

Chapter 1: The History and Evolution of Modern Management Philosophies.

Chapter summary

1. This chapter has looked at the evolution and theory behind the definitions, process of management including the geographical spread and influence of modern managerial theory as well as the growth in the application of certain selected methods of management.
2. The chapter has also traced where each of the methods has been applied in modern business methods as well as the possible benefits that may accrue to the organisations which embrace them.
3. The chapter also looks at the possible impact of the adoption of some of these modern management practices and procedures especially in the absence of a carefully thought out framework of change for existing enterprises and a business plan for a new venture.
4. This chapter has attempted to put the managerial practices in the context of the various social economic, and political circumstances surrounding each area of life that the respective countries.
5. The impact of the introduction of these various models of management in these jurisdictions have also been discussed with possible cautions of where danger might lie for the modern day cooperatives in employing the theory of management,
6. The chapter has also looked at the concept of benchmarking and quality standards and their importance of such standards in the production, supply of services and goods.
7. This chapter has also discussed the importance of proper managerial theory for any organisation providing services or goods distinguishes itself by establishing its place in the world of business by benchmarking itself against the world's best quality standards to be able to enjoy global recognition.
8. Finally, this chapter concludes by putting these management philosophies in the context of Cooperatives and other membership-based organizations highlighting areas where these organizations would expand by use of the management philosophies for the twin benefits of poverty reduction and enterprise development in developing economies.

The Concept of Business Management

Due to the broad scope of the concept perhaps, we should start by establishing and discussing the origins of modern management theories and philosophies and its impact on the sustainability and growth as well as overall performance and their application to the growth of the modern business entities. Kaehler & Jens, (2018) describes management as the least understood and explained modern occupational activities but suffice to say it is involved in the attainment of organisational goals in an effective and efficient manner thorough planning, organising, leading, and controlling organisational resources. This definition must be looked at from the aspect of limited resources that each organisation has to compete for as well as the crowded field of competitors both small and big in the global settings as well as the growing strength of regulators and union power.

Deconstructing Business Management

Business management can be looked at as a set of activities grouped together with a view to adding value to the business entity as a whole and this coordination of activities is usually what management have to do and the sum total of each departmental performance is what determines whether thee enterprises will be sustainable in the long term. This coordination of activities along different product or services lines can be done in an efficient or in an inefficient way which in turn determines if the whole operation will result in a profit or loss to the enterprise. Each business activity requires the employment of a combination of resources or inputs to maximise the out puts in line with the desired formula employed to attaining its objectives, and the costly ways can very soon be unsustainable as the enterprise is unable to breakeven let alone make a profit.

In other words the typical costs of putting together a product or service to the consumer or value adding, can be divided into two distinct parts: one identifying the various activities necessary to manufacture or deliver the product or service and the total costs of putting together these costs. Companies run businesses to provide a service to their customers whether in form marketing of an agricultural cash crop or a service as in bank loans or other financial services. One of the ways that companies can gauge their effectiveness and cost effectiveness in delivering these services or goods, would be to identify all the activities making up the product or service

and then compiling the total costs of doing it and then compare with industry average or best practice benchmarks. It would then be in a position to establish preferably by use of customer's questionnaire and interview on whether it is necessary to reconfigure the service and or product with a view to reducing the procedures thereby making the process more efficient and therefore cost less and be more profitable in the long run.

Contribution of Management Theory to Business Growth Evolvment of Modern Management Theory

Due to a combination of factors including changing global economic circumstances a large number of business enterprises in Africa have faced performance challenges , and there is need therefore to reconsider how organisations are run and to consider the whole relationship between the various stakeholders in the network of company structures and spheres of influence. The correlation between corporate success or failure and the way the firms has been managed has led to an increasing interest by scholars and business consultants in an attempt to pin down the real culprits of corporate failures in order that hopefully remedial measures can be taken. This has seen the emergence of stakeholder approach to management which aims at recognising that there are many parties who are or have an interest in the success or failure of the business entity. No sectors have been spared the risk of failures and there have been more business failures in all the sectors more than ever before in the post independence Africa due largely to mismanagement and inept management styles. We shall look at the stakeholder approach a little later on but first we need to trace the development of several managerial theories and their contribution to the growth of industry

