.3 "Managerial goals and plans" on pp.194–197 of your textbook. Underline the main ideas related to the nature, importance and criteria of effective goals, management by objectives and the nature of plans.

Then paraphrase the description of goals and plans and management by objectives. Furthermore, differentiate between the nature, importance and criteria of effective goals and the nature of plans. Note how MBO involves the employee in the goal setting process.

Why do you think this leads to more success?

1.4 The Planning Process

1.4.1 The Planning Context

The following five variables determine the context in which planning takes place and can be seen as the parameters within which managers can formulate realistic organisational goals:

- The purpose of the organisation: Including its obligation to society, to stakeholders or a combination of these;
- Mission statements: Setting out the unique purpose distinguishing the organisation from other organisations of its type;
- The environment: To take advantage of environmental opportunities and avoid environmental threats;
- Values of managers: Influence and cement the organisation's culture, strategy and structure and commitment to social responsibility;
- Experience of management: Influence the planning performance of management.

1.4.2 Steps in the Planning Process

The steps in the planning process are:

- Establish goals;
- Develop alternative plans;
- Evaluate alternative plans;
- Select a plan;
- Implement the plan;
- Do reactive planning, if necessary, when changes occur in the environment.

This is illustrated in Diagram 6.2 below.

The planning context means that the goals and plans for one company will not be the same as another company.

The planning process does not end with implementation. Reactive planning is necessary to keep goals and plans up to date.

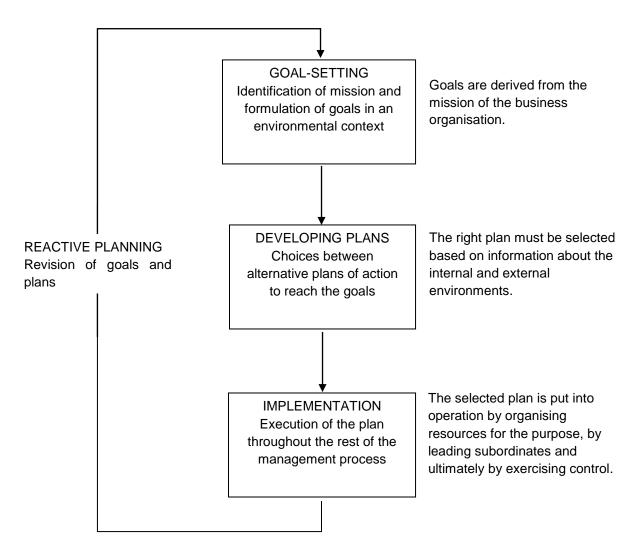


Diagram 7.2 The planning process (Erasmus *et al,* 2013, p.199)

The managers at the various levels have different focus points which are illustrated in Figure 7.2 on p.200 of the textbook.

From this figure it is clear that there are three levels of management, namely:

- Top-level management: Who are responsible for the formulation of long-term strategic goals and strategic plans for the entire organisation;
- Middle–level management: Use strategic goals and plans to develop medium-term tactical goals and plans for functional departments;
- Lower-level management: Use tactical goals and plans to develop short-term operational goals and plans for sections.

1.4.3 Strategic Goals and Plans

Strategic goals include:

- Vision: Picture of the future that the organisation seeks to create;
- Mission statement: Over-arching goal of the organisation and includes:
 - What is the business products and services;
 - Who are the customers/ markets;
 - How we provide products/ services technology;
- Long-term strategic goals: Derived from mission statement and cover all areas of the organisation;
- Strategic plans are developed for the organisation as a whole and include all the functions and areas of the organisation. Two levels of strategic plans exists, namely:
 - Corporate strategies: Identify what business the organisation is in and how resources should be deployed. Corporate strategies can be:
 - Market-development strategies;
 - Product-development strategies;
 - Concentration-growth strategies;
 - Innovation strategies;
 - Horizontal-integration strategies;
 - Vertical-integration strategies;
 - Joint-venture strategies;
 - Diversification strategies;
 - Turnaround strategies;
 - Divestiture strategies;
 - Liquidation strategies.
 - Business strategies: Determine how best to compete in a particular industry or market.

1.4.4 Tactical Goals and Plans

Strategic goals and plans are used by middle-management to formulate tactical goals (medium-term to short-term goals derived from the long-term goals) and tactical plans (more specific focus compared to strategic plans) set for each functional area within the organisation.

Tactical plans take into consideration strategic goals and plans, tactical goals, resource allocation, time issues and human resources commitment (Erasmus *et al*, 2013, p.203).

Make sure you understand and can explain the difference between strategic, tactical and operational goals and plans.

1.4.5 Operational Goals and Plans

These are developed by middle and lower-level managers and can be described as:

- Operational goals: Which are short-term goals for a period of no longer than a year and which deal with the day-to-day activities of an organisation and allocation of resources;
- Operational plans: Short-term plans of no longer than a year are set in order to achieve operational goals; they include:
 - Single-use plans to achieve a set of goals not likely to be repeated in future, such as programmes, project and budgets;
 - Standing plans on-going plans that provide direction of tasks that are performed repeatedly, such as policies, rules and standard procedures.

1.4.6 Implementation of Plans

During the implementation of the plans, a framework for their execution should be developed. Management and the organisational leadership have to set the plan in motion and exercise control to determine whether the performed activities were done according to plan. Deviations will be revealed by control that may lead to reactive planning.

Read sections 7.4 "The planning process" and 7.6 "The implementation of plans" on pp.197–205 of your textbook (please note there is no Paragraph 7.5 in the textbook). Summarise this section and underline the main ideas related to the planning process and the implementation of plans.

