STRATEGY GOVERNANCE AND ETHICS

Revision Kit

Contents

Part I: Introduction

This revision kit addresses needs of students preparing to sit CPA Section 5 examination for Paper No.13 Principles and Practice of Management (PPM).

The kit is divided into THREE main parts:

Part I: INTRODUCTION
- Approach to Examinations
- Syllabus
- Topical guide to CPA past paper questions

Part II: REVISION QUESTIONS AND ANSWERS

Past paper questions with model answers **(Past papers June 2008- Dec 2013)**

Part III: Comprehensive MOCK examination papers with sample answers

To make effective use of this kit, candidates are advised to:

- Read widely some of the books suggested in the reading list so as to have adequate background information relating to the issues raised in the revision questions.
- Do the MOCK papers in part III under exam conditions and then check the solutions provided to assess their success in tackling the questions.

Given adequate and focused preparation, this kit should be useful in enabling any student preparing for examinations in Principles and Practice of Management and related courses of Management to pass with good grades in the exams.

APPROACH TO EXAMINATIONS

The following are important points to note as you sit your exam:

- Read carefully and follow instructions given on the examination paper. Note that you are expected to answer any **five** of the eight questions for the examination. It is important that you clearly state the number of the questions attempted
- Assess the weight given to each question by looking at the marks and devote adequate time to answering precisely and conclusively all questions attempted. You should pace yourself to complete the examination in the time allowed. Do not be tempted to spend too long on your first one or two questions because you will be forced to rush the remaining questions and the quality of answers will inevitably be poor.
- Try to fully understand the question before attempting to answer, so as to address the specific points being asked and also to avoid missing out some parts of a question.
- Avoid long answers that do not address the questions asked, as these will not gain you extra marks. Clear layout of answers would benefit you. Use of paragraphs and headings rather than just writing a solid block of text for your answer is recommended. For questions that require narrative answers, **margin to margin text is difficult to read.** This format should not be used as it makes reading difficult and sometimes answer points can be missed with consequent loss of marks. The use of space in the form of clear gaps between question parts, the use of some form of numbering or bullet points to clearly indicate the point being made, make understanding so much easier for the examiner.
- Remember to always be relevant to the expectations of the questions. Avoid setting and answering your own question (s). Thus you will be expected to read thoroughly and understand questions before attempting to answer.
- Check questions divided into parts. These require that you address the parts adequately to earn maximum marks. It is equally important to assess the marks allocated to questions to see the extent of your answers.
- Give appropriate and relevant examples when required.
- The paper involves some practical aspects as you may be required to give practical application of certain principles of management in the corporate world.
- Always maintain confidence in approach to the examination. This way, you will be able to tackle questions adequately and you will be guaranteed to do well.

Common terms in examinations

1. **State/ List:** These terms imply that the candidate simply enumerates the expected points without any explanation.
2. **Define:** This implies explanation to a term with the aim of bringing out pertinent meaning. The meaning should be clearly brought out in the explanation and if there are any related terms they should also be differentiated where necessary.
3. **Outline:** Involves listing points and giving a brief explanation, sometimes a single line statement.
4. **Discuss:** This implies a thorough review of the identified case (question) with a view of bringing out clear meaning, merits and demerits as well as views of the candidate on the matter. If there are any comparisons or differences between the matters under discussion, they should also be brought out clearly.

SYLLABUS

PRINCIPLES AND PRACTICE OF MANAGEMENT

OBJECTIVE

To ensure that the candidate has sufficient knowledge to manage organizations and to analyze the impact on markets by the technological, legal, social and political environment.

SPECIFIC OBJECTIVE

A candidate who passes this subject should be able to:

- Indicate clear understanding of the key management functions of planning, organizing, staffing, directing and controlling.
- Demonstrate thorough understanding of management principles and techniques
- Manage change processes in modern organizations
- Participate effectively in management meetings
- Prepare strategic and marketing plans for organizations
- Re-engineer organizations
- Analyze case studies in management

CONTENT

1. Manager and the Management Environment:
Managers and the study of management; the evolution of management as a field of study, the classical approach, the behavioural approach and the management science approach; the work of management.

Managers and their environment; the organization, the internal environment, the management levels; the external environment – clients, competitors, suppliers, technological, economic, political, legal, regulatory, cultural and social, international.

Managing productivity; the productivity concept, factors affecting productivity, the productivity and management, productivity measurement, applying the functions of management to productivity.

Time management.

2. Managing work and organizations
Foundations of managing work and organizations; the principles of work management, the managements of organizations.

The planning function; the forms of planning, the elements of planning, the importance of planning, setting objectives and priorities, implementation of plans.

The organizing function; departmentalizing jobs, delegating authority, dimension of organizational design – classical organizational design, contingency organizational design – neoclassical.

The controlling function; types of control, concurrent control, feedback control.

Human resource management; human resource management function, recruitment, training and development, performance appraisal, employee compensation, separation.

3. Managing People
Foundation of managing people; human relations approach, behavioural science approach.

Motivation; motivation process, understanding motivation – the use of theories (Maslow, Herzberg, Vroom, Porter-Lawler), management strategies for increasing motivation.

Managing work groups; classifications of groups, formation of work groups, specific types of groups in an organization, use of group concepts to improve productivity, development of work groups, characteristics of work groups, conflict resolution.

Leadership, selected leadership theories, trait theories personal – behavioural theories, situational theories of leadership, selected factors influencing leadership effectiveness, successful and unsuccessful managers.

Communication; the importance of communication, understanding the process of communication, communicating in organizations, interpersonal communications, causes of communication breakdown, improving communication in organizations.

4. Managing Production and Operations
- Foundations of managing productions and operations; development and contribution of management science, the role of mathematical models in management, the limitations of management science approach
- Production and operations management; the nature of production and operations management, managing the transformation process, total quality management.
- Management decision-making; types of managerial decisions, the process of decision making, decision making under conditions of certainty and uncertainty.
- Decision support systems; the need for decision support systems, the importance of information in decision making, management information systems and decision support systems, providing the right information for the right decision, designing a decision support system, and organizing a decision support system.
- The role of computers in management.
- Production planning, inventory control as it relates to the management function.

5. Strategic Management
- Overview of strategic management, the nature and value of strategic management, the strategic management process.
- Strategy formulation; define the mission, assessing the external environment, industry analysis, evaluating the multinational environment, environmental forecasting, internal analysis of the organization, formulation of objectives and strategies, strategic analysis and choice.
- Strategy implementation; operationalizing the strategy – annual objectives, functional strategies and business policies, structure, leadership and culture, strategic control – guiding and evaluation strategy.

6. Marketing Management
- Understanding marketing and the marketing process; marketing management, the marketing process, the marketing environment.
- Analyzing marketing opportunities; marketing research and information systems, consumer markets and consumer behaviour, business markets and business buyer behaviour.
- Selecting target markets; measuring and forecasting demand, market segmentation, targeting and positioning for competitive management.

- Developing the marketing mix; products, brands, packaging services, new product development, pricing considerations, pricing strategies, distribution channels, retailing and wholesaling, marketing communication strategy, sales promotion and public relations.
- Extending marketing; the global market place, marketing services, social responsibility and marketing ethics.

7. Managing Creativity, Change and innovation

- Management of change, forces for change, the manager as a change agent, organizing inertia and resistance to change, techniques for reducing resistance, techniques for managing change, changing organizational cultures.
- Stimulation innovation; creativity versus innovation, fostering innovation, re-engineering.

8. Emerging Issues in Management

- Social and ethical responsibilities of management; corporate and social responsibility, managerial ethics, ethical standards.
- Managing a multicultural and multinational environment; the environment of the multicultural and multinational manager, Managing people in multinational organizations.
- Corporate governance.
- Ethics and the organization.
- Management and the future.
- Total Quality Management (TQM).

Part II: Past Paper Questions and Answers

QUESTIONS - PAST PAPERS

KENYA ACCOUNTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD

CS EXAM

PRINCIPLES AND PRACTICE OF MANAGEMENT

JUNE 2008   **Time Allowed: 3 hours.**

Answer any FIVE questions. Candidates are required to demonstrate both broad and deep understanding of this subject. All questions carry equal marks.

QUESTION ONE

"Some management experts feel that control (that is, setting standards, measuring performance against them and taking corrective action when needed) hinders creativity. Others take the opposite view".
With the help of examples give arguments in support of each view.   **(Total: 20 marks)**

QUESTION TWO

a)   Clearly distinguish between corporate mission, vision and core values.

(10 marks)
b)   What are the key qualities of a good corporate vision?   (10   marks)
(Total: 20 marks)

QUESTION THREE

With the help of examples, evaluate the statement that "the leader is more important than the followers as the key to an organisation's success".   **(Total: 20 marks)**

QUESTION FOUR

a)   Define the "Peter Principle" as a management concept.   (4 marks)
b)   To what extent is the concept valid in modern management practices?   (16 marks)
(Total: 20 marks)

QUESTION FIVE

Many organisational decisions are made by groups in form of committees, task forces, review panels, study teams or similar groups. What are the advantages and disadvantages of group decision making?   **(Total: 20 marks)**

QUESTION SIX

A marketing director is planning to launch a product, which is claimed to be of superior quality to the existing products, into a competitive but growing market. What factors should she bear in mind when setting the price?   **(Total: 20 marks)**

QUESTION SEVEN

In manufacturing industries, inspection in many stages and areas takes place to ensure a satisfactory standard of quality in the finished product.
Discuss the different stages and areas where inspection may take place in a manufacturing process.   **(Total: 20 marks)**

QUESTION EIGHT-Replaced

Exactly what constitutes the management task is often unclear or misunderstood.

Required:
a) Explain the five main duties of a manager, according to the writer Henri Fayol.

                    (10 Marks)

b) Explain the differences between the role of a supervisor and that of a manager.

                    (10 Marks)

                (Total: 20 marks)

KENYA ACCOUNTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD

CS EXAM

PRINCIPLES AND PRACTICE OF MANAGEMENT

July 2000 **Time Allowed: 3 hours.**

Answer any FIVE questions. Candidates are required to demonstrate both broad and deep understanding of this subject. All questions carry equal marks.

QUESTION ONE

Organizations are becoming increasingly influenced by their external environment. In what ways does the understanding of the external environment factors enable managers to make better decisions? **(Total: 20 marks)**

QUESTION TWO

Explain how the ideas of scientific management thinkers contribute to the development of concepts and principles of modern work management in organizations. **(Total: 20 marks)**

QUESTION THREE

a) To manage organizations effectively, managers require effective control system. Identify and explain the control systems which may be used by a manager to monitor and accomplish tasks in an organization. (15 marks)
b) What are the drawbacks of control systems? (5 marks)
(Total 20 marks)

QUESTION FOUR

Managers spend over eighty percent of their time communicating. Why is there need for effective communication in an organization and what steps should be taken to ensure that organizational communication is improved? **(Total 20 marks)**

QUESTION FIVE

PQR Ltd. operates a chain of supermarkets. Its strategy has been to adjust product prices to accommodate differences in customers, products, locations and other variables. The market has become increasingly competitive and PQR Ltd. has decided to change its strategy. In future, it will provide a high quality service by introducing Total Quality Management (TQM) techniques in every supermarket.
Explain the relevance of a programme of TQM for PQR Ltd. in the implementation of its new strategy. **(Total: 20 marks)**

QUESTION SIX

a) In what ways does the introduction of computers contribute to efficient operations and management of an organization? (10 marks)
b) Discuss how organizations have been affected by computerization problems
(10 marks)
(Total 20 marks)

QUESTION SEVEN

Managers must live in two time dimensions at once: the present and the future and this inevitably causes a conflict between focusing on the present demands of the day and creating space in which to plan strategically for the opportunities for tomorrow.

How can managers improve their personal time management so that both these activities can be achieved effectively?   **(Total 20 marks)**

QUESTION EIGHT

Organizations are going through a period of major technological change, which is obviously a great challenge to management particularly in the area of employee resistance to change.
Give reasons for employee resistance to change and the techniques, which may be used to overcome the resistance.   **(Total: 20 marks)**

KENYA ACCOUNTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD

CS EXAM

PRINCIPLES AND PRACTICE OF MANAGEMENT

DECEMBER 2008 **Time Allowed: 3 hours.**

Answer any FIVE questions. Candidates are required to demonstrate both broad and deep understanding of this subject. All questions carry equal marks.

QUESTION ONE

Leadership is the process of influencing others to work willingly towards an organisation's goals, and to the best of their capabilities. How far is it possible and desirable for managers to become leaders? **(Total: 20 marks)**

QUESTION TWO-DECEMBER 2007 Q 2

Identify and discuss the principal factors that might influence the design of the structure of a major organisation. **(Total: 20 marks)**

QUESTION THREE

Michael Porter suggests that "Competition in an industry is rooted in its underlying economics, and competitive forces exist that go well beyond established combatants in a particular industry. The problem for the strategist is to determine which of those forces are relevant, and to what extent".

You are required to identify the five competitive forces in the environment of a firm and discuss the threat posed to the firm by each of those forces. **(Total: 20 marks)**

QUESTION FOUR

In a profit making organization, the objectives and the outputs are quantifiable in monetary terms. This quantification provides a ready measure of performance-that is profit. However, this is not the case in a not-for profit making organisation.

Explain how the performance of a not-for-profit making organization could be assessed in a situation when the goals, mission and objectives of the organization are clear.

(Total: 20 marks)

QUESTION FIVE

The process of management is often described as comprising planning, organising, staffing, directing and controlling.
a) What are the basic steps in the control process? (4 marks)
b) Identify and explain the key considerations in each step in the control process

(16 marks)

(Total: 20 marks)

QUESTION SIX-JUNE 2007 Q 7

Discuss the importance of the concept of product life cycle and its implications for business planning and budgeting. **(Total: 20 marks)**

QUESTION SEVEN-JUNE 2007 Q 2,JUNE 2012 Q 1

a)   Why is it sometimes difficult to bring about change in organizations?   (10 marks)

b)   What is the role of the change agent in an organization's change programme?

(10 marks)

(Total: 20 marks)

QUESTION EIGHT

Managers of organizations which seek to be socially responsible rarely start off with a theoretical notion of social responsibility which they then seek to implement. Rather; organizations which act responsibly do so in response to pressure from the various stakeholders.

Explain how and to what extent management responds to some of these pressures.

(Total: 20 marks)

KENYA ACCOUNTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD

CS EXAM

PRINCIPLES AND PRACTICE OF MANAGEMENT

JUNE 2009 **Time Allowed: 3 hours.**

Answer any FIVE questions. Candidates are required to demonstrate both broad and deep understanding of this subject. All questions carry equal marks.

QUESTION ONE

The art of successful delegation does not come easily to managers, and many have often performed some tasks themselves instead of delegating.

i) Outline the factors that would influence a manager's decision to delegate authority and assign subordinates. (10 marks)
ii) Identify the major barriers to delegation. (10 marks)
(Total : 20 marks)

QUESTION TWO

Describe the traditional functions of channel intermediaries and comment on their applicability to services marketing. **(Total: 20 marks)**

QUESTION THREE

Objectives are needed in every area where performance and results directly and vitally affect the survival and prosperity of the business. Discuss this statement and identify those key objectives considered to be most important to a business. **(Total: 20 marks)**

QUESTION FOUR-DECEMBER 2007 Q 5

Outline the role of committees and examine their importance as part of an organizations' management structure. **(Total: 20 marks)**

QUESTION FIVE

The jobbing, batch and mass types of production have their own distinctive systems of operation and their own problems of production, planning and control.

Examine the circumstances which would justify the adoption of:

a) jobbing production (7 marks)
b) batch production (6 marks)
c) flow/mass production (7 marks)
(Total 20 marks)

QUESTION SIX

a) What are the key characteristics of charismatic leaders? (10 marks)
b) How is visionary leadership different from charismatic leadership (10 marks)
(Total 20 marks)

QUESTION SEVEN

What steps would you advice management to take to prepare themselves to negotiate over a
trade union's claim for an increase in remuneration at a time of economic downturn?

(Total: 20 marks)

QUESTION EIGHT

How might the concept of Business Process Re-engineering (BPR) be distinguished from
other approaches to work design? Give examples to illustrate your answer.

(Total: 20 marks)

KENYA ACCOUNTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD

CS EXAM

PRINCIPLES AND PRACTICE OF MANAGEMENT

DECEMBER 2009   **Time allowed 3 hours**

Answer any FIVE questions. Candidates are required to demonstrate both broad and deep understanding of this subject. All questions carry equal marks.

QUESTION ONE

In developing strategic plans for the future, it is important for a company to assess both its current and past performance.

Outline and discuss the following approaches in assessing the organizational performance.

a) The historical analysis of performance in comparison with the organization's performance.   (6 marks)
b) The analysis of industry norms in comparison with the relative performance of organizations in the same industry.   (7 marks)
c) The analysis of the organization's performance in comparison with the best performance through benchmarking.   (7 marks)
                                            (Total 20 marks)

QUESTION TWO

Explain the ways in which a manager may apply motivation theories to achieve effective performance by employees in an organization.   **(Total: 20 marks)**

QUESTION THREE

Discuss the factors that influence the level of compensation and benefit packages for different employees in an organization.   **(Total: 20 marks)**

QUESTION FOUR

a) Compare and contrast Total Quality Management (TQM) and re-engineering as change processes.   (10 marks)
b) Various economic factors have forced firms to downsize their workforce.
Explain the ways in which a manager may best manage a downsized workforce.   (10 marks)
                                            (Total: 20 marks)

QUESTION FIVE

The Kenyan corporate sector has been experiencing serious economic difficulties resulting in closure of business. It is now being argued that the future of this country lies in the growth and efficient management of the medium-sized enterprises (SME) discuss.**(Total: 20 marks)**

QUESTION SIX

The ideas and concepts of management thought as conceptualized by Max Weber crystallized to what came to be known as a bureaucratic system.

Discuss Weber's propositions and discuss their applicability in today's organizations.
(Total: 20 marks)

QUESTION SEVEN-DECEMBER 2007 Q 3

Marketing experts around the world have generally agreed that there are a number of clearly identifiable variables that comprise of building blocks of marketing. These variables have been labeled "Marketing Mix" elements.
Identify these elements and discuss the concept of product as it relates to each of them.
(Total: 20 marks)

QUESTION EIGHT

Kirkland Ltd. is a multi-national company that has recently launched its operations in your country. The company wants to immediately conduct research in order to devise the most suitable organizational structure for its operations.
Discuss the various options available to the company indicating the advantages and disadvantages of each option.   **(Total: 20 marks)**

KENYA ACCOUNTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD

CS EXAM

PRINCIPLES AND PRACTICE OF MANAGEMENT

MAY 2002   **Time Allowed: 3 hours**

Answer any FIVE questions. Candidates are required to demonstrate both broad and deep understanding of this subject. All questions carry equal marks.

QUESTION ONE

a) Many forward-looking organizations have an explicitly stated mission which is always displayed in a conspicuous place.
Explain the benefits of a mission statement   (10 marks)
b) For successful management, managers must come up with objectives before commencing operations. Explain what is meant by the term 'objectives' and describe the characteristics that good objectives should have.   (10 marks)
                                       (Total 20 marks)

QUESTION TWO-JUNE 2008 Q 8

The principal of Management by Objectives was first coined by Peter F. Druker in the 1950's. Describe the principle and its merits and demerits in the organizations.
                                       (Total: 20 marks)

QUESTION THREE

A key element in the effective implementation of corporate strategies is the design of the organizational structure of the firm or the organization.

Discuss each of the following types of organizational structure:
a) Holding Company structure;   (5 marks)
b) The Functional structure;   (5 marks)
c) The matrix structure; and   (5 marks)
d) The multi-divisional structure.   (5 marks)
                                       (Total 20 marks)

QUESTION FOUR

One of the functions of management is decision making.
Discuss various types of decisions taken by managers and explain the steps that should be followed to arrive at the right decisions.   **(Total: 20 marks)**

QUESTION FIVE

Leadership is a dynamic process in a group or organization whereby one individual influences the other to contribute voluntarily to the achievement of the group or the organization's objectives in a given situation.
Discuss this statement with reference to different types of leaders.   **(Total: 20 marks)**

QUESTION SIX

Modern trends and practices call for firms to pursue wider objectives in addition to the global profitability. Explain the concept of corporate social responsibility and discuss the various components that a socially responsible firm should address.   **(Total: 20 marks)**

QUESTION SEVEN

Explain ten major forces that have been responsible for the sweeping changes and re-organizations that have been taking place in Kenyan firms in the recent past.

(Total: 20 marks)

QUESTION EIGHT

Managers charged with putting a company on a growth trajectory can pursue its existing markets (customer sales) or enter new markets and can emphasize its existing products or develop new products.

Using Ansoff's classic product/market matrix, discuss the risks and rewards of the four growth alternatives.   **(Total: 20 marks)**

KENYA ACCOUNTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD

CS EXAM

PRINCIPLES AND PRACTICE OF MANAGEMENT

DECEMBER 2010 **Time Allowed: 3 hours.**

Answer any FIVE questions. Candidates are required to demonstrate both broad and deep understanding of this subject. All questions carry equal marks.

QUESTION ONE

Ngura works as a research and development manager in a manufacturing firm. He joined the firm five years ago as a research assistant. The organization for which Ngura works has a policy whereby vacant positions are filled from within the organization.

Management relies on the outcome of performance appraisals to identify employees for promotion. The appraisals are carried out annually. The appraisal exercise of the organization has not been dome objectively and superiors have been awarding grades arbitrarily. Many of the employees have been awarded high grades even when their performance does not deserve high grades.

Early in the year, the position of the head of the research and development department fell vacant and employees were encouraged to apply for the job. Ngura felt capable of performing the job, applied and was invited for an interview. Consequently he was awarded the promotion and took up the post of head of research and development department.

It has become apparent that Ngura is not very co-operative with staff in other departments. In his own department he over delegates to his subordinates because he is incapable of handling the tasks involved in the higher job. There have been occasions when assistants have not completed work to the satisfaction of management but when asked to explain, Ngura explains that employees know what is expected of them and they should therefore work, for they are paid for it.

Required:
a) State and explain the guidelines that management should have followed to ensure the success of the performance appraisal. (10 marks)
b) Identify and explain the weaknesses in Ngura's style of management and suggest measures that should be taken to address the weaknesses. (10 marks)
(Total 20 marks)

QUESTION TWO

a) Write short notes on the following:

   i) Job production (4 marks)
   ii) Mass production (4 marks)
   iii) Batch production (4 marks)

b) Explain the responsibilities of a production engineer in an organization. (8 marks)
(Total 20 marks)

QUESTION THREE

a) Distinguish between power and authority.   (4 marks)
b) Identify and explain the sources of managerial power.   (16 marks)
(Total 20 marks)

QUESTION FOUR

Your organization has identified a need in the market, which it seeks to satisfy through new product.

a) State and describe the stages in new product development.   (12 marks)
b) What factors contribute to the success of new product development?   (8 marks)
(Total 20 marks)

QUESTION FIVE

a) Liberalization has opened the doors to global expansion.
   Outline the difficulties an organization may encounter when seeking global expansion.
                                                                        (12 marks)
b) What skills should a manager posses in order to overcome difficulties?   (8 marks)
(Total 20 marks)

QUESTION SIX

a) The manager is frequently faced with the task of introducing change in the organization.
   What are the reasons for innovation and change in the organization?   (10 marks)
b) How can management overcome barriers to effective implementation of innovation and change in an organization.   (10 marks)
(Total 20 marks)

QUESTION SEVEN

a) Explain the relationship between corporate strategic plans and operational plans.
                                                                        (8 marks)
b) (i) What are the constraints to effective planning?   (6 marks)
   (ii) Suggest the measures that management may adopt to overcome constraints.
                                                                        (6 marks)
(Total 20 marks)

QUESTION EIGHT

Describe ways in which managerial functions enhance productivity in the organization.
(Total: 20 marks)

KENYA ACCOUNTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD

CS EXAM

PRINCIPLES AND PRACTICE OF MANAGEMENT

JUNE 2011   **Time Allowed: 3 hours**

Answer any FIVE questions. Candidates are required to demonstrate both broad and deep understanding of this subject. All questions carry equal marks.

