

**ENT409**  
**RETHINKING TRADITIONAL OCCUPATION**  
**Course Guide**

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### Introduction

ENT409- Rethinking Traditional Occupation is a two credit course for students offering programmes in the Faculty of Entrepreneurial Studies.

The course consists of fifteen (15) units. The material has been developed to suit undergraduate students taking management courses at the National Open University of Nigeria (NOUN), through an approach that highlights the key areas of management in private and public enterprises.

A student who successfully completes the course will surely be in a better position to manage different sections in private and public organisations.

The course guide, briefly, gives you an idea of what the course is about, what course materials you will be using and how you can utilise these materials. It suggests some general guidelines on the time you are likely to spend on each unit of the course, in order to complete it successfully.

It also gives you some guidance on your tutor-marked assignments. Detailed information on tutor-marked assignment is found in the separate assignment file which will be made available to you.

## **Course Aims**

The course aims to give you a thorough understanding Rethinking Traditional Occupation. It concentrates on the role and responsibilities of general management and focuses on the structures and processes through which these responsibilities are discharged. To ensure that this aim is achieved, some important background information will be provided and discussed. They are as follows.

- Definition of Traditional Occupation
- History of Traditional Occupations
- Features of Traditional Occupations in ancient system
- Advantages and Disadvantages of Traditional Occupations

## **Course Objectives**

At the end of this course, you should be able to:

- Farming
- Hunting
- Grass Weaving
- Carpentry
- Fishing
- Blacksmith
- Traditional Healer

## **Working through This Course**

To complete this course, you are required to read the study units, read recommended books and read other materials provided by the National Open University of Nigeria (NOUN). You will also need to undertake practical exercises for which you need access to a personal computer.

Each unit contains self-assessment exercises, and at certain points during the course, you will be expected to submit assignments. At the end of the course, you will sit for a final examination. The course should take you about 17 weeks to complete. Below are the components of the course, what you have to do, and how you should allocate your time to each unit in order to complete the course successfully on time.

## **Course Materials**

Major components of the course are listed below.

1. Course guide
2. Study units
3. Textbooks
4. Assignment file
5. Presentation schedule

### **Study Units**

The study units in this course are as follows

#### **MODULE 1**

- Unit 1 Overview of Traditional Occupations
- Unit 2 Types of Traditional Occupations In Nigeria
- Unit 3 Skills and Competencies
- Unit 4: Competence Development in the Workplace
- Unit 5 Knowledge Management and Business Growth

#### **MODULE 2**

- Unit 1 Overview of Strategic Management
- Unit 2 Strategic Management Process
- Unit 3 Strategic Decision-Making
- Unit 4 SWOT Analysis
- Unit 5 Opportunity Analysis

#### **MODULE 3**

- Unit 1 Strategy Formulation
- Unit 2 Strategic Management Control and Evaluation
- Unit 3 Strategic Management Planning
- Unit 4 Corporate Planning
- Unit 5 Total Quality Management (TQM)

### **Textbooks and References**

Certain books have been recommended in the course. You should read them where you are so directed before attempting the exercises.

## **Assignment File**

In this course, you will find all the details of the work you must submit to your tutor for marking. The marks you obtain for these assignments will count towards the final mark you obtain for this course. Further information on assignments will be found in the assignment file itself and later in the section on assessment in this course guide. There are tutor-marked assignments in this course; you should attempt all.

## **Tutor-Marked Assignment**

There are about fifteen tutor-marked assignments in this course and you are advised to attempt all. Aside from the course material provided, you are advised to read and research widely using other references; this will give you a broader viewpoint and may provide a deeper understanding of the subject. Ensure all completed assignments are submitted on schedule before set deadlines. If for any reasons, you cannot complete your work on time, contact your tutor before the assignment is due. This is to give room for you to discuss the possibility of an extension; unless in exceptional circumstances, extensions may not be granted after the due date.

## **Final Examination and Grading**

The final examination for this course will be of three hours' duration and have a value of 70% of the total course grade. All areas of the course will be assessed and the examination will consist of questions, which reflect the type of self-testing, practice exercises and tutor marked assignment problems you have previously encountered. All areas of the course will be assessed.

Utilise the time between the conclusion of the last study unit and sitting for the examination to revise the entire course. You may find it useful to review your self-assessment tests, Tutor-Marked Assignments and comments written on them before the examination.

## **Presentation Schedule**

The presentation schedule included in your course materials gives you the important dates in the year for the completion of Tutor-Marked Assignments (TMAs) and attending tutorials. Remember, you are required to submit all your assignments by the due date. You should guide against falling behind in your work.

## **Course Marking Scheme**

The work you submit will count for 30% of your total course mark. At the end of the course, you will be required to sit for a final examination, which will also count for 70% of your total mark. The table below shows the actual breakdown of the marking scheme.

### ***Table 1:* Course Marking Scheme**

#### **Assessment Marks**

6 Assignments (TMAs) 4 assignments, best 3 will be used for C.A.

=  $10 \times 3 = 30\%$

Final examination 70% of overall course marks

#### **Total 100% of course marks**

#### **How to Get the Most from This Course**

In distance learning, the study units are specially developed and designed to replace the conventional university lecturer/lecture room situation. Hence, you can work with these materials at your own pace, and at a time and place that suit you best. Visualise it as reading the lecture, instead of listening to a lecturer.

Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit, and how a particular unit is integrated with the other units and the course as a whole.

Next is a set of learning objectives. These objectives let you know what you should be able to do by the time you have completed the unit. You should use these objectives to guide your study. When you have finished the unit, you must go back and check whether you have achieved the objectives. If you make a habit of doing this, you will significantly improve your chances of passing the course.

Activities are interspersed throughout the units, and answers are given at the end of the units. Working through these tests will help you to achieve the objectives of the units and prepare you for the assignments and the examinations. You should do each activity as you come to it in the study unit. There are also numerous examples given in the study units, work through these when you come across them, too.

#### **Facilitators/Tutors and Tutorials**

There are 15 hours of tutorials provided in support of this course. You will be notified of the dates, times and location of these tutorials, together with the names and telephone number(s) of your tutor, as soon as you are allocated a tutorial group.

Your tutor will mark and comment on your assignments, keep a close watch on your progress and on any difficulty you may encounter. You must mail your tutor-marked assignments to your tutor well before the due date (at least two working days are required). They will be marked by your tutor and returned to you as soon as possible. Do not hesitate to contact your tutor via telephone, e-mail, or through the discussion board if you need help.

You should try as much as possible to attend tutorials. This is the only opportunity to have face-to-face contact with your tutor and to ask questions which are answered instantly. You can raise any problem encountered in the course of your study. To gain the maximum benefit from tutorials, prepare a question list before attending to them. You will learn a lot from participating in discussions.

### **Summary**

This course intends to expose you to the nitty-gritty of managing enterprises- be it a private or public, corporate or small business enterprises, government or non-governmental organisations. Upon completing the course, you will be equipped with the knowledge required to produce a good research work.

## **MODULE 1**

Unit 1 Overview of Traditional Occupations

Unit 2 Types of Traditional Occupations In Nigeria

Unit 3 Skills and Competencies

Unit 4: Competence Development in the Workplace

Unit 5 Knowledge Management and Business Growth

### **UNIT 1 OVERVIEW OF TRADITIONAL OCCUPATIONS**

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3.2 History of Traditional Occupations

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3.4 Advantages and Disadvantages of Traditional Occupations

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References / Further Reading

#### **1.0 INTRODUCTION**

Throughout the globe, there is a great diversity in traditional occupations, reflecting the diversity of cultures, traditions as well as natural environments and climates where indigenous peoples live and practice their activities. At the same time, there is also a remarkable level of similarity and overlap in the practices of traditional occupations in the society. Traditional occupations clearly exist within holistic indigenous management and use systems, where various activities are practiced alongside each other and different resources are being used concurrently.



## **2.0 OBJECTIVES**

In this unit, we shall discuss the following

- Definitions of traditional occupations
- History of traditional occupations
- Roles traditional occupations play in the society

## **3.0 MAIN CONTENT**

### **3.1 DEFINITION OF TRADITIONAL OCCUPATIONS**

A working definition of traditional forms of occupation are based on customs. However, it should be noted that, even with occupations that are based upon old customs and usages, innovations are a necessary part of occupational practices, whether in the field of agriculture, hunting or fishing. In some areas traditional occupations and practices contain many modern innovations or modified practices. We shall attempt to distinguish between these various occupations and practices, which vary from community to community and from region to region.

We shall now attempt to provide a precise and formal definition of the term ‘traditional occupation’. (ILO, 2000) defined traditional occupation as those occupations that have been followed by successive generations of indigenous people and their communities, and are rooted in customs and practices that were established prior to the colonization of the region in the nineteenth century. This include traditional occupational practices, which were largely subsistence oriented before, but now are wholly or partly market oriented.

According to Legal Crystal dictionary they defined traditional occupation ‘as an occupation followed in a family in which it is handed down by an ancestor to his posterity’. Such occupations are generally occupations in which some special skills are necessary like those of an artisan or a craftsman.

We shall also attempt to define the terms ‘indigenous people’. According to ILO, 2000 they defined indigenous people as tribal peoples in independent countries whose social, cultural and economic conditions distinguish them from other sections of the national community, and whose status is regulated wholly or partially by their own customs or traditions or by special laws or regulations.

Indigenous peoples engage in a variety of traditional farming practices, both around the house (home gardening) and, on a larger scale, in the fields and forests. In different parts of Asia, indigenous peoples practice rotational farming or shifting cultivation, and terrace farming (rainfed). In Nepal, communities sell their rice in local markets, practice local paper plant cultivation and manufacture, shifting cultivation and planting minor crops in fallow land. In Sagada, the Philippines, people practice wet rice cultivation and agro-forestry. In Latin America, agriculture includes the recovery of native plants (Puruha People, Ecuador), sowing of potato and maize for day-to-day food for the family (Ecuador) and plantation of manioc (cassava) and plantain (Yanesha people, Peru). In Zimbabwe, local communities produce grain (sorghum) on a small scale (Chibememe and Sangwe Community). Other occupations include the keeping of animals, such as backyard livestock (poultry, pigs and goats); cattle rearing, cattle herding and small livestock production (Zimbabwe), animal husbandry, sheep farming (seasonal migration), animal herding, traditional beekeeping (Nepal), and reindeer herding (Njuorggán community, Finland). Forms of aquaculture, such as paddy/fish culture in irrigated fields are also practiced (Tangkhul Naga community, Northeast India).

### **3.2 HISTORY OF TRADITIONAL OCCUPATIONS**

Many traditional occupations relate to daily livelihood/subsistence activities involving the use of biological resources, such as fishing/fisheries, hunting, gathering of non-timber forest product, such as wild plants, medicinal herbs, fruits, nuts, mushrooms, etc. These activities take place in diverse ecosystems (e.g. marine or inland waters, tropical or boreal forests). In Australia there are increasing numbers of Indigenous peoples reviving the traditional practices of fishing, in both the marine and inland water environments, some of which are focused on being commercial business enterprises.

The practices are very much tailored to the specific ecosystems and climate of the community.

Traditional occupations can be dated back to the 19<sup>th</sup> century, where artisans or craftsmen use their hands in making objects. An artisan is a person skilled in making a product made by hand or by traditional means and using high-quality ingredients.

Artisans are craft workers. They share a high degree of skill, the result of substantial and usually fairly formal training. Depending on the trade, apprenticeships could last up to seven years. Acquisition of mature skill was often demonstrated by some kind of exemplary production, a "masterpiece." After apprenticeship, most artisans went through a stage of service as journeymen, working for an artisan master and receiving wages plus, often, housing and board. In some cases, the

journeyman phase proved lifelong. In principle, however, journeymen sought opportunities to become masters in their own right, by saving to buy a shop or by marrying a master's daughter and/or acquiring through inheritance. Masters were owners, but unlike modern employers they typically continued to work with their hands, alongside their journeymen.

Artisanal work depended on rather simple, often manual technology, which brought the skill component to the foreground. Artisans participated in various stages of production, from raw material to finished product, and often had a sense of artistry and a high degree of identification with their work. Traditionally, artisans sold their own wares.

Prominent artisanal trades included food processing (bakers, butchers), fine metal and jewelry work (smiths, goldsmiths), construction (masons, carpenters, cabinet makers), printing, and clothing (tailors, shoemakers). While the classic artisanal centers were urban, rural artisans existed as well—like village blacksmiths or millers. Rural artisans typically stood apart from peasants, often playing a key role in organizing rural protest or taking advantage of new opportunities for education and literacy. But the skill definitions for rural artisans were less clear and their group experiences were less coherent than among the urban cohort.

### **3.3 FEATURES OF TRADITIONAL OCCUPATIONS IN ANCIENT SYSTEM**

Traditional occupation is a type of customs and even beliefs of the people in every generation is highly emphasized. This is an economic system wherein all the resources are effectively and completely allocated based on its inheritance. This greatly differs from the modern economy that is currently experienced today by the people. Some of the features of traditional occupations in ancient system include:

- 1. Division of labor:** All functions needed for the maintenance and growth of the society were divided into different occupations. On the basis of natural endowments, intelligence, aptitudes, attitudes, skills, personal needs and other innate characteristics, each group was assigned a distinct function to perform. Thus the system gave job-satisfaction to almost all individuals except for a few and managed smoothly daily necessities and day to day relation of its members.
- 2. Automatic system of checks and balances:** Such a system of division of labor developed its own systems of checks and balances over arbitrary use of its authority. Separation of

rights and duties combined with the principle of inter dependence provided its own system of checks and balances over arbitrary use of one's authority. There was an automatic decentralization of authority. These principles together provided the whole society a quality of life.

3. **Interdependence:** Local character and semi-autonomous nature of the system made close interaction and cooperation between different groups a reality. Not a single group could claim to be self sufficient, capable to survive alone and fulfill all needs of its people. Still people enjoyed a large measure of freedom in respect of their personal matters. The system as a whole was capable to fulfill all the needs of its people.
4. **Specialization:** System as a whole evolved an atmosphere, where a high level of specialization and wisdom in different areas of activities could be achieved. Being constantly in contact with the family occupation, it was natural for the people to learn maximum about their traditional occupations.
5. **Job Satisfaction:** The system as a whole and total environment of working gave people job satisfaction. It led the society to have more production, economic efficiency and expertise in almost all the areas and activities like spinning, weaving, pottery making, bead making, seal making, terra-cotta, handicrafts, brick-laying, metal work etc.
6. **Developed a common bond:** The system developed a common bond underlying their activities and minds. There was closeness and cooperation within each and every group, engaged in common occupation due to common callings, common problems, and common solutions. It led to accomplish skill, specialization, success and happiness, decentralized authority and resources, made management within each unit effective and organized human and social behavior in tune with the objectives of the society.

### **3.4 ADVANTAGES AND DISADVANTAGES OF TRADITIONAL OCCUPATIONS**

In a traditional economy, the customs, beliefs, and traditions of the society will shape the goods and services that are being produced. They will also shape the rules and laws that are in place for the distribution of the goods and services and the manner in how they are delivered. It is an economy that is often utilized by societies that are rural or agricultural.

## **Traditional Occupation Advantages**

1. **A traditional occupation is a family-based or tribe-based occupation:** The traditional occupation is localized and serves as a guide for people to complete their daily responsibilities. It is a place where the experience of an elder is handed down to the worker so the job can be completed based on time-honored traditions.
2. **It is an occupation that keeps things simple:** Individuals have specific roles to play within a traditional economy. Because the focus is on meeting needs, people work within their role to ensure specific quotas are met. Very little trade is required in such an economy, which means all resources can be put toward meeting the needs that are required for survival. Skills are passed down from one generation to the next to maintain specific skills that allow for the economy's continued survival.
3. **Traditional economies work with the natural environment:** In the traditional economy, the goods and services that are produced are based on what is available in a specific geographic area. It creates a self-sustaining economy where the focus is to meet basic needs through what can be obtained by the natural environment. Instead of drilling or digging a well, the traditional economy might take water from a mountain stream.
4. **It places an importance on community groups:** Every person plays a vital role within the traditional economy. There must be support for one another because each person or group has a specific skill set that is required for the whole community to be successful. This limits greed or selfishness because everyone has a similar goal to survive, so there is limited competition for resources.
5. **It reinforces the concept of personal pride:** Traditional economies make it easier to take pride in one's work. You can see the direct results of your labor and what can be produced from it. Although the lifestyle in this type of economy might be considered "rugged" or "difficult," it can also be satisfying because the result of a day's work is satisfaction in knowing that life for the community will continue.
6. **Traditional economies tend to follow the same evolutionary course:** Once a traditional economy can settle down, they can begin improving processes so that a greater surplus can be generated annually. That surplus can then be used for bartering. When trade opportunities begin to expand, the traditional economy will form some type of currency that can be used

inside and outside the economy. This allows trade opportunities to expand as the surplus expands, encouraging further growth.

### **Traditional Occupation Disadvantages**

1. **It isolates the people within that economy:** The traditional economy isolates people instead of bringing them together. The experiences that work on one field may not apply to a field on the other side of the country. Different weather patterns, soil conditions, and seed availability can change what experience is handed down by an elder or supervisor. That means each traditional economy must remain local and that limits economic growth opportunities. Each family or group is working to meet their specific needs and nothing more.
2. **Large outside economies can overwhelm a traditional economy:** Traditional economies are focused on small groups, such a family living together to produce all the goods and services they need. If a larger outside economy decides it needs those resources, it can be difficult, if not impossible, for the traditional economy to protect itself. This process overwhelms the traditional economy and forces those who are in it to adapt to the new economic structures.
3. **It offers few choices:** What the modern world thinks of advancement opportunities doesn't exist within the traditional economy. If your father is a farmer in a traditional economy, then the expectation is that you will learn from your father and become a farmer one day too. Then your children will also be farmers. That means there are few choices within this economy structure to dream bigger. Change of any type tends to be strongly resisted because change threatens survival.
4. **There may be a lower overall quality of life:** Modern amenities are not always present within a traditional economy. There may be a lack of medical care available to the economy. Sanitation technologies may not be available. This creates a circumstance where an individual in the traditional economy may have their life or livelihood threatened when an individual in a larger, modernized economy can receive a needed treatment and continue with their day.
5. **It creates specific health risks:** With the isolation that a traditional economy provides, specific health risks which apply to that community alone increase. An example of this are the

genetic diseases that affect Jewish populations. The Ashkenazi Jewish families have a 38-disease panel for testing to prevent a serious genetic disorder or disease from affecting their children. An estimated 33% of the Ashkenazi population is a carrier of at least 1 of 19 Jewish genetic diseases.

6. **Unpredictability creates survival uncertainties:** In the traditional economy, migration is a common occurrence. Circumstances can be unpredictable. If there is a drought that stops food production, then the family must move or rely on stored resources until the drought stops. Many traditional economies are nomadic, moving to where the resources happen to be, so that survival can continue. Even then, an unpredictable weather event, earthquake, or other natural disaster can immediately devastate the traditional economy and put its livelihood in jeopardy.
7. **Bartering is a requirement:** Trade does not regularly occur within a traditional economy. When it does occur, it relies on bartering. That means trade can only occur between groups that are not competing with one another. A group of berry gatherers would trade with a group of hunters so that both could receive a better lifestyle than if the trade did not happen.

#### **4.0 CONCLUSION**

The International Technical Workshop on Indicators Relevant for Indigenous Peoples, held in Baguio City, Philippines, from 17 to 19 November 2008, decided that the indicators on traditional occupations should focus on “occupations where knowledge of traditional culture and practices may influence the way the work is performed”. In this unit, we have been able to discuss the definitions of traditional occupations, their historical existence and how artisans or craftsmen were labelled as the predominant initiator of traditional occupations. Features of traditional occupations were also identified along side with the advantages and disadvantages of the various occupations.

#### **5.0 SUMMARY**

In this unit, we have been able to discuss the following

- Definitions of traditional occupations
- History of traditional occupations

- Features of traditional occupations
- Advantages and Disadvantages of traditional occupations

## 6.0 TUTOR-MARKED ASSIGNMENT

Briefly explain the features of traditional occupations in ancient system.

## 7.0 REFERENCES

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## **UNIT 2 TYPES OF TRADITIONAL OCCUPATIONS IN NIGERIA**

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### **1.0 INTRODUCTION**

### **2.0 OBJECTIVES**

### **3.0 MAIN CONTENT**

#### **3.1 FARMING**

Traditionally, Nigerians were predominantly subsistence farmers of sorghum, maize, millet, cassava, yams and plantains, however due to a lack of investment in technology, infrastructure, roads and marketing, agriculture has failed to keep up with the growth in the population. Cash products such as Cocoa, Groundnuts, Rubber, Palm oil and Palm kernels earned significant amounts of money for the

government but with the discovery of Petroleum oil in the early 70's, sadly agriculture has been on the decline and today Nigeria imports a great deal of the food that she once used to produce. The current government acknowledges that agriculture is the backbone of economic growth and is committed to improving agricultural performance. One of the most important tools for the ancient farmer was the plow. In the earliest days, farmers simply had to dig holes with a spade or shovel. These were uneven and took considerable time and effort. Originally pulled by hand, later farmers attached the plow to an animal, such as a cow, horse or donkey. A sharp triangular blade that cuts and turns over the ground, the plow loosens the earth and creates a furrow in which the farmer plants seeds. A harrow -- a flat, triangular rake with pointed teeth -- might pass over the land to break up clods. Sometimes the farmer might sprinkle seed himself; sometimes he would use a funnel attached to the device to plant as he plowed.

In the old days the pre-industrial regimen persisted to some extent. Farms were principal sources of wealth and employment. Most of the land was owned by a few rich owners - too rich to farm themselves, too rich in many cases even to live in poor, benighted, provincial Lakeland, so they let the farms to tenant farmers. Low Nest Farm along with High Nest, Brackenrigg, Shawbank? and possibly other farms, was owned by the Mitchelhill Estate which was administered from London. Most people had no land and were very poor but nevertheless had large families. Consequently, labour was very cheap and the tenant farmers (who occupied a position at the 'poor' end of the scale between the rich and the very poor) would employ many farm hands. Farmers wives and 'middle class' townspeople would have maids and other servants. In the twenties and thirties Low Nest employed three or four maids and three or four farm lands. This abundance of labour, which was only really needed at haytime, meant that the farm was kept in an immaculate condition with all the hedges neatly laid and manicured, the stone walls kept up and all the drains and ditches kept clear and the vermin kept down. Sadly, it is no longer economically possible to keep the farm in an immaculate condition even with the help of machinery.

Farms tried to be as self-sufficient as they could (to avoid the costs of buying in and transporting produce) so they grew oats and barley and other crops, for which the soil and climate are not really suitable as well as raising sheep and cattle, producing and processing milk, keeping pigs and poultry.

## **3.2 HUNTING**

Hunting is another traditional occupation and bush meat is a delicacy often sold by the road side on the motor ways and markets all over the country. Bush meat is hunted not just for food but hides for leather goods and medicinal purposes as well. African wild life is being depleted due to the illegal exportation of wild animals and the increase in logging and deforestation which is destroying the natural habitat. Hunting is the practice of killing or trapping animals, or pursuing or tracking them with the intent of doing so. Hunting wildlife or feral animals is most commonly done by humans for food, recreation, to remove predators that are dangerous to humans or domestic animals, or for trade.

Perhaps one of the eldest activities on the face of the planet is hunting. The history of hunting, as a result, is also one of the most diverse. Hunting for food has always been something that human kind has had to do, dating back to the beginning of any civilizations known to man.