Agency Theory approach in Management

The emergence of agency theory in management as an alternative can be traced to the growth in corporate governance when there emerged the need to separate the management of business from ownership. An agent can be described as a representative of another either by express or implied authority. The person represented is called the principle and the acts of the agent as long as it's within the agreed limits binds the principal. In terms of a contract the principle and third party must have a contract but not an agent. An agency can be created by agreement, implication or

conduct, necessity or by ratification. By agreement is where there is a written contract of delivery and implication is in the situation where people for example live together as man and wife and necessity is where one acts as an agent of necessity as for example someone telephoning the police or fire brigade on finding a neighbour's factory on fire. Any actions by the agent out of necessity must be in good faith and must not be based on profit motive.

Agency theory suggests that the firm can be viewed as a nexus of contracts (loosely defined) between resource holders. An agency relationship arises whenever one or more individuals, called principals, hire one or more other individuals, called agents, to perform some service and then delegate decision-making authority to the agents. The primary agency relationships in business are those between stockholders and managers and between debt holders and stockholders. These relationships are not necessarily harmonious; indeed, agency theory is concerned with so-called agency conflicts, or conflicts of interest between agents and principals. This has implications for, among other things, corporate governance and business ethics.¹³ When agency occurs it also tends to give rise to agency costs, which are expenses incurred in order to sustain an effective agency relationship (e.g., offering management performance bonuses to encourage managers to act in the shareholders' interests). Accordingly, agency theory has emerged as a dominant model in the financial economics literature, and is widely discussed in business ethics texts.

Agency theory in a formal sense originated in the early 1970s, but the concepts behind it have a long and varied history. Among the influences are property-rights theories, organization economics, contract law, and political philosophy, and focused more at the theory of managers as agents to shareholders and what that means in terms of output, ownership and accountability of resources. Hassan & Sardar M.N., (2017) observe that lately management theories have been changing more to focus on Value Based Management as well as New Public Management which seeks to look at management as having some fiduciary responsibility to the owners of business. Whenever managers are employed even in cooperatives there is presumed an agency relationship at both the employer and employee contacts and even between the board of directors and the shareholders and between the organization and other stakeholders and activists' groups.

Whether it is in cooperatives and or membership based organisations agency theory is about the stewardship and the concept of managers being stewards of resources entrusted to them by the members of the cooperatives and or shareholders in the case of the limited companies just mean that the managers hold and derive power to manage the resources not from their contracts of service but rather from the shareholders and or members of the society who hire them in the first place and they serve at the pleasure of these individuals and if they took away that mandate the managers whether it be the CEO and or the CFO would have to leave the organization. What may we ask is a good manager? Here is a quote that we might find useful from a famous Chinese philosopher who lived in the 6th Century:

A good manager is best when people barely know that he exists. Not so good when people obey and acclaim him. Worse when they despise him.

Lao Tzu quotes

Agency theory is critical in modern day management due to the need to ensure a well balanced level of expectations between the shareholders on one hand and this included the cooperative members and the managers on the other hand. Shareholders including cooperators invest in an enterprise with the expectation of profits while the managers are employed with the expectation of a salary and benefits. The agency theory can also be extended to cover the expectation that the government has on industry and services to withhold and pay to them taxes on income and employment and indeed the income tax act for example has a provision for agency notice to deduct and pay to the government taxes on defaulters for any third party who may have funds in their possession for the defaulting party e.g. rent defaulters and bank deposits held by banks.

Evolution of Modern Management Theory

Those who led the way in the creation and development of modern systems of Industrial and modern production had also to evolve modern systems of management especially to handle the three elements of production: labour, capital and entrepreneurship, and lately technology. The old master servant management philosophy has had to give way to more formal employer employee contract based contexts. Before looking at the application of these managerial theories in the modern business Sectors, we need to mention the historical developments of Management

as a science. Current literature often traces the growth of modern management theory to the early Christian church in America and to the strong scientific growth in other areas in Europe and parts of America.