QUESTION ONE

SOUND HEALTH LIMITED

Sound Health Ltd. is a private company that deals with manufacturing and selling of anti-mosquito treated bed-nets.

The company distributes the nets in and outside Kenya.

The chief executive of Sound Health Ltd. has stated that the objective of the company will be "**to supply the best possible product to the greatest number of consumers at the lowest possible cost".**
The lowest possible cost will only be achieved by introducing a number of radical changes which will affect employees, shareholders and management. The ultimate goal will be to improve the efficiency of operations.

The holders of this view who include the chief executive are people who joined Sound Health Ltd. recently and have not stayed in the organisation for more than three years. This group is small in number but they are quite influential.

The "newcomers" have had extensive private sector business experience where managerial internal controls are strict and well established.

This is in contrast with what has been happening at Sound Health Ltd., where there are many loopholes and contradictory systems of control.

Required:
a) Explain the **reasons why the chief executive may realise that** the interests of customers could conflict with efforts to serve the shareholders.   (12 marks)
b) Explain the role of a manager in reducing operational costs in an organisation.

                                                                                          (8 marks)
                                                                    (Total: 20 marks)

QUESTION TWO

a) Outline the components of Total Quality Management (TQM).   (10 marks)
b) What benefits would accrue to an organisation that practises Total Quality Management?

                                                                                          (8 marks)
                                                                    (Total: 20 marks)

QUESTION THREE

a)   Compare corporate strategies with marketing strategies for an organisation.

                                                                                                            (10 marks)

b)   A well established organisation wishes to carry out an analysis of its strengths, weaknesses, opportunities and threats (SWOT).The task has been assigned to you.
     Explain the procedure you would follow in carrying out the task.   (10 marks)

                                                                                                (Total: 20 marks)

QUESTION FOUR

Diversification is important in every dynamic organisation.

a)   What circumstances would make it necessary for a company to diversify?

                                                                                                            (10 marks)

b)   Explain the different forms in which the diversification would take.   (8 marks)

                                                                                                (Total: 20 marks)

QUESTION FIVE

a)   Describe the steps followed in employee selection process.   (4 marks)

b)   Sound staff selection procedure is a vital element of human resources planning. Discuss.

                                                                                                            (16 marks)

                                                                                                (Total: 20 marks)

QUESTION SIX

a)   Identify and explain five environmental factors that influence the activities of an organisation.   (10 marks)

b)   How should a manager respond to the factors identified in (a) above?   (10 marks)

                                                                                                (Total: 20 marks)

QUESTION SEVEN

You are a personnel manager in an organisation where performance of employees has been below the expected standards.

The chief executive has assigned you the duty of identifying the causes of the poor performance and suggesting solutions to the problem.

a)   Explain the steps you would follow when carrying out the task.   (10 marks)

b)   Suggest measures that management should take to alleviate the problem. (10 marks)

                                                                                                (Total: 20 marks)

QUESTION EIGHT

a)   Identify and explain the behavioural attributes that a manager should possess in order to successfully perform his duties.   (10 marks)

b)   "Managers are not born, they are made".

      Explain the ways in which the behavioural attributes of a manger mentioned in (a) above can be developed.   (10 marks)

                                                                                                (Total: 20 marks)

KENYA ACCOUNTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD

CS EXAM

PRINCIPLES AND PRACTICE OF MANAGEMENT

DECEMBER 2011   **Time Allowed: 3 hours.**

Answer any FIVE questions. Candidates are required to demonstrate both broad and deep understanding of this subject. All questions carry equal marks.

QUESTION ONE

MAZIWA DAIRIES LTD

Maziwa Dairies Ltd. processes and distributes milk and milk products. Ngure, the proprietor of the business inherited the business from his father. He is conversant with details of buying, advertising and depot management.

Each one of his depot managers and branch staff meet once every two weeks to review progress on operations. Ngure visits each depot every 2 to 3 days each week to work and supervise the branch managers.

Ngure is worried about communication and the level of motivation among the employees of the enterprise. He feels that at the fortnightly meetings he had held, all his mangers and staff listened carefully, but judging from their actions, he has begun to wonder whether they had understood what he said. Ngure has noted that many o his policies were not being strictly followed,. For instance, in the stores, he often had to re-write advertising messages, while in some of the depots, the employees were talking of joining a workers union.

Managers and employees were quoted as saying that they did not know the intentions of their employer. They believed that they could do better if they had an opportunity to communicate with Mr. Ngure and his assistants at the head office.

On his part, Ngure feels that many of his managers in the head office and in the depots as well as most of the employees are merely doing their job. They are not showing any real imagination or drive. He is also concerned that some of his best employees had quit and taken positions with a competitor. Mr. Ngure has approached a management consultant to advise him on the best way to motivate his staff and communicate better.

Required:
a) Identify and briefly explain the communication problems afflicting Maziwa Dairies Ltd. and suggest ways of solving the problems.   (10 marks)
b) What incentives would Ngure offer his staff in order to motivate them?   (8 marks)

                                                      (Total: 20 marks)

QUESTION TWO

a) Explain the circumstances when an organisation would find it appropriate to use committees.   (8 marks)
b) Committees are sometimes prone to abuse. Describe the steps that should be taken in order to ensure effective performance of committees.   (12 marks)

                                                      (Total: 20 marks)

QUESTION THREE

To what extent are Henri Fayol's principles of management relevant to the management of organisations today? **(Total: 20 marks)**

QUESTION FOUR

Write explanatory notes on the marketing concepts listed below:

a)   The production concept   (4 marks)

b)   The product concept   (4 marks)

c)   The selling concept   (4 marks)

d)   The marketing concept   (4 marks)

e)   The societal concept   (4 marks)

(Total: 20 marks)

QUESTION FIVE

Forecasting involves accurately predicting future events:

a)   Describe the difficulties managers may encounter when forecasting.   (10 marks)

b)   What factors are considered when selecting a method of forecasting?   (10 marks)

(Total: 20 marks)

QUESTION SIX

a)   A manager is a person who seeks to achieve organisational goals through other people. One way in which a manager can achieve this objective is through effective and efficient control system.

    Explain the characteristics of an effective and efficient control system.   (10 marks)

b)   A budget is an internal control tool for managers. Outline the limitation of budgets as control tools.   (10 marks)

(Total: 20 marks)

QUESTION SEVEN

Explain the external and internal forces that may trigger change in an organisation.

(Total: 20 marks)

QUESTION EIGHT

a)   Identify and explain the steps of a decision making process in an organisation.

                                                    (10 marks)

b)   Describe the decision support systems available to managers when making decisions.

                                                      (5 marks)

c)   What benefits may accrue to an organisation from instituting decision support systems?

                                                    (5 marks)

(Total: 20 marks)

KENYA ACCOUNTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD

CS EXAM

PRINCIPLES AND PRACTICE OF MANAGEMENT

JUNE 2012 **Time Allowed: 3 hours.**

Answer any FIVE questions. Candidates are required to demonstrate both broad and deep understanding of this subject. All questions carry equal marks.

QUESTION ONE

ABC Ltd. is a profitable manufacturing company with a good track record of continuous growth over the last decade. The general business environment is rapidly changing with the introduction of new manufacturing processes and market liberalisation in the region.

The board has appointed a new managing director who is anxious to create a momentum for innovation and change in the organisation. He is aware that introducing change is relatively easy when a company is facing a crisis but far more difficult when all is well. As a business development manager in ABC Ltd., the director has asked you for advice.

Prepare a memorandum to the managing director in which you discuss:
a) The organisational life cycle concept in relation to the difficulties of introducing innovation and change in a successful organisation.
b) How the company may stimulate a pro-change culture in the organisation.
` **(Total: 20 marks)**

QUESTION TWO

a) Explain the meaning of the term "management ethics". (4 marks)
b) Citing examples where appropriate, describe the indicators which show whether a manager is behaving ethically or not. (8 marks)
c) Explain the measures that management should take to improve the ethical behaviour of employees. (8 marks)
(Total: 20 marks)

QUESTION THREE

As a management consultant, you have been requested to design a staff appraisal system for a client firm.

a) Outline the factors to be considered when designing such a system . (8 marks)
b) Explain three performance appraisal methods. (6 marks)
c) What factors may limit the effectiveness of a performance appraisal system .
(6 marks)
(Total: 20 marks)

QUESTION FOUR

a) Describe the steps to be followed in a materials purchasing procedure. (10 marks)
b) Explain the factors to be considered when purchasing materials for an organisation.
(10 marks)
(Total: 20 marks)

QUESTION FIVE

The organisation for which you work wishes to develop a quality control programme. As the production manager, the director has requested you to develop the programme.

Explain the steps you would follow in developing the quality control programme for your organisation. **(Total: 20 marks)**

QUESTION SIX

In recent years, many business leaders have considered the viability of forging strategic alliances with other organisations with whom they share common objectives.

Explain the benefits that may accrue to organisations from forging strategic alliances amongst themselves. **(Total: 20 marks)**

QUESTION SEVEN

Identify five environmental factors that affect business and explain the way in which each factor influences the marketing mix of an organisation. **(Total: 20 marks)**

QUESTION EIGHT

Business process re-engineering affects the way in which work is undertaken in an organisation.

Explain this effect as it relates to:

a) Employees' behaviour. (10 marks)

b) Work structure. (10 marks)

(Total: 20 marks)

KENYA ACCOUNTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD

CS EXAM

PRINCIPLES AND PRACTICE OF MANAGEMENT

DECEMBER 2012   **Time Allowed: 3 hours**

Answer any FIVE questions. Candidates are required to demonstrate both broad and deep understanding of this subject. All questions carry equal marks.

QUESTION ONE

One of the departments of Block Industries Ltd. is headed by a manager who is responsible for approximately 50 professionally qualified staff, plus ancillary workers. Section heads look after groups of between four and seven members of staff.

The previous manager was keen, understanding and strict; he closely observed performance, weaknesses and strengths of each staff member. He commended what he observed.
The services offered by Block Industries Ltd were efficient and highly regarded. Staff used to take part in many discretionary activities such as involvement in public affairs and voluntary unpaid overtime work.

A year ago, a new manager was appointed. The new manager, trained in a famous business school, appears to be cold and aloof. He immediately promoted two section heads to be assistant managers, one in charge of public relations, the other in charge of administration to be responsible for the newly introduced weekly performance reports and briefing meetings.
Since the appointment of the new manager, 30% of the staff have left the organization and the rest have gradually ceased all their discretionary activities. There is now a policy of positive non co-operation adopted by employees.

Required:
a) In you own words, briefly analyse the human resources problems facing Block Industries Ltd.   (5 marks)
b) Identify five causes that might have led to the prevailing situation and suggest the ways in which the situation can be corrected.   (15 marks)
                                                            (Total: 20 marks)

QUESTION TWO

Identify five stakeholders of an organization with which you are familiar and evaluate the impact of each stakeholder upon the management of the organization.   (**Total: 20 marks)**

QUESTION THREE

Informal groups develop spontaneously as employees interact in the work place.

a) Analyse the operations of informal groups indicating their benefits to an organization
                                                            (12 marks)
b) Explain the disadvantages of informal groups   (8 marks)
                                                            (**Total: 20 marks)**

QUESTION FOUR

a) Differentiate between consumer markets and industrial markets   (8 marks)

b) Describe the basis upon which consumer markets could be segmented, highlighting the reasons   (12 marks)

(Total: 20marks)

QUESTION FIVE

a) Effective allocation of the resources of the organization is essential for strategy implementation. Discuss   (10 marks)
b) What criteria can an organization use for allocating resources to different departments?
                                                                                    (10 marks)

(Total: 20 marks)

QUESTION SIX

a) Discuss the impact of information technology upon modern management practice
                                                                                    (10 marks)
b) "For any manager to be effective in the change process, he must own the process" Discuss this statement with regard to a manger as an agent of change.   (10 marks)

(Total: 20 marks)

QUESTION SEVEN

Show how delegation of authority in an organization is influenced by the following factors:

a) Chain of command   (5 marks)
b) Unity of command   (5 marks)
c) Span of control   (5 marks)
d) Line and staff relationship   (5 marks)

(Total: 20 marks)

QUESTION EIGHT

Quality management is an important strategic issue in an organization.   **(Total: 20 marks)**

KENYA ACCOUNTANTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD

CS EXAM

CPS PART III

PRINCIPLES AND PRACTICE OF MANAGEMENT

2 2013   **Time Allowed: 3 hours**

Answer any FIVE questions. Candidates are required to demonstrate both broad and deep understanding of this subject. ALL questions carry equal marks.

QUESTION ONE

Samson Kimani was recently appointed as the finance manager of Bita Chemicals Ltd. He qualified as an accountant one year ago and this is his first managerial position. The finance department is made up of ten members of staff who have been working for the company for several years but since they are not qualified accountants, they were not considered when the appointment was being done. Members of the department are not happy with the appointment as they would have liked someone who has been with the organization for a longer duration and therefore with more experience to have been promoted to that position.

Although Samson is a good accountant, he has a problem relating to people. Consequently, there has been little social contact between him and members of his department.

To overcome his communication problems, Samson has been relying on internal memoranda and placing instructions on the department's notice board as the main methods of conveying information to his staff. These new methods of communication have not been well received by the staff and have resulted in several complaints being made to the chief finance officer regarding Samson's inability to effectively communicate with his staff. There has also been a lot of confusion within the department and team spirit is at an all time low.

The chief finance officer has talked to Samson and was able to establish the following as the reasons for Samson's reliance on written communication only:

- To avoid confusion since there is a documented record of his instructions.
- When chairing departmental meetings he feels intimidated with so many experienced and older employees and as a result the meetings always end in chaos with no decisions being made.

As a manager in a consultancy firm, you have been approached by the chief finance officer to help Samson improve on his communication skills.

Required:
(a)   Explain to Samson why he should use different styles of communication to improve the working relations in his department.   (12 marks)
(b)   Outline to Samson the guidelines of conducting effective meetings with members of his department.   (8 marks)
                                        (Total: 20 marks)

QUESTION TWO

United Manufacturing Ltd. produces agricultural chemicals and currently has 800 employees stationed in its four branches.

The company has been experiencing very rapid growth in the last few years and the number of employees is expected to increase. To maintain its competitive edge the company has been training the existing employees and improving their benefits.

Recently, a new human resource manager was appointed and he has suggested that the company should invest in a computerized human resource information system to replace the manual system.

Required:
(a)   Explain how a computerized human resource information system will benefit United Manufacturing Ltd.   (10 marks)
(b)   Outline the steps the company should follow in the planning, development and implementation of the human resource information system.   (10 marks)
                                                                        (Total: 20 marks)

QUESTION THREE

(a)   "When a company introduces a new product, it faces the challenges of setting its price for the first time."

       Discuss this statement using the two pricing strategies.   (12 marks)

(b)   Explain the environmental factors that a marketing manager should consider before entering the international market.   (8 marks)
                                                                        (Total: 20 marks)

QUESTION FOUR

Discuss the contributions of scientific school of management to the study of work and its relevance to the management of organizations today.   **(20 marks)**

QUESTION FIVE

(a)   What are the characteristics of a good mission statement?   (6 marks)
(b)   Distinguish between goals and objectives describing how they can be used in the development of corporate strategic plans.   (14 marks)
                                                                        (Total: 20 marks)

QUESTION SIX

(a)   "Procurement is an important aspect of production management."
       Explain how an efficient procurement policy benefits an organization. (8 marks)
(b)   "The centralization of procurement in a large company leads to greater efficiency."
       Discuss.   (12 marks)
                                                                        (Total: 20 marks)

QUESTION SEVEN

(a)   Discuss the barriers to effective decision making in an organization and suggest ways in which management can overcome such barriers.   (11 marks)
(b)   Explain the three levels of strategy and the characteristics of strategic management decisions at each level.   (9 marks)
                                                                        (Total: 20 marks)

QUESTION EIGHT

(a)   Explain the importance of public relations to an organization.   (4 marks)
(b)   Outline the activities that are included in a public relations programme of an
       organization.   (4 marks)
(c)   Describe the steps to be followed in the implementation of a code of ethics.
                                                                        (12 marks)
                                                           (Total: 20 marks)

KENYA ACCOUNTANTS AND SECRETARIES NATIONAL EXAMINATIONS BOARD

CS EXAM

PRINCIPLES AND PRACTICE OF MANAGEMENT

December 2013   **Time Allowed: 3 hours**

Answer any FIVE questions. Candidates are required to demonstrate both broad and deep understanding of this subject. ALL questions carry equal marks.

QUESTION ONE

The training programme for the first year graduate management trainees of PQR Bank Ltd., a major commercial bank with a country wide branch network, consists of classroom training and on-the-job training. The objectives of the training are to ensure that new staff members learn fundamental concepts in banking and develop technical, analytical and communication skills that when combined with further experience and training, will help them achieve maximum potential in the organization.

Classroom training is used to introduce concepts and theories applicable to the work environment. Although new management trainees receive this special training, actual work experience is the principal means by which they develop the skills necessary to become good bank managers.

Managers in different departments and branches of the bank are responsible for on-the-job training. They assign duties to the trainees and review their progress. Owing to the fact that managers are on performance contracts, their attention is usually not focused on the work being done by the trainees. The managers therefore, assign routine to the trainees with little or no through to furthering the career development of these employees. This has resulted in minimal preparation of the trainees for the learning the job.

Recently, the bank has lost several capable first year management trainees. The reason most of them gave for leaving was that they were not learning or advancing in their careers.

Required:
(a)   Explain the limitations of on-the-job training offered by PQR Bank Ltd.
                                                                                            (8 marks)
(b)   Describe the measures that PQR Bank Ltd. should put in place in order to reduce
          the high turnover of the management trainees.   (12 marks)
                                                                        (Total: 20 marks)

QUESTION TWO

The success of a business plan depends as much on the clarity and realization of the thought behind it as on how it is expressed and put together.

List and explain the sequential framework for compiling a business plan.   (20 marks)

QUESTION THREE

(a)   Benchmarking can provide a company with a continuous and competitive advantage if it is used effectively.
        (i)   Describe the various types of benchmarking.   (8 marks)
        (ii)   Highlight the advantages of benchmarking.   (4 marks)
(b)   Briefly explain the key requirements for successful project management.
                                                                    (8 marks)
                                                        (Total: 20 marks)

QUESTION FOUR

The primary purpose of performance measurement is to measure how well an organization or department is accomplishing its mission, goals and objectives.
Describe the steps to be followed in the implementation of a performance measurement system in an organization.   **(20 marks)**

QUESTION FIVE

(a)   "Outsourcing some of an organisation's operations could lead to increased productivity." Discuss.   (12 marks)
(b)   Explain the factors that are considered in the design of an organization structure.
                                                                    (8 marks)
                                                        (Total: 20 marks)

QUESTION SIX

(a)   With the aid of a diagram, describe the transformation process and the various ways in which operations transform inputs into outputs.   (10 marks)
(b)   Identify and explain the characteristics of an effective management information system.   (10 marks)
                                                        (Total: 20 marks)

QUESTION SEVEN

(a)   In order to enhance the chances of a new product succeeding, the company should follow a systematic new product development process.

        Highlight the major stages in new product development.   (8 marks)

(b)   Describe the marketing strategies a firm should adopt in the different stages of a product's life cycle.   (12 marks)
                                                        (Total: 20 marks)

QUESTION EIGHT

"The nature of strategic management differs according to the type of organizations."

Discuss this statement with respect to the following types of organizations:

(a)   Public sector organizations.   (10 marks)
(b)   Non-profit organizations.   (10 marks)
                                                        (Total: 20 marks)

ANSWERS - PAST PAPERS

JUNE 2008

QUESTION ONE

"Some management experts feel that control (that is, setting standards, measuring performance against them and taking corrective action when needed) hinders creativity. Others take the opposite view"

The case for control
Controls is essential as the best of plans may go awry. It also helps mangers monitor environmental changes and their effects on the organization's progress.

Control creates better quality by spotting process flaws and correcting them. Employees are empowered to inspect and improve their own work. TQM changes many attitudes about, and approaches to achieving effective control.

Control helps cope with change. Change is an inevitable part of an organisation's environment. Markets shift. Competitors offer new products and services that capture the public imagination. The control function aids mangers in responding to the resulting threats or opportunities, by helping them detect changes that are affecting their organization's products and services.

Control creates faster cycles in creating and delivering products to customers.
Control adds value to a company's offering (products) against those of its competitors in the form of above-average quality.

Control facilitates delegation and teamwork by letting the manger monitor employees' progress without hampering employees' creativity or involvement with the work.

The case against control
Trying to control too many elements of operations can annoy and demoralize employees, frustrate their managers and waste valuable time, energy and money.

Managers may focus on easy-to-measure factors such as the number of people served in a restaurant, and ignore harder-to-measure factors such as dinner satisfaction. Yet dinner satisfaction could be more important in the long-run than the number of people served in a given period.

Most of the problems can however be avoided by an analysis that identifies key performance areas and strategic control points.

QUESTION TWO

a) CORPORATE MISSION, VISION AND CORE VALUES

Corporate Mission:
A mission statement is an organization's vision translated into written form. It makes concrete the leader's view of the direction and purpose of the organization. For many corporate leaders it is a vital element in any attempt to motivate employees and to give them a sense of priorities.
A mission statement should be a short and concise statement of objectives and priorities. In turn, objectives are specific objectives that relate to specific time periods and are stated in terms of facts. The primary goal of any business is to increase stakeholder value. The

most important stakeholders are shareholders who own the business, employees who work for the business and clients or customers who purchase products and/or services from the business.

A mission statement underpins the vision. It is necessarily more limited than a vision statement, and defines the organization's market positioning. It is a brief and focused statement of purpose that communicates the essence of the organization to its stakeholders and to the public. It relates to how the organization is going to d business in order to fulfill its vision.

Questions Addressed by Mission Statements
- What is the purpose of organization?
- What is unique about the organization?
- What are its principal products and markets?
- What are its values?
- Where is it hoping to be in five or ten years' time?

Corporate Vision
Vision is a short, succinct, and **inspiring** statement of what the organization intends to become and to achieve at some point in the future, often stated in competitive terms.

Vision refers to the category of intentions that are broad, all-intrusive and forward-thinking. It is the image that a business must have of its objectives before it sets out to reach them. It describes aspirations for the future, without specifying the means that will be used to achieve those desired ends.

A **vision** statement has been described as "a view of a realistic, credible, attractive future...a target that beckons."
Good vision statements are inspirational, clearly understood and brief enough to remember. There are a variety of approaches to developing a vision statement, including:
o Reviewing the analysis of strengths, weaknesses, opportunities and threats;
o Holding brainstorming sessions;
o Drawing graphic visions of the future;
o Conducting imaginary future trips through the agency or community;
o Pretending you are a planning committee from the future that is writing a report on accomplishments in the intervening years; and
o Exploring visions developed for other agencies or communities.

"To choose a direction, an executive must have developed a mental image of the possible and desirable future state of the organization. This image, is called a **vision,** and may be as vague as a dream or as precise as a goal or a mission statement." (Warren Bennis, a noted writer on **leadership**)

At **General Electric (GE)** the vision is 'We bring good things to life'.

The **Ford Motor Company** vision is 'to become the world's leading consumer company for automotive products and services'.

A vision statement presents an image of what an organization aspires to become. It explains the organization's significance and how it will improve whatever marketplace in which it participates. Stated clearly the vision is where the organization wants to go, its destination.