As a result of this, there have been thousands of weapons and devices used to hunt. The history of hunting is far more complicated than any other history in the world, as it stretches so far into the past. In order to understand this history, you need to break down and study each era where hunting has been a major part of life. While there are exact time lines of when certain guns or weapons were produced, understanding the importance of hunting should be done on a far broader scale. There is much more to the history of hunting than when the gun was created.

### **1. The First Era, Pre-Civilization**

In this time frame, from before great cities to the first starts of basic civilization, the human race survived on their skills of scavenging and hunting. In cultures similar to those of the first era and pre-civilization, women had the roll of caring for the home and preparing the food brought in by the men. Some portions of modern day Africa have conditions similar to this, where they do not have a great deal of money, and a similar style of hierarchy. The men all learned how to hunt, and they held these hunts daily to feed themselves. Unlike today, all hunting was for survival, and none of it for sport. All of the materials from the killed animals was used, from the bones to the pelt. Hunting was also a method of determining who was the bravest warrior. The bravest would hunt the ferocious creatures that lived nearby their homes. These kills were a vital part of the early hierarchies.

A wide variety of different weapons were used during this era, from slings to spears crafted of wood and stone. For large prey, the hunters would work together in packs, similar to how a wolf hunts to bring down their quarry. The only trophies kept were antlers and teeth. Occasionally the skulls would be kept as decoration or as symbols of the clan or family group. This oldest form of hunting was the basis in which the present was formed.

## **2. The Second Era, Growth of Civilization**

As people gathered together and civilization really began, the role of men as hunters changed as well. Cities, by their very nature, require a variety of people with a lot of skills. There needed to be craftsmen and weavers, animal handlers and other trades so that everyone could have access to everything they needed. Instead of the split between men and women, hunting became the task of those most suited for hunting. These were usually always men, as it was looked down upon for women to participate in this line of work.

This was also the turning point where hunting becoming a sport. Civilizations, such as the Babylonians, the Egyptians, and the Romans all had their hunters and craftsmen. The Romans, took hunting as a sport to a whole new level, capturing prey alive for sale or gladiatorial competitions. Only certain individuals were hunters, allowing the select men to feed those in their community.

## **3. The Third Era, The Middle Ages**

Perhaps one of the most interesting times in the history of hunting, is the middle ages. This is the period in time where hunting for food was a vital part of life for many, though restricted. Rules on hunting, such as no hunting in the King's Forest, was the first real restrictions on hunting present in the world. Only the rich prospered, and the surf classes hunted whatever they could, when they could for survival. Hunting, from boar to deer to fox hunting, became primary sports for the nobility of the time frame. This started the trend of organized hunts for sport.

Colonists to the New World required as much hunting skills as possible, during this period of time, although they progressed quickly from relying on scavenging and hunting to creating farms and plantations. Popular weapons for use in hunting during this time period was forms of archery, slings and throwing spears. The gun was also used, although it had not quite yet reached full levels of popularity.

#### **4. The Forth Era, The Industrial Period**

On the heels of the Middle Ages was the Industrial period. This era stretched from beyond the 1700s until just after the start of the 1900s. The evolution of machines brought about great changes in hunting. Large farms became very popular, where livestock was raised instead of the practice of hunting wild animals, downgrading hunting to only become a past time. Guns, ranging from muskets to rifles, were being to be used extensively. Archery was downgraded to sport use only, though it was very popular for tests of skill.

#### **5. Present Day**

Through these stages of the history of hunting, humans have perfected this activity, with a wide range of weapons. Archers, for example, have many types of bows to choose from. Arrows are just as plentiful as bows, from metal to wood, with many different types of tips. Guns have evolved the same way, with many types of bullets and guns for different types of hunting. Special guns and equipment designed for moose hunting, for example, wouldn't be the same as deer hunting supplies.

Competitive hunting, such as fox hunting, is still greatly enjoyed by many people who prefer a little more action to their hunting. In the modern world, safety and skill are the requirements for hunting, and it is open for anyone who is willing to learn proper weapon handling and obtain all of the documents necessary to hunt. Regulations on guns and hunting have been developed to prevent species from going extinct. While hunting is still very popular, the modern day has a lot more restrictions than in any other era in the history of hunting.

Each of these eras of the history of hunting have done a lot for the sport and trade, giving it a rich heritage that shouldn't be forgotten.

### **3.3 GRASS WEAVING**

This is still popular in the northern parts of the country, where grass which is abundant is woven into baskets, mats, tables and fans. Some have very ornate patterns and lots of different colours and may be used in the home or sold as gifts. The coiled Sweetgrass basket is a historically significant African art that was brought to America by enslaved Africans from the Windward and Rice Coasts of West Africa in the 17th century. These slaves were particularly sought after in the Atlantic slave trade to the Lowcountry because of their knowledge and experience in the cultivation of rice. The first known baskets in the Lowcountry were fanner baskets, used in winnowing rice. These baskets were originally designed as a tool used in the production and processing of rice. The money crops of the time were rice, cotton, and indigo.

Agricultural baskets were originally made of bulrush, sweetgrass, and split oak. Bulrush and palms, the mainstays of coiled basketry, are ancient plants that are mentioned in the Bible. Sweetgrass basket weaving is viewed as a gift from god. The art has been passed on from generation to generation, is usually learned from childhood, and requires a great deal of patience and creativity.

In the 1890's, sweetgrass baskets began to evolve from agricultural tools to household items. Sweetgrass, a softer, finer material, replaced bulrush as a primary material. Longleaf pine was added to the mix. And palmetto replaced split oak as binders. The baskets today are made from sweet grass, pine needles, bull rush and palms. Our basket materials are collected on Edisto Island, one of five undeveloped beaches on the East coast. Basket makers have pledged to keep the art alive as long as there are raw materials. Development of rural areas is threatening the supply.

There are baskets for every use and occasion. Each piece is unique, and each artist provides her own style. These baskets are very durable and will last longer than your lifetime. They are a proud tradition and a valuable investment.

### **3.4 CAPENTRY**

This is common all over the country and indeed flourishing. Wood carvers traditionally built shrines which are used to worship traditional gods and lots of their work centred around masks and figures in this regard. However, they also make lots of figure ornaments and carvings of people and animals.

Some of the furniture made in Nigeria is very elegant and sophisticated indeed. Wood carving is one of the country's main crafts and a lot of the products are on show and sale for tourists.

**Carpentry** is a skilled trade in which the primary work performed is the cutting, shaping and installation of building materials during the construction of buildings, ships, timber bridges, concrete formwork, etc. Carpenters traditionally worked with natural wood and did the rougher work such as framing, but today many other materials are also used and sometimes the finer trades of cabinetmaking and furniture building are considered carpentry. Carpentry in the United States is almost always done by men. With 98.5% of carpenters being male, it was the fourth most male-dominated occupation in the country in 1999, and there were about 1.5 million positions in 2006. Carpenters are usually the first tradesmen on a job and the last to leave. Carpenters normally framed post-and-beam buildings until the end of the 19th century; now this old fashioned carpentry is called timber framing. Carpenters learn this trade by being employed through an apprenticeship training—normally 4 years—and qualify by successfully completing that country's competence test in places such as the United Kingdom, the United States, Australia and South Africa. It is also common that the skill can be learned by gaining work experience other than a formal training program, which may be the case in many places.

Wood is one of mankind's oldest building materials. The ability to shape wood improved with technological advances from the age to the bronze age to the iron age. Some of the oldest archaeological evidence of carpentry are water well casings built using split oak timbers with mortise and tenon and notched corners excavated in eastern Germany dating from about 7,000 years ago in the early neolithic period.

Relatively little information about carpentry is available from pre-history (before written language) or even recent centuries because the knowledge and skills were passed down person to person, rarely in writing, until the printing press was invented in the 15th century and builders began regularly publishing guides and pattern books in the 18th and 19th centuries. The oldest surviving complete architectural text is Vitruvius' ten books collectively titled *De architectura*, which discuss some carpentry.

Some of the oldest surviving wooden buildings in the world are temples in China such as the Nanchan Temple built in 782, the Greensted Church, parts of which are from the 11th century, and the stave churches in Norway from the 12th and 13th centuries.

### **3.5 FISHING**

This used to be another common occupation in the past among locals who live in the delta areas. Large scale fishing like farming is very much on the decline due to lack of investment, technology, oil pollutions, poaching from foreigners, which is facilitated by a lack of monitoring and policing and piracy in our waters. According to the president of the Nigerian Trawlers Owners Association Nigeria has lost over N600 billion as a result of piracy and this has dire consequences not only for home consumption, but attracting large scale investors and export as well.

Fishing is the practice of catching fish. It is a pre-historic practice dating back at least 40,000 years. Since the 16th century fishing vessels have been able to cross oceans in pursuit of fish and since the 19th century it has been possible to use larger vessels and in some cases process the fish on board. Fish are normally caught in the wild. Techniques for catching fish include hand gathering, spearing, netting, angling and trapping.

The term fishing may be applied to catching other aquatic animals such as shellfish, cephalopods, crustaceans, and echinoderms. The term is not usually applied to catching aquatic mammals, such as whales, where the term whaling is more appropriate, or to farmed fish. In addition to providing food, modern fishing is also a recreational sport.

According to FAO statistics, the total number of fishermen and fish farmers is estimated to be 38 million. Fisheries and aquaculture provide direct and indirect employment to over 500 million people.<sup>[1]</sup> In 2005, the worldwide per capita consumption of fish captured from wild fisheries was 14.4 kilograms, with an additional 7.4 kilograms harvested from fish farms.

### **3.6 BLACKSMITH**

The traditional blacksmith makes things from iron and metal such as farming tools e.g. hoes and cutlasses, knives and axes for butchers, gongs for the town criers and special needles which tanners



use to sew leather products and pails for fetching water. There isn't really much that a good blacksmith can do really, they are a very integral part of the community.

A blacksmith is a metalsmith who creates objects from wrought iron or steel by forging the metal, using tools to hammer, bend, and cut (cf. whitesmith). Blacksmiths produce objects such as gates, grilles, railings, light fixtures, furniture, sculpture, tools, agricultural implements, decorative and religious items, cooking utensils and weapons.

While there are many people who work with metal such as farriers, wheelwrights, and armorers, the blacksmith had a general knowledge of how to make and repair many things, from the most complex of weapons and armor to simple things like nails or lengths of chain.

Blacksmiths work by heating pieces of wrought iron or steel until the metal becomes soft enough for shaping with hand tools, such as a hammer, anvil and chisel. Heating generally takes place in a forge fueled by propane, natural gas, coal, charcoal, coke or oil.

Some modern blacksmiths may also employ an oxyacetylene or similar blowtorch for more localized heating. Induction heating methods are gaining popularity among modern blacksmiths.

Color is important for indicating the temperature and workability of the metal. As iron heats to higher temperatures, it first glows red, then orange, yellow, and finally white. The ideal heat for most forging is the bright yellow-orange color that indicates *forging heat*. Because they must be able to see the glowing color of the metal, some blacksmiths work in dim, low-light conditions, but most work in well-lit conditions. The key is to have consistent lighting, but not too bright. Direct sunlight obscures the colors.

The techniques of smithing can be roughly divided into forging (sometimes called "sculpting"), welding, heat-treating, and finishing.

### **3.7 BRONZE AND METAL CASTING**

Ife and Benin are famous all over the world for their bronze and metal carvings. Traditionally a lot of these elaborate masks and carvings were made to decorate the royal palaces, or for use in ceremonial occasions and traditional shrines. Sadly, a lot of these national heirlooms are now housed in museums or private collections around the world.

Ivory carving is another art form that was for many years also used to decorate palaces, temples and shrines. In modern times ivory is used to make various ornaments to decorate around the home, in the office and gifts for special occasions.

Since the evolution of mankind, man has used his intelligence and creative instinct to develop things that will reduce his labour. He shaped bowls, tools and weapons out of stones and wood which was naturally found in nature. With the passage of time he discovered other element in nature like gold, silver and copper which were readily available in nature in the form of nuggets. He melted and shaped these metal according to his desires. He probably discovered gold pebbles with stone and copper from the copper bearing ores that line the fire pits. He found it easy to melt the iron, copper and gold using the firewoods and charcoal, and hence in different ages iron and copper became the most profusely used natural materials.

Gold, silver, copper, iron, lead, mercury and tin are known as the 'magnificent metals' since they were known to man from ancient times. The basic process of melting of metals in furnace, using patterns and solidifying the metal in mould has remained the same. Some ancient techniques like the lost form techniques and bell casting techniques are still religiously followed. The earliest furnace were simple and easy to operate, with beewax used for patterns and bellows for blowing air into the furnace. In the iron age probably ceramic ovens were used to melt the metals. Crucible and later flame ovens were available for the melting of copper, tin and lead alloys.

The first patterns of casting were made probably 4000 years in mesoptoamical from beewax. A frog casted in copper is the oldest living proof of intricate patterns used as early as 3200 B.C. Core were also used to provide intricate to the interior of the cast. According to Biblical records casting technology can be traced back to 5000 BC. It is possible that metal casting technology, using moulds originated in the Middle East. However, there are suggestions that this process may have been developed in India and China. It is said that the first steel products were made in India in 500 B. C., but the process was lost. The earliest records of casting methodology are the writings of monk Theophilus Presbyter in his book *Schedula Diversarum Atrium*. He has described in detail the casting of the famous Perseus and Head of Medusa.

### 3.8 POTTERY

Nigerian pottery ranks very highly in the world and the late Dr. Lade Kwali and Alhaja Sifawa Jimoh are both famous in this regard. Among the Yoruba, potters were traditionally women, but in the north they were men. Traditional pots were made for ritual purposes, water vessels and cooking. Today all sorts of ceramics are made using a combination of the old and modern methods. The products are used for everyday use as well as gifts and the work of some Nigerian potters is highly sought after Worldwide.

**Pottery** is the ceramic material which makes up pottery wares, of which major types include earthenware, stoneware and porcelain. The place where such wares are made by a potter is also called a pottery (plural "potteries"). The definition of *pottery* used by the American Society for Testing and Materials (ASTM) is "all fired ceramic wares that contain clay when formed, except technical, structural, and refractory products.

Pottery is one of the oldest human inventions, originating before the Neolithic period, with ceramic objects like the Gravettian culture Venus of DolníVěstonice figurine discovered in the Czech Republic date back to 29,000–25,000 BC, and pottery vessels that were discovered in Jiangxi, China, which date back to 18,000 BC. Early Neolithic pottery have been found in places such as Jomon Japan (10,500 BC), the Russian Far East (14,000 BC), Sub-Saharan Africa and South America.

Pottery is made by forming a ceramic (often clay) body into objects of a required shape and heating them to high temperatures in a kiln which removes all the water from the clay, which induces reactions that lead to permanent changes including increasing their strength and hardening and setting their shape. A clay body can be decorated before or after firing; however, prior to some shaping processes, clay must be prepared. Kneading helps to ensure an even moisture content throughout the body. Air trapped within the clay body needs to be removed. This is called de-airing and can be accomplished either by a machine called a vacuum pug or manually by wedging. Wedging can also help produce an even moisture content. Once a clay body has been kneaded and de-aired or wedged, it is shaped by a variety of techniques. After shaping, it is dried and then fired.

### 3.9 CLOTH WEAVING

Nigeria is famous for the numerous types of fabric which were traditionally woven by hand, but today modern technology has taken over. Fabrics include the famous “Asooke”, traditionally worn by royalty but nowadays for special occasions, “Adire” or tie and dye and “Ankara” among the Yoruba and “George” among the Igbo. Modern fabrics include lace, voiles, brocades and damask, the later is also used for elaborate upholstery and curtains. Nigerians are very elegant and stylish in their mode of dress which is very bright and colourful.

Cloth Weaving is a technique of fabric production. It consists of intertwining of two separate yarns or threads at right angles to form a fabric or cloth. Those two threads are called warp and the weft. Fabric is usually woven on a loom which is a device that holds the warp threads in place while weft is woven through them. There are also other methods of weaving. The method where the warp and weft interlace with each other is called the weave. The basic types of weave are plain weave, satin weave and twill which give different patterns and textures of fabrics for different uses.

Humans know about weaving since Paleolithic era. Flax weavings are found in Fayum, Egypt, dating from around 5000 BC. First popular fiber in ancient Egypt was flax, which was replaced by wool around 2000 BC. By the beginning of counting the time weaving was known in all the great civilizations. Early looms need one or two persons to work on them. Bible refers to loom and weaving in many places.

By 700 AD, horizontal and vertical looms could be found in Asia, Africa and Europe. At that time also appeared pit-treadle loom with pedals for operating heddles. That kind of loom first appeared in Syria, Iran and Islamic parts of East Africa. Faithful were required by Islam to be covered from neck to ankle which increased the demand for cloth. In Africa, the rich wore cotton clothing while the poorer had to wear wool. By 1177, loom was improved in Moorish Spain with rising higher above the ground on a stronger frame. Now the weaver’s hands were free to pass the shuttle, while operating the heddles was done by the feet. This type of loom became the standard European loom. In Medieval Europe, weaving was done at home and sold at fairs. The craft spread and the guilds were established. Wars, famine and plague shifted manufacturing of fabrics from home to purpose-built centralized buildings.

Colonial America relied on Great Britain for manufactured goods so they began to weave cloth from locally produced fibers. Cotton and wool was mostly used but because of the labor-intensive process to separate the seeds from the cotton fiber, wool was used more. That changed with the invention of the cotton gin, a machine that quickly and easily separates cotton fibers from their seeds. Flax and hemp were also used as a material for fabrics. Plain weave was preferred at the time with decorations woven into the fabric or wood block printing.

### **3.10 PALM WINE TAPPING**

Palm wine tapping is another occupation from the past which still continues today. The female or red Abe (Oil palm tree) is used for palm kernels from which you get palm oil used in cooking, manufacture of margarine and soap. The sap of the male or white Abe is used to make Palm wine, which is a popular traditional beer all over West Africa. The Abe has many other uses, for example its branches are used to make mats, baskets, brooms and roofing.

**Palm wine** is an alcoholic beverage created from the sap of various species of palm tree such as the palmyra, date palms, and coconut palms. It is known by various names in different regions and is common in various parts of Asia, Africa the Caribbean and South America.

Palm wine production by small holders and individual farmers may promote conservation as palm trees become a source of regular household income that may economically be worth more than the value of timber sold. Palms are believed to be among the oldest flowering plants in the world (Redhead 1989). For centuries, many palm species have been tapped throughout the tropical world in order to produce fresh juice (sweet toddy), fermented drinks (toddy, wine, arak), syrup ("honey"), brown sugar (jaggery) or refined sugar. One of mankind's first sources of sugar was probably *Arengapinnata* (Redhead 1989). Evidence of the use of *Borassusflabellifer* sugar in India has been reported by the Greek historian Megasthenes, ambassador to the court of Chandragupta, in the 4th century BC. Hindus knew how to extract it about 4,000 years ago (Ferguson 1888, cited by Fox 1977). Jaggery and treacle extracted from *Caryotaurens* sap in Sri Lanka has been an important source of sugar from antiquity (Dissanayake 1977). In Africa, the main traditional use of palm sap is for wine production. It has been reported in Egypt (date palm) long before the birth of Christ

(Barrevelt, 1993) and on the Guinea coast by early navigators in the 15th century (SodahAyernor and Matthews, 1971).

Most tapped palm trees do not only produce sap but are multipurpose (edible fruits, building materials, fuel, fibres, wax, etc.) and their socio-economic importance can be critical for the rural poor: Ghandi used to call *Borassus flabellifer*, a remedy against poverty. A Tamil classical poem (Tala Vilasam) composed by Arunachalam in Tamil Nadu is entirely dedicated to the glory of this tree and enumerates 801 articles made from its various parts (Rangaswami 1977; Kovoov 1983). Another outstanding example is the coconut palm, for which every part is used. This tree is called in India "Tree of Heaven", "Mankind's greatest provider in the tropics", "Tree of life", etc. (Rangaswami, 1977). There are at least 1,000 uses for the coconut palm (Dissanayake, 1986). *Nypa fruticans* is also an outstanding provider of various products which are essential to everyday living and therefore is said to be the mangrove's counterpart of coconut (Quimbo, 1991). Palm trees are also often associated with crops and pastures.

### **3.11 TRADITIONAL HEALER**

A traditional healer combines indigenous beliefs with knowledge, skill and cultural practices. An Herbalist is a traditional medicine man or doctor who specialises in treating his patients with herbs which can be found everywhere and are relatively inexpensive. He or she would use natural remedies to cure sickness and disease. Today a lot of these herbal remedies are taken side by side with western medicine, however in the past for some; traditional medicine was the only option available because Western medicine was not affordable. Witch doctors specialize in spiritual healing and make use of charms and incantations. Some traditional healers practice both side by side. Today there are teaching and private hospitals all over the country and successful Nigerian doctors can be found all over the world.

Traditional Healing is the oldest form of structured medicine, that is a medicine that has an underlying set of principles by which it is practiced. It is the medicine from which all later forms of medicine developed, including Chinese medicine, Graeco-Arabic medicine, and of course also modern Western medicine. Traditional Healing was originally an integral part of semi-nomadic and agricultural tribal societies, and although archeological evidence for its existence only dates back to

around 14,000 B.C., its origins are believed to lie much further back and probably predate the last Ice-Age.

Unlike other traditional medicines, Traditional Healing has no philosophical base, as its practice is totally founded on healing knowledge that has been accumulated over thousands of years, and upon the healer's personal experience, which includes his/her awareness of, and sense of unity with the natural world, as well as his/her understanding of the different levels of consciousness within the human psyche. Traditional Healers see the universe as an living intelligence that operates according to natural laws that manifest according to specific rules and correspondences, and exercise their inner conviction that the purpose of life and the nature of disease cannot be understood without a knowledge of these laws and the individual's relationship to the natural world.

Thus Traditional Healers share a profound knowledge and a deep understanding of how natural laws influence living things. It is for this reason that Traditional Healing is often referred to as "wisdom medicine" or "Wizard Medicine" (the word wizard means 'wise man', not 'sorcerer') and Traditional Healers are often referred to as wise or "clever" men or women or as persons of knowledge. It is this knowledge and experience base that provides the similarity between the core principles of Traditional Healing through the ages and in different parts of the world.

Traditional Healers practice in a different way than practitioners from other types of medicine.

- Traditional Healers practice "World Medicine", that is the medicine that originally was, and still is the heritage of all humanity. Their medicine is free from the philosophical layers that have been added over the centuries to other traditional medicines as a result of political and religious pressures. As such Traditional Healers contend that they are practicing with a clarity of concept that has in most cases been lost from other traditional medicines.
- Traditional Healers are truly holistic and understand the mind-body relationship. They consider humans to be complete beings that cannot survive as component parts, and therefore hold that true health represent an integrated state of well-being that includes the body and the mind. They therefore belief that ill-health cannot be treated effectively by experts that treat components of the individual in isolation; and that

the natural harmony called health can only be restored by an integrated and holistic approach that incorporates both the physical and the "mind" aspects of the individual.

- Traditional Healers use natural methods of treatment, because these were the resources that have nurtured the human race - and in fact all life - since the beginning of time. Traditional Healing treatments are always integrated and involve a combination of approaches such as counseling, nutritional therapy, herbal medicine, reflex therapy and other physical therapeutics.
- Traditional Healers used to be taught by other Traditional Healers with many years' experience, by means of an "apprenticeship" that would take a minimum of 7 years, and usually much more. These days however most Traditional Healers have a combination of formal higher education as well as having been mentored for an extended period by a more experienced Traditional Healer.
- Traditional Healers have strong ethical principles that they extend to all life. They believe it is their duty to foster life in all its forms and to alleviate suffering. They also believe that Nature's laws must be obeyed in order to avoid decline and ultimate disaster.