The New Organisational Paradigm

From the 1960 and lately many aspects of business management and management theories have changed. These changes have been largely brought about by technological changes as well as population dynamics where more and more leadership positions have been taken up by younger members of the work force as well as the dynamics of freer movement of capital and labour across the continents and countries in the same economic zones. Technological changes have redefined the speed at which information is collated processed and disseminated within a split of a second. This in turn has a bearing on the way decision making is made and as this affects the performance of companies and other entities including the cooperatives and membership based organisations more and more success and failure of businesses is being defined by the rate and style of using the information that is available.

Culture is also defining or redefining the Human Resources and the programs defining the use of personnel. In particular modern corporations are not limited to where they can hire especially senior staff and managers and now one sees CEOs hired from Nigerian for a Kenyan company or India for a British company based on the qualifications and exposure of the senior managers. This Cultural Revolution is bringing a blend of cultural diversity and respect for different people from all over the world. The other phenomenon redefining corporate culture and profile is the so called battle of the sexes where we are seeing more and more corporate head positions being filled by lady corporate chiefs which is defying logic of the old held belief that all the cooperate positions are to be the preserve of men alone

The emergence of more stakeholders and community interests especially in areas of environment and corporate social responsibilities have also affected the way companies see the work place as well as the way that individual managers operate. The political dispensations in may regions have also shaped the way companies are run with more and more companies and

CEO being forced to adopt a more liberal and all inclusive style of management even in decision making so that more and more decisions are no longer the preserve of CEOs but more of negotiated consensus amongst more board members and or management teams

The Drivers of the New Paradigm shift in Management

Business entities are all operating in an ever changing environment and therefore the success and or failure of such businesses are being determined by their ability to adopt to changes at the internal and external level. Companies that will succeed are those that are able to detect changes and are able to adopt to such changes and position their companies to be able to cope and harness the changes for the betterment of their companies (Bukovec, 2006, p.3). The key drivers of managerial changes taking place in the corporate sectors whether for profit and or profit is the expectation of profits and shareholder drive for more dividend and better performance and in many other cases the group profit and performance targets are set by the head offices and or group headquarters where some of these organisations are based.

Other drivers of managerial changes are the changing trends in fashion and the industry profiles including the customer preferences and changes in taste. With more and more marketing customers tastes are being redefined and with more branding and other selling techniques the customer preferences are being changed to the extent that products and services have to be remodelled and the way they are presented and packaged also have changed and with this change the managerial approaches and methodologies are also being called to question and are being changed as well to meet such new customer demands and preferences

Entry of Science into Management Process 1883-1927

This was an approach espoused by theorists led by Frederick Winslow Taylor and which sought to portray the activities of workers in a logical, scientific manner using time and motion studies. The ultimate objective of this strategy being to increase worker output, efficiency, productivity and reduce labour unrest as management would be able to agree with workers a pay clearly based on an understanding of amount of work that each worker would do in a given

period of time Taylor had the following In mind when he thought and wrote widely on the subject: worker productivity, output and efficiency and a reduction In labour disputes.

You have to perform at a consistently higher level than others. That's the mark of a true professional. Professionalism has nothing to do with getting paid for your services.

Henry Ford, Ford Motor Company

This according to him was because when work is measured and clearly defined every one - the worker and employer know what to expect from each other. There is no doubt that clearly defined job descriptions and agreed wage and terms of conditions of employment would facilitate a more productive work force. It Is Important to note this philosophy was Introduced as America and most of Europe entered the Industrial revolution era and needed a way to measure work and counter the growing trade union power.

The scientific philosophy has been criticised for not looking at the underlying factors of business e.g. the objectives for which the enterprise is formed, the goals and objectives including the non-monetary drivers for business. It also took for granted the legal social and cultural aspect of the workplace and assumed that all these factors are held constant. It also assumed that the supply and demand for labour was given and not subject to change. It assumed the sole purpose of business was profit maximisation and treated labour as a tool of capital. A lot of people feel that this approach is too simplistic and equates people to machines that are programmed to produce a certain amount of output for a given amount of remuneration and as long as that is met the relationship with the worker is ended. This method does not focus more at listening to the workers view or involving him the decision making at any level of management.