NB:
In short, if the vision statement is where the organization wants to go i.e. its destination, the mission statement articulates how it will reach the destination i.e. its transportation

Core Values

These are the few key principles that the organization seeks to uphold as it carries on its business. These guide the organization's vision. They are considered as being fundamental to the success of the entity's operations and stimulate relations with outsiders.

For instance, the United Nations Core Values are **Integrity, Professionalism,** and **Respect for Diversity.**

b) The key qualities of a good corporate vision:

The corporate success depends on the vision articulated by the chief executive or the top management. For a corporate vision to have any impact on the employees of an organization:

i) It should be conveyed in a dramatic and enduring way.
ii) It should inspire, usually asking employees for the best, the most or the greatest.
iii) It should keep organizational stretch in itself
iv) It should be communicated constantly, and
v) It should keep linking the events of today to its stipulations, underscoring the relationship between the two.

A good corporate vision may also contain commitment to:
- Developing a great new product or service
- Serving customers through the defined service portfolio
- Ensuring quality and responsiveness of customer services
- Providing an enjoyable work environment for employees
- Ensuring financial strength and sustainable growth of the company for the benefit of its stakeholders

QUESTION THREE

"The leader is more important than the followers as the key to an organization's success"

Good leaders are **made** not born. If you have the desire and willpower, you can become an effective leader. Good leaders develop through a never-ending process of self-study, education, training, and experience. This guide will help you through that process.

To inspire your people into higher levels of teamwork, there are certain things you must **be, know,** and, **do.** These do not come naturally, but are acquired through continual work and study. The **best** leaders are continually working and studying to improve their leadership skills.

Leadership is a complex process by which a person influences others to accomplish a mission, task, or objective and directs the organization in a way that makes it more cohesive and coherent. A person carries out this process by applying her leadership attributes (belief, values, ethics, character, knowledge, and skills). Although your position as a manager, supervisor, lead, etc. gives you the authority to accomplish certain tasks and objectives in the organization, this **power** does not make you a leader...it simply makes you the *boss.* Leadership makes people **want** to achieve high goals and objectives, while, on the other hand, bosses tell people to accomplish a task or objective.

When a person is deciding if he respects you as a leader, he does not think about your attributes. He observes what you *do* so that he can know who you really *are.* He uses this observation to tell if you are a honorable and trusted leader, or a self serving person who misuses her authority to look good and get promoted. Self serving leaders are not as effective because their employees only obey them, not follow them. They succeed in many areas because they present a good image to their seniors at the expense of their people.

The basis of good leadership is honorable character and selfless service to your organization. In your employees' eyes, your leadership is everything you do that effects the organization's

objectives and their well being. A respected leader concentrates on what she *is [be]* (beliefs and character), what she *knows* (job, tasks, human nature), and what she *does* (implement, motivate, provide direction).

What makes a person want to follow a leader? People want to be guided by those they respect and who have a clear sense of direction. To gain respect, they must be ethical. A sense of direction is achieved by conveying a strong vision of the future.

Two Most Important Keys of Leadership
   i)   Trust and confidence in top leadership was the single most reliable predictor of employee satisfaction in an organization.
   ii) Effective communication by leadership in three critical areas was the key to winning organizational trust and confidence:
        o   Helping employees understand the company's overall business strategy.
        o   Helping employees understand how they contribute to achieving key business objectives.
        o   Sharing information with employees on both how the company is doing and how an employee's own division is doing - relative to strategic business objectives.

So basically, you must be **trustworthy** and you have to be able to **communicate a vision** of where you are going.

The four major factors of leadership are the:
Follower - Different people require different styles of leadership. For example, a new hire requires more supervision than an experienced employee. A person with a poor attitude requires a different approach than one with a high degree of motivation. You must know your people! The fundamental starting point is having a good understanding of human nature: needs, emotions, and motivation. You must know your employees' *be, know,* and *do* attributes.

Leader - You must have a honest understanding of who you are, what you know, and what you can do. Also, note that it is the followers, not the leader who determines if a leader is successful. If a follower does not trust or lacks confidence in her leader, then she will be uninspired. To be successful you have to convince your followers, not yourself or your superiors, that you are worthy of being followed.

Communication - You lead through two-way communication. Much of it is nonverbal. For instance, when you "set the example," that communicates to your people that you would not ask them to perform anything that you would not be willing to do. What and how you communicate either builds or harms the relationship between you and your employees.

Situation - All situations are different. What you do in one leadership situation will not always work in another situation. You must use your judgment to decide the best course of action and the leadership style needed for each situation. For example, you may need to confront a employee for inappropriate behavior, but if the confrontation is too late or too early, too harsh or too weak, then the results may prove ineffective.

Various forces will affect these factors. Examples of forces are your relationship with your seniors, the skill of your people, the informal leaders within your organization, and how your company is organized.

QUESTION FOUR

a)   The "Peter Principle"

The Peter Principle concept was introduced by Canadian sociologist Dr. Laurence Johnston Peter in his humoristic book of the same title. In his book, he describes the pitfalls of the

bureaucratic organization witnessed during his extensive research into business organizations.

This follows from the use of promotion as a reward for success. As long as a person is competent in his current position, he will be promoted to the next higher one. By iteration, the only way a person can stop being promoted is to reach a level where he is no longer able to do well, and thus does not appear eligible for promotion.

The theory was set out in a humorous style in the book **The Peter Principle,** first published in 1969. Peter describes the theme of his book as **hierarchiology.** The central principle is stated in the book as follows:

In a Hierarchy Every Employee Tends to Rise to His Level of Incompetence.

The Peter Principle has attained such renown that The American Heritage Dictionary defines it as "The theory that employees within an organization will advance to their highest level of competence and then be promoted to and remain at a level at which they are incompetent."

The principle is based on the observation that in such an organization new employees typically start in the lower ranks, but when they prove to be competent in the task to which they are assigned, they get promoted to a higher rank.
This process of climbing up the hierarchical ladder can go on indefinitely, until the employee reaches a position where he or she is no longer competent. At that moment the process typically stops, since the established rules of bureaucracies make that it is very difficult to "demote" someone to a lower rank, even if that person would be much better fitted and more happy in that lower position.
The net result is that most of the higher levels of a bureaucracy will be filled by incompetent people, who got there because they were quite good at doing a different (and usually, but not always, easier) task than the one they are expected to do.

b)   The validity of the Peter Principle in Modern Management Practices

According to Dr. Peter, work is accomplished by those employees who have not reached their level of incompetence. Thus we can see why organizations still function even as the Peter Principle causes some employees to accept one too many promotions. Dr. Peter provides an insightful analysis of why so many positions in so many organizations seem to be populated by employees who seem incompetent. This concept is likely to be ignored by most senior managers since to admit one's organization is suffering from the Peter Principle is admission that people have been improperly promoted. This, in turn, suggested that senior management might have attained their own level incompetence.

Example:

If you're a proficient and effective software developer, you're most likely demonstrating peak competence in your job right now. As a result of your performance, your valuable contribution results in a promotion to a management position. In this new position, you now do few of the original tasks which gained you acclaim. In fact, little of your current job remains enjoyable, therefore your heart is no longer in your work, and it shows. Given this, promotions stop, and there you stay, until you retire or your company goes under due to mismanagement.

Companies will attract and expand on a certain level of incompetence. Once a company forms a culture of incompetence, only the incompetent staff will remain, and the competent ones will tire of trying to soar with eagles while surrounded by turkeys, and therefore leave.

The end result is that non-growing companies are more likely to have incompetent employees at many levels of the organizational structure whereas growing companies add

new positions and employees so fast that the inevitable results of the Peter Principle may be forestalled so long as growth continues.

Management consultants who recognize that the Peter Principle is in full swing in their clients organization often recommend percussive sublimations and lateral arabesque for high ranking employees to make room for new employees, because new employees are not yet at their level of incompetence thus they can actually do the work they were hired to do which increases total output of the organization.

The employee's eventual incompetence is not necessarily a result of the higher-ranking position being "more difficult" - it may be simply that the position is **different** from the position in which the employee previously excelled, and thus requires different skills which the employee may not possess. An example used by Peter involves a factory worker whose excellence at his work results in him being promoted into a management position, in which the skills that got him promoted in the first place are no longer of any use.

One way that organizations attempt to avoid this effect is to refrain from promoting a person until that person already shows the skills or habits necessary to succeed at the next higher position. Thus, a person is not promoted to manage others if he/she does not already show leadership, for instance.

Some have observed that individuals perform worse after being promoted. The Peter Principle, which states that people are promoted to their level of incompetence, suggests that something is fundamentally misaligned in the promotion process. This view is unnecessary and inconsistent with the data. Below, it is argued that ability appears lower after promotion purely as a statistical matter.

Being promoted is evidence that a standard has been met. Regression to the mean implies that future ability will be lower, on average. Firms optimally account for the regression bias in making promotion decisions, but the effect is never eliminated. Rather than evidence of a mistake, the Peter Principle is a necessary consequence of any promotion rule. Furthermore, firms that take it into account appropriately adopt an optimal strategy.

Usually, firms inflate the promotion criterion to offset the Peter Principle effect, and the more important is the transitory component relative to total variation in ability, the larger the amount that the standard is inflated. The same logic applies to other situations. For example, it explains why movie sequels are worse than the original film on which they are based and why second visits to restaurants are less rewarding than the first.

QUESTION FIVE

Advantages of Group Decision Making
  i. Use of groups in decision making tends to lead to higher quality decisions that a single individual working alone might have obtained.
 ii. More information is available to the group than is available to an individual – members have varying experiences, education and qualifications.
iii. A group is likely to generate more alternatives – so each person may have their own differing ideas.
 iv. Acceptance of the decision will probably be greater than it would be if an individual made the decision alone – it involves an element of democracy.

Disadvantages of Group Decision Making
  i. Groups tend to take longer to reach a decision, because all members may wait to discuss every aspect of the decision.
 ii. The group may try too hard to compromise to the exclusion of a superior decision that the group could have attained with more effort.
iii. A single individual may dominate the process – setting aside all the potential advantages of group decision making.

iv. Groups may succumb to group thinking i.e. become interested in maintaining cohesiveness and good feelings towards one another and lose sight of the groups original objectives.

v. Here the group makes decisions that protect its members and individuals and the group as a whole rather than decisions that are in the best interest of the overall organization.

QUESTION SIX

FACTORS TO BE CONSIDERED WHEN SETTING PRICE:

The company's pricing decisions are influenced by a number of **internal company factors** and **external environmental considerations.** The internal factors include:

o   The company's marketing objectives
o   Marketing mix strategy
o   Costs
o   Organization

The external factors include:

o   The nature of the market and demand
o   Competition
o   Other environmental factors

Internal Factors Affecting Pricing Decisions

1. **The marketing objectives**: the company decides what it wants to accomplish with a certain product. If the company has selected its target market and market positioning carefully, then its marketing mix strategy, including price, will be fairly straightforward. The clearer a firm is about its objectives, the easier it is to set price. Examples of common objectives are **survival, current profit maximization, market-share maximization,** and **product-quality leadership.**

2. **Marketing Mix Strategy**: Price is only one of the marketing mix tools that the company uses to achieve its marketing objectives. Price decisions must be coordinated with product design, distribution, and promotional decisions to form a consistent and effective marketing program. Decisions made for other marketing mix variables may affect pricing decisions e.g. producers who use many resellers and expect these resellers to support and promote their products may have to build larger reseller margins into their prices. The decision to develop a high-quality position will mean that the seller must charge a higher price to cover higher costs.

3. **Costs**: Costs set the floor for the price that the company can set for its product. The company wants to charge a price that covers all its costs for introducing, distributing, and selling the product, including a fair return for its effort and risk. The company must watch its costs carefully. If it costs the company more than competitors to produce and sell a comparable product, the company will have to charge a higher price than competitors or make less profit, putting it at a competitive disadvantage.

4. **Organizational Considerations**: Management must decide who within the organization is responsible for setting price. Companies handle pricing in a variety of ways. In small companies, prices are often set by top management rather than by the marketing or sales department. In large companies, pricing is typically handled by divisional or product line managers.

External Factors Affecting Pricing Decisions

1. **The nature of the market and the demand**:
    Cost set the floor for prices, and the market and demand set the ceiling. Both consumer and industrial buyers balance the price of a product or service against the benefits of

owning it. Thus, before setting prices, the marketer must understand the relationship between price and demand for its product.

Considerations here include:
o Pricing in different types of markets
o Consumer perceptions of price and value
o Analyzing the price-demand relationships
o Price elasticity of demand

2. **Competitors' Prices and Offers**: Competitors' prices and their possible reactions to the company's pricing strategies affect pricing. Consumers evaluate a product's price and value against the prices and values of comparable products. The company's pricing strategy may affect the nature of the competition it faces-a high price, high-margin strategy may attract competition, whereas a low-price, low-margin strategy may discourage competitors or drive them out of the market.

3. **Other external Factors**: When setting prices, the company must also consider other factors in its external environment e.g. economic conditions can have a dramatic impact on the effectiveness of different pricing strategies. Economic factors such as inflation, boom or recession, and interest rates influence pricing decisions because they affect both the costs of producing a product and consumer perceptions of the product's price and value.

The company must consider what impact its prices will have on other parties in its environment. How will resellers react to various prices? The company should set prices that allow resellers a fair profit, encourage their support, and help them to sell the product effectively. The government is another important external influence on pricing decisions. Marketers need to know the laws affecting price and make sure their pricing policies are defensible.

QUESTION SEVEN

The different stages and areas where inspection may take place in a manufacturing process

Despite advances in technology used in manufacturing processes, there is still no substitute for quality assessment of the resulting products of the manufacturing process. By employing an independent and objective inspection and testing, problems can be identified and prevented at source, prior to shipment or during production.

Customers are often located thousands of miles away from their product source. They often need to verify that their interests are being well protected and that quality products are being manufactured.

There is thus a critical need to monitor the entire quality related process at all stages from development through the manufacturing process to delivery. The inspection areas covered typically include:

- On-Site Quality Audit Services
- Product Development and Evaluation
- Specification Recommendation
- Factory Evaluation
- Pre-Production Inspection
- During Production Inspection
- Final Random Pre-shipment Inspection
- Supervision of Loading
- Production and Delivery Monitoring

The role of inspection is to ensure "Quality Assurance" i.e.

a) an appropriate infrastructure or "quality system" encompassing the Procedures, Processes, and Resources

b) the systematic actions necessary to ensure adequate confidence that a product (or service) will satisfy given requirements for "Quality"

The stages involved in quality inspection may vary from organisation to organisation, but typically include:
1. Ensuring products are developed correctly
2. Identifying managerial responsibilities
3. Providing Standards of Procedure (SOPs) for production and control
4. Organizing supply and use of correct starting materials
5. Defining controls for all stages of manufacture and packaging
6. Ensuring finished product correctly processed and checked before release
7. Ensuring products are released after review by authorized person
8. Providing storage and distribution
9. Organizing self-inspection

Basic tasks involved in the quality assessment process include:
1. Checking whether ingredients are of the required purity
2. Checking whether proper storage containers are used
3. Checking correct labelling of finished products
4. Release of batches by the authorized person
5. Retained samples of starting materials and products
6. Establish QC procedures
7.   Environmental monitoring

QUESTION EIGHT-Replaced

Professional accountants are often employed in a managing as well as an accountancy capacity. This requires an understanding of the responsibilities and duties of a manger and of the lower level of management, that of supervision.

a) The duties of a manger were first detailed by the writer Henri Fayol. He detailed five 'elements of management' which guide the management task. These are:
  I. To forecast and plan ('prevoyance'): To look into the future and set objectives in an attempt to understand and control the future. This element is further subdivided into the need for unity (each department's objectives being wielded together for the common good of the organization); continuity in short and long-term forecasting; flexibility in the need to adapt to circumstances and precision in attempting accurate future actions.
  II. To organize: To build the human and material structure of the organization.
  III. To command (draws on the military roots of management theory): To maintain activity amongst the workforce." Command" may be an outdated idea, modern writers would suggest that 'motivation' is more appropriate, although 'command' has a clear meaning in terms of the ultimate responsibility of management.
  IV. To co-ordinate: Fayol saw this as the process of binding together, unifying and harmonizing the activities of those employed in the organization.
  V. To control: That which brings conformity with established rules and command, through ensuring that targets are achieved and objectives met. This idea again draws on the military roots of management theory.
  VI. Supervision is an important and integral part of the task and process of management. The role of supervision is a   critical one because of the direct contact and responsibility for the work of others.
     It used to be said that a manager did his or her job by getting others to do theirs; in many ways this sums up the role of the supervisor. The role differs from that of the management in that the supervisor is unique, being the interface between management and the workforce and is the direct link between the two.

The role of the supervisor differs from that of the manager in that he or she:
  i. Is in direct physical contact with non-mangers on a frequent basis
  ii. Is the front line of management
  iii. Has the chief responsibility for seeing that others fulfil their duties
  iv. Has a dual loyalty and must be loyal both upwards and downwards
  v. Has to face and resolve problems firsthand and often quickly
  vi. Actually directs the work of others
  vii. Directly enforces discipline
  viii. Due to the closeness to others, has direct knowledge and ability in health, safety and employment legislation
  ix. Often has responsibility for negotiation and industrial relations within the department

However, management must ensure that supervisors understand organisational objectives and make clear the powers and limits of the supervisor's authority and responsibilities.

JULY 2000

QUESTION ONE

Managerial decisions are affected by the external environment. Organizational performance depends on the successful management of the opportunities, challenges and risks presented by the external environment.

A host of external factors influence a firm's choice of direction and action and ultimately organizational structure and internal processes.

Every firm is surrounded by 3 subcategories of environments:
a) The operating environment comprising labour, creditors, suppliers, customers and competitors.
b) The industry environment which comprise forces driving industry competition.
c) The remote external environment which comprise economic, social, political, technological and ecological factors.

One popular technique of analyzing the external environment is the SLEPT analysis which divides the environment into five related but separate systems - social, legal, economic, political and technical.

The social and cultural environment
The firm is influenced by changes in beliefs, values, habits and attitudes of society e.g.
• With the shift away from 9 - 5 working days to more flexible forms in some companies, supermarkets open until late and also IT now allows people to bank throughout the night.
• The number of women employees have also steadily increased and new policies have to be designed to cater for their 'speed needs'
• Demographic changes affect demand e.g. emigration or falling birth rates. Changes in tastes and fashions also affect manufacturers especially in the fashion industry.

Legal environment
The legal environment is concerned with how a firm does its business and covers law of contract, treatment of workers, laws about the environment and legislation on competitive labour.
• The law can affect the firm in several ways: strict health and safety regulations increase costs. Premises failing to meet higher standards could be closed down or have their products banned. Tobacco companies are at present faced with the prospect of a ban on advertising.
• Management must also bear in mind other legal and regulatory parameters e.g. tax regulations and minimum wage allowed.
• The government sometimes can become an unbeatable competitor by allowing itself sole rights over certain businesses e.g. communications or by fully owning certain natural resources. Organizations must make strategic forecasts in such cases.

The Economic Environment
The current state of the economy can affect how a company performs. The economic influences include taxation levels, inflation, interest rates, GNP, the balance of trade and government subsidies.

A downturn in the economy will lead to corporate failures especially for suppliers of goods with a high-income elasticity of demand e.g. house owners or property management firms such as Lloyd Masika, Regent e.t.c.

Deflationary government fiscal policy and central bank monetary policy can have a highly damaging impact on business.

The Political Environment
The organization must react to the attitude of the political party in power at that time. The government is the nation's largest supplier, employer, customer and investor and any change in government spending priorities will greatly affect business.

Political influence will include legislation on trading, dividends, employment, privatization and unemployment.

Most governments take actions on monopolies and restrictive practices, provide financial assistance to some ailing industries and take action to protect the environment.

The Technological Environment
This environment changes very rapidly and organizations must be constantly aware of what is going on.

A lot of new technology is found in communications particularly the Internet and also in Information Technology.

Technological changes influence production techniques, the type of products made and the services provided.

Failing to exploit IT and new production technology will lead to an organization falling behind its rivals and losing its competitive edge. Most companies now deliver services through IT especially banks.

Technology has led to the emergence of substitutes e.g. videos at home as opposed to going for cinemas.

Managers should seek to understand that their firms are environment dependent and their decisions must take into account the external environmental factors.

Competition
Competitors are organizations that offer similar or alternative products or services to the customer. Therefore the organization must compete for resources and also for market share. Knowledge of competitors is very important for corporate success. The competitors' strengths and weaknesses must be evaluated so as to develop competitive strategies. Competitors affect a firm's pricing decisions, location of industry, employment, product quality and attributes.

QUESTION TWO

Prior to 1900, there was no systematic way of managing work. Management was highly individualistic, adhoc, autocratic and not at all standardized. The classical era, to which the scientific management belongs, marked the first attempt at developing and documenting guidelines to help managers move away from this approach.

FW Taylor is regarded as the father of scientific management. To discover better ways of management, he conducted a wide variety of experiments most of which involved time and motion studies.

Taylor wanted to:
(i)   Know how long it should take a worker or a machine to perform a given task.
(ii) Develop uniform standards of work.

(iii)   Find a method of matching workers to jobs

(iv)   Learn better ways to supervise and motivate personnel.

Taylor's main contributions:

- Determining one best way of performing tasks: managers should study work scientifically and determine one best way of performing the ob using Time and Motion Studies. This measures all tasks movements made by a worker and eliminates those that do not lead to activity.
- Scientific method of selecting personnel: workers must be scientifically selected and trained so that they can be more productive on their jobs. Taylor knew some workers were more suited to a job than others.
- Financial incentives: workers should be given financial motivation to increase production efficiency. At that time, the most common type of wages were hourly rates. Taylor felt that motivation would be enhanced by piece-rate, a financial rate whereby workers would be paid according to what they produce other than the number of hours worked.
- Functional foremanship: Taylor advocated that responsibility be divided between managers and worker. Managers should plan, direct and control the work process while workers should be responsible for performing actual tasks.
- Each task must be scientifically designed so that it can replace the old 'Rule of thumb' method.
- Encourage friendly interaction between management and employees but a clear separation of duties remain.

Taylor however faces the following criticisms

- He assumed workers are primarily motivated by money.
- He regarded an organization as a machine and workers as part of it.
- He failed to consider informal relationships in organizations characterized by social activities, rise of informal group leaders e.t.c.
- He relied too much on his own experience and it is dangerous to generalize from just one experience. Current organizations are faced with rapid change and competition.

Other thinkers:

Henry L Gantt:
Gantt is one of the leading contributors to the scientific management theory.

He believed that the piece rate system developed by Taylor was not having the desired level of impact and focused his attention on techniques that would further motivate workers.

His main contributions are:

(i)   Bonus: He developed the idea of bonus wage system. Production goals were set for workers and if the worker achieved the goals, a bonus in addition to the day's wage was provided. The bonus was extended to the manager in charge of the subordinate.

(ii)   Gantt Chart: This is a technique which shows on a graph, the scheduling of work to be done during any given period e.g. a chart might show which machine will be used or has been used for various tasks over time. The chart is especially used today in many organizations especially manufacturing firms for production control and scheduling.

Gilbreths
A team of husband and wife, Frank and Lilian Gilbreths.

Lilian focused on ways of promoting the welfare of the individual worker. To her, the ultimate aim of scientific management was to help the workers reach their full potential as human beings.

Frank studied motion and fatigue. He found out that for every motion that was eliminated, fatigue was reduced.

Main Contributions
a) Three position plan of promotion: This was intended to serve as an employee morale booster and also for development. According to the plan, the worker carried out his present job, prepared for the next higher one and trained his successor, all at the same time. Thus the worker is always a doer, learner and teacher.
b) Job rotation: Employees can be developed though rotating them in various tasks to improve performance.
c) Training and development of workers: This will improve worker productivity.