Then paraphrase the description of the different managerial levels and differentiate between the different levels of goals and plans and how plans should be implemented.

2 Recommended Additional Reading

Louw, L and Venter, P. 2010. *Strategic management: Developing sustainability in Southern Africa*. 2nd edition. Cape Town: Oxford University Press.

Smit, PJ, Cronje, GJ, Brevis, T and Vrba, MJ. 2011. *Management principles: A contemporary edition for Africa*. 5th edition. Cape Town: Juta. What would happen if the strategic, tactical and operational goals do not link up to each other?

To practice the creation of goals complete the Digital Engagement Activity.

3 Recommended Digital Engagement and Activities

Consider the education institution within which you are studying. Imagine you are a business consultant and have been tasked with creating new goals for the business. Prepare a PowerPoint presentation for the Board of Directors within which you propose a new:

- Vision statement;
- Mission statement;
- Two new strategic goals;
- Two new tactical goals;
- Two new operational goals.

You will need to make sure that your strategic, tactical and operational goals are SMART. Ensure that all your goals, vision and mission are linked together.

4 Interactive Work Space

4.1 Izimvo Exchange

On the internet, you are required to visit business news websites such as:

- Bloomberg. 2013. [Online] Available at: <u>http://www.bloomberg.com/</u> [Accessed 11 December 2013].;
- Business Day. s.a. [Online] Available at: <u>http://www.bdlive.co.za/</u> [Accessed 11 December 2013].;
- Fin24. 2013. [Online] Available at: <u>http://www.fin24.com/</u> [Accessed 11 December 2013].

Your task is to find an article which gives you an example of which corporate strategy the business is using. Write a short analysis of what strategy is being used and why you believe the business is using that strategy.

You can share and present your article to your class or fellow students.

4.2 Activity

Purpose:

To develop the ability to evaluate a statement.

Task:

Evaluate the following statement "Planning is too expensive and is just not worth it for small businesses."

Commentary Related to Activity Design:

This activity requires you to consider both the benefits and costs of planning. You are also required to relate these to the small business context. Additional research will enhance your answer.

4.3 Revision Exercise

- 1. List the benefits that can be obtained by developing plans.
- 2. Identify and briefly discuss the costs that planning could result in for a business organisation.
- 3. Describe, in your own words, the following:
 - 3.1 Planning;
 - 3.2 Organisational goal;
 - 3.3 Organisational plan.
- 4. Organisational goals flow from the mission statement of the organisation and provide the specifics on how the mission will be accomplished. Identify and briefly discuss the nature of organisational goals.
- 5. List the reasons why goals are important.
- 6. What does "SMART" stand for when referring to goals and objectives?
- 7. Briefly discuss the process involved in the implementing of the management by objective system in an organisation.
- 8. Differentiate between the advantages and disadvantages of the management by objective system.

Consult your textbook on pp.205–206 for additional activities.

- 9. List the variables that determine the context in which planning takes place and that can be seen as the parameters within which managers can formulate realistic goals.
- 10. Provide a graphic illustration of the planning process.
- 11. Identify the levels of management and the types of goals and plans that each level develops.
- 12. What is the difference between a strategic goal and a strategic plan?
- 13. In your own words, describe the following:
 - 13.1 Operational goals;
 - 13.2 Operational plans;
 - 13.3 Single-use plans;
 - 13.4 Standing plans.

Learning Unit 8: Organising				
Mat	terial used for this Learning Unit:	My Notes on this		
•	Prescribed text pp.191–208.	Learning Unit:		
Hov	w to prepare for this Learning Unit:			
•	Read Chapter 7 of your prescribed textbook.			
•	 Make notes of any areas where you require further explanation. 			
•	As you read Chapter 7 consider the following questions:			
	 How you would structure a business? 			
	 How many people can managers effectively supervise? 			
	 Would you be happy in a very repetitive job and how would you like a repetitive job changed? 			

1 Key Concepts Covered in this Learning Unit

1.1 Importance of Organising

Organising means that management has to develop mechanisms or structures in order to implement the strategy or plan of the organisation. It is just as important as planning for the following reasons:

- Organising entails a detailed analysis of the work to be done and the resources to be used to achieve the aims and goals of the business organisation – tasks, resources and methods/ procedures are systemised;
- Organisation divides the total workload into activities that can comfortably performed by a group or individual;
- Organisation promotes the productive deployment of resources;
- Related tasks and activities are rationally grouped together in specialised departments;
- An organisational structure is a mechanism that coordinates the whole business organisation.

1.2 The Fundamentals of Organising

There are five building blocks/ fundamentals of organising, which are summarised in Diagram 8.1.

You can set great goals and have the best plans, but if you do not organise your people and jobs correctly, you will not succeed.