Communitarian approach to labour and industry

The Scientific approach to management was in contrast to Robert Owens's (1858) concept of labour that looked at and strived to reward the suppliers of the labour on individual performance. According to Owenites who included some non-conformist Christians, labour and the community they came from was vital and needed to be well taken care of. Another criticism often levelled against Scientific management is that it also contributed largely to the deskilling of

the previously craft based Industry due to the assembly line type of manufacturing that came with the advent of specialisation and mass production of goods and services. The personalised touch of labour and its products was diminished.

The Owenite approach much as it seems to have had its roots in cooperative studies has since been reengineered in modern day managerial thought and practice and it bears closely to what is being called Corporate Social Responsibility or in short CSR. It is however vital to draw the distinction between the two in that while as the Owenites saw the need to treat workers and the community they came from as vital for business, and trying to empower the community from where this labour came from, CSR is on the other hand a reaction from the emerging social groups and pressure groups like the green peace revolution who have over the years criticised strongly the power and control of multi national corporations and the oftentimes negative impact these trans-national business behemoths have on society especially in third world.

Human Relations Management 1927-1962

Elton Mayo and others at the Hawthorne studies carried out at the Western Electric Company in Chicago studied Human Relations at work in the work environment. They looked at the effects of lighting and other physical conditions at work on productivity, and concluded that monotony of work, conflict, low morale, absenteeism, turnover, wrong attitude were caused by worker's psychological norms, needs, and emotions. If you win them you gain the worker's confidence and raise their productivity in the process.

Peter Drucker, Business Guru, Author, Professor of Business

"But I like to think that a lot of managers and executives trying to solve problems miss the forest for the trees by forgetting to look at their people -- not at how much more they can get from their people or how they can more effectively manage their people. I think they need to look a little more closely at what it's like for their people to come to work there every day."

Frederick Herzberg writing on human motivation at work In 1960s concluded that there are two variables that influenced people, and these are hygiene or maintenance factors that impacted on productivity. The other is motivating factors, which affected job satisfaction and are connected to the work itself. This marked the birth of Human Relations Management .Over the last thirty five years or so, however the Hawthorne studies have come under a barrage of criticisms and in some quarters labelled as mere social studies. Their historical setting however and their findings make them widely accepted as the first attempt by business to look at worker productivity base with non-financial parameters.

This was an attempt to look at social aspect at the workplace and its effects on the worker productivity. Roethlisberger and Dickson (1941) carried out detailed and review of the results of the Hawthorne studies and concluded that the causes of most employees' complaints cannot be confined to some single cause and his disaffection is the result of some complex circumstances including some outside the workplace. This was a further attempt to look at the worker as not just a social creature although this is and has always been important but to try and look at other factors which may have a bearing on worker productivity.

Structural Analysis style of Management

This method assumes the success of a business is dependent on the environment, level of competition, technology profit margins, and the international hegemony. Management and Technology made the first concise definition of contingency management which postulated that there was no one best way to manage enterprises but rather It depended on the resources available coupled with the level of technology at our disposal. While Taylor and Mayo looked at the Individual as the linchpin in the productivity theory, The Aston Studies led by Professor Derek Pugh¹ considered the larger context of the organisation as a whole for developing the theory of management. The Aston Theories and the Structural Management theories claim that management is contingent upon the constraints it has to operate under. These constraints are: Competitive, environment, Legal structure,Level and strength of union power,Culture and

¹

Aston Studies, a series of comparative investigations into the sources of organizational structure carried out over the 1960s and 1970s.

societal structure, International hegemony of group of countries, Technology, Availability of capital, labour, and other resources, Prevailing profit levels

The systems theory of management (a subset of structural management) has underwent two philosophises of management that are key to better understanding of enterprise development, exercise of power and, vesting of Interest, and these are the unitary and pluralist theories. They are a function of the cultural idiosyncrasy of an organisation. The unitary method sees the organisation in the traditional organisational context as having one sole aim of shareholder value maximisation while the pluralist view sees the organisation as having the obligation of satisfying the needs of several stakeholders. The pluralist theory is located within the bounds of social systems theory of both the organisation and environment. According to this theory there is an area of conflict where the Individual and the organisational goals are not met, and equilibrium has to be found for optimal results of both the worker and enterprise.