QUESTION THREE

a) Control is a process that attempts to assure that the actual activities performed match the desired goals that have been set. Control assures that deviations from the goals are corrected. It provides feedback that can aid in setting future goals and standards. Control systems are mechanisms.

The control systems a manager can use may be classified into three categories: managerial discretion, timing and information.

Managerial Discretion
This relates to the amount of discretion a manager has in completing the task i.e. the freedom or authority to make decisions or choices about a particular situation. Such systems may be either cybernetic or non cybernetic.

Cybernetic control systems are self-regulating i.e. they have built-in devices to automatically correct any deviations that may occur. They are self-regulating and self operating, they eliminate the need for people overseeing tasks. This system is useful for tasks and processes in which all of the steps and standards are very well known e.g the use of robots in production.

Non cybernetic control systems are those in which managers use their own discretion in making decisions about how best to complete an activity and meet performance goals. Quality circles allow the discretion of work groups in determining how best to complete a job and eliminate problems.

Timing
Steering controls anticipate results and guide an activity before the operation begins e.g. in new product development, demand is predicted, production schedules are set and expected delivery dates are defined beforehand.

Yes-No controls assess an activity while it is in progress. At checkpoints, progress is okayed, corrective action is taken or progress is halted. Yes-No controls are used in scheduling of and timing of steps or procedures such as the Critical Path Method (CPM) or Project Evaluation and Review Technique (PERT).

Post-action controls measure and evaluate the results of an activity after it is completed. They provide information for rewards and planning. They rely on feedback received from the system.

Information
Control systems are designed to monitor and evaluate certain activities, therefore they are designed to accumulate and evaluate certain types of information - financial, physical and administrative.

Information about financial resources is usually in the form of figures that show the amounts allocated and spent e.g. budgets, capital expenditures and cash flows.

In production, information about scheduling, inventories, quality control and materials has to be collected, stored and retrieved.

Human resource (administrative) information is collected showing records e.g. absenteeism, pay rises, training and performance evaluations.

b)   Drawbacks of control systems

Game playing
People look at controls as something to be beaten. Many people look at rules and regulations as things to circumvent, the budget is frequently a version of 'pad the budget,' tax forms are never sincerely filled and most organizations 'use' every penny allocated to them - to justify that more resources are needed in the next budgetary season.

These games are played within the procedures of the control system.

Sabotage
One form of sabotage is to create confusion. Experts may complicate projects so that management cannot understand them or the resources to support the project.

Inaccurate information
Managers may supply inaccurate information to make themselves appear better while subordinates may report what they perceive management wants to hear.

Realistic reports and expenses may not be reported if they contradict what management expects.

Management may ask for information that has not been collected and subordinates may make up numbers or give their best guess.

Illusion of control
Appearing to be in control is particularly important at the upper levels of the firm. Managers attempt to appear in control and to assure their superiors that everything is in order and flowing smoothly.

Even in performance evaluation sessions, subordinates will attempt to appear in control and to deny the existence of any negative deviations from standards.

QUESTION FOUR

Communication is the process of creating, transmitting and interpreting ideas, facts, opinions and feelings. It is a process that is essentially a sharing one, a mutual interchange between two or more persons.

The need for effective communication in an organization
Communication is an integral part of management because it is only through it that a manager can make himself understood by his employees. A manager must receive and give ideas, reports, instructions and give demonstrations.

Besides through communication, a manager keeps the organization in touch with the external environment (customers, suppliers, dealers, government etc).

Communication is therefore essential for affecting organizational performance. Effective and efficient communication results in better organizational performance.

Effective communication helps managers to:
- Establish and disseminate goals of an enterprise.
- Develop plans for their achievement.
- Organize human and non human resources.
- Select, develop and appraise staff.
- Control performance.
- Direct, lead and motivate employees.

How to improve organizational communication
It is the responsibility of every manager to keep improving the process and making it more effective.

Some ways of making communication more effective include:

- **Brevity** - the message should be as brief and simple as possible. A wordier message has higher chances of distortion.
- **Appropriate vocabulary** - the words and statements used by the sender should be those known and understood by the receiver. Technical jargon should be avoided.
- **Accuracy** - Irrelevant issues must be avoided.
- **Completeness** - the message should be such that it contains all the needed information. Nothing must be left to be guessed.
- **Selectivity** - managers should send out and receive only that information they require. Information overload can be confusing.
- **Use of visual devices** - oral communication becomes more effective if complemented with visual aids.
- **Timeliness** - information must be given at the time when it is required. Untimely information is as bad as no information at all.
- **Empathy** - the sender should try as much as possible to identify with the position and situation of the receiver.
- **Effective feedback system** - there should be a mechanism of sending feedback within the organization.
- **Economy** - the benefits of communication should justify its costs.

QUESTION FIVE

The meaning of TQM
TQM is relevant for PQR Ltd because TQM is designed to achieve customer satisfaction. The key to TQM is for everyone to have well defined customers - an extension of the word, beyond the customers of the company, to anyone to whom an individual provides a service.

Quality has to be managed in TQM, it will not just happen on its own. TQM aims at getting quality right the first time.

Staff recruitment - especially additional personnel may be needed to meet the requirements of TQM.

   Training and development is also part and parcel of TQM, which requires that employees and suppliers be trained to know what is expected of them. Management should also encourage education and self-improvement at every level.

Implementing TQM

There is no one best way to implement TQM; each organization has to implement it in the manner that suits it the most.

Many firms start with an awareness program to educate both managers and other employees on what TQM means and how it will affect their jobs. This involves encouraging managers to attend seminar and discussions on TQM, read about TQM and visit other firm already practicing TQM.

The next step is a customer survey to find out their expectations about the firm and identify areas where these expectations aren't being met.

The results of the survey will form the starting point of implementing a quality program. Implementation will be done step-by-step beginning with departments of greatest weakness.

The process of TQM

1. Analysis of customers' needs. They may need quality products efficient services etc. Needs assessment may be carried out through a market survey using interviews and the questionnaire.
2. Assessment of the degree to which these needs are being met.
3. Establishment of the gap between the current state and the desired.
4. Establishment of quality standards capable of satisfying customers' needs.
5. Putting in place programmes necessary to meet the standards. These programmes may include training and development, incorporating quality objectives into strategic plans, forming quality teams (quality circles) and rewards for quality improvement.

Elements of companies that follow TQM

- There is absolute commitment by the chief executive and all senior managers to doing what is needed to change the culture. Alongside this is total commitment to the program at every level.
- Quality is everybody's responsibility and it is customer driven not organization driven.
- There is customer satisfaction.
- There is real commitment to a continuous improvement of all processes.
- Communication is excellent and multi-way.
- Attention is focused first on the process and second on results.
- There is an absence of strict control systems.

CONCLUSION

Implementation of TQM as a new strategy will help PQR Ltd greatly. The operations of the organization will be strengthened, team spirit will improve, the competitive strength of PQR will improve and all in all, PQR will meet its customer needs, which will make it remain very competitive.

QUESTION SIX

Introduction

The global trend towards an increasingly competitive market place has forced companies to find new ways of gaining competitive advantage. The potentially critical role Information Technology (IT) can play in achieving this goal is well recognized.

IT can be broadly defined as the convergence of computer technology and communications technology. Many organizations' activities have been enhanced through the use of computers.

a) How computers contribute to efficient operations and management of an organization.
- Computers have improved the level of efficiency and accuracy of information.
- It has increased the volume of information that can be processed.
- The speed at which information becomes available to more people.
- The use of computers have eliminated cumbersome manual operations e.g. in accounting department where clerks have to deal with so many records.
- Computers can reduce the cost of operations to the management in terms of space and the number of record clerks to be employed.
- Complete computerization of organizational activities have made operations more efficient by making for it easier not only for users but also for managers to access virtually all information pertaining to activities of other departments and other sections of the organization. Hence there is improved communication between the various functional units.
- IT results in better customer service especially since staff can handle customer queries by accessing the organization data files.
- The planning and control of the production department is enhanced with systems such as 'Just-in-Time' (JIT), 'Materials Requirements Planning' (MRP), 'Computer Aided Design' (CAD) and 'Flexible Manufacturing System' (FMS). Stock control is likely to be easier as well.

Effects of computerization problems in an organization
- High displacement rates of employees at clerical and worker level.
- Loss of data due to e.g. black outs delay operations and affect decision making.
- Rapid changes in the use of computer languages and programmes make the cost of training and acquiring new packages expensive.
- Security problems with data e.g. viruses or intruders. These may cause huge losses to the organization.
- Computer virus and computer bugs may affect the use of computers resulting to distortion and disappearance of data.
- Resistance to change.
- IT leads to changes in organizational structure as it encourages a tendency towards decentralization of authority with its associated problem.
- Health problems may result from over use or poor use of the computer.
- Easy access of information by lower level workers may lead to potential loss of status and power by managers. Computers may therefore trigger emotional problems and stress to both managers and their subordinates.

QUESTION SEVEN

Managers need to manage their time effectively - it is difficult to save time and managers simply lose more and more of it as days, weeks, months and years progress. They often find that by the end of the day, no more hours are remaining for doing any work.

Managers must budget their time so that they can perform their daily tasks and have time for future strategic plans.

Potential ways of wasting time:
- Chatting too much on personal matters not related to work.
- Long group or committee meetings.

- Too many interruptions during working time.
- Disorganization as a result of poor management.
- Very little delegation.
- Indecisiveness.
- Lateness and absence.

Ways to improve personal time management

- **Daily goals** - know what you want to accomplish each day. Prioritize and tackle the most important goal first.
- **Deadlines** - set specific deadlines with time targets to achieve these tasks. Deadlines should be realistic and achievable.
- **Taking notes** - use a notebook or diary all the time. Keep a record of meetings and discussions as well as appointments, things to do and contacts of the people you deal with.
- **Use telephone** - this should be the main communication link as it is quick for solving problems and is a two-way communication method.
- **Self-motivation** - this will help managers accomplish tasks within a specified period.
- **Action-oriented** - be action oriented. If you plan to do something, do it.
- **Work plan** - plan work in detail for today and tomorrow. At the end of each day examine ways in which time has been wasted.
- **Managerial questions** such as what to delegate or what priorities there are in decision-making process will help a manager find more efficient ways of attaining goals and objectives.
- **Avoid doing everything** - do the most important things that lead to significant results. Delegate where possible. A manager is a busy entrepreneur.
- **Reflective thinking** - acquire this area of learning from one's past experience, present and potential future activities.
- **Review and evaluate your experience** - a review of past experiences will determine which ones were interesting and productive, this will help in choice of future activities.
- **Working in blocks of time** - work undisturbed for a give block of time when you feel most effective.

Managers must consider time as their major asset and invest wisely in managing their personal time. They must concentrate on what is important, recognize time constraints, minimize disruptions and get information quickly. All these will serve to create time to perform all their managerial tasks effectively.

QUESTION EIGHT

There is not much point in 'change for change's sake', and most people a need to be persuaded of the need to change. Some people fear it. Resistance to change in an organization usually happens because of lack of clear understanding of the effects of change.

a) **Reasons for employee resistance to change**
- Uncertainty - people are not sure of what might happen, whether they will be able to perform in the new setting. This is insecurity.
- Self interest - people fear change because it threatens their self-interest
- They fear to lose control over others
- They fear to lose position of expertise
- They fear that the information they control may become accessible to others.
- Loss - people fear loss and therefore resist change e.g. fear to lose an income. This is economic loss.
- Social loss - change may lead to loss of status symbols e.g. title, large office etc

- Inconvenience - new procedures and techniques may have to be learned. There could also be physical relocation.
- Union opposition - labour union representatives usually oppose any changes proposed by management.
- Destiny - even though change may be for the better, resentment arises when employees realize they have no control over their destiny.

Other sources of resistance to change include:
- Obsolescence of skills
- Ego defensiveness
- Peer pressure
- Plain desire to maintain the status quo.

b) How to overcome resistance to change
- Provide information in advance: i.e. the reason for change, its nature, timing and impact on both the organization and the individual.
- Encourage participation: If subordinate participation is encouraged in establishing the change, they will support change.
- Guarantees against loss: Give truthful guarantees that there will be no lay offs or pay reductions as a result of the changes.
- Make only necessary changes: Don't make changes for the sake of change; every change introduced must be justified.
- Build trust: If a manager is trusted by employees' resistance is likely to be less.
- Counseling: This will not only prevent rebellion but have some chance of stimulating voluntary adaptation.
- Allow for negotiation: Allow employees and managers to give their views and come to a consensus.
- Maintain useful customs and informal relationships: when possible changes could be made to coincide with the culture and personnel within the organization.

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DECEMBER 2008

QUESTION ONE

Leadership is the process of influencing others to work willingly towards an organization's goals, and to the best of their capabilities.
The extent to which it is possible and desirable for managers to become leaders

Good leaders are **made** not born. If you have the desire and willpower, you can become an effective leader. Good leaders develop through a never-ending process of self-study, education, training, and experience. This guide will help you through that process.

To inspire your people into higher levels of teamwork, there are certain things you must *be, know,* and, *do*. These do not come naturally, but are acquired through continual work and study. The **best** leaders are continually working and studying to improve their leadership skills.

Before we get started, lets define leadership. Leadership is a complex process by which a person influences others to accomplish a mission, task, or objective and directs the organization in a way that makes it more cohesive and coherent. A person carries out this process by applying her leadership attributes (belief, values, ethics, character, knowledge, and skills). Although your position as a manager, supervisor, lead, etc. gives you the authority to accomplish certain tasks and objectives in the organization, this *power* does not make you a leader...it simply makes you the *boss*. Leadership makes people *want* to achieve high goals and objectives, while, on the other hand, bosses tell people to accomplish a task or objective.

When a person is deciding if he respects you as a leader, he does not think about your attributes. He observes what you *do* so that he can know who you really *are*. He uses this observation to tell if you are a honorable and trusted leader, or a self serving person who misuses her authority to look good and get promoted. Self serving leaders are not as effective because their employees only obey them, not follow them. They succeed in many areas because they present a good image to their seniors at the expense of their people.

The basis of good leadership is honorable character and selfless service to your organization. In your employees' eyes, your leadership is everything you do that effects the organization's objectives and their well being. A respected leader concentrates on what she *is [be]* (beliefs and character), what she *knows* (job, tasks, human nature), and what she *does* (implement, motivate, provide direction).

What makes a person want to follow a leader? People want to be guided by those they respect and who have a clear sense of direction. To gain respect, they must be ethical. A sense of direction is achieved by conveying a strong vision of the future.

Two most important keys of leadership
Trust and confidence in top leadership was the single most reliable predictor of employee satisfaction in an organization.

Effective communication by leadership in three critical areas was the key to winning organizational trust and confidence:
o   Helping employees understand the company's overall business strategy.
o   Helping employees understand how they contribute to achieving key business objectives.
o   Sharing information with employees on both how the company is doing and how an employee's own division is doing - relative to strategic business objectives.

So basically, you must be **trustworthy** and you have to be able to **communicate a vision** of where you are going.

The four major factors of leadership are the:

Follower - Different people require different styles of leadership. For example, a new hire requires more supervision than an experienced employee. A person with a poor attitude requires a different approach than one with a high degree of motivation. You must know your people! The fundamental starting point is having a good understanding of human nature: needs, emotions, and motivation. You must know your employees' *be, know,* and *do* attributes.

Leader - You must have a honest understanding of who you are, what you know, and what you can do. Also, note that it is the followers, not the leader who determines if a leader is successful. If a follower does not trust or lacks confidence in her leader, then she will be uninspired. To be successful you have to convince your followers, not yourself or your superiors, that you are worthy of being followed.

Communication - You lead through two-way communication. Much of it is nonverbal. For instance, when you "set the example," that communicates to your people that you would not ask them to perform anything that you would not be willing to do. What and how you communicate either builds or harms the relationship between you and your employees.

Situation - All situations are different. What you do in one leadership situation will not always work in another situation. You must use your judgment to decide the best course of action and the leadership style needed for each situation. For example, you may need to confront a employee for inappropriate behavior, but if the confrontation is too late or too early, too harsh or too weak, then the results may prove ineffective.

Various forces will affect these factors. Examples of forces are your relationship with your seniors, the skill of your people, the informal leaders within your organization, and how your company is organized.

QUESTION TWO

The design of an organizational structure depends on such factors as:

i.   The departmentation method chosen should yield the advantages of specialization and hence increased productivity
ii. The departmentation method should simplify the executive's task of control.
iii. The departmentation method should take into account the local conditions of the organization
iv. Economy: Unnecessary departments should be avoided that may result in duplication of roles
v.   Activities securing greater management attention should be given recognition by way of departmentation
vi. The degree of international orientation and commitment of the organization
vii. The technologies available to the organization and which can be used to simplify certain tasks
viii. The internal and external environmental factors in the situation of the company.

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QUESTION THREE

"FIVE FORCES" CORPORATE STRATEGY

FIVE FORCES DETERMINING SEGMENT STRUCTURAL ATTRACTIVENESS

**Potential entrants
(Threat of Mobility)**

**Suppliers
(Supplier power)**   **Industry**   **Buyers
(Buyer power)**

**competitors
(Segment rivalry)**

**Substitutes
(Threat of
substitutes)**
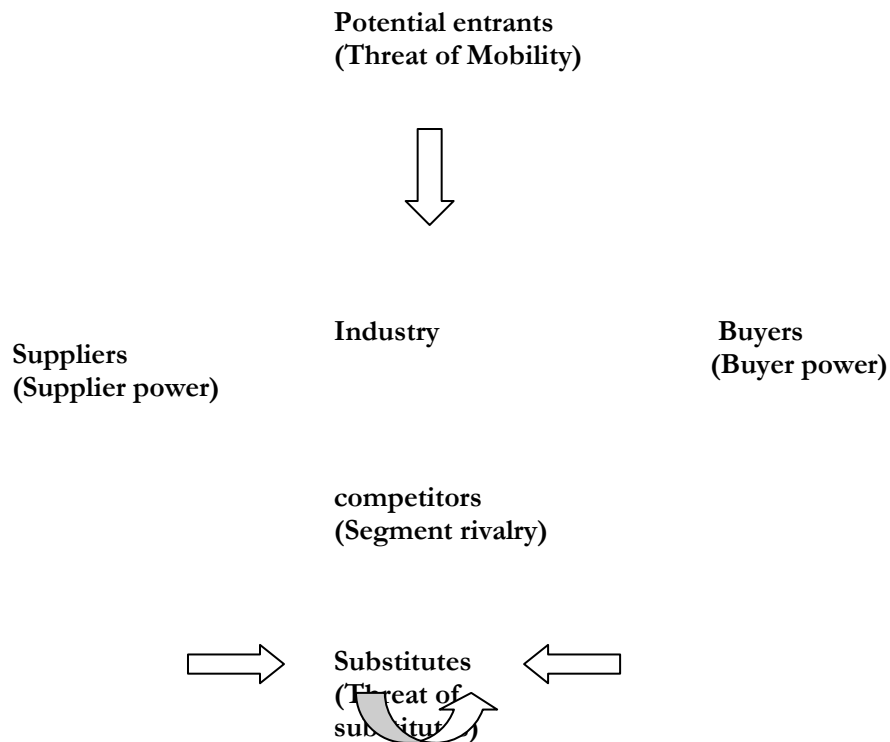
BARRIERS AND PROFITABILITY

Exit Barriers

Entry Barriers

	Low	High
Low	Low, stable returns	Low, risky returns
High	High, stable returns	High, risky returns

In Porter's view, an organization's ability to compete in a given market is determined by that organization's technical and economic resources, as well as by five environmental "forces," each of which threatens the organization's venture into a new market. The strategic manager, says Porter, must analyze these forces and propose a program for influencing or defending against them. The aim is to find a lucrative and defensible niche for the organization.

Michael Porter has identified five forces that determine the intrinsic long-run profit attractiveness of a market or market segment: industry competitors, potential entrant, substitutes, buyers and suppliers. These forces are all relationship between the managers at a given organization and people acting at other organizations. The threats posed by these forces are:

FREE FREE FREE

1.   **Threat of new entrants**: A segment's attractiveness varies with the height of its entry and exit barriers. The most attractive segment is one in which entry barriers are high and exit barriers re low. Few new firms can enter the industry, and poor performing firms can easily exit. When both entry and exit barriers are high, profit potential is high, but firms face more risk because poorer-performing firms stay in and fight it out. When both entry and exit barriers are low, firms easily enter and leave the industry, and the returns are stable and low. The worst case is when entry barriers are low and exit barriers are high: here firms enter during good times but find it hard to leave during bad times. The result is chronic overcapacity and depressed earnings for all.

     The best defense is to keep an eye on what prospective entrants might do to enter/expand their presence into new markets

2.   **Threat of buyers' (customers') growing bargaining power:** A segment is unattractive if the buyers possess strong or growing bargaining power. Buyers' bargaining power grows when they become more concentrated or organized, when the product represents a significant fraction of the buyers' costs, when the product is undifferentiated, when the buyers' switching costs are low, when buyers are price sensitive because of low profits, or when buyers can integrate upstream. To protect themselves, sellers might select buyers who have the least power to negotiate or switch suppliers.

     The best defenses consist of developing superior offers that strong buyers cannot refuse, keeping prices within x percent of competitor prices for similar services/goods and seeking new variations delivery services; "next day" might not suit everyone's budget.

3.   **Threat of suppliers' growing bargaining power:** A segment is unattractive if the company's suppliers are able to raise prices or reduce quantity supplied. Suppliers tend to be powerful when they are concentrated or organized, when there are few substitutes, when the supplied product is an important input, when the cost of switching suppliers are high, and when the suppliers can integrate downstream. The best defenses are to build win-win relations with suppliers or use multiple supply sources, discuss operating plans for acquiring new facilities, equipment or goods with the manufacturers/suppliers so as to get favourable prices and timely deliveries.

4.   **Threat of substitute products:** A segment is unattractive when there are actual or potential substitutes for the product. Substitutes place a limit on prices and on profits. The company has to monitor price trends closely. If technology advances or competition increases in these substitute industries, prices and profits in the segment are likely to fall.

     The best defense is to watch out for competing products, their quality, prices and dealer capacities in the marketplace.

5.   **Threat of intense segment rivalry(rivalry among competitors):** A segment is unattractive if it already contains numerous, strong or aggressive competitors. It is even more unattractive if it is stable or declining, if plant capacity additions are done I large increments, if fixed costs are high, if exit barriers are high, or if competitors have high stakes in stying in the segment. Theses conditions will led t frequent price wars, advertisng battles, and new-product introductions, and will make it expensive to compete. The best defense is to watch out the advertising campaigns and monitor competing firms' contracts.

QUESTION FOUR

QUESTION FIVE

a) Control is the process of ensuring that actual activities conform to planned activities. In fact, control is more pervasive than planning. Control helps managers monitor the effectiveness of their planning, their organizing, and their leading activities. An essential part of the control process is taking corrective actions as needed.

STEPS IN THE CONTROL PROCESS
Robert J. Mockler's definition of control points out the essential elements of the control process:

"Management control is a systematic effort to set performance standards with planning objectives, to design information feedback systems, to compare actual performance with these predetermined standards, to determine whether there are any deviations and to measure their significance, and to take any action required to assure that all corporate resources are being used in the most effective and efficient way possible in achieving corporate objectives"

Mockler's definition divides control into four steps, described below:
1. Establish standards and methods for measuring performance
2. Measure the performance
3. Determine whether control performance matches the standard
4. Take corrective action

b) KEY CONSIDERATIONS IN EACH STEP OF THE CONTROL PROCESS:

1. **Establish standards and methods for measuring performance:**
   Ideally, the objectives and objectives established during the planning process will already be stated I clear, measurable terms that include specific guidelines. In service industries, standards might include the amount of time customers have to wait in line at a bank. the amount of time they have to wait before the telephone is answered, or the number of new clients attracted by a revamped advertising campaign. In an industrial enterprise, standards and measurements could include sales and production targets, work-attendance objectives, waste products produced and recycled, and safety records.