## **UNIT 3 SKILLS AND COMPETENCIES**

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### **1.0 INTRODUCTION**

Some years ago when executives and managers talked about the type of employees they wanted to contract for their businesses they spoke of skills and qualifications. These words are still used but have been overshadowed by the term competencies. Competencies are a concept taken on board by Human Resource departments to measure a person's appropriateness for a particular job.

### **2.0 OBJECTIVES**

After studying this unit, you should be able to:

- Discuss skills and competencies
- Know basic skills for employee
- Know types of competencies
- Discuss benefits of skill and knowledge development

## 3.0 MAIN CONTENTS

### 3.1 What is skills and competencies

A skill is the ability to carry out a task with pre-determined results often within a given amount of time, energy, or both. Skills can often be divided into [domain](#)-general and domain-specific skills. For example, in the domain of work, some general skills would include [time management](#), teamwork and leadership, self-motivation and others, whereas domain-specific skills would be useful only for a certain job. Skill usually requires certain environmental stimuli and situations to assess the level of skill being shown and used. People need a broad range of skills to contribute to a modern economy.

In simple terms a competency is a tool that an individual can use in order to demonstrate a high standard of performance. Competencies are characteristics that we use to achieve success. These characteristics or traits can include things like knowledge, aspects of leadership, self-esteem, skills or relationship building. There are a lot of competencies but they are usually divided into groups.

Competencies are particular qualities that a company's recruiters have decided are desirable for employees to possess. During interviews and assessment processes, competencies are used as benchmarks that assessors use to evaluate candidates.

Competence is the ability of an individual to do a job properly. A competency is a set of defined behaviors that provide a structured guide enabling the identification, evaluation and development of the behaviors in individual employees.

### 3.2 BASIC SKILLS FOR EMPLOYEE

**Labor skills:** Skilled workers have long had historical import (*see* Division of labor) as electricians, masons, carpenters, blacksmiths, bakers, brewers, coopers, printers and other occupations that are economically productive. Skilled workers were often politically active through their craft guilds.

**Life skills:** An ability and capacity acquired through deliberate, systematic, and sustained effort to smoothly and adaptively carryout complex activities or job functions involving ideas (cognitive skills), things (technical skills), and/or people (interpersonal skills).

**People skills:** According to the Portland Business Journal people skills are described as:

- understanding ourselves and moderating our responses
- talking effectively and empathizing accurately
- building relationships of trust, respect and productive interactions.

**Social skills:** Social skill is any skill facilitating interaction and communication with others. Social rules and relations are created, communicated, and changed in verbal and nonverbal ways. The process of learning such skills is called socialization.

**Soft skills:** Soft skills are a combination of interpersonal people skills, social skills, communication skills, character traits, attitudes, career attributes and emotional intelligence quotient (EQ) among others.

**Hard skills:** Hard skills are any skills relating to a specific task or situation. These skills are easily quantifiable unlike soft skills which are related to one's personality.

### **3.3 TYPES OF COMPETENCIES**

**Technical or Functional Competencies:** These are the knowledge, attitude, and skills-related to technical or functional expertise required to perform a role.

**Managerial Competencies:** These are the knowledge, attitude, and skills required to plan, organize, mobilize, and utilize resources.

**Human Competencies:** These are the knowledge, attitude, and skills required to motivate, utilize, and develop human resources.

**Conceptual Competencies:** These are the knowledge, attitude, and skills to visualize the invisible, i.e., the thinking at abstract levels and use of the thinking to plan future business.

### **3.4 BENEFITS OF SKILL AND KNOWLEDGE DEVELOPMENT**

As we continue to slowly emerge from recession, employees who, until now, have been focused on keeping their job, start to think what's available in the newly buoyant job market. These will almost

certainly be the most driven and ambitious of your staff; the ones you least want to lose. Lack of opportunity to develop one's career is known to be key driver of voluntary departure. The loss of top talent can result in loss of business and valuable customer relationships. It can have a negative impact on morale, leading to reduced productivity and, often, the departure of other talent. Then, add into this the costs of recruiting and training new staff which essentially increase operating costs and cut into profits. Conversely, investing time and money in the future of your staff within your organisation brings with it a myriad of corporate benefits which include:

**Best ever levels of customer service.** Customer service is a battleground for market share. The fundamentals of excellent customer service start and end with your employees. Your customers want to be served by confident, knowledgeable staff, backed by supporting staff who are equally as skilled in their respective areas of expertise, ensuring the most effective supply chain possible and the highest value customer/client experience.

An engaged and motivated workforce enjoying greater job satisfaction, higher motivation and morale

Reduced absenteeism and employee turnover

Reduced recruitment costs

Increased productivity and efficiency

Improved risk management in potentially highly litigious areas such as sexual harassment and diversity

A positive point of difference for customers looking new partners/suppliers

A positive point of difference for recruits. Your visible demonstration of how prepared you are to invest in individual advancement for future success will be key to attracting top talent to your doors.

This recession has taught us that the need to nurture your talent has never been greater. Being immediately able to redeploy talented staff as the demands on you change is as vital to survival in bad times, as in good.

Greater commitment from you in the form of your investment in career development builds trust with your employees and reinforces the connection between their professional accomplishments and your organisation's success.

### **3.5 IMPORTANCE OF SKILLED WORKERS**

Access to skilled labour is key for innovation in firms: skilled labour can contribute to innovation and growth by generating new knowledge, developing incremental innovations, supporting firms in the identification of business opportunities, helping companies adapt to changing environments, generating spillovers (transfer of knowledge to co-workers) within the organization and adding to social capital. Although educational attainment has risen steadily in OECD countries in past decades, innovating firms still suffer from a shortage of skilled labour, inhibiting their capacity to innovate. The question of skilled labour is related to broader questions of access to labour. Innovative businesses require specific skills and experience. The costs of hiring and firing are critical in shaping how innovative businesses tap into skilled labour. Public policy could improve innovative firms' access to skilled labour by strengthening education about innovation, promoting an innovation culture, raising public interest in S&T, attracting young people to pursue higher education in S&T disciplines and encouraging lifelong learning to allow people to upgrade their skills throughout their adult lives.

### **3.6 IMPORTANCE OF SKILLED WORKFORCE**

Skilled workers are a necessity, not a luxury. As markets shift and we become even more global, productivity and worker efficiency are becoming even more important to the bottom line. Customers also become more particular about how they spend their money. Your employees will need to know how to respond to these changes. If you reduce the training available to them, you will find your company struggling to remain competitive. A skilled workforce is not a luxury anymore it is a necessity. Well-trained employees are productive and loyal. Companies are forced to run lean. They can't carry a weak workforce. Most companies are forced to run lean and cannot afford to carry weak employees. Finding new employees and getting them up to speed about your company is costly and time-consuming and impacts your business success. Retain your top talent by keeping them motivated, engaged, and productive. Help them to improve and grow and they are more likely to

remain loyal to your company. The important thing to realize is just how important it is to keep your team learning and productive. While the training budget may seem like an easy target for cost cutting, it will hurt you in the long run. Progressive companies with a strategy and focus on growth and profitability will recognize the critical nature of a highly skilled, motivated, and educated workforce. Now is the time to invest in your team so they can be more productive and produce better quality, higher sales, and more loyal customers that will produce greater profits.

Look hard at your training programs and budget and adjust where necessary. Look for more efficient ways to deliver training but don't stop or even make major cuts in the amount and quality of training you provide. When the economy starts to turn positive again, you will be very happy you made the decision to invest in the human assets of your company.

#### **4.0 CONCLUSION**

Organisational change takes place for a number of reasons. Often this is because of changes in the internal and external environment. Organisations implement changes to increase the effectiveness of the business. Change can be a complex process and there may be barriers to overcome. This is why implementing change programmes within an organisation requires effective managers.

#### **5.0 SUMMARY**

Competencies are identified knowledge, skills, abilities, and mindsets, evaluated through demonstrated behaviors, which directly and positively contribute to the success of the organization and to the success of employees in their job role, position, and function.”

Competencies are not new; they have been used in many settings for over 50 years. Today, they are widely used in human resource management.

#### **6.0 TUTOR MARKED ASSIGNMENT**

Importance of skilled workers

Importance of skilled workforce

## **7.0 REFERENCES / FURTHER READING**

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## **UNIT 4: COMPETENCE DEVELOPMENT IN THE WORKPLACE**

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### **1.0 INTRODUCTION**

There is today a widespread belief in the importance of devoting resources to education and other forms of competence development as a key factor behind productivity development, innovative capacity and competitiveness. This standpoint is not only an outflow of policy discussions about knowledge or learning economies, but has also received considerable support from research (e.g. Lorenz & Lundvall, 2006). In line with this view on the importance of education for growth and competitiveness, companies have in recent years devoted substantial resources to competence development. The principal arguments for these efforts stem from production economy considerations. These arguments concerns the altered and increased requirements on competence that are assumed to follow in the wake of increased internationalization, new production concepts, a wider use of information technology and an increasingly dominant role for knowledge-intensive production in many companies (Adler, 2004; Brown, Green, & Lauder, 2001). Issues of competence development in working life can, however, also be discussed on the basis of political considerations concerning the distribution of welfare and issues of democracy. Insufficient opportunities for education and on-the-job learning for groups of employees with a limited basic education tend to



widen the existing education gaps in society (Rubenson, 2006). A further perspective that can be applied in this context, could be derived from work environment research. Studies indicate that a work environment that permits and stimulates learning and competence development may also be of fundamental importance for the employees' health, well-being and personal development (Karasek & Theorell, 1990). What, then, do we know about education and other forms of competence development in companies and other types of organizations? In spite of the expectations that exist regarding efforts to develop competence and in spite of the large amounts of resources devoted to it, there is a marked lack of empirically-based research on competence development in companies and other organizations. The purpose of this article is to present a review of research on strategies for competence development in organizations, their prerequisites and effects.

## **2.0 OBJECTIVES**

After studying this unit, you should be able to:

- Know why do organizations invest in competence development?
- Discuss what effects can realistically be achieved through competence development?
- Discuss characterizes successful strategies for competence development in organizations?

## **3.0 MAIN CONTENTS**

### **3.1 VIEWS OF COMPETENCE**

The concept of competence is often poorly. In fact, a general consensus seems to be lacking concerning the meaning of this frequently used concept. One example may illustrate this point. According to one view, competence is considered as an attribute of the employee, that is, as a kind of human capital or a human resource that can be translated into a certain level of performance. According to another widely held view, competence is defined in terms of the requirements of the tasks that constitute a certain job. This is indeed an important distinction, and in the following we will use the term competence to refer to the former meaning, and the term qualification to refer to the latter meaning.

More specifically, the term competence will be used to refer to the capacity of an individual (or a collective) to successfully (according to certain formal or informal criteria, set by oneself or by somebody else) handle certain situations or complete a certain task or job (Ellström, 1997). This capacity may be defined in terms of: perceptual motor skills (e.g. dexterity); cognitive factors (different types of knowledge and intellectual skills); affective factors (e.g. attitudes, values, motivations); personality traits (e.g. self confidences); and social skills (e.g. communicative and

cooperative skills). Using this definition as a point of departure, the notion of qualification may now be defined as the competence that is actually required by the task, and/or is implicitly or explicitly prescribed, for example, by the employer.

As implied by this distinction, an individual (or a collective) may possess a range of competencies that are not qualifications, that is, that are not required by the task(-s) at hand or prescribed by, for example, the employer. Conversely, a certain job may require qualifications that do not correspond to the actual competencies of the individual (or the collective). Thus, the concept of qualification focuses on competencies that for one reason or another are valued by an internal or external labour market, that is, competencies that have an exchange value.

In addition, it is in many situations necessary to make the following distinctions (for an extended discussion, see Ellström, 1997). First, given the view that competence is an attribute of an individual, a distinction can be made between: (i) formal competence, measured, for example, in terms of the years of schooling completed or by the credentials received by an individual and (ii) actual competence, i.e. as defined above: the capacity of an individual to successfully handle a certain situation or to perform a certain task. Although actual competence differs, by definition, from formal competence and it is, indeed, often the case that one possesses formal competence without actual competence and vice versa, measures of formal competence are often used as an indicator of actual competence (Warhurst & Thompson, 2007).

Second, focusing on job requirements, it is important to distinguish between prescribed or actual requirements, that is, between the official demand for competence (e.g. as a basis for recruitment or for the setting of wages) and the competence actually required by the job. Of course, the official demand for competence ideally corresponds to the actual competence requirements of a certain job. However, this correspondence may be disturbed by different factors.

For example, official demands for competence are often affected by the demand and supply of qualified people in the external or internal labour market, but also by forces (e.g. professional interests) trying to raise or lower the status of a job.

Third, it might be argued that competence is neither primarily an attribute of an individual (or a collective), nor primarily an attribute of the job. Rather, the focus is on the interaction between the individual and the job, and on the competence that is actually used by the individual in performing the job. Thus, we can talk about this view of competence as the competence-in-use (Ellström, 1997). This third view is influenced partly by the competence that the individual brings to the task or the job,

and partly by the characteristics of the task/job. Thus, competence-in-use might be seen as a dynamic process of learning mediating between the capacity of the individual and the requirements of the job. This means, among other things, that both factors related to the individual and factors related to the job may facilitate or limit the extent to which the individual may use and develop his or her actual competence. Concerning individual factors, previous experiences and factors like self-confidence are likely to be of importance (Colquitt & LePine, 2000; Illeris, 2006). Concerning job-related factors, the formal and informal organisation of the workplace with respect to worker autonomy, participation, task characteristics and feedback are likely to have a strong impact on the competence that an individual actually uses to perform his/her job (Ellström, 2006; Kock, Gill, & Ellström, 2007).

These three views of the concept of competence have different implications for competence development. Both from the perspective of the individual and from the perspective of the firm and society at large, the full use and development of the competencies of the employees in the performance of their jobs appear as a rational strategy to pursue. However, this strategy presupposes at least two things. First, that dominant actors in working life (primarily managers and union representatives at different levels) engage in efforts to redesign work content and work organisation in order to facilitate increased employee participation in planning, analysis, evaluation and development work. Secondly, that systems for vocational education and training (VET) and human resource development (HRD) take a more proactive role towards changes in working life. This means that their primary task is not only to adjust to actual or projected changes in competence requirements, but also to provide education and other forms of competence development that will empower employees to engage in developmental work, innovation and continuous improvements in the workplace. We will deal with these issues more fully later in this article. Before that, however, we will, as a next step, ask how the meaning of competence development in the workplace may be conceived.

### **3.2 ON THE CONCEPT OF COMPETENCE DEVELOPMENT**

In this context, competence development is defined as an overall designation for the various measures that can be used to affect the supply of competence on the internal labour market (in individual employees, groups of employees or the whole personnel group). To be more specific, it may refer to measures regarding: (a) recruitment, promotion (e.g. career planning) and personnel mobility (internal and/or external); (b) education or training of personnel, for instance by means of internal or external

courses; (c) planned changes of tasks or work organization through different types of measures (e.g. job development, job rotation, team organization) with the objective of furthering informal learning in work.

Competence development can thus refer to one or more of these measures. These measures may be planned, but attention should also be paid to unplanned or unintended functions that a certain action may have. In this regard, it should be pointed out that the term “competence development” sometimes takes upon another meaning, namely to denote the individual learning processes through which competence is acquired. A distinction can therefore be made between an organization-related and an individual related meaning of the term “competence development”.

With the definition given above, formal education is only one of several possible measures for competence development in the workplace. Furthermore, it should be emphasized that activities that do not have competence development as their primary objective may imply competence development for the individual as a secondary effect and can therefore be seen as educating/developing.

Another important point to emphasize is that different strategies and methods for competence development can be combined. This is probably also often the case in practice. It might even be argued that one *ought to* strive for an integration between two or more of the strategies mentioned in order to facilitate qualified on-the-job learning.

### **3.3 WHY DO ORGANIZATIONS INVEST IN COMPETENCE DEVELOPMENT?**

Why do organizations devote resources to education and other forms of competence development? Are the investments made mainly an expression of an analytic rational strategy, or primarily an expression of opportunism and fashion trends? Various theoretical views of competence development give partly different answers to these questions. In the following, we will distinguish between two such views of competence development, namely what has been called a technological-functional view, and an institutional view, with the aim of distinguishing between two main answers to the question posed. We shall then try to shed some light on the question on the basis of available research.

#### **A Technological-Functional Perspective**

Starting from what we can term a technological functional perspective (Collins, 1979), competence development is emphasized as a conscious and rationally planned strategy for meeting such things as new or increased competence requirements due to altered environmental conditions (e.g. new customer requirements) or changes in the organization. Of fundamental importance in this perspective

is the view of education and other forms of competence development as means or tools for furthering competence-increasing learning in participating individuals, i.e. an instrumental and rationalistic view of education. This learning on the individual level in the form of increased knowledge, increased competence, etc. is seen in the next phase as a means of achieving objectives in the form of increased productivity, growth and developed welfare on the organizational or societal levels.

Further, competence development is seen as a rational means-ends process, which can be controlled without serious problems on the basis of research and other considerations. Starting from certain predefined objectives (e.g. the acquisition of certain knowledge and skills), it is assumed possible, on the basis of pedagogical and psychological knowledge, to design and implement the education process in such a way that it leads to the attainment of the goals set.

This view is represented in whole or in part in several areas of educational research, perhaps most clearly in those areas that are based on human capital theory (Becker, 1975). Applied to competence development at work, a technological-functional perspective implies the following assumptions, among others:

(a) Investments in the education of personnel and other forms of competence development in a company are to a large extent governed by a mismatch between the demand for and supply of qualifications in the company's internal labour market. Such a mismatch can arise through changes in the external or internal context of the company (e.g. an altered competition scenario, technical and organizational changes in the operations).

(b) The planning of measures for competence development can be expected to be based on a consciously-designed and explicitly-formulated policy or strategy for competence development, which in turn is assumed to stem from the company's high-level objectives and business concept. (c) The decision to invest in a certain form of competence development is assumed to be based on rational cost effectiveness estimates in which the effect of the education is viewed in relation to the costs in the form of wages, loss of production, and the other costs which are associated with the education.

(d) The implementation of personnel education and other forms of competence development calls for systematic planning based on analyses of the qualification requirements of the operations, the actual and utilized competence of the personnel and the development requirements derived from these. The measures put into practice are evaluated and revised in the light of the results achieved.

## **A Conflict-Control Perspective**

The perspective presented above is based on the assumption that there is a consensus on fundamental values, norms and objectives in both society at large and individual organizations. On the basis of what is referred to here as a conflict-control perspective, this assumption is open to criticism. When applying this perspective, it is assumed instead that disagreements and conflicts between different parties and actors in a community or organization (e.g. between employers and employees or between the centre and the periphery) are fundamental to the way in which organizations work. Different actors/parties are assumed to represent different interests and the ideologies that arise from these interests.

Under these conditions, it has been assumed that the activities in an organisation can be better understood as political processes characterised by struggle, negotiation and compromise rather than as technical-rational planning and decision-making processes (see, for example, Pfeffer, 1981; Mintzberg, 1983). This means, among other things, that power and the ability to mobilise power become important resources in the organisation. It also means that the structure and orientation of the activities, their objectives and various programmes are not primarily the results of rational decision-making processes based on objective information but of negotiations and compromises whose outcome is determined by internal power relations. The organisation is thus seen as an arena in which different actors (individuals and groups) struggle for power and limited resources with the aim of promoting their interests, demands and operational ideas.

From the point of view of a conflict-control perspective on education and other forms of competence development, it is assumed that these processes are determined to a greater degree by the management's or other actors' interest in control, internal disagreements and prevailing power relations in the organisation than by economic calculations or humanistic arguments. By extension, this means that personnel training and other forms of competence development can be seen as part of the management's (or another dominant actor's) efforts to control the operations concerned. In other words, competence development in this perspective can be seen as an instrument for ideological control and as a means of replacing or complementing other forms of control, that is, technological or bureaucratic forms of control (Offe, 1976; Edwards, 1979). The power relations in an organisation in terms of the relative influence of the employer/management, the trade unions and the employees over education and competence development can, in this perspective, be assumed to be of importance with regard to both the content of personnel training (e.g. general versus job-specific competence) and its

function (e.g. as an instrument for critical reflection, operational development and changes to unfavourable working conditions). One can therefore expect, in this perspective, all other things being equal, that companies with active and driving trade union organisations will invest more in various forms of competence development than companies where the position of the trade unions is weaker. It can also be expected that organisations with a high proportion of well-educated personnel will offer more competence development (Scott & Meyer, 1991).

### **An Institutional Perspective**

If we start instead from an institutional perspective of competence development, the emphasis is rather on the non-rational processes that control investments in competence development (for general overviews of this theory tradition, see for example Powell & DiMaggio, 1991; Scott, 1995).

Investments in competence development are, roughly, seen as being controlled not by rational means-ends considerations but by a striving towards increased legitimacy (inwards or outwards) by adapting to more or less temporarily predominating ideas (in the form of, say, fashion trends) about rationality, efficiency or modernity in the environment where the organization does business. Putting it another way, one can say that the activities of the organization, in this view, are determined not primarily by rational analysis based on the goals/tasks of the organization, but by institutionalized ideas on what should characterize modern and efficient organizations. With this as our starting point, the organizational structures and operations often have symbolic functions.

In terms of this perspective, then, a company's investments in competence development can be analyzed as symbolic arrangements with the function of exemplifying and communicating, inwards and outwards, conformity with the values with which the organization wants to be associated with the objective of strengthening its legitimacy.

In the same way, an increase in the education requirements for a given post can be assumed to have a symbolic legitimizing function (cf. Collins, 1979). The demand for qualifications in an activity is seen largely as a social construction and relatively independent of the "objective" requirements regarding qualification. With this view, the investments made in competence development can be expected to be reactive, ad hoc in nature and justified by short-term considerations rather than a result of a conscious strategy for competence development.

A series of more specific assumptions regarding the driving forces and prerequisites for an organization's investment in education can be formulated on the basis of an institutional view (cf. Scott & Meyer, 1991):

- (a) Organizations in which a large proportion of the employees have a professional affiliation (e.g. health care) can be expected to invest more in various forms of competence development than organizations with fewer professional people.
- (b) The stronger and more complex the institutional environment of an organization, the more extensive can the investments in competence development be expected to be.
- (c) With the increased legitimacy of investments in education and other forms of competence development more types of organizations will invest in competence development, and a weaker coupling is to be expected between the investments made (as regards, for instance, extent and form) and various factors such as job complexity, work organization and competence requirements.
- (d) With an increased legitimacy of investments in education and other forms of competence development as a means of handling changes in the external or internal context of the organization, it is to be expected that there will follow investments in more general qualifications, and at the same time fewer efforts at systematically evaluating the effects of the investments made.

#### **4.0 CONCLUSION**

If we examine the reported results in relation to the theoretical views presented by way of introduction, there is no doubt that the technical-functional view with its market related, technical-economic driving forces for investment in education has fairly strong support (most of the research also takes this view as its starting point). At the same time, several of the results appear open to alternative interpretation, for instance from an institutional point of view (cf. Gooderham, Nordhaug, & Ringdal, 1999).

#### **5.0 SUMMARY**

To sum up, one can conclude that the research results reported above are fairly unanimous in underlining the importance of various environmental factors for how organizations work with education and competence development. At the same time, it can be seen that no single factor or group of factors (e.g. technology development) can be designated as the most important or, in the final analysis, the deciding factor for the investments made in competence development.