Total Quality Management

This concept follows through the Structural Analysis but more leans towards Human Relations. It focuses on managing the total organisation to deliver quality to customers. It embraces four important features: employee Involvement, focus on the customer, benchmarking and continuous Improvement. Japanese Quality Control Circles (JQCC)² movement emerged after some group dynamics experiments conducted after the post war by Kurt Lewin and pioneered by Matsushita Corporation. In 1960s. Other Japanese companies used TQM to boost morale amongst staff by shifting from quality Inspection to participation and prevention and order to include a continuous improved process management, human relations techniques and structural analysis.

Key human relations consultants influenced the early Japanese movement and in 1950s and 1960s they spent time In the Hawthorne experimental studies. Key features of this technique Is that managers and employees are trained in statistical testing, human relations and detailed job analysis, attitude surveys, participatory schemes, and most Importantly It Is customer based. It is closer to Human Relations and aims at assigns management a leading role and upgrades

² A Japanese Management Technique where workers meet regularly, in threes to identify, analyse and solve work-related problems, Kaizen is an example

employees to partner level. Other managerial philosophies that have dotted the managerial thought and discourse in the 20th century and which are worth on note include the following;

Management by objectives

Again this management philosophy is a by-product of the Human Relations school of thought but has also borrowed from the Structural Analysis. This philosophy is associated with the celebrated management consultant and business studies Guru Peter Drucker and includes a system of employees mutually agreeing to goals that they attempt to achieve in a reasonable time frame. Drucker espoused the concept. In this management style, performance reviews are conducted periodically to see how near the Individuals are to achieving these objectives and rewards are given on the basis of how close to achieving these objectives they are.

Strategic Networks Approach

A new way to compete has been introduced and is based on the concept of vertical integration and subcontracting. In the last seventy five years or so vertical integration has become the standard philosophy of delivering goods and services. From the auto industry in Japan or Detroit to banking the enterprise has integrated itself to within its boundaries, provide for itself most of the activities needed to deliver the final product or service. When a dairy cooperative for example buys a farm and stocks it with high yielding cattle for milk production to supplement the supplies from the local community that is a perfect example of vertical integration or when the same dairy cooperative buys a yogurt making plant in order to enhance its value addition component of its supply chain we see this as another example of vertical integration.

A second way could be employed where an organisation outsources as many of its economic activities as it could possibly can and only does what it considers to be its core business. In this way it could build on its core competency and shed off a lot of its overhead costs. This is subcontracting and can be taken a step further to strategic networks, where the lead company takes charge to define product quality and specifications to its suppliers. It could also

offer technical support and as it happens in Japanese Keiretsus, financial support to assure itself of a constant supply of goods and services at the agreed quality, and price. This is co-operation in business and an attempt to identify stakeholders in the supply chain and entering a partnership based on customer satisfaction.

However care should be taken in doing this as due to the limited skills available within the typical cooperative it might find itself not performing the critical role of choosing the enterprises for sub contraction in an optimal manner and this can sometimes leads to inefficiencies and worse still in many cases has led to corruption where some cooperative officials outsource from their relatives or some times to themselves through companies they own or control

Strategic planning: The Four Stage Approach

*"It is not the strongest of the species that survive nor the most intelligent but the one most responsive to change." Charles Darwin
Naturalist and Author - "The Origin of Species"*

In the next paragraph we are going to look at the most talked about business initiatives and arguably the altar on which or where most careers of managers are made or lost and indeed where most significant changes of the way business is run is made and this is strategic planning. Started as an initiative to move logistics including men and war machines during the Second World War strategy has now been embraced by managerial thinkers and policy makers the world over both in the privates and public, for profit as well as not for profit organisations.

Strategic planning can be defined as the art of bringing in the staff and management of an organisation to plan for a given span of time how they are to procure plan for and execute their business plan to achieve their objectives and enhance their competitiveness in their sectors of endeavourer. The organisation while carrying out this process must bear in mind the resource constraints and all for the benefit of their customers while not putting at loss other stakeholders in their supply chain and the community in general.