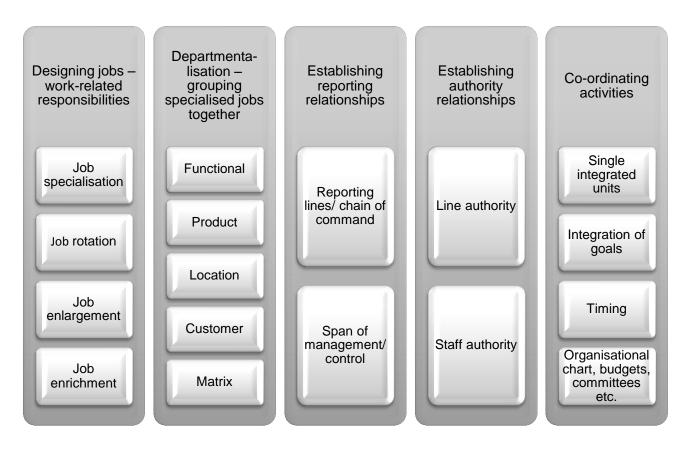


Diagram 8.1 Building blocks/ fundamentals of organising (Developed from Erasmus *et al*, 2013, pp.210– 219)

1.2.1 Designing Jobs

This entails determining the work-related responsibilities of an incumbent of a position or job. The following aspects are involved in the designing of jobs:

- Job specialisation: Determining the level of specialisation or the degree to which the overall task of the organisation can be broken down into smaller, specialised tasks. By having workers specialise, they become very proficient at certain tasks, but can become bored and dissatisfied. Job specialisation has limitations which can be overcome by the aspects discussed below;
- Job rotation: Systematically moving employees from one job to another; often used as a training method;
- Job enlargement: To increase the number of tasks that a worker performs;
- Job enrichment: Increasing both the number of tasks and the control that the worker has over the job.

Study Table 8.1 on p.212 of your textbook. Note the benefits and limitations of specialisation.

Think about a motor vehicle factory and the different jobs that would need to be done. Can you think of examples of how this factory could use job specialisation, rotation, enlargement and enrichment?

You must be able to explain, discuss and illustrate the different departmentalisations.

1.2.2 Grouping Jobs: Departmentalisation

Departmentalisation involves grouping specialist tasks together. The type of structure chosen will depend on the size, kind of business and nature of its activities.

The following are common bases for departmentalisation:

- <u>Functional departmentalisation</u>: The most basic form, where activities belonging to functions such as marketing, finance, human resources, operations, production, and purchasing and supply are grouped together. This type of departmentalisation is illustrated in Figure 8.1 on p.212 of the textbook;
- <u>Product departmentalisation</u>: Designed so that all activities concerned with the manufacturing of a product or groups of products are grouped together in products sections. See Figure 8.2 on p.213 of the textbook;
- <u>Location departmentalisations</u>: Applicable to an organisation that manufactures and sells its products in different geographical regions. See Figure 8.3 on p.214 of the textbook;
- <u>Customer departmentalisation</u>: Adopted when an organisation concentrates on a special segment of the market or group of consumers or a limited number of users. This is illustrated in Figure 8.4 on p.214 of the textbook;
- <u>Matrix organisational structure</u>: This structure incorporates the advantages of the other structures by forming project teams where functional managers have line authority over the members in their functions and project managers have staff authority over those members who have been allocated to their projects. Figure 8.5 on p.215 of the textbook illustrate this type of structure.

1.2.3 Establishing Reporting Relationships

Reporting lines are established in two steps:

- Firstly, the chain of command or who reports to whom is established. It can be defined as "a clear and distinct line of authority among the positions in an organisation" (Erasmus *et al*, 2013, p.216) and is has two components:
 - Unity of command: Each person has a clear reporting relationship to one, and only one, supervisor;
 - Scalar principle: There must be a clear line of authority from the lowest to the highest position in the organisation;

Can you explain the difference between a narrow or broad structure when considering span of control? Secondly, the span of management/ control which indicates how many people will report to one manager is established. (Figure 8.6 on p.216 of the textbook illustrates this concept).

1.2.4 Establishing Authority Relationships

The tasks of the organisation are divided into smaller specialised units and allocated to departments or persons. This also entails the assignment of responsibility (duty to perform the task or activity as assigned), authority (right to command or to give orders) and accountability (that people with authority and responsibility are subject to report and justify outcomes to those above them in the chain of command). Positions of management are based on formal authority which is:

- Vested in organisational position and not people;
- Accepted by subordinates;
- Flows down the vertical hierarchy of an organisation.

Two distinctive authority relationships exist:

- Line authority: Delegated down the line of command (vertically);
- Staff authority: Indirect and supplementary authority (horizontal).

Delegation is the process used by a manager to transfer authority and responsibility to positions below them in the organisational hierarchy.

1.2.5 Co-ordinating Activities

Co-ordination is conducted to develop congruence, or harmony of goals, throughout the organisation.

1.3 The Informal Organisation

Alongside the formal structure of the organisation there is also an informal organisation reflecting the interpersonal relations between people in the business organisation that are not defined by the formal structure. In the informal organisation, informal communication takes place and relationships are formed between individuals and groups. Some managers believe that the grapevine should be suppressed. Make sure you can explain why the informal organisation can be beneficial.

Make sure you can explain the terms responsibility, accountability, authority and delegation. Management should encourage the informal organisation due to the following reasons:

- Informal communication takes place quicker than formal communication and could aid the speed of decisionmaking;
- The informal organisation promotes teamwork and cooperation;
- The informal organisation supports the formal organisation.

Read sections 8.2 "The importance of organising", 8.3 "The fundamentals of organising" and 8.4 "The informal organisation" on pp.209–220 of your textbook. Identify and underline the main ideas in this section.

Then paraphrase the factors, indicating the importance of organising. Furthermore, identify the fundamentals or building blocks of organising and paraphrase the discussion of each building block while illustrating the principles within each building block by means of figures, where applicable. Finally, paraphrase the principles regarding the informal organisation and how management can use these principles to the advantage of the formal organisation.