The investments made in competence development can instead seemingly best be understood as a complex interplay between external factors and the various “logics” internal to the company that various actors represent. There is also much to indicate that external factors (e.g. increased customer demands or reduced order intake) should be seen as necessary but not sufficient conditions for



companies' investments in competence development. It is probably also necessary that there exists within the company a good climate for such investments. Not least in importance among such factors is the existence in the company of a good "educational culture" or "learning culture". It can be assumed that such a culture can result from the opinions of management and the union organizations regarding the value of education, but also from the employees' experienced need of competence development and motivation to participate in education. Against this background, it appears that an important task for continuing research is to study in more detail the interplay between the external contextual factors and internal "logic" with regard

to decisions concerning investment in competence development, and especially to pursue empirical studies of the "learning culture(s)" existing within a company.

## **6.0 TUTOR MARKED ASSIGNMENT**

Discuss characterizes successful strategies for competence development in organizations?

## **7.0 REFERENCES / FURTHER READING**

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## **UNIT 5 KNOWLEDGE MANAGEMENT AND BUSINESS GROWTH**

### Contents

#### 1.0 Introduction

#### 2.0 Objectives

#### 3.0 Main Content

##### 3.1 What is knowledge in a business?

##### 3.2 Basic sources of knowledge

##### 3.3 Exploiting your knowledge

##### 3.4 Make knowledge central to your business

##### 3.5 Sharing knowledge across your business

##### 3.6 Advantages and Disadvantages of knowledge management

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#### 7.0 References / Further Reading

### **1.0 INTRODUCTION**

All businesses have access to an extensive pool of knowledge - whether this is their understanding of customers' needs and the business environment or the skills and experience of staff.

The way a business gathers, shares and exploits this knowledge can be central to its ability to develop successfully. This doesn't just apply to huge multinational companies. Knowledge management can benefit everyone from a local newsstand to a manufacturing firm.

This guide explains the basic sources of knowledge available to your business, how you can best harness and exploit this information and how to create a knowledge strategy for your business.

## **2.0 OBJECTIVES**

After studying this unit, you should be able to:

- What knowledge in a business
- Basic sources of knowledge
- Make knowledge central to your business

## **3.0 MAIN CONTENT**

### **3.1 WHAT IS KNOWLEDGE IN A BUSINESS?**

Using knowledge in your business isn't necessarily about thinking up clever new products and services, or devising ingenious new ways of selling them. It's much more straightforward.

Useful and important knowledge already exists in your business. It can be found in:

- the experience of your employees
- the designs and processes for your goods and services
- your files of documents (whether held digitally, on paper or both)
- your plans for future activities, such as ideas for new products or services

The challenge is harnessing this knowledge in a coherent and productive way.

Existing forms of knowledge

- You've probably done market research into the need for your business to exist in the first place. If nobody wanted what you're selling, you wouldn't be trading. You can tailor this market knowledge to target particular customers with specific types of product or service.
- Your files of documents from and about customers and suppliers hold a wealth of information which can be invaluable both in developing new products or services and improving existing ones.

- Your employees are likely to have skills and experience that you can use as an asset. Having staff who are knowledgeable can be invaluable in setting you apart from competitors. You should make sure that your employees' knowledge and skills are passed on to their colleagues and successors wherever possible, e.g. through brainstorming sessions, training courses and documentation. See the page in this guide: create a knowledge strategy for your business.

Your understanding of what customers want, combined with your employees' know-how, can be regarded as your knowledge base.

Using this knowledge in the right way can help you run your business more efficiently, decrease business risks and exploit opportunities to the full. This is known as the knowledge advantage.

### 3.2 BASIC SOURCES OF KNOWLEDGE

Your sources of business knowledge could include:

- **Customer knowledge** - you should know your customers' needs and what they think of you. You may be able to develop mutually beneficial knowledge sharing relationships with customers by talking to them about their future requirements, and discussing how you might be able to develop your own products or services to ensure that you meet their needs.
- **Employee and supplier relationships** - seek the opinions of your employees and your suppliers - they'll have their own impressions of how you're performing. You can use formal surveys to gather this knowledge or ask for their views on a more informal basis.
- **Market knowledge** - watch developments in your sector. How are your competitors performing? How much are they charging? Are there any new entrants to the market? Have any significant new products been launched?
- **Knowledge of the business environment** - your business can be affected by numerous outside factors. Developments in politics, the economy, technology, society and the environment could all affect your business' development, so you need to keep yourself informed. You could consider setting up a team of employees to monitor and report on changes in the business world.
- **Professional associations and trade bodies** - their publications, academic publications, government publications, reports from research bodies, trade and technical magazines.

- **Trade exhibitions and conferences** - these can provide an easy way of finding out what your competitors are doing and to see the latest innovations in your sector.
- **Product research and development** - scientific and technical research and development can be a vital source of knowledge that can help you create innovative new products - retaining your competitive edge.
- **Organisational memory** - be careful not to lose the skills or experience your business has built up. You need to find formal ways of sharing your employees' knowledge about the best ways of doing things. For example, you might create procedural guidance based on your employees' best practice. See the page in this guide: create a knowledge strategy for your business.
- **Non-executive directors** - these can be a good way for you to bring on board specialised industry experience and benefit from ready-made contracts.

### 3.3 EXPLOITING YOUR KNOWLEDGE

Consider the measurable benefits of capturing and using knowledge more effectively. The following are all possible outcomes:

- An improvement in the goods or services you offer and the processes that you use to sell them. For example, identifying market trends before they happen might enable you to offer products and services to customers before your competitors.
- Increased customer satisfaction because you have a greater understanding of their requirements through feedback from customer communications.
- An increase in the quality of your suppliers, resulting from better awareness of what customers want and what your staff require.
- Improved staff productivity, because employees are able to benefit from colleagues' knowledge and expertise to find out the best way to get things done. They'll also feel more appreciated in a business where their ideas are listened to.
- Increased business efficiency, by making better use of in-house expertise.
- Better recruitment and staffing policies. For instance, if you've increased knowledge of what your customers are looking for, you're better able to find the right staff to serve them.

- The ability to sell or license your knowledge to others. You may be able to use your knowledge and expertise in an advisory or consultancy capacity. In order to do so, though, make sure that you protect your intellectual property.

### **3.4 MAKE KNOWLEDGE CENTRAL TO YOUR BUSINESS**

In order to manage the collection and exploitation of knowledge in your business, you should try to build a culture in which knowledge is valued across your business.

One way to do this might be to offer incentives to staff who supply useful market news or suggest ways customers can be better served. You can use these knowledge management practices throughout your organisation to build better processes.

As part of your knowledge management, you should also make sure that any intellectual property that your business holds is protected. This means that you have the right to stop competitors from copying it - and also allows you to profit by licensing your business' knowledge.

Protecting and exploiting your knowledge base will be more effective if you develop efficient systems for storing and retrieving information. Your files - whether stored digitally or on paper - contain knowledge that you can use to make your products, services, systems and processes better and more customer-focused.

Keep knowledge confidential. Your employment policies play a central role in this. For example, you might get staff to sign non-disclosure agreements (also known as confidentiality agreements) when they join the business as this ensures that they understand the importance of confidentiality from day one. Employment contracts can be written to reasonably limit your employees' freedom to quit and work immediately for one of your rivals (restraint of trade clauses) or set up a competing business to yours in the vicinity (restrictive covenants).

### **3.5 SHARING KNOWLEDGE ACROSS YOUR BUSINESS**

It's essential to avoid important knowledge or skills being held by only a few people, because if they leave or retire that expertise could be lost to your business. If you have efficient ways of sharing

knowledge across the business, it will be more widely used and its value and effectiveness are likely to be maximised.

### **Knowledge sharing**

Consider the best ways of sharing new ideas and information with your staff. You may already have regular meetings when you can brief employees and ask them to share ideas and best practice.

You could consider holding innovation workshops or brainstorming sessions at which staff are given the freedom and encouragement to think of ways in which the business could improve.

It can also be a good idea to create a knowledge bank containing useful information and instructions on how to carry out key tasks. Putting this on an intranet is ideal as it will encourage staff to post news or suggestions.

### **Knowledge management**

Technology alone isn't the answer to sharing knowledge - it has to be managed carefully so that information is channelled properly. You may decide to appoint a senior manager as knowledge champion for your business. See the page in this guide on how to make knowledge central to your business.

### **Incentives and training**

Remember that offering staff incentives to come up with suggestions for how the business can be improved is often an effective way of getting them to use and share knowledge.

Don't forget the importance of training in spreading key knowledge, skills and best practice across your business.

## **3.6 ADVANTAGES AND DISADVANTAGES OF KNOWLEDGE MANAGEMENT**

Knowledge management is a systematic approach to capturing and making use of a business' collective expertise to create value. The potential advantages of effective knowledge management are significant but, as with most processes, there are certain challenges to consider.



## **Advantages of knowledge management**

Some of the common benefits of knowledge management include:

- improved organisational agility
- better and faster decision making
- quicker problem-solving
- increased rate of innovation
- supported employee growth and development
- sharing of specialist expertise
- better communication
- improved business processes

A good knowledge management system will make it easy to find and reuse relevant information and resources across your business. This, in turn, can help you to:

- create better products and services
- develop better strategies
- improve profitability
- reuse existing skills and expertise
- increase operational efficiency and staff productivity
- recognise market trends early and gain advantage over your rivals
- benchmark against your competitors
- make the most of your collective intellectual capital

Resourceful collaboration will bring more views, diverse opinions and varied experiences to the process of decision-making, helping your business to make decisions based on collective knowledge and expertise.

## **Disadvantages of knowledge management**

The key to any successful knowledge management system is knowing its limitations. Some of the common challenges include:

- finding ways to efficiently capture and record business knowledge
- making information and resources easily to find
- motivating people to share, reuse and apply knowledge consistently
- aligning knowledge management with the overall goals and business strategy
- choosing and implementing knowledge management technology
- integrating knowledge management into existing processes and information systems

To overcome these challenges, you should:

- develop clear processes to capture, record and share business knowledge
- define scope and objectives of any knowledge management initiatives
- create a corporate culture of knowledge sharing between employees and management
- set clear goals and strategies to help you utilise the collective knowledge (otherwise it will be of no use to your business)
- consider budget, strategy and training needs for any new knowledge management system
- consider change management strategies for introducing new knowledge management practices

#### **4.0 CONCLUSION**

The decision on whether or not an organization should outsource a part of their business is a complicated one, and should not be taken lightly. Searching for short-term cost savings is not a bad idea, but choosing outsourcing based solely on cost reduction or tactical problems is a short-term solution and will undermine a company's potential for long term success. The organization should have sufficient management skills and the ability to adapt new behaviors and processes to successfully manage an external part of their business. These skills should include knowledge management abilities and a willingness to apply them to a new and more challenging situation. Tacit knowledge must specifically be considered when planning an outsourcing strategy, particularly if the component of the business to be outsourced already exists internally and valuable institutional knowledge will be lost. The transfer of tacit knowledge can have a profound effect on quality and overall strategic business value. Cultural and language barriers add challenges to the already difficult process of transferring tacit knowledge and are of particular concern in cases of cross-border outsourcing. Finally, once a decision has been made to outsource aspects of a business, specific

knowledge management strategies can be implemented that will maximize the benefits that are available from a decentralized business model.

## **5.0 SUMMARY**

There are few things more important than meeting the needs of your business customer. Remain customer focused, market driven, and skill based if you want to be successful. In this course, you will learn the role of Workforce Development in economic development, as well be introduced to the switch from job development to business development. The more business and employer knowledge you possess, the longer and stronger your business relationships will be, and as we know, maintaining professional business relationships is the key to your profession.

## **6.0 TUTOR MARKED ASSIGNMENT**

Discuss Advantages and Disadvantages of knowledge management

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## **MODULE 2**

Unit 1 Overview of Strategic Management

Unit 2 Strategic Management Process

Unit 3 Strategic Decision-Making

Unit 4 SWOT Analysis

Unit 5 Opportunity Analysis and Market Targeting

## **UNIT 1 OVERVIEW OF STRATEGIC MANAGEMENT**

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### **1.0 INTRODUCTION**

The complexity and sophistication of business decision-making requires strategic management. Managing various and multi-faceted internal activities is only part of the modern executive's responsibilities. The firm's immediate external environment poses a second set of challenging factors. This environment includes competitors- whenever profits seem possible, suppliers of increasingly scarce resources, government agencies monitoring adherence to an ever-growing number of regulations and customers whose often inexplicable preferences must be anticipated, monitored, assessed, and incorporated in top-level decision-making.

To deal effectively with all that affects the ability of a company to grow profitably, executives design strategic management processes they feel will facilitate the optimal positioning of the firm in its competitive environment. Strategic processes allow more accurate anticipation of environmental changes and improved preparedness for reacting to unexpected internal and competitive demands. In this unit, you will be introduced to the dimensions of strategic decisions, levels of strategy, characteristics of strategic management decisions and formality in strategic management. You will also learn about the interactive and iterative flow of the strategic process, value of strategic management, benefits of strategic management and risks of strategic management.

## **2.0 OBJECTIVES**

At the end this unit, you should be able to:

- discuss the dimensions of strategic decisions
- highlight levels of strategy
- enumerate the characteristics of strategic management decisions
- describe what is meant by formality in strategic process
- explain interactive and iterative flow of strategic process
- state the value of strategic management
- list the benefits and risks of strategic management.

## **3.0 MAIN CONTENT**

### **3.1 Meaning of Strategic Management**

Strategic management is defined as the set of decisions and actions taken in formulation and implementation of strategies designed to achieve objectives of an organisation. It involves attention to no less than nine areas as shown below.

- Determining the mission of the company including broad statement about its purpose, philosophy, and goals
- Developing a company profile that reflects internal conditions and capabilities
- Assessment of the company's external environment, in terms of competitive and general contextual factors
- Analysis of possible options uncovered in the matching of the company's profile with the external environment
- Identifying the desired options uncovered when possibilities are considered in the light of the company mission

- Strategic choice of a particular set of long-term objectives and the strategies needed to achieve the desired options
- Development of annual objectives and short-term strategies combined with long-term objectives and grand strategies
- Implementing strategic choice decisions based on budgeted resource allocations and emphasising the matching of tasks, people, strategies, technologies, and reward systems
- Review and evaluation of the success of the strategic process as a basis for control and as an input for future decision-making.

As these nine areas indicate, strategic management involves the planning, directing, organising, and control of the strategy-related decisions and actions of a business. By strategy, managers mean their large-scale oriented plans for interacting with the competitive environment to ensure achievement of organisation objectives. Thus, a strategy represents a firm's "game plans". Although it does not precisely detail all future deployments (people, financial, and material), it does provide a framework for managerial decisions. A strategy reflects a company's awareness of how to compete against whom, when, where, and for what.

### **3.2 Dimensions of Strategic Decisions**

What decisions facing a business are strategic and therefore deserve strategic management attention? Typically, strategic issues have six identifiable dimensions, as shown below.

- i. Strategic issues require top-management decisions. Strategic decisions overarch several areas of a firm's operations. Therefore, top-management involvement in decision-making is imperative. Only at this level is there the perspective for understanding and anticipating broad implications and ramifications, and the power to authorise the resource allocations necessary for implementation.
- ii. Strategic issues involve the allocation of large amounts of company resources. Strategic decisions, characteristically, involve substantial resource deployment. The people, physical assets, or moneys needed must be either redirected from internal sources or secured from outside the firm. In either case, strategic decisions commit a firm to a stream of actions over an extended period of time, thus involving substantial resources.
- iii. Strategic issues are likely to have a significant impact on the long-term prosperity of the firm. Strategic decisions, ostensibly, commit the firm for a long period of time, typically for five years; however, the time frame of impact is often much longer. Once a firm has committed itself to a particular strategic option in a major way, its competitive image and advantages are usually tied to

that strategy. Firms become known in certain markets, for certain products, with certain characteristics. To shift from these markets, products, or technologies by adopting a radically different strategy would jeopardise previous progress. Thus, strategic decisions have enduring effects on the firm - for better or worse.

iv. Strategic issues are future oriented. Strategic decisions are based on what managers anticipate or forecast rather than on what they know. Emphasis is on developing projections that will enable the firm to select the most promising strategic options. In the turbulent and competitive free enterprises environment, a successful firm must take a proactive (anticipatory) stance towards change.

v. Strategic issues usually have major multi-functional or multi consequences.

A strategic decision is coordinative. Decisions include factors as customer mix, competitive emphasis, or organisational units. This necessarily involves a number of a firm's Strategic Business Units (SBUs), segmentations, divisions, or program units. Each of these areas will be affected by allocation or reallocation of responsibilities and resources related to the decision.

vi. Strategic issues necessitate considering factors in the final environment. All business firms exist in an open system and are impacted by external conditions largely beyond their control.

Thus, if a firm is to succeed in positioning itself in future competitive world, its strategic managers must look beyond the limits of the firm's ownership. They must consider what other relevant factors (e.g., competitors, customers, creditors, government, and labour) are likely to do.

### **3.3 Levels of Strategy**

The decision-making hierarchy of business firms typically contains three levels, as shown below.

i. At the top is the corporate level, composed principally of management, board of directors and the chief executive and administrative managers. They are responsible for the financial performance of the corporation and for achieving the nonfinancial goals of the firm; for example, image and social responsibility. To a large extent, orientations and level reflect the concern of stakeholders and society at large.

ii. The second rung of the decision-making hierarchy is composed, principally, of business and corporate managers. This must translate the general statements of direction and intention of the corporate level into concrete, functional objectives and strategies of individual business divisions or *SBUs*. In essence, business level strategies must determine the basis on which a company can compete in product-market arena. While so doing, they strive to identify most profitable and promising market segment.



iii. The third rung is the functional level, composed principally of product, geographic, and functional areas. It is their responsibility to develop annual objectives and short-term strategies in such areas as production, operations, research and development, finance and accounting, marketing and human relations. However, their greatest responsibilities are in the implementation or execution of a company's strategic plans. While corporate and business-level managers centre their planning concerns on "doing the right things", managers at the functional level must stress "doing things right". Thus, they directly address such issues as the efficiency and effectiveness of production and marketing systems, the quality and extent of customer service, and the success of particular products and services in increasing their market shares.

### **3.3.1 Characteristics of Strategic Management Decisions**

The characteristics of strategic management decisions vary with the level of strategic activity considered. As shown in figure 1.2 below, corporate-level decisions tend to be value oriented, conceptual, and less concrete than those at the business or functional level of strategy formulation and implementation. Corporate-level decisions are also characterised by greater risk, cost and profit potential, as well as by longer time horizons and greater needs for flexibility. These characteristics are logical consequences of the more far-reaching futuristic, innovative, and pervasive nature of corporate-level strategic activity. Examples of corporate-level decisions include the choice of business, dividend policies, sources of long-term financing, and priorities for growth.

At the other end of the continuum, functional-level decisions principally involve action-oriented operational issues. These decisions are made periodically and lead directly to implementation of some part of the overall strategy formulated at the corporate and business levels. Therefore, functional-level decisions are relatively short range and involve low risk and modest costs because they are dependent on available resources. Functional-level decisions usually determine actions requiring minimal companywide cooperation. These activities supplement the functional area's present activities and are adaptable to ongoing activities so that minimal cooperation is needed for successful implementation. Since functional-level decisions are relatively concrete and quantifiable, they receive critical attention and analysis even though their comparative profit potential is low.

### **3.4 Benefits of Strategic Management**

The strategic management approach emphasises interaction by managers at all levels of the organisational hierarchy in planning and implementation. As a result, strategic management has certain behavioural consequences that are also characteristic of participative decision-making.

Therefore, an accurate assessment of the impact of strategy formulation on organisational performance also requires a set of non-financial evaluation criteria – measures of behavioural-based effects. In fact, it can be argued that the manager trained to promote the positive aspects of these behavioural consequences is also well positioned to meet the financial expectations of the firm. However, regardless of the eventual profitability of particular strategic plans, several behavioural effects can be expected to improve the welfare of the firm.

1. Strategy formulation activities should enhance the problem prevention capabilities of the firm. As a consequence of encouraging and rewarding subordinate attention to planning considerations, managers are aided in their monitoring and forecasting responsibilities by workers who are alerted to needs of strategic planning.

2. Group-based strategic decisions are most likely to reflect the best available alternatives. Better decisions are probable outcomes of the process for two reasons- first, generating alternative strategies is facilitated by group interaction; second, screening of options is improved because group members offer forecasts based on their specialised perspectives.

3. Employee motivation should improve as employees better appreciate the productivity-reward relationships inherent in every strategic plan. When employees or their representatives participate in the strategy formulation process, a better understanding of the priorities and operations of the organisation's reward system is achieved, thus adding incentives for goal-directed behaviour.

4. Gaps and overlaps in activities among diverse individuals and groups should be reduced as participation in strategy formulation leads to a clarification of role differentiations. The group meeting format, which is characteristic of the delineations of individual and subgroup responsibilities.

5. Resistance to change should be reduced. The required participation helps eliminate the uncertainty associated with change, which is at the root of most resistance. While participants may no more be pleased with their own choices, then they would stick to authoritarian decisions, and their acceptance of new plans is more likely if employees are aware of the parameters that limit the available options.

### **3.5 Risks of Strategic Management**

While involvement in strategy formulation generates behaviour-based benefits for participants and for the firm, managers must be trained to guard against three types of unintended negative consequences. First, while it is readily recognised that the strategic management process is costly in terms of hours invested by participants, the negative effects of managers spending time away from work is

considered less often. Managers must be trained to schedule their duties to provide the necessary time for strategic activities while minimising any negative impact on operational responsibilities.

Second, if the formulators of strategy are not intimately involved in implementation, individual responsibility for input to the decision process and subsequent conclusions can be shirked. Thus, strategic managers must be trained to limit their promises to performance that can be delivered by the decision makers and their subordinates.

Third, strategic managers must be trained to anticipate, minimise, or constructively respond when participating subordinates become disappointed or frustrated over unattained expectations. Frequently, subordinates perceive an implicit guarantee that their involvement in even minor phases of total strategy formulation will result in both acceptance of their preferred plan and an increase in clearly associated rewards. Alternatively, they may erroneously conclude that a strategic manager's solicitation of their input on selected issues will extend to other areas of decision-making. Sensitising managers to these issues and preparing them with effective means of negating or minimising such negative consequence will greatly enhance the overall potential of any strategic plan.

#### **4.0 CONCLUSION**

In this unit, you have learnt that strategic management is “ the set of decisions and actions resulting in the formulation and implementation of strategies designed to achieve the objectives of an organization”. It involves long-term, future-oriented, complex decision-making, necessitating top-management action because of the resources required to formulate an environmentally opportunistic plan.

You have also been exposed to the fact that strategic management is a three-tiered process involving corporate, business and functional-level planners, and support personnel. At each progressively lower level, strategic activities were shown to be more specific, narrow, short-term, and action oriented with lower risks but fewer opportunities for dramatic impact.

You should note that the value of strategic management is a review of seven large-scale business studies. Using a variety of financial performance measures, each of these studies provides convincing evidence of the profitability of strategy formulation and implementation.

In addition, the unit identifies five major behavioural benefits for the team-oriented, strategic-management-directed firm. Despite some noteworthy behavioural costs, the net behavioural gains justify the approach, almost irrespective of the hope of improved financial performance.

## **5.0 SUMMARY**

In this unit, you have been taught the dimensions of strategic decisions, levels of strategy and characteristics of strategic management decisions.