The strategic plan in action

The four stages of strategy formulation would comprise of firstly do what is called an environmental scan. It is referred to as scanning because it is the stage at which the business doing the strategy has to look at the environment it is operating in to see the four great cornerstones that that each business has to contend with and we are now going to look at these pillars of strategy formulation

Strengths of the Business

Every business that wants to do a strategic plan has to first establish its strength and here it has to establish the resources it considers key or greatest contributor to its competitive advantage in the market place. Some of these key strengths is usually staff or employees and in some cases companies might identify a patent for example coca cola or it may be a unique brand like IBM or Brookside Dairy Products in Kenya. What ever the strength, it has to be something that distinguishes the company from its competitors in a positive way and one which give the company super profits when compared to its competition.

The strength of a company could also come from its governance structure that it has chosen in the form of a well structured board or in the formulation of strong institutions within its architecture for examples strong audit committees and compensation committees of its boards as well as strong internal control policies and procedures like the internal audit and strong finance departments. The internal processes in an organisation can be boosted by the existence of a working strong IMS system which would help in the production of timely active and relevant management reports both in narrative and financial terms for better decision making of the organisation.

Weaknesses of the Entity

The next pillar a company has to look at is the weakness or its vulnerable points and here care should be taken as the tendency is not to acknowledge our weaknesses but in some stage in the life of the company it is necessary to start at the truth in the face and acknowledge that there are areas we struggle in and which can slow down the pace of growth. In a typical company it could be heavy bank loans which make growth hard. It could also be a demoralized work force or a weak brand which has not captured the market or is unable to stand up to competition.

"There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else." **Hal Rosenbluth, Chairman and CEO New Ocean Health Solutions**

Opportunities provided by the environment to the business

The third cornerstone of the strategy formulation is the opportunities and this is the one least understood by a majority of business enterprises especially in Africa. It is concerned with the level of chances and choices an organisation has within the internal and external environment to improve its performance and boost its profits, thereby increasing its return on investment and generates funds for expansion. A typical business in Africa could latch on increasing consumer demand for its products, a rising young population both as a source of energetic labour force as well as their high purchasing power as well as changing consumer demand and consumption pattern.

The emerging economies also provide a vital opportunity in the form of enabling legislative framework and at times key fiscal advantages in the form of concessions in their tax rates and relief. The rapid growth of hitherto less known economies as is being witnessed in both China and India also provides an opportunity for African businesses as a source of more affordable market for certain products but also as a source of consumer goods that are within reach of the ordinary consumer. The existence of affordable raw materials and labour which boosts of abundant skills can also provide a golden opportunity for a typical business as well as the a keen work ethic as is often witnessed in the Asian Tiger economies. Lessons learnt during field visits would greatly help African businesses to emulate and learn the work ethics and strict

disciplines in the general way of doing things which would aid our enterprises including cooperatives and SaCCOS to enhance business performance and growth including the branch operations expansion and even cross border business enterprises.

The essence of competitiveness is liberated when we make people believe that what they think and do is important - and then get out of their way while they do it. Sam Walton , Wal- Mart, Sam Walton, CEO Wal-Mart

Threats to the enterprise

The third plank in the strategy formulation process is the one concerning the threats to the sustainability of the enterprise and this can be in the form of internal or external factors that in the short or long term threaten the existence of the enterprise as a going concern. In the typical scenario of a business in a developing nation could come from a shrinking economy, changing global trading patterns which may shift procurement of raw materials from another region, or internal fighting, violence and civil wars which may disrupt the flow of goods and services. It could also come from an ageing population which changes the supply chain of labour as well as consumption of certain goods or products. The emergence of a strong union power which may force legislation and collective bargaining agreements for its members may threaten the existence of certain weak companies especially in the price sensitive sectors like agriculture manufacturing and tourism.

The other forces that would threaten business enterprise and growth would include the power of competitors and the often times legislation which threaten small businesses especially the plethora of trading licenses that are so common in most developing nations or such like hostile legislation that make business survival so hard for small and medium enterprises. We have other business killers or forces that make it hard to predict the survival rate of new and old enterprises in most African nations and I would add the concept I refer to the founder menace where a business is started by a founder who refuses or is unable for whatever reasons to hand over or even attempt to nurture and mentor successors so that when he dies the business secrets. The rich relics and joy of starting a business is often interred with his bones. Another risk that hitherto did

not exist is a pandemic like the ongoing COVID- 19 which has seen many companies fold in the recent few months and whose effects are still be felt this year and perhaps the next three or so years before we get back to normal.