1.4 Factors that Influence Organisational Structure

The design of an organisational structure is influenced by the following factors:

- The environment in which a business operates: The business must be able to survive in the environment, which could either be:
 - A stable environment one that does not change much or is not subject to unexpected change;
 - A turbulent environment one in which changes are the norm rather than the exception;
 - A technologically dominated environment influenced by the level of technological sophistication;
- The relationship between strategy and structure: Strategy provides direct input in the design of the structure;
- The size of the business: An increase in the number of employees creates a need for greater specialisation;

- Staff employed by the business: There is a close relationship between the organisational structure and the competence, skill and knowledge of the employees within the organisation;
- Organisational culture: The beliefs and values of management and employees which will have an effect on the type of structure.

Read section 8.5 "Factors that influence organisational structure" on pp.220–222 of your textbook. Underline the main ideas in this section.

Then identify and paraphrase the discussion of the different factors that influence the organisational structure, how they influence it and develop your own examples from the college.

2 Recommended Additional Reading

Louw, L and Venter, P. 2010. *Strategic management: Developing sustainability in Southern Africa*. 2nd edition. Cape Town: Oxford University Press.

Smit, PJ, Cronje, GJ, Brevis, T and Vrba, MJ. 2011. *Management principles: A contemporary edition for Africa*. 5th edition. Cape Town: Juta.

3 Recommended Digital Engagement and Activities

This activity requires you to analyse a journal article. This is an important skill that you will need during your studies. You can access the article in Ebscohost.

Read the following article:

Eriksson, T and Ortega, J. 2006. The adoption of job rotation: Testing the theories. *Industrial & Labor Relations Review*, 59(4), July, Article 7, pp.653–666.

In one to two paragraphs summarise the key points of the article. Consider whether you agree with their conclusions about job rotation. Further research will support your answer.

Once you have read this section complete the Interactive Workspace Activity below.

4 Interactive Work Space

4.1 Izimvo Exchange

Consider the following two examples of companies. Suggest, with reasons, which departmentalisation you believe each business should follow. Also comment on whether the span of control should be broad or narrow.

- 1. A steel factory with 2 500 workers;
- 2. A petrol station with a shop and car wash;
- 3. A small IT company that designs mobile applications.

4.2 Activity

Purpose:

To gain a deeper understanding of the factors which influence organisational structure.

Task:

Consider the factors which influence organisational structure. Discuss the following statement, using examples to support your points, "Too much emphasis is placed on organisational structure, essentially if it is one size fits all."

Commentary Related to Activity Design:

This activity requires you to use practical examples to illustrate how different companies need different structures.

4.3 Revision Exercise

- 1. Provide a graphic illustration of the five building blocks of organising.
- Designing jobs entails determining the work-related responsibilities of an incumbent of a position or job. Identify and discuss the aspects involved in the designing of jobs.
- Identify and discuss matrix departmentalisation as one of the bases of departmentalisation when designing organisational structures, and provide a graphic illustration of this type of departmentalisation.
- 4. List the common types of departmentalisation.

Consult your textbook on pp.222–223 for additional activities.

- 5. Provide a graphic illustration of a functional organisational structure.
- 6. The first step in the establishment of reporting relationships designing organisational structures is establishing reporting lines. Briefly discuss this concept.
- 7. Differentiate between line and staff authority.
- 8. In your own words, describe the following:
 - 8.1 Accountability;
 - 8.2 Delegation;
 - 8.3 Centralisation;
 - 8.4 Decentralisation.
- 9. Provide reasons why management should encourage the informal organisation.
- 10. List and briefly discuss the factors that influence the design of an organisational structure.

Learning Unit 9: Leading			
Material used for this Learning Unit:		My Notes on this	
•	Prescribed text pp.224–241.	Learning Unit:	
How to prepare for this Learning Unit:			
•	Read Chapter 9 of your prescribed textbook.		
•	Make notes of any areas where you require further		
	explanation.		
•	As you read Chapter 9 consider the following		
	questions:		
	 Who are great leaders that you admire? 		
	 What makes leaders effective? 		
	 Can leadership be learnt? 		
	• What do you like and dislike about group work?		

1 Key Concepts Covered in this Learning Unit

1.1 The Nature of Leadership

Leadership from a managerial point of view can be described as "the process of influencing employees to work willingly towards the achievement of organisational objectives" (Erasmus *et al,* 2013, p.225). To be able to influence employees, management should understand what motivates employee behaviour. Management in modern organisations entails not only the management of individuals, but also of groups and teams.

In performing the leading function of management, managers take the lead to bridge the gap between formulating plans and reaching goals, which they achieve by influencing individuals, groups and teams in the organisation by means of communicating with them and ensuring that they are motivated.

1.1.1 Leadership and Management

Leadership and management are not the same – management is a broader concept that includes the four functions of planning, organising, leading and control. Within an organisation one will find managers that are not leaders, and leaders that are not managers. Leaders lead by influencing others by means of communicating with them, gaining acceptance of them, and inspiring followers to support and implement the ideas through change. Leaders are able to influence others.

Can you explain the difference between management and leadership?

1.1.2 Components of Leading Function

The components of the leading function entail the following:

- Authority: The right of a manager to give commands to, and demand actions from, employees;
- Power: The manager's ability to influence his or her employee's behaviour;
- Responsibility: The manager is responsible for the results of their organisation, department or section;
- Delegation: Assigning responsibility and authority for achieving organisational goals;
- Accountability: Obligation to demonstrate and take responsibility for performance in light of commitments and expected outcomes.
- <u>Authority</u>: Without authority the manager will not be able to manage, initiate or sustain the management process. Final authority rests with the shareholders or owners who transfer or delegate authority to the board, who in turn delegates it to top management; top management delegates to middle-management and so on.
- <u>Power</u>: Power in leaders takes two forms positional power that top management delegates down the chain of command and personal power that is bestowed upon a manager by his or her subordinates.