You have also been exposed to the formality in strategic management, the interactive and iterative flow of the strategic process as well as the value of strategic management.

Finally, the unit highlighted to you the benefits and risks of strategic management.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. Find a recent copy of *Business Week* and read the “Corporate Strategies” section. Find out whether the main decision discussed is really strategic? At what level in the organisation is the key decision made?
2. In what ways do you think the subject matter in this strategic management/business policy course will differ from previous courses you have had?
3. Why do you believe the case method is selected as the best approach for learning the skills needed in strategy formulation and implementation?

## **7.0 REFERENCES/FURTHER READING**

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## **UNIT 2 STRATEGIC MANAGEMENT PROCESS**

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3.2 Strategic Management Process

3.3 History of Strategic Management

3.4 Importance of Strategic Management

3.5 Limitations of Strategic Management

3.6 Why Strategic Plans Fail

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6.0 Tutor-Marked Assignment

7.0 References/Further Reading

### **1.0 INTRODUCTION**

In this unit, you will be introduced to the concept and definition of strategic management, the process of strategic management, benefits or advantages and limitations or disadvantages of strategic planning and the reasons why strategic plans fail.

### **2.0 OBJECTIVES**

At the end this unit, you should be able to:

- define the concept strategic management
- discuss the process of strategic management
- list and explain the advantages and disadvantages of strategic management
- state the reasons why strategic plans fail.

### **3.0 MAIN CONTENT**

#### **3.1 Definitions of Concept**

Strategic management consists of competitive move and business approaches to produce successful performance. It denotes management game plan for:

- running the business

- strengthening a firm's competitive position
- satisfying customers
- achieving performance targets.

According to Lamb, (1984:IX), strategic management is “an ongoing process that evaluates and controls the business and the industries in which the company is involved; assesses its competitors and set goals and strategies to meet all existing and potential competitors, and then reassesses each strategy annually or quarterly, i.e. regularly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, new economic environment, or a new social, financial, or political environment”.

Strategic management is the process of specifying the organisation's mission, vision and objectives, developing policies and plans, often in terms of projects and programmes, which are designed to achieve these objectives and then allocating resources to implement the policies and plans, projects and programmes.

Strategic management is management of change. This involves the system of corporate values, corporate culture, and all managerial process of change, such as leadership, planning, control and human resources management.

Strategic management provides overall direction to the enterprise and is closely related to the field of organisational studies. In the business administration, it is useful to talk about “strategic alignment” between the organisation and its environment or “strategic consistency”.

According to Arieu (2007), “there is strategic consistency when the actions of an organisation are consistent with the expectations of management, and these in turn are within the market and the environmental contexts.

### **3.2 Strategic Management Process**

Churchman (1968), views strategic management as a series of steps in which top management should accomplish at least five tasks suggested below.

- Firstly, to identify the business's fundamental values, goals and objectives that arises from them.
- Secondly, to assess the business's environment i.e. forces outside the business itself that may be opportunities or threats.

c. Thirdly, to assess the business's resources and capabilities, i.e. those things within the control of the business, such as people, machinery, facilities, contracts, image and goodwill that can be allocated to achieve goals and objectives.

d. Fourthly, to identify or form the organisation's components i.e.

(i) internal units that receive allocated resources and carry out the business work, and

(ii) an organisational structure that includes the units themselves and the relationships of authority, responsibility and communication that they have with one another.

e. Fifthly, develop the management and decision-making structure, i.e. the process used to allocate the business's resources to its components so as to realise goals and sustained values within constraints of environment.

Churchman (1968) stresses that without knowledge of organisation's values, an organisation cannot develop a mission, goals and objectives. Other interdependent factors in the strategic management process are listed below.

- Strategic planning
- Strategic formulation
- Strategic implementation
- Strategic evaluation

### **A. Strategic planning**

Strategic planning is the key link between strategic management and an organisation's external environment. Resource management is the factor that links strategic management to the organisation's resources, including finances, facilities and equipment, land, access to information, goodwill and personnel. Strategic planning is a formal process where the assumptions, reasons and plans themselves are all written with figures to serve for future reference.

Strategic planning is systematic and logical planning process done at the corporate (top) level of the organisation, since it is mainly concerned with the long-term aspect of the business. Even research studies have concluded that strategic management is an integral and important function of organisation life.

Strategic management process is seen as a powerful tool, and their value is with the executives and the ability to use the tool effectively in managing the enterprise.

## **B. Strategic formulation**

This is setting objectives for the organisation. It is also performing a situation analysis, self-evaluation and competitors' analysis- both internal and external. Objectives can be in short-term and others can be on long-term. This involves crafting vision statements (long-term view of a possible future), mission statements (the role that the organization gives itself in the society). Also, it states the corporate objectives (both financial and strategic), strategic business unit objectives (both financial and strategic) and tactical objectives. All these objectives should suggest a strategic plan. The plan provides the details of how to achieve these objectives.

## **C. Strategic implementation**

This involves allocation and management of sufficient resources (financial, personnel, operational support, times and technology support). Strategic implementation involves establishing a chain of command or some alternative structure (such as cross-functional teams).

Strategic implementation requires assigning responsibility of specific tasks or processes to specific individuals or groups. It equally involves managing the process. This includes monitoring results, evaluating the efficacy and efficiency of the process, controlling for variances and making adjustments to the process as necessary.

Strategy implementation (when implementing specific programmes) requires acquiring the requisite resources, developing the process training, process testing, documentation, and integration with (and or conversion from) legacy process. Problems may occur or arise during the strategy implementation such as human relations and or the employee-communication problems. Usually, the greatest implementation problem involves marketing strategy, with emphasis on the appropriate time of the new products.

However, an organisation with an effective management should try to implement its plans without signaling the fact to its competitors. For a policy or strategy to work, the organisation must show a level of consistency from every worker and including the management. Since strategy implementation is the action stage of strategic management, it then means that all decisions made to install new strategy or reinforce the existing strategy are taken cognizance of and implemented fully.

## **D. Strategic evaluation and control**

This is the final stage in strategic management process. Here, managers ensure that all chosen strategies work to achieve the organisation's objectives. The activities also include reviewing the



internal and external factors that are the bases of current strategies and measuring performance and taking corrective measures.

Other strategic options are evaluated in the corporate strategy (according to Johnson and Scholes) in the following areas.

- **Suitability** (will it work?)
- **Feasibility** (can it be made to work?)
- **Acceptability** (will they work it?)

**Now, let us consider these one after the other.**

### **Suitability**

This addresses the overall rationale of the strategy. It checks whether the strategy tackles the key strategic issues underlined by the organisation's strategic position.

Certain questions are however asked and answered, to confirm suitability of such strategy. They are as follows.

- Does it make economic sense?
- Will the organisation obtain economies of scale?
- Will it be suitable in terms of environment and capabilities?

Tools that can be used to evaluate suitability include the following.

- Ranking strategic options
- Decision trees
- 'What if' analysis.

### **Feasibility**

This is concerned with the resources required to implement the strategy that are available, and can be developed or obtained. Resources include funding, people, time, and information. Tools that can be used to evaluate feasibility include the following.

- Cashflow analysis and forecasting
- Breakeven analysis
- Resource deployment analysis.

### **Acceptability**

This is concerned with the expectations of the identified stakeholders (e.g. shareholders, employees and customers) with the expected performance outcomes, which can be return, risk and stakeholders' reactions.

- **Return** – deals with the benefits expected by the stakeholders.
- **Risk** – deals with the probability and consequences of failure of a strategy.
- **Stakeholders’ reaction** – deals with anticipating the likely reactions of stakeholders. Stakeholders can oppose the issuing of new shares.

Tools that can be used to evaluate acceptability include the followings.

- ‘What if’ analysis
- Stakeholders’ mapping.

### **Strategy hierarchy**

In very large corporations, there are several levels of management. Strategic management, however, is the highest of these levels of management; in the sense that it is the widest and it is touching all parts of the firm.

Strategic management in hierarchy gives direction to corporate values, corporate cultures, corporate goals, and corporate missions. Under the broad corporate strategy, let us consider the following.

#### **i. Corporate strategy**

Corporate strategies are plans to carry out values and performance objectives of a company. These plans become more specific and detailed the lower organisational level. Corporate strategy is the art of using organisational resources to render the goals defined by the organization with minimum risk.

Also, it is marshalling the resources for definite missions and planning alternative strategies in anticipation of changing contingencies and creating flexible conditions in structure and employee attitudes favourable towards achieving the corporate goal.

#### **ii. Business strategy**

This is the aggregated strategies of a single business firm or is a strategic business unit in a diversified corporation. Each firm formulates a business strategy in order to achieve a sustainable competitive advantage.

#### **iii. Functional strategies**

These are the core-centres of activities in the organisation. Functional strategies include marketing strategies, legal strategies and supply-chain strategies. These departments emphasise the short and medium term plans which are limited to their functional responsibility. Each department attempts to do its part in meeting overall corporate objectives.

#### **iv. Operational strategy**

This was encouraged by Peter Drucker in his theory of Management By Objectives (MBO). This has to do with the day-to-day activities in the organisation. It must operate within the budget and cannot create a budget. Operational level strategies are informed by business level strategies which, in turn, are informed by corporate level strategies.

### **3.3 History of Strategic Management**

Strategic management, as a discipline, originated in the 1950s and 1960s. There were a lot of exponents on the literature. The most influential pioneers were Alfred D. Chandler, Philip Selznick, Igor Ansoff, and Peter Drucker.

Alfred Chandler, for instance, recognises the importance of coordinating the various aspects of management under one all-encompassing strategy. He opines that a long-term coordinated strategy is necessary and will give a company structure, direction, and focus.

In 1957, Philip Selznick, in his own contribution, introduced the idea of matching the organisation's internal factors with external environment circumstances and factors. This idea was developed into what we now call SWOT analysis by the learned, Andrews and others at the Harvard Business School management group. Strengths and weaknesses of the firm are assessed in the light of the opportunities and threats from the business environment.

Igor Ansoff, in his own contributions, built on Chandler's work by adding a range of strategic concept and inventing a whole new strategy. He had a strategy grid that compared market penetration strategies, product development strategies, market strategies development and horizontal and vertical integration and diversification strategies. Igor

Ansoff believes that management can use these strategies to systematically prepare for future opportunities and challenges. In 1965, he wrote on classic corporate strategy where he developed the "*gap analysis*" still used today. It is used to understand the gap between where we are currently and where we would like to be, and then develop what he called "*gap reducing actions*".

Peter Drucker, a prolific writer on management gave his own contributions to strategic management in two areas that are very important.

Firstly, Peter Drucker stressed the importance of objectives. Any organisation having no clear objectives certainly cannot be profitable.

Based on objectives principles, Peter Drucker wrote a book on management theory of Management By Objectives (MBO), in 1954.

According to Drucker, the procedure of setting objectives and monitoring your progress should involve the entire organisation- top to bottom.

Secondly, Peter Drucker's contribution was in predicting the importance of what, today, we would call intellectual capital. He predicted the rise of what he called the "knowledge worker" and explained the consequences of this for management. He notes that knowledge work is non-hierarchical. Work will be carried out in teams, with the person most knowledgeable in the task at hand being the temporary leader.

In 1985, Ellen-Earle Charffee summarises what she thinks are the main elements of strategic management theory that are useful to business managers today. They include the following.

- Strategic management involves adapting the organisation to its business environment
- Strategic management affects the entire organisation by providing direction
- Strategic management involves both strategy formation (she called it content) and also strategy implementation (she called it process)
- Strategic management is done at several levels-overall corporate strategy and individual business strategy.

### **3.4 Importance of Strategic Management**

A number of reasons were given by authors why organisations should embrace strategic management principles. Research studies made by Eastlack and McDonald (1970), Thune and House (1970), Asoff et al. (1971), Karger and Malik (1975) and Hofer and Schendel (1978) indicate that there are a lot of values or benefits to be gained from strategic management studies.

- Take note of the following, among others.
- Strategic management is needed to cope with and manage uncertainty in decision-making process.
- Strategic management provides a way to anticipate future problems and opportunities.
- Strategic management provides employees with clear objectives and directions for future of the organisation.
- Application of strategic management gives better performance.
- It increases employees' satisfaction and motivation.
- It gives faster and better decision-making process.
- It allows for identification and exploitation of opportunities.
- It allows more effective allocation of time and resources to all identified opportunities.

### **3.5 Limitations of Strategic Management**

The limitations are as follows.

- a. When a strategy becomes internalised into a corporate culture, it can lead to group think;
- b. It can also cause an organisation to define itself too narrowly;
- c. Many theories tend either to be too narrow in focus to build a complete corporate strategy on, or too general and abstract to be applicable to specific situations.

### **3.6 Reasons why Strategic Plans Fail**

Some of the reasons why strategic plans fail include the following.

- Failure to understand the customer;
- Inability to predict environmental reaction;
- Overestimation of resource competence;
- Failure to coordinate;
- Failure to obtain senior management's commitment;
- Failure to obtain employee commitment;
- Failure to follow the plan;
- Failure to manage change;
- Poor communication.

## **4.0 CONCLUSION**

In this unit, you have learnt that strategic planning, formulation, implementation and evaluation activities occur at three hierarchical levels, namely- corporate, divisional or strategic business unit, and functional. However, it is worthy to note that the strategic management process is dynamic and continuous. The process never really ends.

## **5.0 SUMMARY**

In this unit, you have been exposed to strategic management process, the history or genesis of strategic management, and the importance and limitation of strategic management. You have also been taken through the reasons why strategic plans fail.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Write short notes on the following.

- a. Strategic planning
- b. Strategic formulation
- c. Strategic implementation

d. Strategic evaluation

#### **7.0 REFERENCES/FURTHER READING**

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## **UNIT 3 STRATEGIC DECISION-MAKING**

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- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

Decision-making is one of the most crucial activities of management. The necessity to decide is the everyday preoccupation of management in all types of organisations, whether small enterprises or multi-national corporations. The decisions that management faces are sometimes simple and in other instances, complex and overwhelming. A decision to increase production in a particular industry can

necessitate the employment of more labour, increase in plant capacity, acquisition of more equipment, borrowing of money and the mastering of new technological know-how. This decision can affect the entire economic climate resulting in full employment, with its attendant consequences— increase in money circulation and inflation.

In this unit, you will be introduced to decision-making and all that it entails.

## **2.0 OBJECTIVES**

At the end this unit, you should be able to:

- define decision-making
- identify the process involved in decision-making
- classify decisions
- describe group decision-making
- discuss creative thinking and steps involved in creative thinking.

## **3.0 MAIN CONTENT**

### **3.1 Decision-Making Process**

A decision is the selection of alternative course of action from available alternatives in order to achieve a given objective. The decision-making process is influenced by the unique environment of the decision maker, his organisational position, available knowledge and experience in decision-making. A decision is a choice aimed at achieving optimum result in a given situation.

#### **3.1.1 Nature of Decision-Making**

In business, there are absolutely no right or wrong decisions but intelligent choices. What one considers a right decision in a particular time frame may turn out to be an unintelligent decision if the circumstances change. This is particularly true in developing countries where most of the variables required for intelligent decision are lacking.

In some industries, the total production is unknown, the consumption pattern is not clear, the total population is a guess work, supply of raw materials is influenced by political consideration and the time for the supply of raw material is most unpredictable. An entrepreneur may decide to import large quantities of raw material because it is under licence. The restriction can be lifted within a month after the importation, purely on political grounds without giving consideration to its consequences on the successful operation of the businessmen in the industry.

### **3.2 Classification of Decision**

Decision-making can be classified into three major groups as stated below.



- Decision-making under certainty
- Decision-making under risk
- Decision-making under uncertainty.

### **1. Decision-making under certainty**

Certainty – here, it is assumed that there is a single-space, complete and accurate knowledge of the consequence of each event. A decision made with full knowledge of the occurrence of an event is said to be decision under certainty. In this situation, the decision maker knows what the stated value of the pay-off is expected to be.

### **2. Decision-making under risk**

The consequence of each choice cannot be defined by a correspondent relationship, even within a probabilistic framework.

### **3. Decision-making under uncertainty**

It is assumed that accurate knowledge about the probability distribution of the consequence of each alternative exists.

### **3.3 Stages in Decision-Making**

Every decision-making process has some basic elements in order to be effective; the basic elements include the following:

- the formulation of goal or goals
- mental process to acquire knowledge on the situation
- analysis to determine alternative course of action
- choice procedure
- implementation.

Let us take a look at the above one after another.

Formulation of goals

Acquire knowledge of the problem

Analyse the situation to determine alternatives

Select alternative Implementation

#### **(a) Formulation of goals**

For one to make a decision, one must have goals that one expects to achieve. The goals to be achieved may be determined by the organisation and can aim at minimising cost or maximising

profit. In the case of the production manager, the decision at that level could be to reduce rejects by 20 percent or increase average output by 10 percent.

**(b) Acquire knowledge**

A rational decision requires the decision maker to have a thorough understanding of the problem in order to make an intelligent choice. This demands that the decision maker saturates himself with facts about the situation. At this stage he seeks information from employees who have expert knowledge about the situation under study. When vital decisions are to be made, “brainstorming” is encouraged in order to avoid costly, hasty decisions. It is advisable to hear both from those are interested in the problem and those who are opposed to it. The step is likened to a situation where a “car won’t start” in the morning. Why? What is the cause of the problem?

**(c) Analysis to determine alternatives**

The essence of analysis at this stage is to determine possible courses of action – the search for alternatives. The number of alternative ways of solving the problem that can be thought out depends on the effort expended by the decision maker in the search for alternatives. This is one of the crucial steps in rational decision-making. It involves the utilisation of the vital information gathered through the process of defining the problem. The decision maker can tap the brain of experts and engage in creative logical reasoning. This will help to achieve the objective with cost effectiveness in mind.

**(d) Decision**

Decision is the selection of the course of action believed by the decision maker to yield the best result under the circumstances. The final selection is influenced by the decision maker’s past experience, his value judgement, the logical process that has been established and followed in the previous steps above.

It has to be pointed out that the selected solution may not necessarily be the most satisfactory solution but the most intelligent decision under the circumstance. An entrepreneur may decide in the circumstance to select the alternative that “minimises his risk or involves “minimum regret” or gives him optimum result in the short-run. There is a tendency for Nigerian entrepreneurs to seek short-run instead of long-run growth.

It is important at this stage to ask four vital questions.

- Did I consider all possible alternatives that bear on the question?
- Does the selected alternative contribute to the realisation of the intended objective?
- Will the decision lead to the attainment of the preferred solution?

- Is this alternative capable of implementation?

### **(e) Implementation**

A decision process is not complete until it is implemented. The essence of any decision is to secure action. If this stage is not properly carried out, the entire process is a waste of time and resources. For some important decisions to be implemented effectively, the decision maker has to seek and obtain the willingness of operation of all involved. He has to “sell” the decision to the workforce. Factors involved in securing acceptance include effective communication, motivating the employees into accepting the decision, and pointing out the advantages to be achieved, effective control of the process for the implementation of the decision and, promoting the timing of events to aid coordination.

### **3.4 Group Decision-Making**

An organisation is not better than the people that make it up. The success or failure of an organisation depends on the creativity of its human resources. Efficient and effective utilisation of these people to make use of their intellectual abilities, in part, helps the growth of the organisation. The popular saying that “*two heads are better than one*”, aptly illustrates the importance of participatory decision-making.

One of the major problems encountered in retaining young university graduates in many indigenous enterprises is the absence of participatory decision-making. The average entrepreneur is reluctant to involve young graduates in areas they believe they can contribute their best in the organisation. Thus, only 20 percent of the graduating class of the professional schools of the University of Nigeria, for instance, will elect to work for indigenous enterprises. Most people, who terminate their appointment with small businessmen, usually give lack of participation as one of the key reasons for doing so. Other key reasons include lack of future prospect, lack of prestige and inability to use their expertise. Employees like to be involved in decisions that affect the organisation, especially, those that affect them directly.

Decisions are expected to be made in a social environment. It is a situation in which each participant contributes his ideas towards the realisation of a predetermined goal. No idea is useless, no matter how stupid it sounds. In many instances, what some people call “stupid” or “crazy” ideas are those that disagree with their own. There is a popular saying that “*where the people always agree, only one person is doing the thinking*”. Group decision calls for varied views, some optimistic and some pessimistic.

In the final analysis, what determines whether a decision is to be made by an individual or group is the type of decision to be made, and the importance of the decision to the immediate attainment of organizational objectives.

### **3.4.1 Committee Decision**

In modern organisations, committees are increasingly being used as effective administrative tools. In large and small organisations, committees are used for a variety of reasons. In large decentralized organisations, a committee is the device for achieving coordination of activities and sharing information among the various departments and divisions of a company.

A committee can be seen as a group of people assembled together to take action on an administrative task. In some organisations, there are committees for each key functional area such as finance, production, sales, auditing, purchasing, and engineering. These are generally permanent committees. These committees often meet regularly once or twice a month to discuss general problems affecting their operation.

There are instances where committees are appointed to study and offer solution to a specified organisational problem. They stop functioning as soon as the assignment is completed. This is generally called an ad hoc committee.

Committees, such as salary adjustment committee, tenders board committee, employee grievance committee or question box committee can be ad hoc committees. They can also be permanent committees.

The government makes use of some committees in dealing with specific assignments. In Imo state at a time, for instance, the government appointed a planning committee to help plan the state university; Anambra state, as well, appointed a television planning committee, sometimes ago. These are ad hoc committees which cease to exist as soon as their functions are completed.

### **3.4.2 Selection of Committee Members**

The effective use of committees in the solution of organizational problems depends on the selection of the right people to serve in the committee. Most of the criticisms often voiced in the use of a committee as an effective device in decision-making depend on the quality of people appointed to serve on them. Committees are often seen as “a group of people who keep minutes and waste time and money”. Hudson, writing on this important issue observes that:

“Equally sad and costly are the “good” people who are un-trained to the rigours of sound committee working – the people who debate on ideas, who lack a gift for negotiation, the people who are

spineless, irrational, hyper-sensitive and over-emotional people who are blindly devoted to an ideology, blindly loyal, or blindly combative”.

The selection of members of a committee should be based on qualifications such as knowledge of the subject matter to be assigned to the committee, interests, responsibility, availability and emotional maturity.

The number of people to serve in a committee is to be determined by the nature of the assignment. A large number is sometimes very cumbersome to manage, and makes it often difficult to agree on a specific time and date for meetings.

### **3.4.3 Committee Chairman**

The success or failure of a committee, in most instances, depends on the chairman. The chairman is expected to be a mature, intelligent, skillful, versatile person who is capable of accommodating varied opinions. A committee succeeds when the members believe that the chairman is equal to the task and is capable of leading the committee to arrive at mature conclusions. A capable chairman is in a position to help reduce some of the major disadvantages associated with committees such as cost, idle debates, danger of compromise and slow action.

### **3.4.4 Benefits and Limitations of Committees**

Almost all formal organisations have committees because it has been very useful as one of the basic democratic ways of operation and the realisation that the concentration of tasks in one individual does not make for efficient and effective control.