2. **Measure the performance:**
   Like all aspects of control, measurement is an ongoing, repetitive process. The frequency of measurements depends on the type of activity being measured. In a manufacturing plant, levels of gas particles in the air, for example could be continuously be monitored for safety, whereas progress on long-term expansion objectives might need to be reviewed by top management only once or twice a year. Similarly, the franchise owner at a food court might be required to examine customer waiting time on a continual basis. On the other hand, petitions may be put before a public utility commission only five or six times a year. Still, good managers avoid allowing extended periods to pass between performance measurements.

3. **Determine whether control performance matches the standard:**
   In many ways, this is the easiest step in the control process. The complexities presumably have been dealt with in the first two steps. Now it is a matter of comparing measured results with the established targets as standards previously set. If performance matches the standards, managers assume that "everything is under control"

4. **Take corrective action:**
   This step is necessary if performance falls short of standards and the analysis indicates action is required. The corrective action could involve a change in one or more activities of the organization's operations. e.g. the franchise owner/manager might discover that more counter workers are needed to meet the five-minute customer-waiting standard set by the food court entrepreneurs. On the other hand, controls can (and often do) reveal

inappropriate (too high or too low) standards. Under these circumstances, the corrective action could involve a change in the original standards rather than a change in activity.

NB:

Control is a dynamic process-an element of time. Unless managers see the control process through to its conclusion, they are merely monitoring performance rather than exercising control. The emphasis should always be on devising constructive ways to bring performance up to standard, rather than on merely identifying past failures.

QUESTION SIX

QUESTION SEVEN

QUESTION EIGHT-Replaced

Success is a basic requirement of all business organisations. Although there are different approaches, the American writer Thomas J Peters has suggested that successful businesses demonstrate eight particular cultural and organisational characteristics.

Peters focused on the process of organising and ignored many of the standard tools of management such as budgets and plans. He rejects ideas based on detailed forecasting and control, because these encourage a culture that rejects mistakes and concentrates on negative measures.

He emphasises the importance of culture and values to organisational success and the desirability of developing a strong, common organisational culture, capable of motivating employees to unusual performance levels.

He suggested that successful ('excellent') businesses displayed particular characteristics.

A BIAS FOR ACTION. The encouragement of an informal, innovative, task oriented culture not based on formal systems. A system of 'management by wandering around'.

CLOSE TO THE CUSTOMER. A culture of listening to customers, being obsessed with customer service.

AUTONOMY AND ENTREPRENEURSHIP. The fostering of innovation and the use of product champions when practical risk taking by the organisation's members is encouraged. An organic system of management is developed.

PRODUCTIVITY THROUGH PEOPLE. People in the organisation are seen as the basic source of quality. Staff are encouraged and praised; a team approach is developed based on mutual trust.

HANDS ON, VALUE DRIVEN. The values of the business and its objectives are shared by all the organisation's members. Management is involved at all levels and there is encouragement for doing the job well.

STICK TO THE KNITTING. The organisation grows through internally generated diversification. There is no movement into markets or products outside the core business.

SIMPLE FORM, LEAN STAFF. There are no complicated organisational and management structures, simple product divisional forms are used.

SIMULTANEOUS LOOSE-TIGHT PROPERTIES. Autonomy and responsibility is pushed down the organisation. However, core values such as the control of quality are centralised.

Such successful businesses understand the basics; thinking is encouraged, things are kept simple and chaos is tolerated in return for results. The firm's core values are prized.

JUNE 2009

QUESTION ONE

Delegation is essentially a power sharing process in which individual managers transfer part of their legitimate authority to subordinates but without passing on their own ultimate responsibility for the completion of the overall task which has been entrusted to them by their own superiors.

Delegation does not come easy to most managers. It takes time, effort and confidence in one's team members to explain what is wanted and then let them go away and do it, whilst trusting that they will not disappoint you.

Factors that influence a manager's decision to delegate authority:
- Delegation relieves senior managers of less important or less immediate responsibilities in order to concentrate on more important duties. The degree of pressure thus influences a decision to delegate.
- The degree to which the manager feels able to cope with the risks associated with delegation. He will face the consequences of actions of juniors.
- The capabilities and experience of the sub-ordinates.
- An assessment of how much benefit the subordinate will obtain from being given increased responsibility. Delegation may be good for individual growth and morale.
- The cost involved in the work to be delegated i.e. financial cost or reputation with customer. It is good not to risk losing customers and also to weigh the cost of a mistake by a subordinate.
- The amount of help available to the subordinate from colleagues.
- The intention to use the opportunity to delegate as part of the subordinates planned development at work. Delegation helps to enrich individual's jobs.
- The desire of the manager to motivate subordinates and improve morale.
- The urgency of the task
- The sensitivity or confidentiality that should be maintained.

BARRIERS TO EFFECTIVE DELEGATION
- Desire to retain personal control over work hence unwillingness to delegate.
- Fear that the subordinates may be so successful that the superior's own job may be threatened.
- Inability of busy managers to see the need to delegate.
- Inability to make time to brief subordinates and have a planned delegation.
- Unwillingness of subordinates to carry additional responsibilities.
- Insufficient training to enable subordinates to be adequately prepared to accept greater responsibilities.
- Complexity of work. This limits the number of people who are able to carry it out safely and correctly.
- Uncertain nature of work e.g. technical or scientific research and development requires experienced staff.
- A feeling of inadequacy - a manager who is not competent fears that they will expose their lack of skill through delegation.
- Negative personal attitudes - some managers lack confidence and trust in subordinates.
- Unwillingness to let go - managers who are unwilling to part with some of their authority find it difficult to delegate.
- Unwillingness to let others make mistakes - some managers don't see mistakes as part of learning and fear being let down by subordinates.

QUESTION TWO

A distribution channel is a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user.

Why are marketing intermediaries used?

Most producers use intermediaries to bring their products to the market and in so doing forge a distribution channel.

- Intermediaries make goods available to target markets more efficiently - through their contacts, experience, specialization and scale of operation, they offer more than the firm can achieve on its own.
- They also provide economies of scale and reduce the number of contacts; this reduces the amount of work that must be done by both producers and consumers.
- They also transform the assortment of products made by producers into assortments wanted by customer thus playing a very important role of matching supply and demand.
- Many producers lack financial resources to carry out direct marketing
- In some cases direct marketing is not feasible to producers because if they establish retail shops, they have to sell a lot of products as well.

THE FUNCTIONS OF CHANNEL INTERMEDIARIES
Members of the marketing channel perform the following functions:
- **Information:** gathering and distributing marketing research information about factors and forces in the marketing environment needed for planning and aiding exchange e.g. potential customers and competitors.
- **Promotion:** developing and spreading persuasive communications about an offer
- Contact: finding and communicating with prospective buyers.
- **Matching:** shaping and fitting the offer to buyers' needs including activities as manufacturing, grading, assembling and packaging.
- **Negotiation:** the attempt to reach final agreement on the price and other terms so that transfer of ownership can be affected.
- **Ordering:** involves communicating the intentions to buy to the manufacturer.
- **Financing:** the acquisition and allocation of funds required to finance inventories at different levels of the marketing channel.
- **Risk taking:** the assumption of risks connected with carrying out the channel work.
- **Physical distribution:** transporting and storing goods.
- **Title:** the actual transfer of ownership from one organization or person to another.

Intermediaries are necessary; if a manufacturer performs channel functions, his costs go up and the prices become higher. When some functions are shifted to intermediaries, the producers' costs and the prices become lower. The use of intermediaries should not be viewed negatively to be a way of placing a firm's destiny in their hands because both producers and buyers do gain several advantages from these intermediaries who do a lot to smoothen the flow of goods and services.

QUESTION THREE

Objectives describe something that has to be accomplished - a point to be aimed at. An objective is the end towards which all activities in an organization are aimed at i.e. the desired end of every activity. Corporate objectives specify what the organization is meant to accomplish. Objectives can be either long term or short term.

The setting of objectives is a major part of corporate planning. Strategic objectives are normally set for all the major functions of the organization and they sum up what the organization intends to be during the foreseeable future. Tactical objectives are set in the short term and in quantifiable and specific terms to help in achieving the strategic objectives.

Setting objectives in every area offers the following advantages to businesses:
- Enables managers to see their priorities clearly.
- Provides specific targets to work for.
- Provides a sound basis for performance measurement.
- Provides useful material for assessing the training needs of managers.
- Provides specific direction to individual efforts and activities of the organization.
- Provides mechanisms of control and therefore helps the initiation of corrective measures.
- Provides motivation to those given the task of accomplishing them.
- Achievement of objectives lead to job satisfaction.
- The objectives are a basis of decentralization and delegation.

Objectives also have their setbacks:
- The process of setting objectives is time consuming and setting verifiable goals is difficult
- Conditions in the environment change too frequently for some objectives to work
- Inflexibility - subordinates may stick to goals set even when conditions change.
- Failure to give guidelines by objective setters leads to failed plans.
- Some objectives are in-appropriated and unattainable.

Peter Drucker in 'The Practice of Management' suggests the following classification of objectives that cover all areas:
- **Profitability** - The primary objective of a profit earning business is generally accepted as the maximization of profits.
- **Innovation** - The management must decide whether it intends to lead in developing technology and products, to follow other companies or to design customer needs.
- **Market standing** - Objectives will include the products which will be sold in the market.
- **Productivity** - Targets should be set in terms of output in relation to manpower, plant, material yields and costs.
- **Manager Performance and development** - objectives will cover matters such as quality ad availability of management, measures of performance, training, communication etc.
- **Financial and physical resources** - Finance is needed to make the other objectives possible and the following must be considered:
- The amount of capital to be raised from outside sources.
- The sources to be used.
- The form in which capital will bee raised.
- **Public responsibility** - here objectives may relate to:
- Preservation and improvement of the environment.
- Consumer protection.
- Improvement of conditions of work for employees.

QUESTION FOUR

DEFINITION OF COMMITTEE

A committee is a group of persons asked to consider, investigate or act on some matter. It is a formal group that meets on an organized basis for consideration of matters brought before it.

A committee may also be known by a wide variety of other names such as task force, council, board, agency or commission.

The formality of the committee is expressed by the following features - chairman, secretary, agenda, minutes of the meeting, committee papers and reports and rules of procedure.

Some committees meet regularly but others meet for ad hoc purposes only e.g. parliamentary steering committees set up to monitor short term projects.

ROLE AND IMPORTANCE OF COMMITTEES

Committees abound in practically every king of organization. They are very popular with management and have become an integral part of their operation. Committees play the following roles:

- They facilitate coordination - each committee member may be reporting about or representing each of the functional areas of the organization.
- They foster support for decision: through the use of committees employees are given the opportunity to participate in decision making as they are allowed to present their view points.
- They are used because they produce more information for decision-making. There is a pooling of special know how and talents possessed by individual members. In the committee there are experts from different fields.
- Their use ensures that authority is distributed as decisions are made by a group. Proposals and decisions are based on group assessment of facts and ideas and not just one powerful individual's preferences.
- They lead to employee development. Because of the extensive contact with people from different field, committee members get to broaden their knowledge. Young managers can learn a lot by sitting in committees.
- They are organized groups hence they can undertake a large volume of work than individuals or small groups working in isolation.
- They are used for group decision making, which gives very high quality decision. These decisions are more readily accepted than an individual's decision. Committees bring about democracy.
- They improve communication between members of an organization. Information and ideas can be easily transmitted upwards and downwards.
- Through committees, unwritten policies can be explained creative ideas emerge in these fora.
- They are used to motivate employees. Employees are given an opportunity to express themselves and this boosts their morale and evokes a sense of ownership of the decision.
- They are sometimes constituted to postpone or avoid unrest and mass action. Delaying such action through a committee is a strategy for overcoming resistance, or opposition from affected people.

CONCLUSION

Despite the shortcomings of committees such as slowness in decision making, management hiding behind committee decisions and lack of flexibility, committees remain widely popular because of the benefits they accord management. The sheer size and complexity of modern organizations make it increasingly impossible for isolated individuals or small groups to meet the decision demands of the organization. Besides, the growing pressure from all sections of the work force for a greater say in the decision making processes of their organizations are creating expectations that decision making will become more open and democratic.

QUESTION FIVE

Comments: The answer requires a brief definition of each of the production patterns referred to in the question before going on to discuss the circumstances that would justify them.

Key points:
i.   **Jobbing production** is the production of single items usually to order.   The circumstances which would justify the adoption of jobbing patterns of production include the following:
   a.   Where large items such as ships are to be built;
   b.   Where single large pieces of equipment such as electricity generating plant are to be manufactured;
   c.   Where large individual items such as a major bridge are to be constructed;
   d.   Where small one-off parts or components are to be produced to the order of the production department in a factory;
   e.   Where prototype models are required for design and / or planning processes in a manufacturing or construction organization.

ii.   **Batch production** is the production of standardized units in lots, where each lot has to be processed at each operation before moving forward to the next operation. The circumstances which would justify the adoption of batch patterns of production include the following:
   a.   Where items such as standard components are to be produced for stock e.g. to support production in due course;
   b.   Where standardized items are being manufactured on a sub-contracted basis for another manufacturer;
   c.   Where production requires a variety of quantities and types of items, which cannot be produced under a flow-production process, because of the interruptions to the flow of operations.

iii.   **Flow/mass production** is the continuous production of items which move, or flow, from one operation to the next until completion without break.   The circumstances which would justify the adoption of flow or mass patterns of production include the following:
   a.   Where large quantities of a narrow range of goods are required to meet the demands of mass markets;
   b.   Where standardized units can be moved individually from one operation or process to the next without requiring any break in operations;
   c.   Where the returns from mass production are more than able to meet the expensive start-up costs of an assembly-line form of production;
   d.   Where large quantities of liquids, powders or gases are to be processed, as in the case of paper production, the manufacture of cement or the production of petroleum spirit, for example.

Also refer to question two of December 2010.

QUESTION SIX

(a) What are the key characteristics of charismatic leaders?

The charismatic leader is one who gains influence mainly from strength of personality e.g. Martin Luther King, Hitler and Napoleon. Charisma is a powerful and personal quality that has a strong influence over people and will make them admire you and become your willing followers.

Charismatic leaders are few because not many people are endowed with the exceptional qualities that transform all around them into willing followers.

Charisma is an inborn gift that cannot be acquired by training; it can only be modified by it.

Charismatic leaders can achieve heroic feats (turning around ailing corporations, revitalizing aging bureaucracies or launching new enterprises by:
• Powerfully communicating a compelling vision of the future
• Passionately believing in their vision
• Relentlessly promoting their beliefs with boundless energy
• Propounding creative ideas
• Inspiring extraordinary performance in followers by :

    a) Expressing confidence in followers abilities to achieve high standards
    b) Building followers' trust, faith and belief in their leader.

The term charisma is value neutral; it does not distinguish between good or moral and evil or immoral charismatic leadership. Charisma can lead to blind fanatism in the service of megalomaniacs and dangerous values, or to heroic self sacrifice in the service of a beneficial cause.

Ethical charismatic leaders develop creative critical thinking in their followers, provide opportunities for them to develop, welcome positive and negative feedback, recognize the contribution of others, share information with followers, and have moral standards that emphasize collective interests of the group, organization or society. They use power to serve others.

The unethical charismatic leader uses power only for personal gain. He promotes his own personal vision, censures opposing views, insists on one-way communication and relies on convenient external moral standards to satisfy self-interest.

(b)

How is visionary leadership different from charismatic leadership?

Visionary leaders are those with a 'vision' - Vision exists when people in an organization share an explicit agreement on the values, beliefs, purposes and goals that should guide their behaviour.

A visionary leader has "an inspiring declaration of a compelling dream, accompanied by a clear scenario of how it will be accomplished". A good vision not only has worthy goals, but also challenges and stretches everyone involved. Charismatic leaders too usually carry a very powerful vision.

Developing a vision is not a straightforward task of articulating a statement of beliefs and then implementing it. It is a process that requires continuous reflection, action and re-evaluation. Some people describe it as a process of 'purposeful tinkering' - through dozens of little experiments, "each day is an opportunity to come closer to the perceived ideal".

Vision can spring from the mind of a strong leader with imagination, energy and charisma to jump-start the organization into a major transformation. It can also be a shared process in which everyone is a co-author.

It is good to involve subordinates in vision creation because they are the ones who must ultimately translate it into practice.

No matter who creates the vision, the leader is its chief instigator, promoter and guardian. He must take the lead and actively push so that it remains a shared vision. The visionary leader institutionalizes the vision and translates it into policies, programs and procedures.

Like in charismatic leadership, visionary leaders are able to make the impossible possible. "Nothing drives an organization like an attractive, worthwhile, achievable vision for the future.

Visionary leadership is an indispensable guide for leaders of all levels, from top executives to heads of divisions and departments, from large corporations to small businesses, from manufacturing and service organizations to government institutions.

QUESTION SEVEN

A trade union is a collection of workers, which aims to protect and promote their interest in the workplace, mainly by means of collective bargaining and consultation with employers.

Trade unions always strive to achieve the following for this members:
- Better wages and working conditions
- Greater security of income and employment
- Protection against arbitrary and discriminatory treatment by management.

In Kenya, there exists an Industrial Relation Charter which was formulated in 1962 and it spells out the agreed responsibilities and obligations of both management and the trade union in the settlement of disputes. They should both undertake to settle all disputes at the appropriate level and according to the procedure laid down by them. The management is obliged to recognize the union appropriate to its particular industry and accord it reasonable facilities for functioning.

Although trade unions provide advantages such as professionalism in handling disputes and helping in avoiding unnecessary disruptions of work during disputes, they sometimes are a source of disturbance to management. They sometimes make unreasonable pay demands for members even in times of hardship. It may reach a point when workers are paid more than their input and this may lead a firm to bankruptcy.

Steps that management should take to prepare for the negotiation
- When a trade union presents a grievance to management, both parties will select negotiating team to take part in the collective bargaining process. Collective bargaining is the process whereby representatives of management and workers negotiate over such items as wages, working hours or working conditions.
- It is not necessary to go for large numbers in the negotiating team, as decisions are not taken by a majority vote but rather with the team acting in unison.
- Besides, members of the negotiating team should be those capable of making decisions on behalf of the management. Usually the chief executive is left out because he may be forced to give a straight 'yes' to issues that need more careful deliberation. His absence also places the negotiating teams on equal footing.
- The management then must determine their **bargaining power** and the maximum concessions it can give to the union. This depends on the estimated cost of work stoppage (strike or lock out) to the management and also on its estimate of the unions cost arising out of stoppage. The management must collect **relevant** data on the following issues to know its bargaining position:

  - The existing state of the market
  - Availability of labour
  - Management's financial capacity to pay
  - The union's strength

- ▪ Reactions of shareholders and directors
- ▪ Government laws and previous agreements
- ▪ Grievance records

The management must also decide way in advance on the type of negotiation procedure it will adopt. The following 3 options are available:

- **Haggling**: issues are settled one by one or in an interdependent manner.
- **Boulwarism**: the management makes its first offer a full and final one.
- **Continuous bargaining**: meetings are held over long periods of time not just before strike deadlines.

The management must also decide on its **strategies** and tactics before entering the conference room.

Tactical devices may include shouting, requesting a recess, suggesting for negotiation on matters of no real importance etc.

After all these comes the **actual bargaining** process. It should be conducted with the following in mind:

- **Initial demand** will be submitted by either parties. These are the expectations of either parties.
- **Continuing negotiations** Each party attempts to determine what the other side values highly and to reach the best bargain possible. e.g. the union may offer to give up dental benefits (if dental cases are not numerous) for higher pay. The management on its side determines what the union values highly and how to make it give up some of it.

  If management follows these steps, it is most likely to reach an acceptable agreement with the union over the remuneration claims. Some situations may however force management to develop slight modifications for effective bargaining to occur.

- **Bargaining Impasse** Regardless of the structure of the bargaining process, labour union and management do not reach an agreement always in all issues. In such cases, a deadlock may result in strikes by union or lock out by management.
- **Settlement and contract** After initial agreement on the issues being negotiated on has been made, the two parties i.e. the union and management representatives usually return to their constituencies to determine if what they have formally agreed on is acceptable. The crucial stage thereafter negotiation is ratification or getting the vote of acceptance. After ratification of the agreement, it is then formalized with a contract.

QUESTION EIGHT

In recent years much attention has been focused on an approach to greater business efficiency known as 'Business Process Re-engineering' (BPR). The term was first applied by Hammer and Champy whose definition of BPR is as follows:

"Re-engineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality, service and speed".

The aim of BPR is to streamline operations and adapt them to existing market realities. BPR sees it as vital under modern condition of customer expectations and intense competition to move away from the usual attestation on tasks and structures in order to focus on business processes. The typical processes are ordering, buying, manufacturing, product development, delivery and invoicing.

BPR has five goals:
1. Increase productivity by creating efficient processes
2. Optimize value to shareholders including employees, customers, stock holder etc
3. Achieve quantum results in productivity, inventory reductions, cycle time improvements, indirect cost improvements and head count redeployment
4. Consolidate functions and create a leaner, flatter and faster organization
5. Eliminate unnecessary levels of work i.e. non-value added activities

Generally when BPR is conducted, a manager leads a cross-functional team to examine a process and determine ways to improve it. BPR is about 'changing the way people think and behave. It means investing in employees with power to make decision and encouraging them to take risks.

Most people agree that BPR increases long term competitiveness largely because of thinking, organizing and acting horizontally (in terms of cross functional processes) rather than vertically (i.e. by specialist functions and departments).

At the same time BPR has been criticized for practicing process simplification and not process re-engineering. The critics say that compared to other change processes such as Total Quality Management (TQM), BPR makes people work harder but not smarter. The critics see BPR AS A COVER FOR downsizing the organization with its negative focus on cost reduction and getting more production out of the staff who remain. In this case people become victims rather than beneficiaries of BPR. Critics see the drive to please the external customer as leading to lesser regard for those employees who represent the employees' internal customer base.

Hammer and Champy answer some of this criticism. They admit that *"BPR and TQM are neither identical nor in conflict but are complementary"* and on the topic of downsizing they say *"whilst some employees may lose their jobs, BPR is a process of reorganizing work, not eliminating workers"*.

As authors of this process they recognize that those organizations that have been successfully re-engineered their processes have to accept that there will be need for recurring re-engineering in the future. They say *"our long term goal must be to institutionalize a capacity for re-engineering in our companies, so that they view change as the norm rather than as an aberration";*

Despite the abuse of the practice and tarnished name, BPR continues to be popular. Companies continue to re-examine and fundamentally change the way they do business. Competition and a sluggish economy provide the impetus for continued efforts to 'deliver more with less'. BPR remains an effective tool for organizations striving to operate as effectively and efficiently as possible.

DECEMBER 2009

QUESTION ONE

a) The historical analysis of performance in comparison with the organizations current and past performance

In financial analysis, the direction of changes over a period of years is of crucial importance. Time series on trend analysis of ratios indicate the direction of this change.

The measure of performance over a period of time help to determine whether a firm is progressing as expected. Trend analysis is carried out to determine the following:
*   How the firm has been performing over time.
*   The accuracy of past predictions by looking at estimates against actual performance
*   The data obtained can be used for financial forecasting

Trend analysis is particularly applicable to the items of the profit and loss account. The trends of sales and net income may be studied in the light of two factors: the rate of fixed expansion in the growth of the business and the general price level.