Benefit of strategy formulation:

These can be divided into 4 main areas 1) Strategy provides management with a perspective of both present and future attacking them simultaneously. Corporate objectives are well-balanced; short term advantages evaluated against long-term gains. 2) Strategy offers a mentality, a discipline, and a technique to manage changes 3) Strategy provides a dual approach to problem solving a) Exploration of the most effective means to overcome difficulties b) The development, conservation and deployment of limited resources to maximize returns 4) strategy generates directional action. It provides a framework for guiding decision making in an organization and helps organizations chart the way forward in a logical and organized manner.

The Emergence of Stakeholder Theory

Between the various stakeholders including the shareholders, staff, governments, regulators, providers of finance, and creditors the way an enterprise divides the resultant income and or dividends from operations is important. Consequently, these stakeholders are currently very careful to ensure they get their rightful share of the operational cake. This calls for a more transparent way the operations are run and hence the growing focus on corporate governance in order to ensure optimal allocation of resources to all the stakeholders for win win relationship.

The stakeholder theory is gaining momentum and businesses are having to spend huge sums of money much of which is not really justified and trying to create some sexiness in the business. Whether it's the same old perception that business is evil, that capitalism is the other face of the devil incarnate companies are getting caught inserting varying amounts of budget votes for a return to the community where they have set up businesses and where they get raw materials anyway, and the theory is made worse where businesses especially multinational organisations in Africa are often derided as profiteers, exploiters and neo colonialists. In the process of sanitising their actions and operations these companies spend large sums of their

budgets in items with line items like corporate social responsibility and view of community budget line items which in any case are tax allowable and are so minuscule as compared to the overall budgets but it helps them get along in the host nations

Sharing of costs in the Stakeholder Style of Management

In a typical situation the bulk of the entities costs of operations would first go to the cost of production, some core administrative and the staff costs would also be a close second, and thirdly we would then see the finance costs or those costs associated with the raising of finance to pay of the external suppliers of bank or other interest bearing borrowings while the balance would go to the other overheads. The entity has a national and legal duty to appropriate further the total revenues to the government through the local value added and corporation tax as well as the statutory deductions in form of PAYE taxes. Income tax is a statutory obligation which companies and other organisations have no option but to pay as this is what central governments and local authorities use to fund the common services that each state provides its citizens and visitors to the country like roads and security. In this typical network illustration one sees the need for the organisation to be mindful of the way it relates to each of the named stakeholders as they are all an interested parties in the supply chain. It is in the entities interest to ensure a good and harmonious relationship is maintained with each one of them for the further growth and sustainability of the entity.

Entities in this approach take great pride in showing how their turnover has been allocated in the yearly activities and would show by graphs and bar charts how each of the costs were allocated between the staff, creditors, government in form of taxes as well as the community in form of sponsorship and funding social programs in the county or within the community and often than not these entities end up having a good relationship with the community in which they operate and or the government that licenses them some even build schools and hospitals and no doubt this endears the company to the host countries and or communities they operate in

Previously management was all for maximizing shareholders wealth and did not address other stakeholders but recently there has been a trend towards the double and even triple line performance e.g. shareholder wealth, staff, community, and government and in some cases the unsecured creditors. In addition there has been a growing concern of industry on the environment a part of the green peace movement. The deployment of marginalized populations including children and aliens for some of the more labour intensive jobs has raised the concern amongst human rights and conscience groups including faiths led organisations. Concerns have been raised on the use of genetically modified foods and sale of small arms to warring tribes and communities. The hallmark of good corporate governance is in maximizing the benefits derived from managing the relationship between all these stakeholders in away that ensures growth and expansion of the enterprise, while not compromising on the environment and the well being of the community at large and in particular the community where the enterprise operates from.