The following are the basic advantages

- a. It makes different viewpoints available. The interaction between members brings out different viewpoints that could not have been considered or given due weight if the decision was made by one person. Collective views make for thorough and complete analysis. Thus, it provides a forum whereby knowledge, experience and abilities of several experts are brought together.
- b. Better coordination- committee decision helps to promote better coordination in the company. In any type of organisation, there is often constant need for coordination in order for everyone to pull in the same direction. The coordination of sales department with production, purchases and advertising departments brought about by their being in the same committee will help to achieve optimum results.

c. Committee as advisers- a committee can be advisory in nature. This type of committee is created to advise, counsel and make recommendations to the managing director to help him make an intelligent decision. An administrative commission of inquiry is a typical example of an advisory committee.

d. Collective responsibility for decision- when the chairman of the committee takes a decision, it becomes a collective decision of the committee irrespective of whether a member likes it or not.

The decision becomes the decision of the “group” which they cannot afford to disagree with. In some instances, there is an “overtone” which suggests to members that he would like them to “go along”. What he really demands from them is support.

e. One of the major disadvantages of a committee decision is that many committees only recommend or advise. To advise is not to decide, as the decision lies with the chief executive who is accountable for the outcome of the decision. In a committee decision, no one is held accountable or responsible for the decision because of the nature of the impersonality that characterises all committees. It has to be observed here that, depending on the nature and authority, a committee may just be advisory, or it may operate in an information coordination or final decision-making capacity.

### **3.4.5 Use of Committees in Nigerian Organisations**

Committees, standing and ad hoc, are extensively used in Nigerian organisations. All organisations with more than 50 employees have one form of committee or the other. In a study of Nigerian establishments, 78 percent of the organisations reported the existence of one committee or the other with varying degrees of authority and life span.

Interestingly, 58 percent of the respondents in industry, commerce and service organisations advocated the use of more committees while 28 percent of the respondents in the public service advocate for the use of more committees. Some managers( 68 percent) serve in more than four committees at a time. Only 2 percent serve in only one committee.

### **3.5 Creativity in Decision-Making**

A good committee can be very creative. A creative committee is one that comes up with new ideas, new approaches, and new ways of doing old things, doing a common thing in an uncommon way, a new product, or new application or a combination of existing knowledge. Creativity is one of the highly sought after talents in management. A creative manager seeks original solutions to existing problems. Creative thinking is necessary in business for the organisation is constantly in search of an imaginary solution to problems posed by its competitors and the total environment. Many organisations have individuals with great inventiveness; and the unusual ability to create new ideas is

the realisation that some people are more creative than others. This is why committees are often used to find solutions to some organizational problems.

An ideal environment that is supportive of and promoting creative thinking is necessary for individuals to challenge that imagination. The recruitment of people who are creative is a necessary precondition to encouraging creativity in an organisation.

### **3.6 Steps in Creative Thinking**

Studies have shown that certain steps are necessary in creative thinking.

These can be summarised as follows.

- a. Problem identification
- b. Investigation
- c. Incubation
- d. Illumination
- e. Verification
- f. Problem identification

The first step in creative thinking is the perception that a problem exists. This can be in production, sales, customer relations or advertising. The discovery of this problem launches the creative individual immediately to seek for suitable solution. No creative work has been achieved without dissatisfaction with the existing situation which forces the “genius” to seek new ways.

#### **a. Investigation**

Investigation is the second step in creative thinking. In this step, the individual examines the problem and analyses old ways of performing the task. This can call for intensive research into existing knowledge on the subject. There could be an exploration into all the possible avenues that will lead to the discovery of such things as interrelationships, and associations. This step involves the accumulation of facts and figures that bear on the subject. A thorough examination which helps the individual to saturate himself with facts and figures on the problem will help to develop a creative solution.

#### **b. Incubation**

This is a very important stage in the process. Here, the entire mind reflects on the problem. Sometimes, a creative solution is not easily available and the individual leaves the subject for more reflection. Creative thinking is not a choice of alternatives as in decision-making. It is a process of mulling over the problem. It may involve the use of the unconscious mind. The creative person is at

this time in a special state of mental “stress”, and detaches himself from things around him. He could go around the circles with a real solution arising and he could at this stage leave the problems for a while to avoid mental fatigue. This period is characterised by frustration and helplessness.

### **c. Illumination**

An ideal brainstorming session highlights the importance of new ideas.

The rules for successful brainstorming session include the following.

- Criticism of ideas must be withheld until after the session
- The group must welcome *free-wheeling* and encourage the wildest of ideas
- Developing a greater quality of ideas increases the likelihood of having one really useful idea
- Each member of the group should improve and relate his own ideas to the ideas of others.

### **d. Verification**

Some of the major criticisms of brainstorming are that it is time consuming. Many man-hours are spent in generating ideas and also in crystallising them. It also produces many superficial ideas.

Nevertheless, its usefulness in creative thinking can hardly be overstated. In many organisations, it is indispensable in determining the name of a new product and determining a new advertising slogan.

Political parties in Nigeria use it very extensively.

## **3.7 Qualitative Methods of Decision-Making**

The use of qualitative methods as aid in decision-making is well recognised in large organisations in developing countries, and to a less extent, in small industries. One of the major reasons for this is the limited education of the owners of small businesses. With increased education and the separation of owner-manager, these techniques will be increasingly found useful by small businessmen.

### **3.7.1 Operations Research (OR)**

The mathematical techniques used as aid to decision-making are often called operations research. Churchman et al. defines operations research as:

“an application of the scientific method to problems arising in the separation of a system which may be presented by means of a mathematical model and in solving of these problems by resolving the equation representing the system”.

Operations research has gained wide acceptance because of its use in modern high speed electronic computers. Basically, operations research is the application of scientific method in the solution to business problems; operations research is applied in a variety of business problems which include the following.



- Productive scheduling
- New product development
- Long-range planning
- Warehouse location selection
- Retail outlet selection
- Product mix selection
- Air and highway traffic control
- Portfolio management.

The use of *OR* entails the building of models called equations to represent the system.

### **3.7.2 Linear Programming (LP)**

Linear programming is a relatively new mathematical technique in situations requiring optimum allocation of resources, money, capital equipment, raw materials and personnel. It is useful in production management because allocation problem poses great complexity involving a large number of variables that can equally be solved through linear programming techniques. If the Nigerian Bottling Company, for instance, wishes to determine the best cost method of distributing its products from its four bottling plants to a number of warehouses located all over Nigeria, linear programming technique will be used.

### **3.7.3 Queuing Theory**

Queuing theory is often called waiting-line theory. The system is used in determining the optimal utilisation of a facility in an intermittent service.

## **4.0 CONCLUSION**

In this unit, you have learnt that decision-making is one of the most crucial activities of management. You have also seen that there is the need to make decisions in all types of organizations, whether small enterprises or multi-national corporations. The decisions that management faces are sometimes simple and in other instances, complex and overwhelming.

## **5.0 SUMMARY**

In this unit, you have learnt the definition of decision-making. You have also identified the process involved in decision-making and classification of various decisions. You are now conversant with group decision-making and you can now discuss creative thinking and the steps involved in it.

## **6.0 TUTOR-MARKED ASSIGNMENT**

What do you understand by the term decision-making in management?

List and discuss the process involved in decision-making.

#### **7.0 REFERENCES/FURTHER READING**

Hofstede, G. (1980). "Motivation, Leadership and Organisation: Do American Theories Apply Abroad?" *Organisational Dynamics*, Vol. 9, Summary, p. 43.

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## **UNIT 4 SWOT ANALYSIS**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Definition of *SWOT*
    - 3.1.1 Objectives of *SWOT*
  - 3.2 The Origin of the *SWOT* Analysis Model
  - 3.3 Use or Advantages of *SWOT*
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 Reference/Further Reading

### **1.0 INTRODUCTION**

In this unit, you will be introduced to one of the principles of strategic management, which acronym is given as *SWOT*. *SWOT* represents- Strengths, Weaknesses, Opportunities and Threats. In a business organisation, *SWOT* relates to business environment, organizational strategies and policies and performance measures. Business environment means the surroundings of business activities. It is the totality of the interactions between business and the society. Conceptually, business environment is the total of all external and internal forces that influence an individual or a community

### **2.0 OBJECTIVES**

At the end this unit, you should be able to:

- analyse *SWOT* as an aspect of strategic management
- explain the origin of *SWOT* analysis model
- list the advantages of *SWOT* analysis.

### **3.0 MAIN CONTENT**

#### **3.1 Definition of *SWOT***

*SWOT* analysis is a strategic planning method used to evaluate the **strengths**, **weaknesses**, **opportunities**, and **threats** involved in a project or in a business venture. It involves specifying the

objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieving the set objectives.

### **3.1.1 Objectives of *SWOT***

Naturally, in a business environment there are uncertainties, human needs, production, markets, technology and competition. *SWOT* determines the strengths and weaknesses that are internal factors which create value or harmful to achieving the objectives of business.

They can include assets, skills or resources that a company has at its disposal, compared to its competitors. Opportunities and threats are external factors or conditions that can create value or destroy value of business performance. A company cannot control them (external factors), but they emerge from either the competitive dynamics of the industry/market or from demographic, economic, political, technical, social, legal or cultural factors.

### **3.2 Origin of *SWOT* Analysis Model**

Information on the origin of *SWOT* analysis was provided by Albert S. Humphrey. He was one of the founding fathers of *SWOT* analysis. He died on 31st October, 2005. *SWOT* analysis emanated from the research conducted at Stanford Research Institute from 1960-1970 to find out why corporate planning failed. The research was funded by the collaborative efforts of 500 companies, essentially to find out what could be done about the failure of corporate planning. The research team was made up of Marion Doshier, Dr. Otis Benepe, Albert Humphrey, Robert Stewart, and Birger Lie.

The research started with the corporate planning trend, first at Du Pont in 1949. By 1960, all the managers (or equivalent) and associations of long range corporate planners that had sprung up in both USA and the UK got involved. However, a unanimous opinion developed (in all the companies represented) that corporate planning in the shape of long range planning was not working, did not pay off, and was an expensive investment in futility. It was widely held that managing change and setting realistic objectives carry the conviction of those responsible; which was difficult and often resulted in questionable compromises. The fact remained that despite the corporate and long range planners, the one and only missing link was how to get the management team agreed and committed to a comprehensive set of action/ programmes.

To create this link, starting from 1960, Robert F. Stewart at SRI, in Menlo Park California led a research team to discover what was going wrong with corporate planning, and then to find some sort of solution; or to create a system for enabling management teams agreed and committed to development work, which today, we call “managing change”.

The research was carried on from 1960 through 1969. 1,100 companies and organisations were interviewed and a 250-item questionnaire was designed and completed by over 5,000 executives. Seven key findings led to the conclusion that in corporations, chief executives should be the chief planner, and that his immediate functional directors should be the planning team.

*SWOT* analysis template and method- free *SWOT* analysis examples are as shown below.

- 1 - Value
- 2 - Appraise
- 3 - Motivation
- 4 - Search
- 5 - Select
- 6 - Programme
- 7 - Act
- 8 - Monitor and repeat steps 1, 2, and 3.

The team then discovered that they could not change the value of the team or set the objectives for the team, so they started- as the first step, by asking the appraisal question i.e. what's good and bad about the operation? They began the system by noting that- what is good in the present is *Satisfactory*, good in the future is an *Opportunity*; bad in the present is a *Fault*, and bad in the future is a *Threat*. This was called the *SOFT* analysis.

When this was presented to Urick and Orr in 1964, at the seminar in Long Range Planning at the Dolder Grand in Zurich, Switzerland, they changed the *F* to a *W* and called it *SWOT* analysis.

*SWOT* was then promoted in Britain by Urick and Orr as an exercise in and of itself. As such, it has no benefit. What was necessary was the sorting of the issues into the programme planning categories of:

- product (what are we selling?)
- process (how are we selling it?)
- customer (to whom are we selling it?)
- distribution (how does it reach them?)
- finance (what are the prices, costs and investment?)
- administration (and how do we manage all this?)

A planning process was then designed through trial and error and resulted finally in a 17-step process beginning with *SOFT/SWOT* with each issue recorded separately on a single page called a planning issue.

However, the process has been used successfully in coping with today's problems of setting and agreeing realistic annual objectives without depending on outside consultants.

### **3.3 Use or Advantages of *SWOT* Analysis**

The *SWOT* analysis is an extremely useful tool for understanding and decision-making for all sorts of situations in business and organizations (both profit and non-profit). *SWOT* is an acronym for Strengths, Weaknesses, Opportunities and Threats.

- *SWOT* analysis helps in analysing business and environmental factors.
- *SWOT* helps in setting objectives.
- *SWOT* analysis helps marketers to focus, especially, on their relative competitive strengths and weaknesses.
- *SWOT* analysis makes marketing managers to examine each competitor's cost structure, sources of profits, resources, competencies, competitive positioning and product differentiation.
- *SWOT* analysis is a tool used in management and strategic planning.
- *SWOT* analysis works well in brainstorming meetings.
- *SWOT* analysis is used for business planning, strategic planning, competitors' valuation, market research and product development and research reports.

### **4.0 CONCLUSION**

In this unit, you have been exposed to the fact that *SWOT* is a practical way of assimilating internal and external information about the business unit, and setting business objectives. Also, it is a tool for corporate planning, strategic planning and management process. *SWOT* analysis helps decision-making process in all levels of management as well as strategy formation.

### **5.0 SUMMARY**

In this unit, the nitty-gritty of *SWOT* analysis has been made known to you. The unit has also traced the history of *SWOT* analysis and highlighted the advantages of *SWOT* analysis to business organisations.

## **6.0 TUTOR-MARKED ASSIGNMENT**

What do you understand by the acronym *SWOT*? What are the benefits of *SWOT* analysis to business organisations?

## **7.0 REFERENCE/FURTHER READING**

Hofstede, G. (1980). "Motivation, Leadership and Organisation: Do American Theories Apply Abroad". *Organisational Dynamics*, Vol. 9, Summary, p. 43.

## UNIT 5 OPPORTUNITY ANALYSIS AND MARKET TARGETING

### CONTENTS

- 1.0 Introduction
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- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### 1.0 INTRODUCTION

The development and implementation of marketing strategy can be complicated and quite challenging. At its pinnacle, marketing strategy involves the selection of markets and the development of programs to reach these markets. This process is carried out in a manner that simultaneously benefits both the markets selected (satisfying the needs or wants of buyers) and the organisation (typically, in dollar profit terms).

Within this framework, a necessary first task is **opportunity analysis, market segmentation, and market targeting**. This unit describes to you analytical concepts and tools that marketing managers



find useful in performing **opportunity** analyses, segment markets, selecting **market** targets, and estimating **market** and sales potential.

## 2.0 OBJECTIVES

At the end this unit, you should be able to:

- enumerate the interrelated activities involved in opportunity analysis
- define the term market
- describe market segmentation
- explain what is meant by market targeting.

## 3.0 MAIN CONTENT

### 3.1 Opportunity Analysis

Opportunity analysis consists of some interrelated activities, as outlined below.

**i. Opportunities** arise from identifying new types or classes of buyers, uncovering unsatisfied needs of buyers, or creating new ways or means of satisfying buyer needs. Opportunity analysis focuses on finding markets that an organisation can profitably serve.

**ii. Opportunity – *organisation matching*** determines whether an identified market opportunity is consistent with the definition of the organisation's business, mission statement, and distinctive competencies. This determination usually involves an assessment of the organisation's strengths and weaknesses and an identification of the success requirements for operating profitably in a market. A *SWOT* is often employed to assess the match between identified market opportunities and the organisation.

For some companies, market opportunities that promise sizeable sales and profit gains are not pursued because they do not conform to an organisation's character.

**iii. Opportunity *evaluation*** typically has two distinct phases – qualitative and quantitative. The qualitative phase focuses on matching the attractiveness of an opportunity with the potential for uncovering a market niche. Attractiveness is dependent on the following:

- competitive activity
- buyer requirements
- market demand and supplier sources
- social, political, economic and technological forces and
- organisational capabilities.

Each of these factors in turn must be tied to its impact on the types of buyers sought, the needs of buyers, and the means for satisfying these needs.

**iv. Opportunity *identification***- matching and evaluation are challenging assignments because subjective factors play a large role and managerial insight and foresight are necessary. These activities are even more difficult in the global arena, where social and political forces and uncertainties related to organizational capabilities in unfamiliar economic environments assume a significant role.

### **3.2 What is a Market?**

The fact that an opportunity has been identified does not necessarily imply that a market exists for the organisation. Although definitions vary, a *market* may be considered to be the prospective buyers (individuals or organisations) willing and able to purchase the existing or potential offering (product or service) of an organisation.

This definition of a market has several managerial implications. First, the definition focuses on buyers, not on products or services. People and organisations whose idiosyncrasies dictate whether and how products and services will be acquired, consumed or used make up markets.

Second, by highlighting the buyer's willingness and ability to purchase a product or service, this definition introduces the concept of *effective demand*. Even if buyers are willing to purchase a product or service, exchange cannot occur unless they are able to do so. Likewise, if buyers are able to purchase a product or service, but are unwilling to do so, exchange will not occur. These relationships are important to grasp because a marketing strategist must ascertain the extent of effective demand for an offering in order to determine whether a market exists.

To a large degree, the extent of effective demand will depend on the marketing-mix activities of the organisation.

Third, use of the term *offering*, rather than *product or service*, expands the definition of what organisations provide for buyers. Products and services are not purchased for the sake of purchase; they are purchased for the values or benefits that buyers expect to derive from them.

Frequently, one hears or reads about the automobile market, the soft drink market or the healthcare market. These terms can be misleading because each refers to a composite of multiple minimarkets. Viewing a market as composed of minimarkets allows a marketer to better gauge opportunities. Consider, for example, the breakdown of market into multiple markets. With this breakdown, the manager can more effectively identify who is competing in the caffeinated versus the decaffeinated

markets and how they are competing, monitor changes in sales volume and appreciate differences between buyer taste preferences and competition.

Finally, how a market is defined has a crucial effect on the concept of market share. Market share can be defined as the sales of a firm, product, or brand divided by the sales of the “market”. Obviously, market definition is critical in calculating this percentage.

### **3.3 Market Segmentation**

A useful technique for structuring markets is market *segmentation* – the breaking down or building up of potential buyers into groups. These groups are typically termed *market segments*. Each segment is thought of as possessing some sort of homogeneous characteristic relating to its purchasing or consumption behaviour, which is ultimately reflected in its responsiveness to marketing programs. Market segmentation grew out of the recognition that, in general, an organisation cannot be all things to all people.

The idea that an organisation can, effectively, apply one marketing strategy to satisfy all possible buyers is not viable in today’s marketing environment. At the other extreme, unless the organisation is highly specialised and sells only to, one buyer-for instance, it is often not feasible to treat each potential buyer as unique. Thus, as one marketing authority has so aptly written, market segmentation “is a compromise between the ineffectiveness of treating all customers alike and the inefficiency of treating each one differently”.

Advances in information technology and flexible manufacturing and service delivery systems have made “segments of one” a reality in some settings. Mass *customisation* – tailoring products and services to the tastes and preferences of individual buyers in high volumes and at a relatively low cost– combines the efficiencies of mass production and the effectiveness of designing offerings to a single buyer’s unique wants.

#### **3.3.1 Benefits of Market Segmentation**

Market segmentation offers three principal benefits with regards to the development of marketing strategy. They are as follows.

**Identifies opportunities for new product development.** The analysis of various segments of present and potential buyers can reveal one or more groups whose specific needs are not being well satisfied. These segments represent possible opportunities for new product development.

**Helps in the design of marketing programmes that are most effective for reaching homogeneous groups of consumers.** In addition to product development, segmentation permits refinements in the pricing, advertising and promotion, and distribution elements of the marketing mix.

**Improves the allocation of marketing resources.** Market segmentation also can provide guidance in directing marketing resources. All market segments are not necessarily equal in terms of an organisation's ability to serve them effectively and profitably. As with any opportunity assessment, a company's strengths and capabilities relative to each identified segment's needs and competitive situation must be considered.

### **3.3.2 Bases for Market Segmentation**

Two broad types of variables are commonly used for market segmentation. Socioeconomic characteristics of consumers, such as gender, age, occupation, income, family life cycle, education and geographic location make up one type. The other type consists of behavioural variables, including benefits sought from products and services, usage behaviour, lifestyle, and attitudes.

For industrial buyers, socioeconomic characteristics may include company size and location, and industry or customers served. Behavioural variables may include purchasing objectives and practices, as well as product and service benefits. The appropriateness of any one or combination of variables in a specific situation will depend on whether or not a variable relates to purchasing, use, or consumption behaviour and responsiveness to marketing programs. The choice of variable(s) to be used to segment a market often depends on insights into buyer behaviour, provided by creative research.

Based on consumer usage, lifestyles, and individual preferences, a company can identify six market segments as outlined below.

“Basic” consumers who need voice connectivity and a durable style;

“Expression” consumers who want to customise and personalize features;

“Classic” consumers who prefer a traditional appearance and web browser function;

“Fashion” consumers who want a very small phone as a fashion item; and

“Communicator” consumers who want to combine all of their communication devices (e.g., telephone, pager, PDA). The company subsequently developed and marketed cell telephone models for each of these segments.

### **3.3.3 Requirements for Effective Market Segmentation**

Ultimately, market segmentation is a means to an end: to identify and profile distinct groups of buyers who differ in their needs, preferences, and responsiveness to an organisation's marketing programs. Effective market segmentation should provide answers to six fundamental buyer related questions for each market segment.

*Who are they?*

*What do they want to buy?*

*How do they want to buy?*

*When do they want to buy?*

*Where do they want to buy?*

*Why do they want to buy?*

More often than not, the answers should be expressed in a narrative form documented with quantitative and qualitative research. From a managerial perspective, effective market segmentation means that each segment identified and profiled satisfies fundamental requirements. Each market segment should be:

**measurable.** The size and buying power of a market segment can be quantitatively determined.

**differentiable.** A market segment is distinguishable from other segments and responds differently to different marketing programs.

**accessible.** A segment can be effectively reached and served through an economically viable marketing program.

**substantial.** A segment should be large enough in terms of sales volume potential to cover the cost of the organisation serving it and return a satisfactory profit.

### **3.3.4 Market Matrix**

Four possible user groups (or market segments) are business, scientific, home and school. Displaying offerings and user groups in this manner facilitates identification of competitors and their offerings and possible gaps in the calculator market reflected in empty cells in the matrix.

Knowing where competitors are prominent provides a basis for determining whether a market opportunity exists. Identification of gaps in the market and knowledge of competitive activities in specific offering– market cells should assist the marketing manager in gauging the effective demand for an organisation's offering and the likelihood of developing a profitable marketing program.

### **3.3.5 Market Targeting**

After a market has been segmented, it is necessary to select the segment(s) on which marketing efforts will be focused. Market targeting (or target marketing) is merely the specification of the segment(s) the organisation wishes to pursue. Once the manager has selected the target market(s), the organisation must decide which marketing strategies to employ.

Two frequently used market targeting approaches are *differentiated marketing* and *concentrated marketing*. In a differentiated marketing approach, the organisation, simultaneously, pursues several different marketing segments, usually with a unique marketing strategy for each.

In a concentrated approach, an organisation can focus on a single market segment. An extreme case will be one in which an organization marketed a single product offering to a single market segment. More commonly, an organisation will offer one or more product lines to a single segment. Furthermore, concentrated marketing provides operating economics through specialisation in manufacturing and marketing. However, concentrated marketing has risks. Specialising in one segment can limit a company's growth prospects, particularly, if the segment size declines.

Also, competitors may invade the segment.

### **3.3.6 Market Sales Potential and Profitability**

An essential activity in opportunity evaluation is the determination of market sales potential and profitability. Estimating a market's sales potential for offerings is a difficult task even for a seasoned marketing executive. Markets and offerings can be defined in numerous ways that can lead to different estimates of market size and sales potential.