A number of firms may show a persistent growth over a period of years but get a true trend of growth, the sales figures must be adjusted by a suitable index of general prices i.e. deflated for rising price levels. A graph of the resulting figures will give the true trend of growth devoid of price change. If the general price level is not considered in the trend analysis, it may mislead management. In carrying out a trend analysis, three issues should be considered.
1. Describe the trend e.g. is the liquidity position improving or declining?
2. Give possible causes on the trend.
3. Give the implication of the trend.

b) The analysis of industry norms in comparison with the relative performance of organizations in the same industry:
The performance of one firm is compared to some selected firms in the same industry at the same point in time. This kind of comparison is known as **cross-sectional analysis**.

In most cases, it is more useful t compare ratios with the ratios of a few selected competitors, who have similar operations. This kind of comparison indicates the relative financial position and performance of the firm. A firm can easily resort to such a comparison as it is easy to get published financial statements of the similar firm.

A cross sectional analysis assists a firm to identify its key success factors and its weaknesses vis a vis its major competitors and the industry.

To ascertain the relative financial standing of a firm, its financial ratios are compared with a competitor. Taking the market shares of the firms into consideration, ratios such as Return on Investment and Return on Equity are computed to get the relative standing of a firm. The procedure is relatively simple as it entails collecting data of the firms just for a specific year.

It is worth noting that ratios will be more reliable when trends in time are analyzed. Ratios at a point in time can mislead the analyst because they may be high or low for some exceptional circumstances at that point in time. An impressive financial position may rapidly erode over time while a weak position may be steadily improving.

c) **Benchmarking** is the search for best practices - it allows your organization to see what others are doing, what is working for them and what to avoid. Benchmarking is best defined as:

"The process of identifying, understanding, and adapting outstanding practices and processes from organizations anywhere in the world to help your organization improve its performance."

Ideally performance should be compared with an organization that is acknowledged to be the best in the class of activity in question. The exercise should concentrate on areas of business that are of key strategic importance.

Competitive benchmarking is when comparisons are made with those of a direct competitor.

Internal benchmarking compares one part of a business with a different part of the same business.

Process or activity benchmarking involves comparing an internal function with that of the best practitioner (not necessarily a direct competitor). It does not matter which industry the best practitioner is in. This type of benchmarking helps to identify the best practices in any type of organization that has established a reputation foe excellence in specific business activities e.g. marketing, engineering, human resources e.t.c.

Steps in Benchmarking
1. Identify a very specific area to benchmark.
2. Establish a work team comprised of strategic, functional and tactical representatives from all affected areas.
3. Determine the company to study.
4. Once best practices have been identified, collect and analyze the data, the plot company's performance against best practices. Identify improvement opportunities.
5. Determine the level of effort required to re-engineer the best practices to suit the given firms unique circumstances.
6. Do a cost benefit analysis and implement the priorities established.

QUESTION TWO

Motivation is a key part of a manager's job because through it the manager is able to make people want to perform activities so that goals can be achieved.

Motivation can be defined as the process, which influence people to behave the way they do. Motivation is concerned with the reasons for human behaviour, it explains why people behave in a certain manner.

Motivation theories are divided into two main categories: **content and process.**

The **content theories** attempt to explain the specific things that actually motivate an individual at work i.e. what motivates?
The **process theories** focus on how behaviour is initiated, directed and sustained i.e. how does motivation occur?

An understanding of these theories will help managers motivate workers and improve organizational performance.

CONTENT THEORIES

1. **Herzberg's Two Factor Theory**

He found that the factors that cause job satisfaction are separate and distinct from those that cause dissatisfaction. Examples of dissatisfaction are company policy, administration, salary, job security and working conditions. Examples of satisfiers (hygiene motivation) are recognition, growth and responsibility. Herzberg also pointed out that the opposite of job satisfaction is not dissatisfaction and vice versa.

This theory teaches managers to eliminate dissatisfaction by providing reasonable satisfiers and at the same time enhance motivation by improving factors that cause satisfaction.

2. Abraham Maslow's Need Hierarchy

This theory is based on the idea that human needs can be arranged in order of importance from the most basic. Once a need is fairly well satisfied, it no longer motivates behaviour and man is then motivated by the next higher level of needs. Maslow divided human needs into five levels; physiological needs, safety or security needs, social needs, esteem needs and self-actualization needs.

This theory is important to managers because it spells out the needs that people have. When managers know what people need, they will be able to help them satisfy these needs. Management's decision must show concern for peoples needs e.g. satisfy esteem needs by providing opportunities for advancement..

3. Alderfer's Modified Need Hierarchy Model (ERG)

Alderfer condenses Maslow's five level needs into three levels based on the core needs of existence, relatedness, and growth. He do not see the needs as a hierarchy and suggests that more than one need may be activated at the same time.

4. McGregor's Theory X and Theory Y

Theory X which is based on autocratic management assumes the average person hates work and will try to avoid it so he must be coerced by threat and punishment. Theory Y which is based on participative management assumes that work is normal and committed people are self motivated and like responsibility.

These theories have a good lesson to managers: They must know that each employee is unique and must be treated as such. People should not be forced to fit into the rigid theory or into one manager's viewpoint.

5. McClelland - Need based motivation

He said that people have three basic needs that motivate them - **power, affiliation** and **achievement.** Achievement is shown by the desire to succeed and not fail.

This theory is important to managers because it says that the achievement motive can be taught.

6. Skinner - Motivation through positive reinforcement

Skinner said that all behaviour is as a result of stimulus, he emphasized positive reinforcement. Managers who follow Skinner's style emphasize praise and encouragement. Money is also considered to be a positive reinforcer.

PROCESS THEORIES

Process theories (expectancy and goal) change emphasis from needs as in content theory to the goals by which workers are motivated. They attempt to explain and describe how people start, sustain and direct behaviour aimed at the satisfaction of needs.

Vrooms expectancy theory says that an individual's behaviour is formed not on objective reality but on his subjective perception of that reality. He identified 3 factors that stimulate a person to put an effort into something: **Expectancy, Instrumentality and Valence.**

Goal theorists (e.g. Locke and Lathlam) suggest that a goal in itself is a motivator i.e. working towards a goal. Performance is seen to improve when persons set up specific rather than vague goals for themselves.

Equity theory provides a very useful elaboration of the process theory of motivation. It focuses on individual's feelings of how fairly they are treated when compared with how others are treated.

CONCLUSION
The process and content theories are very relevant to management in the 2000s. Together they give a comprehensive view of the motivational process and take into account the ways individual judges his situation and the link to effective performance. In a world of increased emphasis on cost-efficiency, and employee flexibility, they provide a fruitful direction for managers to take. Motivation however remains a very complex matter to understand because of the dynamic nature of both the human being and the environment.

QUESTION THREE

The term compensation refers to all forms of financial returns and tangible benefits that employees receive as part of an employment relationship.

Compensation is typically divided into direct and indirect components. **Direct compensation** refers to financial remuneration, usually cash, and includes elements such as basic salary, overtime pay, bonuses, commissions and so forth.

Indirect compensation refers to the general category of employee benefits such as insurance schemes, vacations, sick leave, executive perquisites and so forth.
Compensation practices have important implications for organizations, individuals and society as a whole. Organizations are concerned with pay, not only because of its importance as a cost to doing business but also because it motivates important decisions of employees about taking a job, leaving a job and working on the job.

Employee benefits are in direct forms of compensation that are intended to maintain or improve the life of employees. They are means of attracting, retaining and motivating employees.

Factors that influence the level of compensation and benefit packages
- The ability of the firm to pay the wages/salaries and other benefits. This particularly refers to the firms' financial position, it may want to give huge salaries but may not be able to afford it.
- The availability of the required personnel in the job markets i.e. the supply and demand of labour especially for technical, professional and managerial positions. If only a few people possess a given skill, their bargaining power will be very high. If more of them are available then their salaries will be less competitive.
- Compensation levels of other firms demanding the same personnel. Most firms strive to remain competitive even in terms of pay so that they don't lose their personnel to competitors who pay more. In fact some firms readjust salaries to match those of competitors.
- Government policy. Usually the government sets the minimum wage and at the same time, gives regulations for equal pay for performance so that no one is discriminated against.

- External economic constraints such as inflation and interest rates. The environment in which a firm operates affects it directly and when there is a slump in the economy, it suffers and will not generate enough to compensate employees as may be planned.
- Trade unions - these increase the bargaining power of workers and an agreement may be reached to alter the existing compensation structure.

QUESTION FOUR

(a)
A comparison between TQM and re-engineering as change processes.

The meaning of TQM
Total Quality Management (TQM) is the name given to programmes that seek to ensure that goods are produced and services are supplied of the highest quality. TQM thus is an organization wide approach to continuously improving the quality of all the organization's processes, products and services. TQM programmes are aimed at identifying and reducing or eliminating causes of wasted time and effort.

Activities in the organization are classified as either:
a) Core activities which add value to the business
b) Support activities which do not themselves add value
c) Discretionary activities such as checking products and dealing with complaints, these are symptoms of failure and should be reduced.

TQM rests on the following premises
- The firm adopts a customer orientation such that a quality product or service must be related to what the customer wants - both internal and external customers. Suppliers are chosen on the basis of consistency, quality and reliability of their product. Price is a secondary consideration.
- Design quality: TQM also requires that organizations pay attention to product design and is aimed at getting quality right the first time. The basic principle is that costs of getting things right the first time are less than the costs of correction.
- Conformance to quality. The organization should also ensure that the production system is designed in such a manner as to ensure that the final product conforms to the design specification. With TQM inspection should be used primarily for improving production processes rather than for detecting and correcting errors.
- There is absolute commitment by the chief executive and all senior managers to doing what is needed to change the culture.
- TQM requires that employees and suppliers be adequately trained so that all parties know what is expected of the.
- TQM requires management to encourage education and self-improvement at every level. They should remove barriers to workmanship by providing adequate equipment and encouraging pride in one's work.
- In TQM communication is excellent and multi way.
- There is commitment to improvement in all processes. Attention is focused first on the processes and second on results.

Business Process Reengineering (BPR)
BPR is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality, service and speed.

BPR is a radical technique that has been advocated to overhaul existing business processes and practices with a view to improving organizational performance. BPR places emphasis

on processes as a change mechanism. Typical processes include ordering, buying, manufacturing, product delivery and invoicing.

In each case the idea is to ask radical questions about why things are done in a particular way and whether alternative methods could achieve better results.

The following main principles of BPR have been identified.

- Organize around outcomes not tasks.
- Ensure that those who use the output perform more of the process themselves rather than passing it on.
- Link parallel activities rather than integrate results i.e. consolidation of tasks
- Put the decision point where the work is performed - empower the people who do the work to make decision.
- Capture information only once - ideally at its source.

BPR and TQM are neither identical nor in conflict, they are complementary. Both are radical change processes. They give a lot of focus to the customer. TQM aims at providing a quality product/service that satisfy customers' wants and in BPR the focus of performance and payment shifts from activities to results (expressed in terms of value created for the customer).

Both BPR and TQM pay great attention to empowerment of employees and at the same time a lot of room is given to communication, which is two way.

(b)
WAYS IN WHICH A MANAGER MAY BEST MANAGE A DOWNSIZED WORKFORCE

1. **Motivation** - A leaner workforce implies greater responsibilities. A manager needs to therefore motivate employees to work harder and better. He should look into all the factors that motivate especially better remuneration and employee benefits and provide these to the employees.
2. **Revise Job Descriptions** through job analysis. Duties and roles change with downsizing. A manager needs to do further job analysis to encompass all the additional areas so as to come up with job descriptions that are realistic for the staff available.
3. The manager needs to ensure that the remaining workforce is not overworked and this remains effective. One way this can be done is by outsourcing some functions that have been traditionally done by full time employees in Human Resources, Compensation and executive recruiting can be outsourced.
4. Improved technology is a major tool for managing a downsized workforce. e.g. the use of automated systems, the Internet or the World Wide Web. Reorganization must be done to change the way employees work with new technology.
5. Managers need to reassure employees and make the certainty of their certainty continued employment a guarantee. Downsizing is a 'corporate anorexia' that makes a company thinner but not necessarily healthier. It leads to a lot of uncertainties surrounding the remaining jobs, alongside this is mistrust for management.
6. Counselling services need to be provided to the remaining workforce. Most are usually greatly affected by the loss of their colleagues and friends. They fret over the fate of the laid off persons and some even get psychological turmoil caused by doing the work that another colleague used to do.
7. A manager must offer further training opportunities to employees so that they become competent in all the areas of increased responsibility.
8. Improved communication too will go a long way in solving problems that may arise in the leaner workforce.

QUESTION FIVE

The Kenyan corporate sector has in the recent years experienced economic difficulties. Some companies actually closed down while others resorted to strategic survival techniques such as mergers, downsizing, restructuring etc.

The small business enterprises now thrive because of lack of adequate chances for salaried employment. Besides, many people want to be their own bosses and so start their own enterprises.

The small and medium-sized enterprises usually take the forms of sole proprietorships and partnerships. These businesses usually have following characteristics:
- Management is independent
- Capital is contributed by one person or a small group
- The area of operation is local
- The size within the industry is small.

The small enterprises are able to grow steadily within the Kenyan economy because they have various advantages over large corporate enterprises. They have freedom of action, quick decision making opportunities, very little capital requirements, better supervision and owners can assess market needs better because they are members of the community.

Even though they are an important part of the economy, small business failure is a common phenomenon. They fail due to factors such as financial problems, poor planning, poor record keeping and poor marketing strategies.

Owners must be trained on ways of making their businesses succeed.

The following are ways of making a small business succeed:
- Good management on part of owners alongside total commitment and willingness to work long and odd hours.
- Good leadership i.e. honesty and responsibility. An ability to motivate workers.
- Good interpersonal relationships in case of partnerships
- Proper use and application of business funds
- Good planning especially on the products, location, organization and promotion of the business.
- Ensure continuity by training someone to take over.

Importance of Small Business to the Economy
a) They make a significant contribution towards employment. In Kenya the rate at which the Jua Kali Sector is creating employment is encouraging.
b) They provide the economy with financial vitality. Overhead costs are low and they can respond to external changes faster than big firms.
c) Small businesses are also a main source of innovation. A lot of unique and practical products have been created in the small business enterprises.

QUESTION SIX

Max Weber was a German Sociologist who reacted to the abuses of power by people in management. To reduce the arbitrary use of power, he recommended an organizational system that would be run by rules and regulation commonly known as Bureaucracy.

Bureaucracy is a prototype form of organization that emphasizes order, system, rationality, uniformity and consistency. From his study, Weber distilled a set of characteristics representing an ideal way to structure an organization.

Weber's Propositions and their applicability today.
The basic principles of bureaucratic organizations are:

- Division of labour by functional specialization. Here job responsibilities and levels of authority are clearly defined for each employee. Authority is commensurate with the level of job responsibility and there is no overlap of responsibility between jobs.

Today division of labour by functional specialization does exist in many firms. But in more complex organizations authority and division of work tend to overlap e.g. matrix and project structures. Specialization has led to large increases in productivity and employees have become experts in certain fields. However, work tends to be monotonous and boring.

- **A formal hierarchy of authority.**
 In bureaucracy, each position in an organization is controlled by and reports to a single position one level up in the hierarchy. This ensures that overall goals of the organization take precedence over individual employee goals.

 Even though most job descriptions define the person to whom an employee reports, most firms today avoid the formal top-down hierarchy of authority. With open door policy becoming popular, success in business how requires that formality be overlooked at certain times. Hierarchy is a major obstacle to adaptability. Structure and hierarchy have provided a logical relationship of activities as the duties of each person are described.

- **A system of impersonal rules and procedures.**
 To ensure impersonality in organizational transactions, written rules and regulations exist for each position. This also allows activities to be performed in a predictable and routine manner.

 Of course every organization has rules and procedures that employees are expected to follow. The existence of formal rules means there is insufficient discretion in the power of employees to amend their behaviour towards colleagues or members of the public. Rules are fine for achieving consistency and fairness in routine situations, but they are frequently ineffective in dealing with new needs and demands. Rules have provided predictability and stability n the organization. However, they make the organization rigid and it may be difficult to work in today's dynamic environment.

- **Employment decisions based on merit.**
 Selection into and promotion within an organization are based solely on qualifications, ability and performance. Employment decisions are not based on family relationships, friendships or politics.

 The above is an ideal that management would like to advocate. However, attaining employment today is very competitive and some managers employ with traces of nepotism and bias. Even the public sector displays a trend of employment with political considerations. This has led to rationality in the firms and therefore favourism is avoided.

- **Job and job holder remain separate / autonomous**

Employees must not use the rights and privileges of their jobs to enrich themselves. They are paid enough salary to eliminate the need or temptation to accept bribes of graft.

The above principle of Max Weber is facing a lot of challenges in the current economic set up where for a long time position have been used as a means of enriching oneself. Besides due to several factors in the environment in which firms are operation, salaries are very low and the temptation to get extra through bribes is a reality. Many firms and the government are now doing a lot to change the situation. Separation of ownership has brought many problems as aforementioned and corporate governance has been introduced to cope with the ills. Owners however are able to concentrate on other activities and to utilize the expertise of managers to manage their business.

- **Maintenance of written records, communication and rules.**
  A written record of organizational activities keeps rules and regulations visible to all participants. It also allows evaluation of past decisions and activities and adds to the organizational memory. This gives an organization continuity over time.

  Management today still believes in written records for all official communication. This has however brought about many concerns such as security and confidentiality.

Although Weber contributed greatly to the understanding and practice of management, his theory has faced the following criticism:-
a) It looks at man as a rational being and ignores the psychological aspects. Man is therefore seen as being motivated purely by economic incentives and nothing else.
b) There is too much emphasis on structure and attainment of goals. People and their needs are ignored.
c) Psychosocial aspects of the organization and group dynamics receive very little attention.

CONCLUSION
Weber's principles represent an ideal that he believed should be the goal of every organization. This ideal state (organization) would be a good place to work and should provide efficient services to customers.

But today, there are several complaints about the ineffectiveness of bureaucratic organizations. To some extent, adherence to Weber's principles by institutions such as the government and military has enabled both to provide a vast array of services to large numbers of people.

QUESTION SEVEN

A vital element in every marketing strategy is the marketing mix. The mix may be defined as 'the particular group of variables offered to the market at a particular point in time.' These variables are principally:
1. Product
2. Price
3. Promotion
4. Distribution (place)

These are called the 4 P's of marketing and they enable marketers to speedily respond to changes in the marketing environment.

PRODUCT
Any decision about the marketing mix must begin with the product. Product refers to any thing that is offered to the market for its consumption or use. It can be physical goods or services.

It is important that the range and quality of the product mix be frequently evaluated and amended because it is a source of most of the company's revenue.

People buy products mostly for benefits e.g. a car for luxury, comfort and speed - but not so much because of features. Organizations must strive to sell the benefits of their products, which must be designed into the product itself.

One important method used to sell benefits is by branding products i.e. applying the organization's signature to its products by the use of special names, signs or symbols such as 'Coca Cola', Bic or even 'Kimbo'.

Packaging is also another important factor in presenting a product to the market. It provides protection to a product and also reinforces the brand image. It also attracts customers at the point of sale.

Emphasis on the make up of the product is vital because of the need to sell the product and also because of another key factor i.e. 'product life cycle'. Most products pass through a series of stages from the time they are introduced until the time they are withdrawn. These stages are:-
1.Introduction
2.Growth
3.Maturity
4.Saturation
5.Decline

The life cycle helps to plan the marketing mix, the development and introduction of new products, the withdrawal of the obsolete products and to set the revenue targets for each product. The life cycle concept makes an important contribution to the forecasting of sales and planning of products.

PRICE

Price is important because it is the only element in the mix, which produces revenue: the others all represent costs. Price is the value placed on a good or service and may go by many other names e.g. rent, fees, wages, interest, honorarium, etc.

Pricing of products determine the success of the firm, one may choose to introduce a product at a high price to recover costs or at a bargain to attract considerable sales.

The actions of competitors also have an important bearing on pricing decisions.

For a product to succeed, the marketing executive must have a thorough understanding of pricing decisions. Of all the 4 P's only price can be changed quickly to respond to changes in the market.

PROMOTION

Every product needs to be brought to the attention of the market through the identification of its benefits.

The principal methods of promotion are: advertising, personal selling, sales promotion and publicity. These are referred to as the promotion mix.

The aim of any promotional strategy is to bring existing or potential customers from a state of relative unawareness of products to a state of actively adopting them.

The following stages of customer behaviour have been identified:

Stage 1   Unawareness of product
Stage 2   Awareness of product
Stage 3   Interest in product
Stage 4   Desire for product
Stage 5   Conviction about value of product
Stage 6   Purchase of product

a) Advertising

This is the process of communicating persuasive information about a product to target markets by means of the spoken and written word and by visual material.

The five principal media of advertising are:

- Print media - newspapers, magazines etc.
- Television
- Direct mail
- Radio
- Outdoor - posters, billboards etc.

To effectively advertise a product, decisions must be made on issues such as:

- The amount to be spent,
- The message a firm wants to put across,
- The timing of adverts and the best media for that purpose.

b) Personal Selling

Here sales people communicate the product to the market in a face-to-face encounter.

Though quite expensive, personal selling can also be the most effective and most rewarding in clinching deals.

A company must decide how to structure its sales force depending on the product and the market being targeted.

c) Sales Promotion

This involves attempts to stimulate sales by use of incentives e.g. special discounts, price reductions, bargain packs, gifts etc.

Sales promotion has proved very effective in the following areas:
- Drawing attention to new products
- Encouraging sales of slow moving products
- Stimulating off peak sales of products
- Increasing usage of products.

d) Publicity
This is part of public relations. It doesn't cost the organization money. Publicity is news about the product reported in the press or some other media without charge to the organization, however there are some costs involved in setting up a publicity programme.

Sponsorship of events and donations have become an increasingly popular form of publicity. These contribute significantly to an organization's public image and thus helps in the sale of its products. For example the Dettol Heart Run.

PLACE (DISTRIBUTION DECISION)
This refers mainly to the movement of goods and services from producer to the consumer through a give **channel of distribution.** The product must be moved to the final consumer.

Below are the common channels of distribution:

a.   Manufacturer ⟶ Customer

b.   Manufacturer ⟶ Wholesaler ⟶ Retailer ⟶ Customer

c.   Manufacturer ⟶ Wholesaler ⟶ Customer

d.   Manufacturer ⟶ Retailer ⟶ Customer

The choice of channels utilized to distribute a product is determined by the customer. In recent years there has been a trend towards shorter channels as customers realize the price advantages of bypassing the intermediaries.

Factors to consider when selecting channels
- Customer characteristics e.g. perishability
- Company characteristics e.g. financial status and product mix.
- Middlemen characteristics e.g. are they financially stable? What markets do they serve?
- Competitive characteristics - own channels be used or those already being used by competitors?
- Environmental characteristics - Economic, political, legal, social and cultural factors also influence channel decisions.

QUESTION EIGHT

The study of organization structures is still a developing field. It has been a major source of interest for classical theorists; Max Weber was in fact one of the first scholars to describe how organizations should be designed.

Henry Mintzberg defines organization structure as "the sum total of the ways in which it divides its labour into distinct tasks and then achieves co-ordination between them.

The organization structure is therefore the overall configuration of positions and interrelationships among positions within the organization.

Factors affecting organization structure:-

a. Size
Size may be the number of employees, assets, sales etc.

Small firms tend to have fewer rules for how things should be done and more flexibility in how employees can confront problems. As the firm grows, the tendency to create more rules and reduce flexibility increases and alterations in its design become inevitable.

b. Technology
This refers to the conversion process used by an organization to transform inputs into outputs. Organizations that have mass production will adopt a different structure from those with batch or unit technology.

c. Environment
Environmental uncertainty can be captured by environmental change and environmental complexity. Highly dynamic environments will favour complex structures such as matrix.