Another concept of management has been the competition theory and behind this theory is the rationale that business success depends much on the forces of competition and other parameters and the success or failure is based on the interplay of all these factors and failure of management structures and style all depend on the way the entity is able to interpret and react to the emergence of competitive forces and so we shall now look at the most referred to and practised framework of management reaction and action to competition and its impact on company performance

Michael Porter's 5 Force Framework-attaining the marketing edge

Understanding the dynamics of competitors within an industry is critical for several reasons. First, it can help to assess the potential opportunities for your venture, particularly important if you are entering this industry as a new player. It can also be a critical step to better differentiate you from others that offer similar products and services. One of the most respected models to assist with this analysis is Porter's Five Forces Model. This model, created by Michael E. Porter (2008) and described in the book "Competitive Strategy: Techniques for Analyzing Industries and Competitors," has proven to be a useful tool for both business and marketing-based planning.

The pure competition model does not present a viable tool to assess an industry. Porter's Five Forces attempts to realistically assess potential levels of profitability, opportunity and risk based on five key factors within an industry. This model may be used as a tool to better develop a strategic advantage over competing firms within an industry in a competitive and healthy environment. It identifies five forces that determine the long-run profitability of a market or market segment: 1) Suppliers; 2) Buyers; 3) Entry/Exit Barriers; 4) Substitutes; 5) Rivalry

Although the Porters five forces is modeled on an industry or sector it can as well be used for the typical firm or organisation both small and large and in various sectors including the nonprofit organisations. The above model looks at the 5 key drivers for business sustainability that will finally determine whether a business entity including a cooperative will survive in the 21st century starting with rivalry in the center of the circle and this has to be a reality check for all business entities that they all exist in a competitive environment all competing for very scarce resources both internally and externally. Top on this list of competitive factors is the people. Good people are rare and in demand and are often lost to competition, and this normally happens after spending considerable amount of resource training them.

Buyers and suppliers are two great planks of business survival. One determines the quality regularity and quantity of goods and services and as every business exists first and foremost to provide a service or a commodity the source of the supply will determine the nature and quality of services the enterprise will supply which is where the second level of people comes in and that is the buyers who finally sellout the verdict as to whether the business survives or not. The price quality of service and the way in which it is delivered is critically important to determine if business grows or stagnates.

Every business survives from jealously guarding their turf and ensuring entry into the business by outsiders is controlled and completely in their command. This ensures that they remain in business and more importantly continue enjoying the profit element. This is not always good because lack of competition can breed inefficiency, slothfulness and monopolistic tendencies that distort the price structure. Entrance to the market is often done either through legislation often at national level by enactment of law as to protect local consumers or suppliers

of services or through the self regulatory bodies like the professional umbrella bodies and trade associations.

Conclusion

When addressing cooperatives and other membership based organizations we need to conclude this chapter by highlighting where and how the modern management philosophies and principles would benefit the cooperatives and other entities and because cooperatives are founded on well-established International Cooperatives Principles we need to highlight where the maximum gains would be attained by cooperatives in embracing modern management principles

The first cooperative principle is the principle of open door policy which means members are free to come and join the cooperative without any hindrance, associated with this principle is the value of Open and Voluntary Membership. Coupled with this is the value of self help and both these would dovetail very well with the modern management philosophies including the stakeholder theory of management where the cooperative and would first would invite members to come in and leave at will so that the society is always attracting able and willing members and no one stays against their wishes.

This is especially useful for talent management as the cooperative always has members willing to be trained, the value of self-help is also vital for the members to know they are doing it for themselves and not for some faceless owner and or shareholder who only comes to the AGM to see what profits the entity has made. The concept of self-help has in many cases propelled cooperatives to depend on each other and not financiers and or other third parties who come to charge sometime exorbitant rates for services and or goods. This is how many Apex societies have for long provided accounting and tax services for the members and lately also financial services through the FOSA (Front Office Services Organization). This is Open and Voluntary Membership will be well aligned to good training and apprenticeship which will grow the societies to large organizations able to employ many staff (Henry, 2005)

There is a lot of scope of volunteerism in cooperatives and membership based organizations due to the common bond and the open entry criteria and for this reason its is imperative that membership capabilities, experience sand education is captured right from the beginning so that

the entity knows who amongst their members is best placed to provide needed services and products

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