For innovative offerings or new markets, market analysts must often rely almost entirely on judgement and creativity when estimating market sales potential. Therefore, it is understandable that market sales potential estimates vary greatly for high-definition television (HDTV) and hybrid (gasoline and battery-powered) automobiles.

The underlying technology for both offerings is still evolving as is the physical form. In such dynamic settings, measures for identifying prospective market segments are uncertain.

### **3.3.7 Estimating Market Sales Potential**

Market sales potential is a quantitative approximation of effective demand. Specifically, market sales *potential* is the maximum level of sales that may be available to all organisations serving a market in a specific period, given:

- *the marketing-mix activities and effort of all organisations, and*

- *a set of environmental conditions.*

As this definition indicates, market sales potential is not a fixed amount. Rather, it is a function of a number of factors, some of which are controllable and others not controllable by organisations. For instance, controllable marketing-mix activities and marketing-related expenditures of organisations can influence market sales potential. On the other hand, consumer disposable income, government regulations, and other social, economic, and political conditions are particularly relevant in estimating market sales potential in developing countries.

For example American, European and Japanese passenger car manufacturers have come to realise that automobile market sales potential in China, the world's most populous country, is affected by obstacles outside their control. In China, sudden government policy shifts towards foreign manufacturers are common. There are less than 1,000 auto distributorships in the entire country.

Three variables are commonly considered when estimating market sales potential. These include:

- the number of prospective buyers (Z) who are willing and able to purchase an offering;
- the quantity (Q) of an offering purchased by an average buyer in a specific time period, typically one calendar year; and
- the price (P) of an average unit of the offering.

Market sales potential is the product of these three variables:

$$\text{Market sales potential} = B \times Q \times P$$

Though simple, this expression contains the building blocks for developing a more complex formulation through what is called the *chain ratio method*, which involves multiplying a base number by several adjusting factors that are believed to influence market sales potential.

An application of this method by Coca-Cola and Pepsi-Cola is shown in the following calculation of cola-flavoured carbonated soft drink potential in a South American country.

Market sales potential for cola-flavoured carbonated soft drinks in a country:

- Population age, 8 years and over x proportion of the population that consumes carbonated soft drinks on a daily basis x proportion of the population preferring cola-flavoured carbonated soft drinks x the average number of carbonated soft drink occasions per day x the average amount of consumed per consumption occasion (expressed in ounces) x 365 days in a calendar year x the average price per ounce of cola.

The chain ratio method serves three important purposes. First, it yields a quantitative estimate of market sales potential. Second, it highlights factors that are controllable and not controllable by organisations.

Clearly, a country's population, aged 8 years and older is an uncontrollable factor. However, the other factors are controllable or can be influenced to some degree.

For example, organisations can influence the proportion of a population that consumes their products through primary demand advertising and the cost of the products through pricing. If either of these two factors change, market sales potential changes, other things being equal.

Finally, it affords a manager flexibility in estimating market sales potential for different buyer groups and different offerings.

### **3.3.8 Sales and Profit Forecasting**

Sales and profit forecasting follows estimating of market sales potential. A sales forecast is the level of sales a single organisation expects to achieve based on a chosen marketing strategy and an assumed competitive environment. An organisation's forecasted sales are typically some fraction of estimated market sales potential. Forecasted sales reflect the size of the target market(s) chosen by the organization and the marketing mix chosen for the target market(s). Forecasted sales also reflect the assumed number of competitors and competitive intensity in the chosen target market(s).

For example, suppose an organisation's target market represents one-fourth of one million prospective buyers for a particular offering. The marketing channel chosen for the offering provides access to about three-fourths of these buyers and the communication program (advertising) reaches these same buyers. Suppose further that the average purchase rate is 20 units of an offering per year and the average offering unit price is N10.00. Using a version of the chain ratio method, forecasted sales may be calculated as follows:

- Total estimated prospective buyers 1 million times
- Target market (25% of total buyers) x .25
- Distribution / Communication coverage x .75 (75% of target market) times
- Annual purchase rate (20 units per year) x 20 times
- Average offering unit price N10.00 x N10.00
- Forecasted sales N37.5 million

The N37.5 million sales forecast does not consider the number of competitors vying for the same target market nor does it consider competitive intensity. Therefore, this sales forecast should be



adjusted downward to reflect these realities. Forecasting sales, like estimating market sales potential, is not an easy task. Nevertheless, the task is central to opportunity evaluation and must be undertaken. Finally, a *pro forma* income statement should be prepared showing forecasted sales, budgeted expenses, and estimated net profit. When completed, the marketing analyst can review the identified opportunities and decide which can be most profitably pursued, given organizational capabilities.

### **3.4 Opportunity Analysis and Market Targeting I**

This will be discussed by looking at a number of variables as follows.

#### **a. An important building block**

The result of needs assessment relates to an analysis of your potential market. The concerns for each market sector and the information needed by each customer or potential customer. Information audit will help you analyse what products the library is capable of offering and how effective it has been in marketing its services.

Your next step will be to synthesise what you have learned about your organisation, what your current and potential customers want and what the library is best able to deliver. The market opportunity analysis will help you determine the information services you should be offering, based on the needs of the organisation and the library's capabilities. The market opportunity analysis will help you in the following ways.

- Determine what new products need to be developed
- Determine how existing products can be modified to better serve a market need
- Evaluate which existing products should be eliminated
- Determine how your library's structure may be reoriented to better serve your community.

#### **b. Identify and analyse the opportunities which exist**

Understanding the motivation of each client– that is, why the client needs the information will help you determine how to effectively market your products.

(i) In marketing the product itself, you will be promoting its benefits. A benefit is something that helps the customer solves his problem. Those benefits, your selling points, will differ from customer to customer.

(ii) The key questions to answer are as follows.

- What needs are not being satisfied with the library's current products?
- Is the library targeting all potential customers of its existing products?

- How effectively is the library targeting those users that have a particular appreciation for the value of information?

(iii) During the needs assessment, you may have uncovered problems in a group's use and management of information

(a) Use market opportunity analysis to address these issues as well, not necessarily with a new product from your library, but by suggesting to your clients how they may improve the collection and applications of information they receive.

(b) If you know that information already exists but the group is not aware of it, You can share this knowledge with them.

(iv) Work to facilitate information exchange Putting groups in touch with one another to share or exchange information, eliminating duplication of efforts, and facilitating communication between groups, are all important tasks for an active, involved librarian. This person not only manages the information for which the librarian is directly responsible but helps others manage information as well.

### **c. Developing new products for your marketplace**

(i) What is a new product?

Keep in mind that your new products can include products that:

- *are common elsewhere but are new to your library's offerings*
- *are already existing products that have been modified to improve their use or repackaged for a new market segment*
- *have been created by you and are original.*

(ii) Prioritise the market segments you want to reach

Take the results of your information needs assessment and look for the areas most critical to your organisation's success. These groups of people or departments should be heavy users of the library's services and logically should be the first targets for the new products your library plans to develop.

(iii) Group current product users according to their needs

Classifying your customers enables you to develop prototypes of generic products and services that can be tailored to specific groups or individuals. The product should be useful to the widest possible group to assure the greatest return on investment.

(iv) Integrate your products vertically by offering a range of complementary products to a particular group of users, and extend your products by marketing them horizontally to other groups in the organisation.

This will ensure maximum sales through minimum effort. Developing products that foster repeated use will ensure that your efforts are not wasted.

(v) Find ways that you may attract a customer away from a competitor's product to one that the library develops.

Useful techniques include adding value, offering a comparable product at a lower cost, fast turnaround, or personal service. Adding value to your product by including more information or by providing it for less money will be the key to developing a successful product.

Take into account how the customer will apply the information when you design your information product and make it more appropriate in terms of content or form.

Develop information products with the needs of your clients in mind. Look for what makes them more valuable to their customers.

(vi) Present the results of your needs assessment for each department that you consulted for feedback and offer the ideas that you and your staff have generated.

These may be new products you plan to offer or merely an improvement on technique or technology currently used. Ask the group to help you rank the improvement projects in descending order of probability. It is important that the group determine those areas in which improvement will be most beneficial. Once you have asked for input, don't ignore the suggestions which have been made.

Ask for suggestions as to how your current product line can be altered to best serve them. Have the various groups contribute to the design of any new products you plan to offer.

Create a strategic alliance with your clients by making them a partner in your endeavour. Their participation at the outset will serve to keep you on track throughout the development process.

(vii) For each product and service, formulate detailed proposals to your customers according to the products you will offer, including content, format, schedule for implementation, staffing, training and technology required.

Remember to set goals and milestones by which to evaluate your progress and be certain that you have allotted adequate resources to the project – people, time and money.

### **3.5 Opportunity Analysis and Market Targeting II**

This is being discussed in line with the following considerations.

## **(A) Product definition and customisation**

1. Be aware of your competitors: know who your competitors are, both within the firm and external to it, their capabilities and limits.

Position yourself and your information products with the competitor in mind.

2. Make sure your product is identifiable and distinct from your competitors'.

Make it stand out from all the others in style as well as in content.

3. Target the products to specific markets or customer groups and market to them.

Each group will have a particular characteristic that binds its members together; identify this characteristic and use it as a selling point.

4. Just as companies customise their products, you must tailor your products to your customers.

Understand the differences between customers of each of your products and services and try to address these differences.

5. As corporate strategic alliances become important, so does monitoring potential partners and acquisition targets.

In addition to supplying the information, ascertain the financial considerations as to what makes one company more attractive than another.

Adopt the same criteria— for instance, a Return On Investment (ROI) ratio—for your information products that your firm uses when it evaluates an acquisition target.

6. Create strategic alliances with your suppliers and customers. Vendors can help make you stronger if you let them know how they can be of service; customers can become advocates of your services and marketers of your products.

7. Decrease production costs by using the technology available to you in the acquisition, formatting and delivery of information.

Do not be intimidated by the technology. If you don't know how to do something, find out. Never be afraid to ask for help from those within your organisation as well as outside of it.

8. Help others in the organisation to use information and information technology;

Are there areas in which using a computer or particular database might help? Will the use of the database on CD-ROM be more cost-effective in the long run?

9. Just as products are matched to a specific user group, so are the techniques you will use to market those products.

Remember, you are not selling the library but the individual services it provides. Each service will require a separate marketing plan.

10. Know what business you are in, but determine what business it will be advantageous to appear to be in. This may vary from customer to customer. Once you understand the needs of each customer, what motivates the customer to purchase your product and how much the customer is prepared to spend; you can develop useful services and market them effectively.

Remember, you are selling solutions to your customers' problems, not products. Use your needs assessment research to determine what each group is seeking from your product, and market with these needs in mind.

### **(B) A market opportunity analysis checklist**

1. Have you set the library's priorities in terms of your organisation's priorities?

2. Are you being flexible, showing your customers a willingness to tailor your services to their needs? Are you working with your customers to design and redesign your products?

3. Are you offering products and services that you can support over the long-haul?

Don't make promises to deliver what you cannot.

4. Have you designed the library's services with a sensitivity to the pressures under which your clients work?

5. Can you recommend ways in which your organisation can make better, more productive use of the information to which it already has access?

6. Have you developed the library's products and services to complement the information resources that currently exist within the organisation?

7. Have you assessed the existing policies, procedures and practices governing the management and use of information throughout the organisation?

Can you recommend any specific improvements in the process; for example, centralisation of subscription ordering?

8. Have you determined the future direction of the organisation as a whole, as well as individual market segments?

9. Can you predict their information requirements in the future, including cost? Are you preparing to meet those needs?

10. Have you set targets for selling your products?

Make it a game by setting goals and then raising the target once you've achieved those goals. Be realistic in your expectations as to how receptive potential clients will be and how much they will expect for the price they are paying for your services.

Have you developed an adequate and efficient strategy to support each product and service you have developed?

### **i. The Opportunity**

- Don't be bound by preconceived notions of what the library can offer.
- Broaden the base of products and services offered by the library.

### **ii. Case Study**

There seems to be some need to organise the way in which the company acquires information regarding its competitors.

The library offers several different products, to various departments, all addressing some aspects of competitor's activity. A coordination of these services seems warranted.

## **4.0 CONCLUSION**

In this unit, you have learnt that opportunity analysis and market targeting are crucial strategies that will position an organisation to achieve pre-determined objectives.

## **5.0 SUMMARY**

In this unit, you have learnt the definition of opportunity analysis, market segmentation and market targeting.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Discuss opportunity analysis.

## **7.0 REFERENCES/FURTHER READING**

Roger, A. Kerin; Eric N. Berkowitz; Steven Hartley & William Rudelius *Marketing* (7th Ed.). Burr Ridge, IL: McGraw-Hill/Irwin, pp. 239- 242.

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## **MODULE 3**

Unit 1 Strategy Formulation

Unit 2 Strategic Management Control and Evaluation

Unit 3 Strategic Management Planning

Unit 4 Corporate Planning

Unit 5 Total Quality Management (TQM)

## **UNIT 1 STRATEGY FORMULATION**

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### **1.0 INTRODUCTION**

You are being introduced to yet another scintillating topic-strategy formulation. Strategy is a road map or guide by which an organisation moves from its current state of affairs to future desired state. It is a source from which daily decisions are made. Also, it is a tool with which long-range future plans and courses of action are constructed.

Strategy allows a company to position itself effectively within its environment to reach its maximum potential, while constantly monitoring the environment for changes that can affect it so as to make changes in its strategic plan accordingly. Strategy defines where you are, where you are going, and how you are going to get there.

Discussions in this unit will take us through definition of concept, through mission statement, strategy implementation to implementation of strategy in a single industry.

## **2.0 OBJECTIVES**

At the end this unit, you should be able to:

- define the concept of strategy formulation
- describe mission statement
- discuss strategy implementation
- explain what is meant by implementation of strategy in a single industry.

## **3.0 MAIN CONTENT**

### **3.1 Definition of Concept**

Strategy formulation is the process of determining appropriate courses of action for achieving organisational objectives and thereby accomplishes the purpose. Strategy formulation is the task of analyzing the organisation's external and internal environments and selecting an appropriate strategy that will achieve the corporate objectives.

Top management plays a vital role in strategy formulation which is the outcome of a formal planning process. The first step in strategy formulation by top management of an organisation is to craft a 'mission statement'.

### **3.2 The Mission Statement**

This statement is a description or a declaration of why a company is in operation, which provides the framework or context within which strategies are formulated.

Mission or vision explains the reason for the organisation or company's values or guiding standards that will drive and shape the actions and behaviours of employees and a statement of major goals and objectives.

#### **3.2.1 What is a Mission or a Vision?**

This is a formal declaration of what the company is trying to achieve over the short-term and long-term. The terms vision and mission, as used, are mainly to provide a platform for thinking strategically.



To formulate mission statement, it is important to come up with the definition of the organisation's business. Essentially, the definition answers these questions:

- what is our business?
- what will it be?
- what should it be?

Responses to these questions guide the formulation of a mission statement.

### **3.2.2 Values**

The values of a company states how managers and employees should conduct themselves, how they should do business, the kind of organisation they should build to help the company achieve its mission.

As much as possible, values help to drive and shape behaviours of workers in the company. They are therefore commonly seen as the bedrock of a company or organisational culture.

### **3.2.3 Organisational Culture**

The organisational culture is the set of values, norms and standards that control how employees work to achieve an organisation's mission and goals. Major goals and objectives is the second strategy to be formulated by the strategic managers.

### **3.2.4 Goal**

A goal is a desired future state, or objective that a company attempts to realise. A well constructed goal should show certain characteristics. A goal must be precise and measurable, should address crucial issues, changing but realistic, and shows a time period. However, it is worthy to note that, it is more profitable for business managers to adopt long-term goals (as opposed to short-term), the attainment of which will increase the long-run performance and competitiveness of their enterprise.

Long-term goals address the following issues in an organization product development, customer satisfaction, employees' productivity and emphasis on efficiency, quality and innovation.

Next is the strategic management process on the analysis of the organisation's external operating environment. Essentially, external analysis is to identify strategic opportunities and threats in the organisation's operating environment that will affect how it pursues its mission.

There are three interrelated environments that need to be examined as outlined below.

- Industry environment – this relates to the environment in which the organisation operates.
- The country or national environment.
- The wider socioeconomic or macro environment.

Analysing the industry environment requires an assessment of the competitive structure of the organisation's industry, including the competitive position of the specific or focal organisation and its major rivals. It also requires analysis of the nature, stage, dynamics and history of the industry.

Since many markets are now global markets, analysing the industry environment also means assessing the impact of globalisation on competition within an industry. Analysing the macro-environment consists of examining macroeconomic, social, government, legal, international and technological factors that may affect the organisation.

Internal analysis, another strategic management process, is carried out mainly to highlight the strengths and weaknesses of the organization issues like identifying the quantity and quality of a company's resources and capabilities and ways of building skills, competencies are considered in area of competitive advantage.

Building and sustaining a competitive advantage requires a company to achieve superior efficiency, quality, innovation and responsiveness to its customers. The company's strengths lead to superior performance in these areas and company's weaknesses translate to inferior performance.

### **3.3 Strategy Implementation**

Once a strategy to achieve a competitive advantage and increase in performance had been chosen, managers must put that strategy into action. Strategy has to be implemented. Therefore, strategy implementation involves the activities and decisions that are made to install new strategies or support the existing ones. Some refer to it as operational management. Strategy implementation is often called the action stage of strategic management which is made up of so many activities that are primarily administrative.

Strategy implementation requires personal commitment, discipline, sacrifice, and an ability to motivate employees. Strategy is implemented in the following ways:

- corporate performance, governance and ethics
- implementing strategy in a single industry
- implementing strategy across industries and across countries.

### **3.4 Improving Corporate Performance**

The profitability of a company suffering from persistent low profitability, usually involves a large turnaround in the way the company operates and the strategies it pursues. However, in most successful turnaround situations, a number of common features are present, such as changing the leadership structure, changing the culture of the organisation, changing the organisation itself, i.e.

moving the organisation to a new state with a new structure, and also changing the strategies of the company.

### **3.5 Implementing Strategy in Single Industry**

Strategy implementation in single industry refers to how a company should create, use and combine organisational structure, control system and culture to pursue strategies that lead to a competitive advantage and superior performance.

Organisational structure assigns employees to specific value, creating tasks and roles and specifies how these tasks and roles are to be performed, linked together in a way that increases efficiency, quality, innovation and responsiveness to customers.

The purpose of organisational structure is to coordinate and integrate the efforts of employees at all levels so that they work together in the way that will allow it to achieve its corporate goals.

### **4.0 CONCLUSION**

You have learnt in this unit that strategy formulation is the process of determining appropriate courses of action for achieving organizational objectives and thereby accomplishing a desired purpose.

### **5.0 SUMMARY**

In this unit, you have learnt the definition of strategy formulation, mission statement, vision, values, organisational culture and goals. You have also been exposed to what is meant by strategy implementation, improving corporate performance and implementing strategy in a single industry.

### **6.0 TUTOR-MARKED ASSIGNMENT**

Discuss the issues involved in strategy formulation up to implementation level.

### **7.0 REFERENCE/FURTHER READING**

Hofstede, G. (1980). "Motivation, Leadership and Organisation: Do American Theories Apply Abroad". *Organisational Dynamics*, Vol. 9, Summary, p. 43.

## **UNIT 2 STRATEGIC MANAGEMENT CONTROL AND EVALUATION**

### **CONTENTS**

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6.0 Tutor-Marked Assignment

7.0 References/Further Reading

### **1.0 INTRODUCTION**

In this unit, you will learn about strategic management and evaluation control, types of strategic control system and strategy evaluation. Strategic management control is to provide managers with the following tools.

A set of incentives to motivate employees to work towards increasing efficiency, quality, innovation and responsiveness to customers

To provide a feedback on how well an organisation and its members are performing and building a competitive advantage so that managers can frequently take action to strengthen a company's business model.

Structure provides an organisation with a skeleton but control gives it the muscles, sinews, nerves and sensations that allow managers to regulate and govern its activities. Strategic management control and evaluation is the primary governance mechanism established within a company to reduce the scope of the agency problems between levels of managers. These systems are the formal target setting, measurement and feedback systems that allows managers to evaluate whether a company is

executing the strategies necessary to maximise the long-run role and in particular, whether the company is achieving superior efficiency, quality, innovation and customer responsiveness.

This unit will also highlight the steps of strategy evaluation and control process and the benefits of strategy evaluation and control.

## **2.0 OBJECTIVES**

At the end this unit, you should be able to:

- define strategic management control and evaluation
- list the types of strategy evaluation and control process
- highlight the benefits of strategy evaluation and control.

## **3.0 MAIN CONTENT**

### **3.1 Definition of Strategic Control and Evaluation**

In governance terms, the purpose of strategic control and evaluation is to make sure that lower-level managers- as the agents of top managers are acting in a way that is consistent with the manager's goals, which should be to maximise the wealth of stakeholders, subject to legal and ethnic constraints. Organisation's structure does not, by itself, provide the set of incentives through which people can be motivated to make it work, hence, there is a need for control systems.

Strategic control systems are developed to measure performance at four levels in a company, namely- (a) corporate; (b) divisional; (c) functional; and (d) individual. Managers at all levels must develop the most appropriate measures to evaluate corporate, business and functional level performances. Balanced score card model guides managers through the process of creating the right kind of strategy control system to enhance organisational performance. According to the model, managers used primarily financial measures of performance to measure and evaluate organisational performance.

Also, it is important that managers should use the four building blocks of competitive advantages, namely- efficiency, quality, innovation and responsiveness to customers to measure organisation performance.

Balanced score card operates, basically, on organisational mission and goals. Strategic managers develop a set of strategies to build competitive advantage to achieve these goals. They can establish an organizational structure to use resources to obtain a competitive advantage to evaluate how well the strategy and structure are working.

Managers develop, specifically, performance measures that assess how well the four building blocks of competitive advantages are being achieved.

**Efficiency** – measured by the level of productivity costs, the productivity of labour, the productivity of capital;

**Quality** – can be measured by number of rejects, number of defective products returned from the customer, and also the level of product reliability over time.

**Innovation** – this can be measured by the number of new products introduced and the percentage of revenue generated from the new products.

**Responsiveness to customers** – can be measured by the number of repeat customers, customers' defection rates, level of on time delivery to customers and level of customer service.

The above measures should be tied closely, as much as possible, to the goals of achieving superior efficiency, quality, innovativeness and responsiveness to customers.

Strategic managers choose the organisational strategies and structure they hope will allow the organisation to use its resources most effectively, to pursue its business model and create value and profit.

Then they create strategic control system tools that allow them to monitor and evaluate whether in fact their strategies and structure are working as intended, how they could be improved and how they should be changed if they are not working.

Strategic control system helps managers to obtain superior efficiency, quality, innovation and responsiveness to customers which are the four basic building blocks of competitive advantage.

**a. Control and efficiency** – To determine how efficiently they are using organisational resources, managers must be able to measure accurately many units of inputs i.e. raw materials, human resources etc. being used to provide a unit of output.

**b. Control and quality** – today, competition often revolves around increasing the quality of goods and services. Strategic control is important in determining the quality of each company's product or goods and services as it gives managers feedback on product quality.

**c. Control and innovation** – strategic control helps to raise the level of innovation in an organisation. Successful innovation comes when managers create an organisational setting in which employees feel empowered to create and have authority to decentralise employees so that they feel free to experiment and take risks.

**d. Control and responsiveness to customers**- strategic managers can help make their organisations more responsive to customers if they develop a control system that allows them to evaluate how well

employees which customers deal with are performing their jobs. Monitoring employees' behaviour can also help managers to find ways to help increase employees performance level.