The following types of power, which exist on a continuum from positional to personal power, can be identified:

- Coercive power: The power to enforce compliance through fear, whether psychological, emotional or physical;
- Reward power: The ability to influence employees with something of value to them – power to give or withhold reward;
- Legitimate power: Power an organisation grants to a particular position; enables the manager to discipline or dismiss employees if they do not comply with what the manager instructed them to do;
- Referent power: Personal power of charisma; people will obey managers with this power just because they like, respect and identify with them;
- Expert power: Linked to the expertise, knowledge and professional ability of the manager.

What types of power do you think Nelson Mandela had?

Once you understand the different types of power, complete Izimvo Exchange 1. Table 9.1 on p.228 of your textbook reflects the uses and outcomes of these types of power in an organisation.

Read section 9.2 "The nature of leadership" on pp.225–229 of your textbook. Highlight the main ideas in this section.

Then paraphrase the explanation of the nature of leadership and the interaction between leadership and management. Furthermore, identify and discuss the different components of the leading function and differentiate between the different types of power and how they are used in an organisation.

1.2 Leadership Theories

The major leadership theories are:

- Trait theories: Assumption that strong leaders have certain basic traits that distinguish them from followers;
- Behavioural theories: Assumes that successful leaders behave differently from unsuccessful leaders, a belief that managers could learn the right behaviour;
- Contingency theories: Acknowledges that predicting leadership success is more complex and attempts to determine the best leadership style for a given situation.

1.2.1 Contemporary Issues

Trust is very important in leadership and the five dimensions of trust are:

- Integrity;
- Competence;
- Consistency;
- Loyalty;
- Openness.

Leaders who communicate and share their vision for their organisation can be classified into:

• <u>Charismatic leadership</u>: The perception is that a strong relationship exists between charismatic leadership and employee performance and satisfaction. Charismatic leaders have traits such as self-confidence, vision, the ability to articulate vision, strong convictions about the vision, unconventional behaviour and environmental sensitivity.

You must be able to explain the difference between these theories.

- <u>Visionary leadership</u>: Have the ability to create and articulate a realistic, credible, attractive vision of the future of the organisation.
- <u>Transactional and transformational leaders</u>: Transactional leaders motivate followers by appealing to their self-interest while transformational leadership is a process in which the leaders and subordinates raise one another to higher levels of morality and motivation.

1.2.2 Emerging Approaches to Leadership

As leaders face new challenges, three important emerging approaches to leadership are prominent:

- Strategic leadership;
- Cross-cultural leadership;
- Ethical leadership.

Read section 9.3 "Leadership theories" on pp.229–232 of your textbook. Summarise this section by paraphrasing the different leadership theories, the contemporary issues in leadership, the emerging approaches to leadership and the role of trust in leadership.

1.3 Motivation

Motivation is defined as "an inner desire to satisfy an unsatisfied need" (Erasmus *et al,* 2013, p.232). In the work situation it can be seen as internal and external forces and influences that drive an individual to achieve certain goals.

The following concepts are important in the process of motivation of employees:

- <u>Motives</u>: Relates to an unsatisfied need that an employee may have that results in a motive to satisfy the need that leads to a certain:
- <u>Behaviour</u> on his or her part to do something about satisfying the need in the hope to achieve certain:
- <u>Consequences of behaviour</u>, such as obtaining the outcome that was desired which will lead to:
- <u>Satisfaction or dissatisfaction</u> if the outcome was not obtained.

If managers understand what motivates the behaviour of their employees, they will be able to influence their work performance. Think back to Maslow's hierarchy of needs in Learning Unit 1. What do you think motivates people?

This topic will be dealt with further in BMNG5112.

Read section 9.4 "Motivation" on pp.232–233 of your textbook. Underline the main ideas related to motivation as discussed in this section. Then paraphrase the description of motivation and distinguish between the elements in the motivation process and how management can use it to influence the work performance of employees.

1.4 Groups and Teams in Organisations

The majority of individuals in modern organisations do not work merely as individuals with individual needs and goals, but also as members of groups and teams.

1.4.1 Groups

Groups can be described as "two or more individuals who regularly interact with one another and who work for a common purpose" (Erasmus *et al,* 2013, p.234). The following types of groups exist in organisations:

- Informal groups that can be divided into:
 - Interest groups groups of members that share a common interest;
 - Friendship groups exist to satisfy social needs of its members;
- Formal groups that can be divided into:
 - Command groups appear on the organisational chart indicating their line authority and will have allocated work assignments;
 - Task groups created to complete a specific task or project.

1.4.2 Characteristics of Groups

The following aspects/ characteristics will have an influence on the performance of groups:

- Group size;
- Group composition homogeneous or heterogeneous;
- Group norms or standards;
- Group cohesiveness;
- Status in groups;
- Leadership in groups formal or informal.

What groups are you part of?

Do you think that homogenous groups (where people are the same) outperform heterogeneous groups (where people are different)?

1.4.3 Teams

Not all groups are teams. A work group is a unit of two or more people who interact primarily to share information and make decisions that will help each group member perform within his/ her own area of responsibility (Erasmus *et al*, 2013, p.235).

Work teams on the other hand are made up of a small number of employees with complementary competencies who work together on a project, are committed to a common purpose, and are accountable for performing tasks that contribute to achieving an organisation's goals (Erasmus *et al*, 2013, p.235).

The different types of teams that may exist are:

- Problem-solving teams;
- Self-managed work teams;
- Cross-functional teams.