THE TYPES OF ORGANIZATION STRUCTURES

1. Functional Organization Structure
This is a structure based on groupings of all the major business functions e.g. production, marketing, finance, personnel. In a functional structure, tasks are linked together on the basis of common functions e.g. all production activities are linked together in a single function which undertakes all the tasks required of that function.

Advantages
- By placing people together on basis of technical expertise, the organization can facilitate both their utilization and the coordination in the service of the whole enterprise.
- Better opportunities for promotion and career development.

Disadvantages
- Growth of sectional interest that may conflict with the needs of the organization as a whole.
- Difficulty in adopting this structure to meet issues such as diversification or geographical dispersion.

2. Divisionalized Organization Structure

The organization is divided into divisions on the basis of products and / or geography and each division is operated in a functional form but with certain key functions retained at the company headquarters (e.g. finance, planning and personnel policy).

a) Product - based Divisionalization

This is usually based on individual products or product ranges. Each group carries its own functional specialisms e.g. in the Health Sector, the key group of employees - medical, nursing, paramedical and hotel services - are dispersed according to the services they provide.

Advantages

- It allows diversification to take place
- It can cope better with problems of technological change because it groups people with expertise and their specialized equipment in one manor unit.
- Products that are loss making can be easily identified.

Disadvantage

- The General Manager may promote their own product group to the detriment of other parts of the company.

b) Geographical Divisionalization

This is centered around appropriate geographical features e.g. regions, nations, subcontinents.

Advantage

Decision-making and control are made easier.

The managers are familiar with the environment and can easily adopt to changes if required.

Disadvantage

Decentralization may cause additional control problems for senior management.

3. Matrix Organization Structure

This is based on a combination of functional organization with project-based structures thereby combining vertical and lateral lines of communication and authority. Within these structures, there is a dual chain of command as those involved report to their own **line** managers as well as to one or more **functional** managers.

Advantages

- It helps to clarify who is responsible for the success of the project
- Better control of project
- Lower program costs
- Aids in development of managers as they are given more responsibilities

Disadvantages

- Conflicts concerning allocation of resources
- Dual chain of command is confusing, can cause divided loyalty and power struggles
- Dilution of functional management throughout the organization

CONCLUSION

These are the available options. The functional structure is best suited to stable environments while divisionalization is popular in large organizations offering wide ranges of services. With increasing complexity and size, many firms are opting for a mixed structure, which may combine the benefits of two or more forms of organization.

MAY 2002

QUESTION ONE

a) Definition: A mission statement identifies the scope of a firm's operations in product and market terms. It answers the question "what is our business?" A mission is the organization's 'raison d'etre', i.e. its reason to be or reason for existence. A mission can be described as 'the invisible hand' that guides widely dispersed employees to work independently and yet collectively towards realizing the organization's goals. In essence it gives the scope of operation of an organization and broadly charts the future direction of that organization.

Components of a good mission statement
A good mission statement should show the firms:
(i)   Major customer: It must indicate who the firm targets its products at.
(ii)   Products/services.
(iii)   Technology (mode of production) - must show whether technology is of major concern to the organization.

It must also show the firm's major concerns or philosophies e.g.
- Commitment to quality
- Concern for growth
- Self concept
- Concern for public image
- Concern for employees

Benefits of a mission statement
The mission statement clearly defines the following:
- The overall company vision.
- Key values which managers must adhere to that is it defines the organisational culture.
- Key goals and objectives, which must be attained.
- Customers to serve and boundaries of operations.
- Customers' needs to be satisfied.
- Product and service benefits to satisfy customers.
- Technologies by which needs can be satisfied.
- Specification on how the company intends to incorporate its stakeholders' rights and claims into its strategic decision making for maximization of the stakeholders' wealth. The stakeholders include customers, shareholders, suppliers and employees.

b) The meaning of the term 'Objective.'
An objective is the target that must be reached if the organization is to achieve its goals. Objectives are the translations of the mission into specific concrete terms against which results can be achieved. Corporate objectives specify what the organization is meant to accomplish. Each objective should answer 3 questions:

(i)   What is to be accomplished?
(ii)   How much is to be accomplished?
(iii)   When is it to be accomplished?

Objectives can be short term, especially when they are expressed in terms of targets to be achieved by a specified date. There can also be long term objectives which could be described as accountabilities for achieving results that are built into the role definition as key result areas and that may be expressed in unquantifiable terms e.g. a long term objective may be to maintain high levels of customer service but a short term objective could be to reduce

to within a specified length of time the period between a customer enquiry and the response to it.

Characteristics of good objectives
Good objectives are:

- **Consistent** with the values of the organization and departmental and organizational objectives.
- **Precise:** clear and well-defined using positive words.
- **Challenging:** to stimulate high standards of performance and to encourage progress.
- **Measurable:** they can be related to quantified or qualitative performance measures.
- **Achievable** within the capabilities of the individual.
- **Agreed** by the manager and the individual concerned.
- **Time-related:** achievable within a defined timescale.
- **Focused on teamwork** with an emphasis on the need to work as an effective member of a team as well as making individual achievement.

Many organizations use the 'SMART' mnemonic to summarize the characteristics of good objectives.

S = Specific: clear, unambiguous, understandable and challenging.

M = Measurable: quantity, time, money, verifiable.

A = Achievable: challenging, but within the reach of competent and committed person.

R = Relevant: relevant to objectives of the organization so that goal of the Individual goods are aligned to corporate goals.

T = Time-framed: to be completed within an agreed timetable

QUESTION TWO

MBO
Management By Objectives (MBO) is a comprehensive managerial system that integrates many key managerial activities in a systematic manner and is consciously directed towards the effective and efficient achievement of organizational and individual objectives. It is a philosophy of management that encourages mutual goal setting between superiors and subordinates.

How MBO works
Although there are a number of variations, MBO generally consists of these steps: setting organizational objectives, setting individual objectives and appraising according to results.

These steps involve:
- The manager will explain the rationale and methodology of MBO to subordinates to enhance its acceptance.
- Top management determines the overall objectives of the organization and for each department.
- From each unit, a key manager will be identified who, together with top management, will design a unit improvement plan. This sets out the units' objectives and how these will be achieved.
- A personal job improvement plan will also be developed with each unit manager. This links the unit objectives and the manager's personal objectives.

- The unit managers then meets subordinates to explain to them what is expected in their departments. Both parties come up with individual objectives for the coming period which is usually a year or less. These individual objectives must be linked to those of the department. An action plan is developed to see how these objectives will be achieved.
- Intermediate reviews are done by manager to see if the subordinate is working effectively towards the set objective. Areas of deviation are identified and set right.
- At the end of the set period, a final review is conducted and corrective measures are taken. If an employee has met his target he is rewarded.

To ensure the success of an MBO programme in any organization, top management must ensure:
- Consistency between units, individual and corporate objectives.
- The right climate and culture to ensure that the organization is committed.
- Focus on critical areas of improvement.
- Assign responsibility to specific managers to enhance control.
- Avoid duplication of control work.
- Have an efficient MIS. (Management Information System).
- Provide managers with flexibility and freedom.
- Provide training.
- Provide adequate time and resources.

Merits of MBO
a. It facilitates control.
b. It encourages a results oriented culture.
c. With MBO organizational goals are clearer and verifiable.
d. MBO leads to carefully coordinated planning. Since it is participatory in nature.
e. Better objectives are formulated.
f. It leads to improved performance and better motivation.
g. MBO leads to enhanced manager development.
h. MBO improves commitment and delegation.
i. MBO improves communication.

Demerits of MBO
a. MBO lays too much emphasis on short-term goals.
b. It lays too much emphasis on quantitative goals as opposed to qualitative ones e.g. product appeal.
c. It is very time consuming and increases paper work.
d. MBO is also very rigid (the environment of management usually is very dynamic.
e. It assumes managers have the right skills and attitude towards MBO.
f. MBO is resented by subordinates who do not wish to participate in the goal setting process.
g. It is pressure oriented.
h. MBO assumes there will be no conflicts in the objectives of the organization and those of individuals. Even when there are conflicts, MBO assumes they can easily be solved.
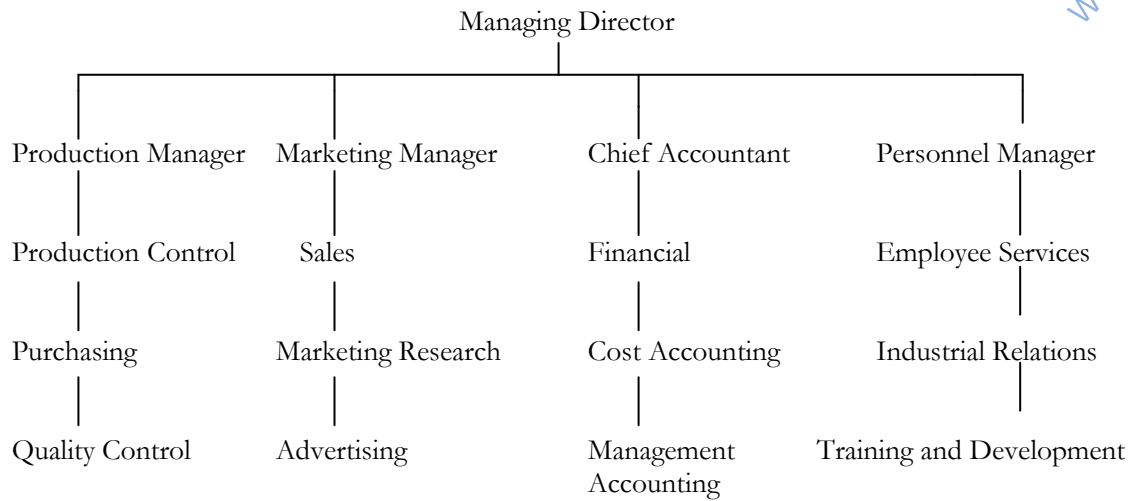
QUESTION THREE

There are a number of alternative ways of deploying the intangible webs of relationships that make up an organization structure.

The functional structures
In a functional organization structure, tasks are linked together on the basis of common functions. Thus, all production activities or all financial activities are grouped together in a

single function, which undertakes all the tasks required of that function. The chart below explains this.

Managing Director

Production Manager	Marketing Manager	Chief Accountant	Personnel Manager
Production Control	Sales	Financial	Employee Services
Purchasing	Marketing Research	Cost Accounting	Industrial Relations
Quality Control	Advertising	Management Accounting	Training and Development

Advantages
1. By grouping people together on the basis of technical and specialist expertise, the organization can facilitate both their utilization and their coordination in the service of the whole enterprise.
2. It provides better opportunities for growth and career development.

Disadvantages
1) The growth of sectional interest - this may conflict with the needs of the organization as a whole.
2) It is difficult to adopt this form of organization to meet issues such as product diversification or geographical dispersion.
3) Functional structures are best suited to a relatively stable environment.

THE MATRIX STRUCTURE
These are organizations that have come about as a result of coordination problems in highly complex industries such as aircraft manufacture, where functional and product types of structure have not been able to meet organizational demands for a variety of key activities and relationships arising from the required work processes.

A matrix structure combines a functional form of structure with a project-based structure and entails a dual rather than single chain of command. Every matrix contains three unique and critical roles.
i)   Top manager who leads and balances the dual chain of command
ii)   The matrix bosses (i.e. functional manager + project manager) who share subordinates
iii) The subordinate managers who report to two different matrix bosses.

TYPICAL MATRIX STRUCTURE (Engineering Industry)

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                                    ┌─────────┐
                                    │   CEO   │
                                    └─────────┘

        ┌──────────────┬──────────────┬──────────────┐
        │         ┌──────────┐   ┌──────────┐   ┌──────────┐
        │         │PRODUCTION│   │ MARKETING│   │ FINANCE  │
        │         │ DIRECTOR │───│ DIRECTOR │───│ DIRECTOR │
        │         └──────────┘   └──────────┘   └──────────┘

   ┌──────────┐  ┌──────────┐   ┌──────────┐   ┌──────────┐
   │ PROJECT  │  │PROJECT A │   │PROJECT A │   │PROJECT A │
   │DIRECTOR A│──│PRODUCTION│───│MARKETING │───│MARKETING │
   │          │  │ MANAGER  │   │ MANAGER  │   │ MANAGER  │
   └──────────┘  └──────────┘   └──────────┘   └──────────┘

   ┌──────────┐  ┌──────────┐   ┌──────────┐   ┌──────────┐
   │PROJECT B │  │PROJECT B │   │PROJECT B │   │PROJECT B │
   │ DIRECTOR │──│PRODUCTION│───│MARKETING │───│MARKETING │
   │          │  │ MANAGER  │   │ MANAGER  │   │ MANAGER  │
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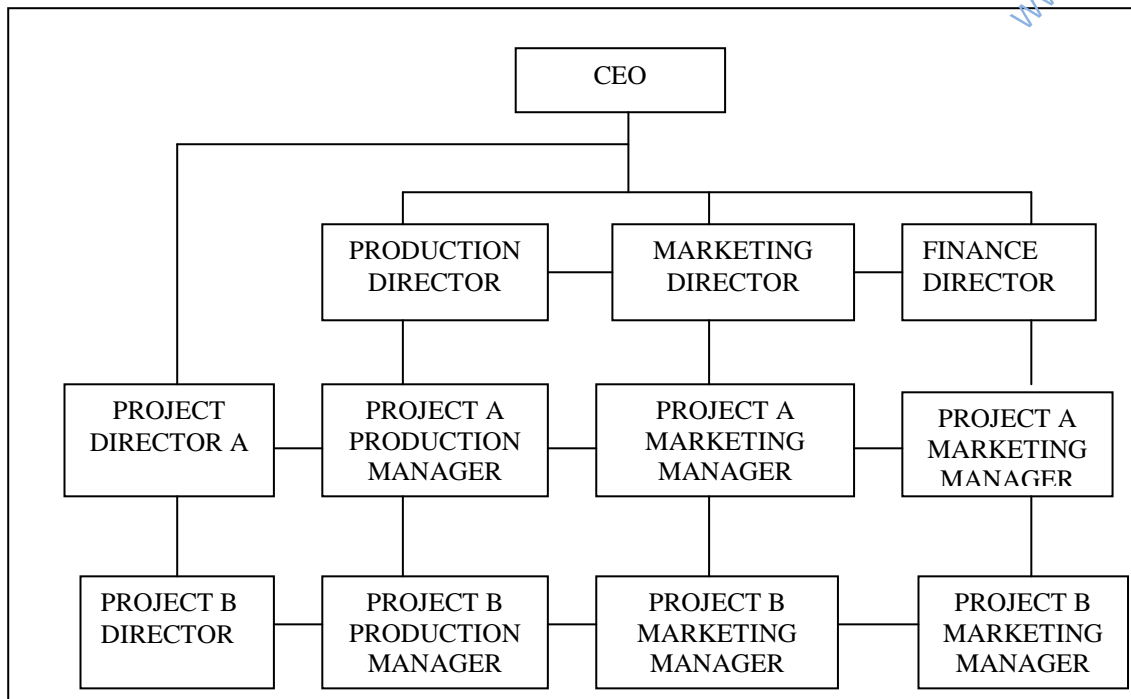
Dual authority comes about, for example, because a project has two bosses. i.e. the production director because he belongs to the production department and Project A director because he forms part of the team working on Project A, headed by Project A director. The same applies for the other subordinates.

ADVANTAGES OF A MATRIX STRUCTURE
1. It combines lateral and vertical lines of communication and authority. This combines the relative stability and efficiency of a hierarchical structure with the flexibility and informality of an organic form of structure.
2. It provides coordination necessary to satisfy dual environmental demands e.g. new product introduction and computerization of processes.
3. It leads to better control of project and greater security
4. It leads to better customer relations and higher employee morale
5. Lowers program costs and leads to higher profit margins
6. Project development time is shortened
7. Aids the developments of managers as they are given more responsibility

DISADVANTAGES OF A MATRIX STRUCTURE
1. Organization members experience dual authority which leads to ambiguity, frustration and confusion (It violates the unity of command principle) given by Fayol.
2. Conflicts may arise concerning the allocation of resources
3. Relative dilution of functional management responsibility
4. Divided loyalty on the part of members of project teams in relation to their own manager and functional superiors
5. Managers and other participants need good interpersonal skills - not always available
6. Extensive training is required
7. Conflict resolution becomes time consuming, so is the agreement on objectives and plans
8. May lead to power struggles a managers fight for services of a joint subordinate
9. Too much shifting of staff from project to project may hinder training of new employees

THE MULTIDIVISIONAL STRUCTURE

The organization is divided into divisions on the basis of products and/or geography, and each division is operated in a functional form, but with certain key functions retained at company headquarters e.g. planning, finance and personnel policy. This is a common organizational form for highly diversified firms operating in more than one country. A typical chart for a divisionalised company would be as given below:

Chairman/Managing Director

Director, Region I
Director, Region II } Geographical divisions
Director, Region III

Director, Production/Exports (Agencies)
Director, R & D } Functional divisions
Director, Corporate planning

Director, Finance
Personnel Director } HQ Functions
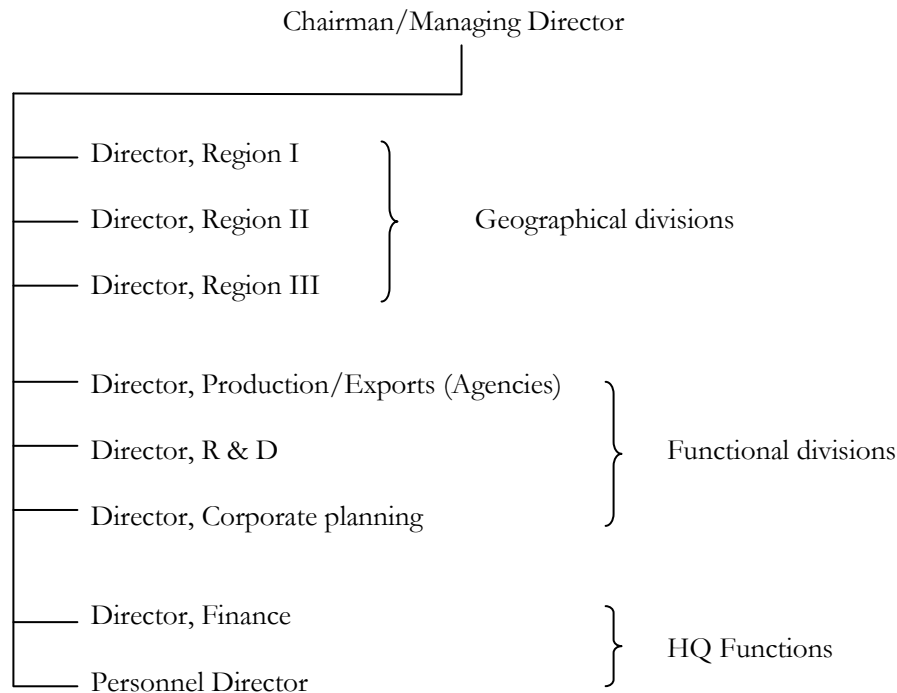
The regions act very much like self standing companies, producing and marketing the products developed by the parent company.

Research and development activities and key corporate standards are controlled worldwide via the functional divisions while the headquarters provide group policy in key areas such as finance and personnel.

It is possible to maintain a balance between necessary corporate control from the centre and desired divisional independence at the regional and functional levels.

HOLDING COMPANY STRUCTURE

A holding company is simply a vehicle for the ownership of a range of other companies.
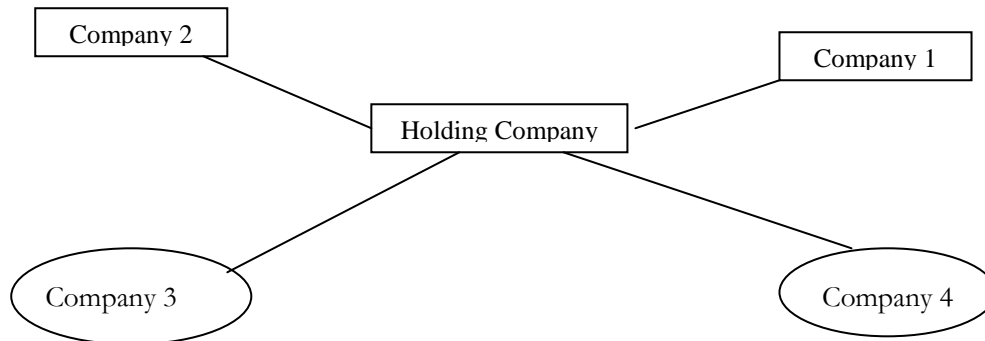
Company 1 and 2 are wholly owned subsidiaries or the holding company owns a majority of shares.

Companies 3 and 4 are part of the group but the company does not own the majority of shares.

The holding company manages a portfolio of companies and does not involve itself in the management or strategy at strategic Business Unit level (SBU). Thus it provides few synergies, and little in the way of corporate services or parenting roles.

This has advantages in that the holding company does not become enmeshed in complex logistical arrangements that would make divestment difficult if this was in the shareholders best interest.

The advantage for SBU is that they can continue to manage autonomously, and may have opportunities to raise capital more cheaply through the group than by using the money markets.

The problems are that the SBU might be divested for reasons entirely unconnected with its own performance, and there are a few opportunities to leverage core competencies across the group structure.

QUESTION FOUR

Decision-making is the process by which management chose a specific course of action. It is designed to cause things to happen or not to happen. In organizations, managers are expected to make decisions as an important part of their responsibilities.

Types of decisions

a) **Strategic decisions** - these are basic long-term decisions, which settle the organization's relationship with its environment, notably in terms of its products or services and its markets. These are the decisions which set up the goals and objectives of the organization as well as its policies.
Strategic decisions are complex, no routine and a non-repetitive.

b) **Operating decisions** - are short-term decisions which settle issues such as output levels, pricing and inventory levels. They are routine and repetitive by nature. They also

tend to receive priority over others because of the sheer weight of their volume plus their ability to show results in the short-term.

c) **Administrative Decisions** - these decisions arise from, and are subject to, the conflicting demands of strategic and operational problems. They are essentially concerned with settling the organization's structure e.g. by establishing lines of authority and communication.

A final distinction that can be made between types of decisions concerns the so-called programmed and non-programmed decisions.

Programmed decisions are made in accordance with habit, rule or procedure. They are used for dealing with complex as well as with uncomplicated issues.

Non-programmed decisions deal with unusual or unique problems: those which have not come up often enough to be covered by policy or it is so important that it deserves special treatment e.g.
*   allocation of resources
*   society relations
*   falling product lines

Steps to be followed to arrive at the right decisions:
NB: When answering such a question always use an example to explain the different steps.
For instance take a decision on computerizing the Accounts department.

Decisions may be affected by feelings and interpersonal relationships and other situational factors but generally it is a rational process that follows the following steps:

(i) Define the situation or problem
Involves an accurate assessment of the problem so that management does not treat mere symptoms.

(ii) Generate alternative solutions
Involves looking for as many ways of dealing with the problem at hand as possible.

(iii) Gather data on and evaluate the alternative solutions
After collecting all the pertinent information, the alternatives are evaluated in terms of their cost and benefit. Consider feasibility, consistency, appropriateness and resultant consequences.

(iv)   Select the best alternative
Pick the alternative that has the highest overall levels of feasibility satisfaction and the fewest undesirable consequences.

(v)   Implement the alternative
This is the actual action where the alternative selected is put into effect.

(vi)   Evaluate results
Every decision is taken to solve a problem. So once the alternative is put into effect, the manager needs to judge how well he is dealing with the problem. The end results of the decision are checked for their appropriateness.

QUESTION FIVE

Definition of leadership:
Leadership can be defined as influencing others to do what the leader wants then to do. It is the art of inspiring subordinates to perform their duties willingly, competently and

enthusiastically. Leadership is the process by which an executive imaginatively directs, guides and influences goals by mediating between the individuals and the organization in such a manner that both will obtain maximum satisfaction. A leader is one who, by example and talent performs a directing role and yields influence over others.