Strategic control systems are the formal target setting, measurement and feedback systems that allow strategic managers to evaluate whether a company is achieving superior efficiency, quality, innovation and customers' responsiveness and implementing its strategy successfully.

An effective control system should have three characteristics. It should be flexible, and should provide accurate information and should supply managers with the information in a timely manner.

### **3.2 Objectives of Strategic Management Control and Evaluation**

The objectives of strategic control are as follows:

- to establish standards and targets against which performance can be measured
- to create systems for measuring and monitoring performance on a regular basis
- to compare actual performance against the established targets
- to evaluate results and take corrective action, if necessary.

#### **3.2.1 Types of Strategic Control System**

Below are the types of strategic control systems.

**a. Personal control** – is the desire to shape and influence the behaviour of a person in a face-to-face interaction in the pursuit of company's goals. Supervision of workers by managers is the most obvious method. Here, managers can ask questions about problems or issues.

**b. Output control** – here managers forecast appropriate performance goal for each division, while departments and employees are measured against actual performance relative to these goals.

**c. Behaviour control** – is achieved by putting in place rules and regulations binding the organisation and to direct actions or behaviours of divisions, functions and individuals. This is to standardise a way of reaching their goals.

### **3.3 Strategy Evaluation**

The purpose of strategy evaluation and control is to examine the effectiveness and efficiency of organisational strategy in achieving set goals and objectives (Kazmi, 1995). Therefore, organisational strategy evaluation and control may be seen as the process of determining the effectiveness and efficiency of a given organisational strategy in achieving set organisational goals and objectives and taking corrective action whenever necessary.

The final stage in strategic management process is to evaluate and control an organisation's performance. Organisational management should ensure that the set strategies generate the

performance necessary to achieve set goals and objectives. Strategic evaluation and control therefore involve the activities and decisions that keep the process on track. Evaluation and control include the follow-up on goal accomplishment and giving feedback to the decision-makers on the result achieved so far.

Strategic evaluation is important because organisations face dynamic business environments in which major internal and external factors often change quickly and drastically. Strategic evaluation includes three activities, as outlined below.

- Reviewing bases of strategy or setting standards of organization performance
- Measuring organisational performance
- Analysing deviations between standards and measures of performance
- Taking corrective actions.

According to Glueck (1980), the products of a business strategy evaluation are answers to these questions.

- Are the objectives of the business appropriate?
- Are the major policies and plans appropriate?
- Do the results obtained to-date confirm or refute critical assumptions on which the strategy rests?

### **3.4 Steps of Strategy Evaluation and Control Process**

The following are steps of strategic evaluation and control process.

- Determine what to control and evaluate
- Set control and evaluation standards
- Measure performance
- Compare standards and performance
- Determine the reason for variations between performance and taking corrective action.

#### **3.4.1 Benefits of Strategy Evaluation and Control**

According to Albanese (1978), organisations stand to gain the following from strategy evaluation and control.

- It helps to achieve objectives and goals
- Provides clear guidelines with respect to expected performance from personnel
- Directs energy because of employee performance towards expectation.



#### **4.0 CONCLUSION**

In this unit, you have learnt that organisational strategy must be responsive to changing condition. After implementing a strategy, strategic evaluation and control are necessary in order to keep the organisational strategy on track and to make adjustments for environmental changes.

#### **6.0 SUMMARY**

In this unit, you have learnt about strategic management control and evaluation, its definition, the objectives, steps in strategic management and evaluation process and benefits.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

Strategic evaluation and control are necessary in order to keep the organisational strategy on track and to make adjustments for environmental changes. Discuss.

#### **7.0 REFERENCES/FURTHER READING**

Chandan, J.S. (2004 ). *Management Theory & Practice*.

Hofstede, G. (1980). "Motivation, Leadership and Organisation: Do American Theories Apply Abroad". *Organisational Dynamics*, Vol. 9, Summary, p. 43.

## **UNIT 3 STRATEGIC MANAGEMENT PLANNING**

### **CONTENTS**

- 1.0 Introduction
- 3.0 Objectives
- 3.0 Main Content
  - 3.1 Scope and Definition
  - 3.2 Components of the Strategic Planning Process
  - 3.3 Formulating a Mission Statement
  - 3.4 Action Planning
  - 3.5 Why Strategic Planning Fail
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

In this unit, you will be studying strategic management planning, its scope and definition, and the components of strategic planning process. Planning typically includes several major activities or steps in the process. Different people often have different names for these major activities. Strategic planning includes use of several key terms. Different people may use or apply different definitions for these terms as well.

You will learn how mission statement is formulated in this unit; also, you are going to be exposed to action planning and why strategic planning fails.

### **2.0 OBJECTIVES**

At the end this unit, you should be able to:

- define the concept and scope of strategic management planning
- explain how mission statement is formulated
- describe action planning
- discuss the reasons why strategic planning fail.

## **3.0 MAIN CONTENT**

### **3.1 Scope and Definition**

Strategic management planning is a systematic process of determining goals to be achieved in the foreseeable future. It consists of the following.

- (1) Management's fundamental assumptions about the future economic, technological and competitive environments
- (2) Setting of goals to be achieved within a specified time frame
- (3) Performance of *SWOT* analysis
- (4) Selecting main alternatives or strategies to achieve these goals
- (5) Formulating, implementing and monitoring the operational or tactical plans to achieve the interim objectives.

However, implementation involves designing an appropriate organisational structure and control system to put the organisation's chosen strategy into action.

One way to look at strategic planning activities is by looking at the strategic analysis. Strategic analysis is the review or scanning of the organisation's environment e.g. the political, social, economic and technical environment.

### **3.2 Components of the Strategic Planning Process**

Planners carefully consider various driving forces in the environment such as increasing competition, changing demographics, etc. Equally, planners look at the various Strengths and Weaknesses, Opportunities and Threats (SWOT) regarding the organisation.

### **3.3 Formulating a Mission Statement**

This is the first important step, and it is to give a definition of the organisation's business. Definition will answer the following questions.

- What is our business?
- What will it be?
- What should it be?

However, the responses to these questions above guide the formulation of a mission statement. Next is the formulation of goals and objectives from the mission statement, etc. A goal is a desired future statement or objective that a company attempts to realise.

Therefore, from the model in figure 3.1 above, it is clear that strategic planning is an ongoing event, it never ends. Once a strategy has been formulated, its execution or implementation must be monitored

to determine the extent to which strategic goals and objectives are actually being achieved and to what degree competitive advantage is being created and sustained.

Once the corporate level of the organisation collects that information, it becomes *input* for the next round of strategy formulation and implementation.

### **3.4 Action Planning**

Action planning is carefully laying out how the strategic goals will be accomplished. Action planning often includes specifying objectives, or specific results, with each strategic goal. Often, each objective is associated with a tactic, which is one of the methods needed to reach an objective. Therefore, implementing a strategy typically involves implementing a set of tactics along the way, and in that sense, tactic is still a strategy.

Action planning also includes specifying responsibilities and timeliness with which each objective is being met and who needs to do what and at what time? Action planning should also include methods to monitor and evaluate the plan, which includes knowing how the organisation will know who has done what and when?

It is also common to develop an annual plan which is sometimes called the operational plan that includes the strategic goals, strategies, objectives, responsibilities and timeliness within which that should be done in the coming year.

### **3.5 Why Strategic Planning Fails**

One reason for the failure of strategic planning in an organisation is that strategic managers in their initial enthusiasm for planning techniques may forget that the future is full of uncertainties and highly unpredictable.

Another reason for strategic planning failure is that even where you have the best designed strategic planning system, it may fail to produce the desired results if managers do not use the information available at their disposal.

## **4.0 CONCLUSION**

In this unit, it has been made known to you that strategy is an action that a company takes to attain one or more of its goals. Strategic planning has a positive impact on the overall performance of an organization especially in the areas of profitability.

## **6.0 SUMMARY**

In this unit, you have learnt about strategic planning, components of strategic planning, mission statement formulation, action plan and reasons for the failure of strategic planning.

## **6.0 TUTOR-MARKED ASSIGNMENT**

What steps should be taken to ensure that strategic planning do not fail?

## **7.0 REFERENCES/FURTHER READING**

Charles, W.L.; Hill, & Gareth, R.J. (2007). *Strategic Management :An Integrated Approach* (6th Ed.).New Delhi: biztantra .pp.296-316.

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## **UNIT 4 CORPORATE PLANNING**

### **CONTENTS**

1.0 Introduction

3.0 Objectives

3.0 Main Content

3.1 Definition of Corporate Planning

3.2 Corporate Objectives

3.2.1 Examples of Basic Corporate Objectives

3.2.2 Peculiarities of Corporate Objectives

3.2.3 Factors Affecting the Formulation of Corporate Objectives

3.3 Objectives of Corporate Planning

3.4 Benefits of Corporate Planning

3.5 Limitations of Corporate Planning

3.6 Reasons why Corporate Plan Fail

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 Reference/Further Reading

### **1.0 INTRODUCTION**

This unit will introduce you to corporate planning, define the concepts ‘corporate planning’ and ‘corporate objectives’, list out the examples of basic corporate objectives and discuss its peculiarities, highlight the objectives of corporate planning, benefits of corporate planning, limitations of corporate planning and highlights the reasons why corporate planning fail.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- define the terms ‘corporate planning’ and ‘corporate objectives’
- discuss the peculiarities of corporate objectives
- highlight the objectives of corporate planning
- explain the benefits and limitations of corporate planning
- state the reasons why corporate planning fail.

## **3.0 MAIN CONTENT**

### **3.1 Definition of Corporate Planning**

This concept is defined as the process of drawing up detailed action plans to achieve organisational goals and objectives, taking into account the resources of the organisation and the environment within which it operates.

Corporate planning represents a formal structured approach to achieving objectives and to implementing the corporate strategy of an organisation. This was traditionally seen as the responsibility of senior management. The use of the term became predominant during the 1960s but has now been largely superseded by the concept of strategic management.

### **3.2 Corporate Objectives**

The purpose of an organisation represents the basic reason for which it was established. Corporate objectives represent general statements relating to future results or conditions upon which corporate desires are to be achieved. The organisation's objectives are those 'ends' which it must achieve in order to implement or meet its mission.

Corporate objectives should reflect the desires and aspirations of the organisation as interpreted by the owners or top management. Corporate objectives must be reached within the limits of available resources and must recognise organisation's environments.

#### **3.2.1 Examples of Basic Corporate Objectives**

Some of the examples of basic corporate objectives are:

- to carry on a diversified growing and profitable manufacturing business;
- to achieve high return on investment;
- to pursue staff development, vigorously;
- to ensure massive distribution of products.

The setting of corporate objectives is usually the main duties of the top management. Also, these objectives will be formulated according to the accepted philosophies of the organisation and its management. A company's objectives should be set out as clearly and as concisely as possible.

According to Kazmi (1995), corporate objectives are put in place to achieve the following ends.

- Corporate objectives define the company's relationship with its internal and external environments
- Help a company to pursue, to a logical conclusion, its corporate mission and purpose
- Corporate objectives provide the basis for corporate strategic decision-making

- Corporate objectives provide the standards of performance appraisal.

### **3.2.2 Peculiarities of Corporate Objectives**

Kazmi (1995) posits that corporate objectives should possess the following desirable peculiarities in order to be effective or achievable.

- Corporate objectives should be understandable
- Corporate objectives should be specific and concrete
- Corporate objectives should be based on specific time frame
- Corporate objectives should be standardised, measurable, and controllable
- Corporate objectives should be challenging and not demotivating;
- Corporate objectives should correlate with each other
- Corporate objectives should be set considering internal and external consultants.

According to Peter Drucker (1974), corporate objectives have to be set in the areas of marketing, innovation, productivity, physical and financial resources, profitability, management performance and attitudes, and social responsibility.

### **3.2.3 Factors Affecting the Formulation of Corporate Objectives**

According to Glueck and Jauch (1974), formulation of corporate objectives is affected by the following:

- the forces in the internal and external environment
- realities of the organisation's resources and internal power relationships
- the value system of the top management of the organization
- the awareness by the organisation's management.

### **3.3 Objectives of Corporate Planning**

The basic purpose of corporate planning is to improve strategic decision-making in the organisation so that resources and talents are applied to the most profitable use.

- a. It is therefore targeted at enhancing corporate performance. Corporate planning serves the following objectives.
- b. It assists in the fair and reasonable allocation of resources among divisions and units
- c. It helps top management level in the analysis and consideration of alternative course of action, so new opportunities are identified and exploited
- d. It ensures that organisations adjust to environment opportunities and threats thereby ensuring a better fit between the business and its environment;



- e. Corporate planning also makes it easy for the objectives set, strategy and tactics to be appraised regularly
- f. It also encourages internal examination of the firm's internal strengths and weaknesses
- g. It equally develops futuristic outlook for the organisation.

### **3.4 Benefits of Corporate Planning**

Several benefits accrue from a sound and effective corporate planning.

They are as follows.

It provides a comprehensive view of the company

It creates clarity of purpose and better awareness of corporate goals and problems

It improves the ability of a firm to cope with change and uncertainties

It encourages innovative thought and creativity thereby introducing a spirit of dynamism in the organisation

It helps to improve communication at all levels of the organization

It helps to take risks and think ahead

It helps to improve the motivation, morale and job satisfaction of employees

It also improves the quality of managerial decisions

It provides a new way of controlling the business.

### **3.5 Limitations of Corporate Planning**

The limitations of corporate planning include the following.

- Planning is time consuming and expensive
- It is not useful in a dying company
- Planning does not guarantee that the company will not be affected by adverse circumstances
- It involves a measure of judgement
- It is subjective and subject to errors
- It could reduce organisation's flexibility
- Planning itself cannot produce results – timely and appropriate actions are required for success
- Corporate planning programme cannot be suddenly started and expected to be an overnight success.

### **3.6 Reasons why Corporate Plan Fail**

There are several reasons why corporate planning fail. They include, but not limited to the following.

- Lack of support from top management
- Poor attitude towards issues coming from a unit or department
- Inability to recognise the multiplicity of objectives
- The rules of bureaucracy
- Over-emphasis on short-term results to the neglect of long-term goals
- Poor and ineffective communication system
- Failure to allocate sufficient resources
- Failure to allow the planning organisation to grow to maturity
- Too much reliance on committees
- Faulty implementation of the plans.

#### **4.0 CONCLUSION**

In this unit, you have been exposed to corporate planning in all its ramifications including the benefits, limitations and the reasons why corporate planning fails.

#### **5.0 SUMMARY**

In this unit, you learnt the definition and the concept of corporate planning, and you are now conversant with the term corporate objectives. Examples of corporate objectives and factors that affect formulation of corporate objectives were also discussed to drive the points home. The benefits and limitations of corporate planning and the reasons why corporate planning fails were also discussed.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

What do you understand by the term ‘corporate planning’? Why do corporate plans fail and what can be done to rectify their failures?

#### **7.0 REFERENCE/FURTHER READING**

Chandan, J.S. (2004). *Management Theory & Practice*.

Charles, W.L.; Hill & Gareth, .R.J. (2007). *Strategic Management: An Integrated Approach* (6th Ed.). New Delhi: Biztantra.pp.368-402.

Hofstede, G. (1980). “Motivation, Leadership and Organisation: Do American Theories Apply Abroad”. *Organisational Dynamics*, Vol. 9, Summary, p. 43.

## **UNIT 5 TOTAL QUALITY MANAGEMENT (TQM)**

### **CONTENTS**

1.0 Introduction

3.0 Objectives

3.0 Main Content

3.1 Definition of Total Quality Management (TQM)

3.2 Origin of Total Quality Management (TQM)

3.3 Basic Principles of Total Quality Management (TQM)

3.4 Implementation of Total Quality Management (TQM)

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Reading

### **1.0 INTRODUCTION**

In this unit, you will be introduced to another management principle – Total Quality Management (TQM). You will also learn about the origin, as well as the basic principles of Total Quality Management.

Finally, the implementation strategies of Total Quality Management will be highlighted and explained to you.

### **2.0 OBJECTIVES**

At the end this unit, you should be able to:

- define the concept ‘total quality management’
- trace the history of total quality management
- list and discuss the basic principles of total quality management and
- explain the implementation strategies for total quality management.

### **3.0 MAIN CONTENT**

#### **3.1 Definition of Total Quality Management (TQM)**

Simply put, Total Quality Management or *TQM* is the application of quality management principles to all aspects of the organisation, including customers, suppliers and employees, their integration with

the key business process in order to ensure that things are done right the first time, while eliminating defects and wastes from the operations.

*TQM* is “a management approach for an organisation, centred on quality, based on the participation of all its members and aimed at longterm success through customer satisfaction, and benefits to all members of the organisation and to the society” (ISO 8402:1994).

In the alternative, when used together as a phrase, the three words in this expression have the following meanings.

**Total**- involving the entire organisation, supply chain and product life cycle.

**Quality**- with its usual definitions, with all its complexities – fitness for purpose or use.

**Management**- the system of managing with steps like planning, organising, controlling, leading and staffing.

### **3.2 Origin of Total Quality Management**

The origin of the expression ‘Total Quality Management’ from researchers is unclear. However, some consultants, business managers and researchers have contributed immensely to the concepts and principles of management over the years. They include W. Edwards Deming (1986) who was considered by many authors to be the ‘godfather’ of Japanese industrial success. He saw quality as aiming at the needs of the consumers- both present and future.

Also, Oakland (1993), sees quality as simply meeting the customers//clients’ requirements or delighting the customers/clients.

According to Cole (1994), quality is one of the most consistent themes to be found in mission statements/goals/objectives of organisation, hence; both profit and non-profit organisations pay greater attention to providing quality products and service to both customers and their employees.

Joseph Juran (1980) sees quality as fitness for purpose or use. Crosby (1979) sees quality, primarily, as conformance to requirements. In his research studies, Crosby proposes fourteen steps that management can take to improve quality throughout in an organisation. These steps are:

- creating an awareness about quality and gaining collaboration for the achievement of zero defects
- publish for all employees a statement of the company’s mission statement (aims and objectives) and ensure that all managers demonstrate their commitment to it

- from top to bottom, everyone in the organisation must learn the new idea of improving customers satisfaction
- employ inspection function primarily for improving production, instead of detecting and correcting errors
- award business to suppliers on the basis of consistent quality, reliability of their products as well as competitive prices
- ensure adequate training for both employees and suppliers.

Furthermore, the philosophy underlying *TQM* as articulated by Edwards Deming is based on the following five steps:

- improved quality means that costs will decrease because of less rework, fewer mistakes, fewer delays and better use of time and materials
- as a result of productivity, quality improves in the organization
- there is better quality which leads to higher market share and allow the company to raise price
- quality increases the company's profitability and allows it to stay in business
- and when the company stays in business, the company creates more jobs.

### **3.3 Basic Principles of Total Quality Management**

The basic principles for Total Quality Management (TQM) philosophy of doing business are to satisfy the customers, satisfy the suppliers, and continuously improving business processes. In the process, these questions have to be answered.

How do you satisfy the customers?

Why should you satisfy the suppliers?

What is continuous improvement?

#### **i. Customer satisfaction**

The first and major *TQM* principle is to satisfy the customer with quality product or service. The person who pays for the product or service (customer) wants to get value for his/her money.

#### **ii. Company philosophy**

A company that seeks to satisfy the customer by providing them value for what they buy and the quality they expect will get more repeat businesses, and less complaints.

#### **iii. Internal customers**

A worker should have the mindset of satisfying internal customers in order to keep his or her job and to get a raise or promotion.

#### **iv. Chain of customers**

Often, in a company, there is a chain of customers, each improving product and passing it along until it is finally sold to the external customers. Each worker must not only seek to satisfy the immediate internal customer, but he or she must look up the chain to try to satisfy the ultimate customer.

#### **v. Satisfy the supplier**

*TQM's* principle is to satisfy the supplier, which is the person or organisation from whom you are purchasing goods or services.

#### **vi. External suppliers**

A company must seek to satisfy external suppliers by providing them with clear instructions and requirements and then paying them fairly on time. It is only in the company's best interest that its suppliers provide it with quality goods or services, if the company hopes to provide quality goods or services to its external customers.

#### **vii. Internal suppliers**

A supervisor must try to keep his or her workers happy and productive by providing good task instructions, the tools they need to do their jobs and good working conditions. To maximally succeed, the supervisor must also motivate and reward the workers with commendation and good pay.

#### **viii. Get better work**

The reason for this is to get more productivity out of the workers, as well as to keep the good workers. An effective supervisor with a good team of workers will certainly satisfy his or her internal customers.

#### **ix. Continuous improvement**

The third principle of *TQM* is continuous improvement. You can never be satisfied with the method used, because there is always room for improvements. Since competition is fast improving, it is very necessary to strive to keep ahead of the game. Workers are often a source of continuous improvements. They can provide suggestions on how to improve a process and eliminate waste or unnecessary work.

#### **x. Setting standards**

However, in the final analysis, a total quality management system should set out the following standards:

- the aim of the *TQM* system is to prevent errors; not their detections and corrections
- the motto of every staff in the organisation should be "get it right, the first time"

- organisational management must be totally committed to the total quality policy/ strategy
- it should meet customers' requirements
- quality implies continuous improvement in process and strategies
- quality is the responsibility of everybody including suppliers.

### **3.4 Implementation of Total Quality Management -Reliability**

It is important to note that *TQM* is a cross-functional process, which for its implementation requires close cooperation among all functions in the pursuit of the common goal of improving quality.

#### **i) Building organisational commitment to quality**

The Chief Executive Officer (CEO) of an organisation and other top management should get training on *TQM*; this should even go down the ladder by ensuring the training of others. Top management has the responsibility of exercising leadership required to make commitment to quality on the organisation's goal.

#### **ii) Focus on customers**

*TQM* practitioners see or focus on customers as the starting point. It needs to identify what customers want and what the company provides to the customers.

#### **iii) Set goals and create incentives**

Top management of the organisation should set a challenging quality goal and create incentives for reaching it, pay rewards and bonus to team members.

#### **iv) Relationship with supplier**

To reduce product defects, a company has to work with suppliers to improve on the quality of the items or parts supplied. This responsibility falls on the materials management functions which interact with suppliers. Top management staff and leaders, production, marketing, research and development, information systems, human resources, all play a vital role in implementing *TQM* in an organisation.

## **4.0 CONCLUSION**

In this unit, you have learnt that the principles of Total Quality Management rest on seeking to satisfy internal and external customers with quality goods and services, as well as continuously improving process. *TQM* practice is gaining momentum in business organisation in Nigeria because the forces of competition around quality have been set in motion. Both in the international and local arena, companies risk losing out to competitors if they cannot match their rapidly rising levels of quality and productivity in a sustained way.

Some Nigerian firms have continued to seek solutions to their competitive problems through traditional methods, i.e. by arbitrary cash cutting solution which ignores customers/clients needs and also penalising local organisation staff. However, in the long-run, it is only those companies that maximise quality to their customers/clients, and at the same time meeting the needs of their organisational staff that will succeed. Success comes to those companies that can fully internalise and adapt the new *TQM* strategy to their own business environment (Cole, 1993).

## **5.0 SUMMARY**

In this unit, you have learnt the definition of Total Quality Management, the genesis of the concept, basic principles of Total Quality Management and implementation strategy of *TQM* (Reliability).

## **6.0 TUTOR-MARKED ASSIGNMENT**

How would an organisation apply TQM to ensure that it retains its customers, staff and suppliers?

## **7.0 REFERENCES/FURTHER READING**

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