High performance teams have the following characteristics:

- A clear understanding of the team's goals and the technical skills and abilities needed to achieve these goals;
- Members who are capable of adjusting their skills;
- High mutual trust among members and unified commitment;
- Good communication and adequate negotiating skills;
- Team leaders who encourage team members by clarifying goals and who help members to realise their potential.

Read section 9.5 "Groups and teams in organisations" on pp.233–237 of your textbook. Identify and highlight the main ideas in this section.

Then differentiate between groups and teams, distinguish between the different types of groups and teams and paraphrase the characteristics of both groups and of teams.

1.5 Communication

Effective leadership depends on continuous and good communication between leaders and employees. The elements of the communication model are:

- Sender: Source of the message;
- Message: Conveying ideas, opinions, plans, orders or explanations;

A soccer or rugby team is a team as it has a common purpose, complementary skills, is working towards the same goal and wins or loses together.

Do successful sports teams exhibit these characteristics?

You may have learnt about communication models in other modules. Ensure that you learn the correct terminology for this module.

- Channel: Manner in which the message reaches the receiver;
- Receiver: Should absorb the message and show that it was received;
- Understood: Using listening skills.

Managers should establish the aspects that may hinder clear communication and remove or improve it – these could be language differences, erroneous perceptions, doubts about the source or sender, and ambiguities.

Read section 9.6 "Communication" on pp.237–239 of your textbook and highlight the main ideas related to the communication and the communication model.

Then paraphrase the importance of effective communication for managers and distinguish between the elements of the communication model and provide a graphic illustration of this model.

2 Recommended Additional Reading

Collins, J. 2005. Level 5 leadership: The triumph of humility and fierce resolve. *Harvard Business Review*, 83(7/8), pp.136–146.

Kotter, JP. 2001. What leaders really do. *Harvard Business Review*, 79(11), pp.85–96.

Louw, L and Venter, P. 2010. *Strategic management: Developing sustainability in Southern Africa*. 2nd edition. Cape Town: Oxford University Press.

Smit, PJ, Cronje, GJ, Brevis, T and Vrba, MJ. 2011. *Management principles: A contemporary edition for Africa*. 5th edition. Cape Town: Juta.

3 Recommended Digital Engagement and Activities

You are required to write a researched opinion on the following statement "Leaders are born not made".

Share your opinion online and comment on the opinions of your peers. Use scholar.google.com and Ebscohost to conduct research.

4 Interactive Work Space

4.1 Izimvo Exchange

Consider the following four leaders. Identify and discuss the different types of power they each have:

- Bill Gates;
- A gang leader;
- Jacob Zuma;
- Tim Cook (CEO of Apple).

4.2 Activity

Purpose:

To gain a deeper understanding of the three main leadership theories.

Task:

Compare the three main leadership theories namely trait, behavioural and contingency theory.

Commentary Related to Activity Design:

N/A

4.3 Revision Exercise

- 1. In your own words, describe leadership.
- 2. Compare leadership and management with each other and provide a graphic illustration of how they can be integrated with each other.
- 3. Identify and briefly discuss the components of the leading function.
- 4. List and briefly discuss the different types of power.
- 5. List the five dimensions of trust.
- 6. Discuss the three classifications of leaders who communicate and share their vision for their organisation.
- 7. What are the concepts that are important in the process of motivation?

Consult your textbook on pp.239–240 for additional activities.

- 8. Differentiate between groups and teams within an organisation.
- 9. List the types of groups that can be found in an organisation.
- 10. What are the characteristics of high performance teams?
- 11. Provide a graphic illustration of the communication process.

Learning Unit 10: Controlling			
Mat	erial used for this Learning Unit:	My Notes on this	
•	Prescribed text pp.242–256.	Learning Unit:	
How to prepare for this Learning Unit:			
•	Read Chapter 10 of your prescribed textbook.		
•	Make notes of any areas where you require furth	her	
	explanation.		
•	As you read Chapter 10 consider the following		
	questions:		
	 Why is control necessary? 		
	 How do you make sure that tasks are don 	e?	
	 Do you think organisations spend more tir 	me	
	planning or controlling?		

1 Key Concepts Covered in this Learning Unit

1.1 The Purpose of Control

Controlling means narrowing the gap between what was planned and the actual achievement of those plans, and ensuring that all activities are carried out as they should be.

Control is necessary for the following reasons:

- It is linked with planning, organising and leading;
- It helps business organisations adapt to environmental changes;
- It helps to limit the accumulation of error;
- It helps business organisations to cope with increasing organisational size and complexity;
- It helps to minimise costs.

Read sections 10.1 "Introduction" and 10.2 "The purpose of control" on pp.242–244 of your textbook. Underline the main ideas in this section.

Then paraphrase what control is and how it can be described, and highlight the reasons why the control process is necessary for any business organisation. Without control, you have no way of knowing if your plans have been successful.

1.2 The Control Process

The control process is illustrated in Diagram 9.1.

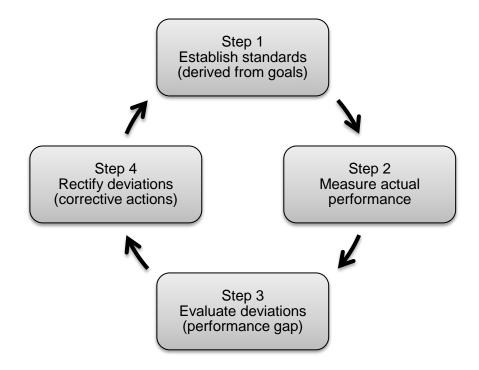


Diagram 9.1 Steps in the control process (Erasmus *et al*, 2013, p.245)

1.2.1 Step 1: Establish Standards

Performance standards have to be established at strategic points and could include:

- Profit standards;
- Market-share standards;
- Productivity standards;
- Staff-development standards.

1.2.2 Step 2: Measure Actual Performance

Collecting information and reporting on actual performance are continuous activities. It is important that:

- Activities should be quantifiable before any comparisons can be made;
- Reports should be reliable and accurate;
- The right amount of information is fed back to the right person;
- Principle of control by exception should be applied.

Can you see how these standards are linked to the goals of the organisation discussed in Learning Unit 7?

Control by exception means that only important or exceptional disparities are reported to top management.

1.2.3 Step 3: Evaluate Deviations

The gap between the performance standard and actual performance should be measured and reasons for any deviation determined. Even if the standards have been met, investigation should still be done into how improvements can be made.

Deviations need to be explained, making sure that:

- Deviations are genuine;
- Deviations are large enough to justify further investigations;
- All the reasons and activities responsible for the deviations are identified.

1.2.4 Step 4: Take Corrective Actions

The need for corrective action must be determined to ensure that deviations will not recur. Where actual achievements do not match the standards, three possible actions can be taken:

- Actual performance can be improved to meet the standards;
- Strategies can be revised to accomplish the standards;
- Performance standards can be adjusted (lowered or raised) to make them more realistic.

Read section 10.3 "The control process" on pp.244–247 of your textbook. Summarise and paraphrase the steps in the control process.

1.3 Types of Control

This section focuses on the different areas of control in the business organisation.

1.3.1 Areas of Control

The following key areas of control can be identified:

- Physical resources: Factors such as inventory and quality control, using control mechanisms such as economic-ordering quantity, materials requirement planning and just-in-time systems in inventory control and total quality management (TQM) in quality control;
- Human resources: Selection and placement of employees, control over training and personnel development, performance appraisal and remuneration levels;

Many of the areas of control such as inventory management, TQM and performance appraisal are dealt with in detail in BMNG5112.

Can you clearly explain each stage in the control process?

- Information resources: Accurate market forecasting, adequate environmental scanning and economic forecasting;
- Financial resources: Financial analyses and budgeting.

Read section 10.4 "Types of control" on pp.247–254 of your textbook. Summarise this section, focussing on the different types of control that can be used in each area of control that exists within a business organisation.

1.4 Characteristics of an Effective Control System

The following are characteristics of an effective control system:

- Integration: A control system is more effective when integrated with planning and when it is flexible, accurate, objective, timely and simple. The way in which control and planning is integrated is illustrated in Figure 10.3 on p.255 of the textbook;
- Flexibility: A control system should be able to accommodate change and should be able to adjust to revisions in plans;
- Accuracy: Designed to provide an objective and accurate picture of the situation that would not allow errors or deviations to be concealed in the data;
- Timeliness: Control data should be supplied regularly as needed and not be obtained by means of hasty, makeshift measurement;
- Simplicity: Control should not become so complex that the implementation becomes more expensive than the benefits derived from it.

Read section 10.5 "Characteristics of an effective control system" on pp.254–255 of your textbook. Summarise this section, ensuring that you list and paraphrase the characteristics of an effective control system.

2 Recommended Additional Reading

Louw, L and Venter, P. 2010. *Strategic management: Developing sustainability in Southern Africa*. 2nd edition. Cape Town: Oxford University Press.

Smit, PJ, Cronje, GJ, Brevis, T and Vrba, MJ. 2011. *Management principles: A contemporary edition for Africa*. 5th edition. Cape Town: Juta. An easy way to remember lists like this is to make an acronym. In this case it could be: ISFAT.

BMNG5111

3 Recommended Digital Engagement and Activities

Consider the educational institution at which you are studying. Your task is to create a PowerPoint presentation proposing how a control system should work at this institution.

4 Interactive Work Space

4.1 Izimvo Exchange

Prepare a debate both in support for and against the following statement "Control is the most important management function."

Engage with fellow students to debate the topic from both sides.

4.2 Activity

Purpose:

To develop critical thinking skills.

Task:

Discuss the validity of the following statement "What gets measured gets done."

Commentary Related to Activity Design:

N/A

4.3 Revision Exercise

- 1. An organisation needs a control process, because even the best-laid plans may go wrong. List and briefly discuss the reasons why a control process is necessary.
- 2. List and briefly discuss the steps in the control process.
- 3. Discuss the performance standards that can be developed during the first step in the control process
- 4. If actual achievements do not match the performance standards, what three possible actions can management implement?

Consult your textbook on p.256 for additional activities.

- 5. List and briefly describe the four areas of control.
- 6. List the control systems that can be used in the following areas of control:
 - 6.1 Physical resources;
 - 6.2 Financial resources.
- 7. Compare the different types of budgets that can be used in controlling the financial resources by referring to their focus and give examples of each type of budget.
- 8. Identify and briefly discuss the characteristics of an effective control system.

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Department of Trade and Industry (the dti). 2010. *The new consumer protection act and companies act to come into force on 1 April 2011*. Issued by the Communication and Marketing, the dti. [Online]. Available at:

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Plagiarism

Plagiarism is any use of the words, ideas or images of another person without acknowledging the source using the required conventions. Below is a description of plagiarism and referencing. Please make sure that you are familiar with this information before attempting your assignment.

Introduction to Referencing and Plagiarism

What is 'Plagiarism'?

'Plagiarism' is the act of taking someone's words or ideas and presenting them as your own.

What is 'Referencing'?

'Referencing' is the act of referring to or consulting. A 'reference' is a publication or passage from a publication that is referred to.

Referencing is the acknowledgment of any work that is not your own, but is used by you in an academic document. It is simply a way of giving credit to and acknowledging the ideas and words of others.

When writing assignments, students are required to acknowledge the work, words or ideas of others, through the technique of referencing. Referencing occurs in the text at the place where the work of others is being cited, and at the end of the document, in the bibliography.

Cumming (2007) describes the bibliography as a list of all the work (published and unpublished) that a writer has read in the course of preparing a piece of writing. This includes items that are not directly cited in the work.

A reference is required when you:

- <u>Quote directly:</u> when you use the <u>exact words</u> as they appear in the source;
- <u>Copy directly:</u> when you copy <u>data, figures, tables, images, music, videos</u> or <u>frameworks;</u>
- <u>Summarise:</u> when you write a <u>short account</u> of what is in the source;
- <u>Paraphrase:</u> when you state the work, words and ideas of someone else in your own words.

It is standard practice in the academic world to recognise and respect the ownership of ideas through good referencing techniques. However, there are other reasons why referencing is useful.

Good Reasons for Referencing

It is good academic practice to reference because:

- It enhances the quality of your writing;
- It demonstrates the scope, depth and breadth of your research;
- It gives structure and strength to the aims of your article or paper;
- It endorses your arguments;
- It allows readers to access source documents relating to your work, quickly and easily (Neville, 2007, p.7).

Sources

The following would count as 'sources':

- Books,
- Chapters from books,
- Encyclopaedia,
- Articles,
- Journals,
- Magazines,
- Periodicals,
- Newspaper articles,
- Items from the Internet (images, videos, etc.),
- Pictures,
- Unpublished notes, articles, papers, books, manuscripts, dissertations, theses, etc.,
- Diagrams,
- Videos,
- Films,
- Music,
- Works of fiction (novels, short stories or poetry).

What You Need to Document from the Hard Copy Source You are Using

(Not every detail will be applicable in every case. However, the following lists provide a guide to what information is needed.)

You need to acknowledge:

- The words or work of the author(s),
- The author(s)'s or editor(s)'s full names,
- If your source is a group/ organisation/ body, you need all the details,
- Name of the journal, periodical, magazine, book, etc.,
- Edition,
- Publisher's name,
- Place of publication (i.e. the <u>city</u> of publication),
- Year of publication,
- Volume number,
- Issue number,
- Page numbers.

What You Need to Document if you are Citing Electronic Sources

- Author(s)'s/ editor(s)'s name,
- Title of the page,
- Title of the site,
- Copyright date, or the date that the page was last updated,
- Full Internet address of page(s),
- Date you accessed/ viewed the source,
- Any other relevant information pertaining to the web page or website.

Referencing Systems

There are a number of referencing systems in use and each has its own consistent rules. While these may differ from system-to-system, the referencing system followed needs to be used consistently, throughout the text. Different referencing systems cannot be mixed in the same piece of work!

A detailed guide to referencing, entitled <u>Referencing and Plagiarism Guide</u> is available from your library. Please refer to it if you require further assistance.

When is Referencing Not Necessary?

This is a difficult question to answer – usually when something is 'common knowledge'. However, it is not always clear what 'common knowledge' is.

Examples of 'common knowledge' are:

- Nelson Mandela was released from prison in 1990;
- The world's largest diamond was found in South Africa;
- South Africa is divided into nine (9) provinces;
- The lion is also known as 'The King of the Jungle'.
- $E = mc^2$
- Jan Van Riebeeck was the first person to settle in the Southern Cape.

Usually, all of the above examples would not be referenced. The equation $E = mc^2$ is Einstein's famous equation for calculations of total energy and has become so familiar that it is not referenced to Einstein.

Sometimes what we think is 'common knowledge', is not. E.g. the above statement about Van Riebeeck is only partly true – he was the first European to settle in the Cape. It was, however, not an 'uninhabited' area when he got there. The Khoisan, the original inhabitants of the Cape, had been living in the area for some time. It is not entirely accurate then to claim that Van Riebeeck was the first inhabitant. (Crampton, 2004, p.57)

It is thus generally safer to always check your facts and try to find a reputable source for your claim.

Important Plagiarism Reminders

The IIE respects the intellectual property of other people and requires its students to be familiar with the necessary referencing conventions. Please ensure that you seek assistance in this regard before submitting work if you are uncertain.

If you fail to acknowledge the work or ideas of others or do so inadequately this will be handled in terms of the Plagiarism Policy (available in the library) and/ or the Student Code of Conduct – dependent on whether or not plagiarism and/ or cheating (passing off the work of other people as your own by copying the work of other students or copying off the Internet or from another source) is suspected.

This campus offers individual and group training on referencing conventions – please speak to your librarian or ADC/ Campus Co-Navigator in this regard.

Reiteration of the Declaration you have signed:

- 1. I have been informed about the seriousness of acts of plagiarism.
- 2. I understand what plagiarism is.
- 3. I am aware that The Independent Institute of Education (IIE) has a policy regarding plagiarism and that it does not accept acts of plagiarism.
- 4. I am aware that the Plagiarism Policy and the Student Code of Conduct prescribe the consequences of plagiarism.
- 5. I am aware that referencing guides are available in my student handbook or equivalent and in the library and that following them is a requirement for successful completion of my programme.
- 6. I am aware that should I require support or assistance in using referencing guides to avoid plagiarism I may speak to the lecturers, the librarian or the campus ADC/ Campus Co-Navigator.
- 7. I am aware of the consequences of plagiarism.

Please ask for assistance prior to submitting work if you are at all unsure.