The method or style of leadership a manager chooses to use greatly influences his effectiveness as a leader - if the style is inappropriate, objectives are not attained and workers may feel resentful, aggressive, insecure and dissatisfied.

The most important types of leaders are as follows:

- **The Charismatic Leader**

He gains influence mainly from the strength of personality. Charisma is a powerful and personal quality that has strong influence over people and will make them admire you and become your willing followers e.g. Hitler, Winston Churchill etc.

- **The Traditional Leader**

His position is assured by birth e.g. Kings and Queens. Except in small family business, there are very few opportunities for traditional leadership at work.

- **The Situational Leader**

His influence can only be effective by being in the right place at the right time. This kind of leadership is too temporary in nature to be of much value in a business. What is needed to attain objectives is someone capable of assuming a leadership role in a variety of situations over a period of time. For example a bus conductor who decides to direct traffic because there are no traffic lights and police are not around.

The Functional Leader

He secures his position by what he or she does rather than by what he is i.e. functional leaders adapt their behaviour to meet the competing needs of the situation.

- **The Appointed or Legitimate Leader**

His influence arises directly out of his position as in the case of most managers and supervisors. This is bureaucratic leadership where legitimate power springs from the nature and scope of the position within the hierarchy. The problem here is that, although the powers of that position may be defined, the jobholder may not be able to implement them because of weak personality, lack of adequate training or other factors.

Leadership then, is something more than just personality or accident or appointment. It is intimately linked with behaviour. It is a human process at work in organizations.

Leadership is a dynamic not a static process - this implies that a range of leadership styles is preferable to any one 'best style'. Besides, the role of the leader is to direct the group towards goals. Also, the style of leadership will be determined considerably by the situation concerned (i.e. the leader's skills/abilities, the task/goals, the skills/motivation of the subordinates and the environment/situation).

The three main styles of leadership are

a) **Autocratic:** It is like dictatorship, all authority and decision-making lies with the leader.
b) **Democratic or participative:** Here the subordinates are allowed to take part in decision-making.
c) **Laissez faire or free reign:** Here workers don't depend on the leader to provide external motivation, they are given goals and left on their own to achieve them.

NB: In reality there are not just 3 leadership styles but they could be many ranging from highly boss centred styles to highly employee centered leadership.

QUESTION SIX

Explanation and definition of the concept 'Corporate Social Responsibility'
During this century, there has been much change in what the society expects of its institutions and in what managers regard as proper roles in organization. This change has gradually developed into a new concept of corporate social responsibility.

Many managers are increasingly adopting the view that besides the obligations they have to their organizations, they have a personal responsibility to the society. This is because business organizations do not operate in a vacuum but have to constantly interact with society i.e. customers, suppliers, competitors, employees, government etc.

It can be said that 'social responsibility' deals with corporate conduct in respect to the broader societal values.

Being 'socially responsible' implies playing more than just an economic role in society. This is aimed at demonstrating that corporate organizations are just as capable as individuals of being 'good citizens'.

There are two ways of encouraging firms to develop a sense of social responsibility:
(i)   They can be forced by law
(ii) They can be persuaded voluntarily.

In some countries, the law actually regulates the relationship between firms and their various stakeholders. However, in our discussion of social responsibility, we are generally referring to measures taken **voluntarily** by firms as part of their wider role in society.

Areas that a socially responsible firm should address

The concept of social responsibility has attracted both supporters and critics. Some people argue that firms should take part in only those activities that lead to maximization of profit. Others feel modern organizations cannot afford to go about their business without responding to issues affecting the various stakeholders with which they interact. Whatever the argument, most organizations are increasingly participating in social responsibility programmes.

The most typical areas that social responsibility addresses are:

QUESTION SEVEN

What is change?
Change refers to any fundamental adjustment or reorganization of one or all of the aspects of an organization e.g. redesigning the overall structure or changed mode of production or even replacing employees with technology or changing from one level of technology to another.

Indeed in the recent past, a lot of changes have taken place in many Kenyan firms. There has been a lot of downsizing both in the public and private sector. There also has been several mergers, acquisitions, buyouts and even changes in management style. All these are because a lot of changes have occurred both within the firms and also in the wider external environment or society within which these firms operate.

All firms are environment dependent: they depend on the environment for their inputs and also for discharging their outputs. The strategies of the firms are affected by the

environment and managers must realize that although they cannot influence certain factors of their environment, they must always re-design their strategies in response to pressures created by the environment.

Forces that are responsible for the changes and reorganizations

- **Globalization** - there is now a realization that people can set up trade bases in other countries unlike in the past when trade was restricted to purely domestic markets. Companies are now operating on a global basis, a lot of multinational businesses have come up with several productive subsidiaries abroad. Size has now become a critical factor for success alongside entry into foreign markets.
- **Technological developments** especially in information technology. Most departments are computerized and the service industry uses IT to improve what it offers to customers.
- **Threatening tactics of competitors** - There has been a lot of competition due to liberalization. Tactics such as drastically cutting prices and 'dangerous' advertising have been used.
- **Entry of many newcomers with competing products or services** - For a long time monopoly has been rife with particular firms being sole producers of a certain product. Now there are many entrants offering competing products. Survival now depends on the strategies one uses to market their product or service.
- **Customer needs** - The essence of business is the customer. Unlike the traditional customer who bought what was on sale, today's customer has needs and preferences, which must be satisfied. Firms are also aware of the existence of a middle class group of customers who have different needs from the low income-earning customer. Customers' focus is now a major starting point for many firms' actions.
- **A new perspective of the Human Resource** - Unlike the previous years, the human resource is now considered as the firm's most valuable resource. The Human Resource department is now instrumental in most firms and a lot is being done to keep the firms most valuable asset happy and productive.
- **Political stability** - Stability is a major consideration for investors who are eager to be assured that their investment is safe within the country. In Kenya, a relative amount of stability has attracted several investors. At the same time, a few disruptions and speculations about the stability has led several investors to close up and relocate their business.
- **Lobby groups** - especially those furthering the cause of women and 'minority' ethnic groups. They demand equal employment opportunities and a respect for the rights and dignity of women at work. They look into issues of discrimination by employers. There are also groups that are pushing firms to be environmentally conscious such as Green Belt Movement. Firms have had to incur extra costs so as to comply with their demands.
- **Demographic pattern** - There are still a lot of unskilled people seeking employment thus making casual employment a continued possibility. A lot of changes have also taken place in the provision of degree, masters and doctoral programmes. There are now a lot of qualified personnel seeking employment at managerial levels and whose needs firms must cater for. Changes in the demographic pattern also imply a change in customer demands and needs.
- **The AIDS scourge** - This affects all employers, as productive citizens are the most affected. Laws regarding issues such as medical cover and insurance are a major consideration for all employers. The Federation of Kenya Employers has in the recent past protected the rights of affected citizens to ensure that they are not discriminated against.

QUESTION EIGHT

Ansoff's Product - market growth vector

He analyzed potential growth strategies based on the extent to which new products and or new markets are sought.

<div align="center">Product</div>

	Existing product	New product
Present Market	MARKET PENETRATION	PRODUCT DEVELOPMENT
New market	MARKET DEVELOPMENT	DIVERSIFICATION

1. Market penetration
Current products and current markets. It involves achieving wider adoption of an existing product by the existing target customers.

There are 3 ways in which a company can penetrate a market.
i. Stimulating customers to increase the current rate of usage by increasing unit of customer purchase speeding up rate of product improvement/obsolescence suggesting new uses for product and offering price incentives for increased usage. For example the frequent flyers club offer by KLM and KQ to loyal customers so as to encourage them to increase bookings. After a certain mileage the customers get a free ticket.
ii. Attract non-users through promotions.
iii. Swing competitors customers through brand differentiation. It is appropriate when:

- When the overall market is growing or can be induced to grow and therefore it is relatively easy to gain market share.
- If the firm holds a strong market position and is able to use its experience and competences to obtain strong distinctive competences/competitive advantages.
- This strategy requires relatively lower level of investment with a corresponding reduction in risk.

2. Product development
Offering new products to the present market.

By developing this strategy the company could:
- Develop new product features through attempting to adapt, modify, magnify or combine existing features.
- Create different quality versions of the product.
- Develop additional models and sizes.

The reasons why a company may opt for this strategy are:
i. It holds a high relative market share, has a strong brand presence and enjoys distinctive competitive advantage in the market.
ii. There is growth potential in the market.
iii. The changing needs of the customers demand new products. Continuous product innovation is often the only way to prevent product obsolescence.
iv. It needs to react to technological developments.
v. The firm is particularly strong in research and development.
However this strategy has its downside especially in the line of expense and risk.

3. Market development

Process by which the firm seeks new markets for its current products. There are many possible approaches:

a) New geographical areas and export markets e.g. a radio station being a new transmitter to reach a new audience
b) New distribution channels.
c) The company may try attracting other market segments through developing product versions that appeal to them e.g. travel companies have developed a market for cheap stay long winter breaks in warmer countries for retired couples.

4. Diversification

When a company decides to make new products for new markets. The company gets involved in activities that differ from those in which it is currently involved. The company selectively changes the product lines, customer targets and manufacturing and distribution arrangements.

Diversification can either be related or unrelated.

Related: - is development beyond the present product market but still within the confines of the industry. It therefore builds on the assets or activities which the firm has developed. It takes the form of vertical or horizontal integration: - development into activities which are competitive with or directly complementary to a company's present activity(ies).
Vertical integration: - occurs when a company becomes its own supplier or distributor. Can either be backward or forward.

Advantages
- A secure supply of components or materials hence lower supplier bargaining power.
- Stronger relationship with final consumer can be built.
- Share of profits at all the stages of the value chain.
- Creation of barriers to entry and therefore deter competitors.

Disadvantages
- Over concentration in one area. Should the industry fail the whole company suffers.
- Failure to reap benefits of economies of scale in the industry in which it has diversified.

Unrelated: or conglomerate is development beyond the present industry into product/markets which, at face value may bear no close relation to the present product/market.

Advantages:
a) Risk spreading:- entering new products into new markets offers protection against the failure of current products or markets
b) High profit opportunities: -stability in profits because if there are hard times in one industry they offset losses from others.
c) Better access to capital markets because of the large size "big is mighty".

Disadvantages:
a) Lack of common identity and purpose and this could affect the focus of the firm.
b) Failure of one business drags down the rest.

DECEMBER 2010

QUESTION ONE

(a) Guidelines to effective/successful performance appraisal.

- Have frequent appraisals - The firm should not appraise only at the end of the year but should look for ways of appraising the performance of the employee throughout the year. The end of the year should be a final review. This firm should adopt the Management By Objective (MBO) programme in which managers and their subordinates set yearly targets and work towards them. In MBO the subordinates' performance is assessed at very regular intervals. Performance Management is also a new technique currently being used as an appraisal tool and like MBO it involves regular assessment of workers and helps to ensure that the end of year review is a true record of employee performance all year round.

- Be objective, avoid personal bias - there is always a possibility that personal prejudices assessment of the evaluator will interfere with his assessment of workers. In this firm there is no objectivity. Even though avoiding bias may be difficult, evaluators must make every effort to ensure their feelings don't affect the appraisal.

- Encourage frank evaluation - If the appraisers in this firm were frank, then employees would not be getting these high grades, which they don't deserve. Senior management expects honest and frank reports even if it discredits the individual.

- Most managers do not like giving negative reports but they must be fully aware that the welfare of the organization must take precedence over the individual's welfare.

- Communicate the method and purposes of appraisal - this firm needs to make employees aware of the methods used to appraise them. It employees are being appraised for other purposes, apart from promotion, as in this case - they should also be made fully aware of these other purposes.

Appraisals can also be done for compensation, termination, transfers, training and other personnel purposes.

- Use appraisal results to improve employees - An appraisal of how well a manager has performed in the past should serve as a guide to helping him perform more effectively in future. In this given case Ngura continues to perform dismally yet his weaknesses should have been identified and improved on.

- Keep the system simple but use the best available method - an evaluation system should be no more complicated than it is absolutely necessary to achieve the objectives stated for it. It should not be too complex but should be able to give the value expected from it.

  Besides the designers of the system should know all the methods available and choose a combination of the best since appraisal results are used for very important decisions by management. To make these decisions without the benefit of the best possible evaluation of a manager is a disservice to the organization and an injustice to the manager.

(b) **Weaknesses in Ngura's style of Management and ways to improve them.**

- Ngura is not very cooperative with staff in other departments: As a head of research and development, he must learn that for an organization to succeed, all departments must work together. He must acknowledge the interdependence of the various departments and begin to co-operate with staff in other departments.

- Ngura over delegates to his subordinates because he is incapable of handling tasks involved in the higher job: Even though delegation is an inherent part of the management process, the manner in which work is delegated directly affects the overall effectiveness of an organization in attaining its desired goals. Ngura is very justified in passing authority to subordinates but he should not give more authority than they are capable of exercising.

  If subordinates are more capable at handling Ngura's tasks as a manager, then he deserves to be demoted. Ngura must delegate but should be competent in these tasks himself so that he remains in control.

  Ngura must begin to look for ways of being competent in the higher job e.g. training. He must also avoid using delegation as an excuse for making subordinates cover up for his incompetencies.

- Ngura's assistants do not complete work to the satisfaction of management. He retorts that they know what is expected of them and they are paid to work:
- The assistants' failure is Ngura's failure as a manager. He is the one who should inspect the work and ensure that it satisfies management's requirements. They cannot know what is expected unless he clarifies to them. Ngura must clearly define the expectations of the various jobs in his department. He must work himself to show the assistants what standard is expected of them.

Even though the assistants are paid for their work, Ngura must not use this as an excuse for his lack of control over them. He is accountable for their performance; their salaries are not accountable. Besides, satisfaction and work well done is a greater reward to employees than just basic pay.

All in all Ngura is an incompetent departmental head who does not deserve his position. He must now be trained on how to be a competent worker, how to run a department and how to manage subordinates.

Ngura must know that delegation does not make him less responsible to his superiors. He must not abdicate his responsibility since a delegating manager still retains the responsibility for the accomplishment of tasks. He still must answer why the job was not done and he remains responsible for the mistakes of subordinates to whom he has delegated.

QUESTION TWO

1. JOB PRODUCTION

It may also be called unique production. It is the production of single items, usually to order i.e. most products are made for a particular customer or to a particular order. These products may be small, tailor-made components, huge pieces of equipment or large single items such as a ship.

Because of the unique nature of each article to be produced, planning is not easy in jobbing production, neither is control. A lot of inventiveness and creativity is required.

Characteristics of job production
- A wide variety of different operations to be performed under varying circumstances i.e. no standardization
- Varying sequences of operations
- General purpose machinery and equipment
- Unpredictable demand on stocks
- Workforce skilled in a wide range of skills

Circumstances that would justify adoption of job production
- Where large items e.g. ships have to be built
- Where single large pieces of equipment such as electricity generating plant are to be manufactured
- Where individual items e.g. a bridge is to be constructed
- Where small one-off parts are to be produced to the order of the production department.

2. MASS PRODUCTION - (No. 2)
This is the continuous production of operations that flow from one operation to the next until completion without a break. This type of production requires careful and lengthy planning of plant and process. The capital costs are high because of the specialized nature of machines required for the production line. Once the line has been set up, control is relatively simple.

CHARACTERISTICS OF MASS PRODUCTION
- Rigid product specifications previously tested.
- Specialized machines and equipment, set out in line formation
- Highly standardized methods, tools and materials
- Long production runs for individual products
- Narrow range of skills

Its greatest drawback is that it requires human persons to adopt themselves to the production process. The work can be tedious and monotonous circumstances that would justify the adoption of mass production.
- Where large quantities of a narrow range of goods are required to meet the demands of mass markets.
- Where standardized units can be moved individually from one operation process to the next without requiring any break in operations.
- Where returns from mass production are expected to meet the expensive start-up costs of an assembly line form of production.
- Where large quantities of liquids, powders or gases are to be processed e.g. paper production, cement manufacture, or the production of petroleum spirit.

3. BATCH PRODUCTION
This is the production of standard units in lots, where each lot has to be processed at each operation before moving forward to the next operation.

Batches may be produced to order and forwarded directly to the customer, as in the production of sub-components for another manufacturer or they may be made for stock.

A major problem with batch production is to determine the optimum size of batches especially where general demand exists. If too many units are produced, stocks will lie idle or go to waste; if too few are produced, the item will go out of stock.

CHARACTERISTICS OF BATCH PRODUCTION

- A standardized set of operations, carried out intermittently, as each batch moves from one operation to the next.
- General-purpose machinery and plant but group in batteries of the same type.
- Heavy shop floor stores requirement.
- Narrower range of skills.
- Emphasis on production planning and progressing
- Relatively short production runs.

Its main disadvantage is the time-delay caused by the queuing effect of individual units waiting for the batch to be completed before moving to the next operation.

The circumstances that would justify the adoption of batch production are:

- Where items are to be produced for stock e.g. to support production in due course.
- Where standardized items are being manufactured, on a sub-contracted basis for another manufacturer.
- Where production requires a variety of quantities and types of items that cannot be produced under a flow-production process, because of interruptions to the flow of operations.

(b)

(i) Responsibilities of a production engineer

- **Product design and development**

Together with the Research and Development (R&D) Department, he studies new products and processes of producing them. Firms must not copy the innovations of others, nor should they produce the same product over a long period of time.

- **Facilities location**

The location decision combines a host of factors e.g. tax rates, land and building costs, access to customers, competitors' locations e.t.c.

- **Capital Equipment**

Includes determining the capital equipment needed, buying and installing it, providing for routine maintenance and repair, and eventually replacing it.

- **Facilities Layout**

He should ensure that the plant lay out follows a logical sequence so that materials flow smoothly through the process with minimal handling.

- **Work design and measurement**

He accurately measures and controls both material and labour usage. This saves the department a lot of money.

- **Production forecasting**

Helps to anticipate the demand for a product based on past data, current events and personal judgment about future developments.

- **Production planning and scheduling**

These are dynamic activities. He arranges resources and available time in attempting to best utilize the firm's capacity to produce.

- **Quality Control**

Quality must be designed and produced into the product. It is essential that he monitors the quality of incoming materials, work-in progress and finished items to assure that quality standards are being met or that corrective action is taken.

QUESTION THREE

a) Power Vs Authority

Authority is the legitimate power to act in certain ways. It refers to the right to do something. Authority emanates from the top and can be delegated to subordinates. Authority often derives from the position held in an organization.

Power is quite different from authority. It refers to the ability (not the right) to complement actions. These actions can be taken regardless of considerations of formal authority or responsibility. Charismatic individuals, for example, may have no formal authority conferred on them but nevertheless can exercise power over others and lead them into actions that may be against the organizations interest. Managers in situations where such behaviour occurs will have the authority to put a stop to obstructive actions but may not necessarily have the power to do so.

SOURCES OF MANAGERIAL POWER

Position: This is legitimate power created and endowed by the organization. It is based on the perception that the leader has the right to exercise influence because of his position and roles.

Personality: The manager may be able to exert influence over his subordinates because of his charisma and reputation. The subordinates will appreciate his personality traits and respect him wanting to be identified with them as their manager.

Expertise: A manager may derive power from his knowledge and expertise. The people over whom he exercises his expertise will recognize it and acknowledge him as a manager/leader in that area.

Rewards: Power also arises from the fact that the manager can withhold or grant certain rewards e.g. pay increases and promotion. The greater and more important the reward, the more power a manager has.

Coercion: This involves using physical force to influence subordinates. Even though it has an unlikely source of managerial power, it may be used in cases of industrial action. A lot of coercion is found in the military.

N/B Most managers use several sources of power at the same time.

QUESTION FOUR

A.   State and describe the stages in new product development.

The following are the reasons why new products are developed:
a)   New products may help business organizations meet the pressure of competition. The probability of consumers choosing a give company's product increases if the company has more brands available.
b)   A new product may utilize excess production and marketing capacity. If a new product can be profitably introduced to utilize excess capacity, then organizations should do it.
c)   New products can be used to sustain a company's growth. This is because products have a life cycle. New products should therefore be introduced as old ones will decline over time.
d)   Sometimes new customer needs may only be satisfied by new products. Human needs change over time as a result of changes in the environment.

Stages in new product development

1. Idea Generation
A pool of ideas generated in the hope that it will be developed into a successful product. Since products are developed to satisfy consumer needs or wants, customers are a very important source of new product ideas. Another important source of new product ideas are the company laboratories. Scientists, while experimenting in laboratories, come up with very rich ideas.

Competitors are another source of new product ideas. The firm evaluates and studies new products of competitors. This is a reactive approach which the company should not adopt.

The firms sales persons and dealers are also a source of good ideas because of their closeness to the market and the fact that they interact with actual and potential customers on a daily basis.

2. Idea screening
The generation stage may yield thousands of ideas some of which may not be worthwhile. Others may be so viable that they need further review. Idea screening is the first phase of idea evaluation and planning.

The pruning process involves the new product developer weighing his new product against the following factors.
a) The extent of existing or potential demand for the new product, if developed.
b) The extent to which the proposed product harmonizes with the existing marketing variables.
c) Durability of the product.
d) The extent to which the existing product is in harmony with the existing marketing variables.
e) The long term expected sales growth of the proposed product.

These factors can be reviewed to assess the various new product ideas.

3. Business Analysis
The new product developer here is concerned with projecting future sales, profits, rates of return of the proposed new product and with determining whether these are in line with the company objectives.

4. Product development
It is at this stage that the firm tries to find out if the product is technically feasible. Brand name and packaging problems are also resolved here.

5. Test marketing

This entails introducing the product in a small scale and in pre-selected environment to determine how customers react to it. If the reaction is positive, then the new product developer can commercialize.

6. Commercialization

The new product should now be introduced to the whole market. To successfully accomplish this, investing in new production equipment and facilities and developing a new marketing program may be necessary.

b) Factors that contribute to the success of new product development

- Teamwork: New product development is most effective when there is teamwork among research and development, engineering, manufacturing, purchasing, marketing and finance departments from the very beginning. The product idea must be researched from the marketing point of view, and a specific cross-functional team must guide the project through out its development.
- The company should have a unique and superior product. For example, higher quality, new features, higher value in use and so forth. Products with a high product advantage have an excellent success rate.
- There should be a well defined product concept prior to development:
  - The company must carefully define and assess the target market. The new product's market size must not be overestimated.
  - Product requirements must also be correctly estimated so that development costs do not become higher than expected.
- There should be quality in executing all the stages of the new product development. Quality personnel are needed to ensure that the best action is taken at each stage. Such personnel must be objective so as not to push through 'pet ideas' despite negative research findings.
- Another factor is a good understanding of customer needs.
- The new product should have a fast development time so that it is introduced ahead of competition. Many competitors are likely to get the same idea at the same time and victory goes to the swiftest.
- Top management support is another key success factor.

QUESTION FIVE

(a) Difficulties in seeking global expansion

- Language barriers may cause a problem of translation.
- Cultural attitudes towards factors such as time and productivity e.g. keeping appointments.
- Lack of education and technical skills in the workforce: The developing countries still have inexperienced workers with very little opportunity of handling modern machinery.
- Scarcity of or different standards for raw materials, parts, equipment and other facilities - it may not be possible for a multinational to get the raw materials locally.
- Hostile and unstable political climate. Frequent changes in government authority and policies causes an unpredictable environment to multinational firms.
- Fluctuations in the international economy e.g. inflations and currency devaluations.
- Unfamiliar legal systems - sometimes laws differ in areas such as taxation and Human Resource practices.
- Differences in accounting systems.
- Custom duties and other tariffs make international operations more difficult.

(b) Skills that a manager needs to overcome these difficulties.

Skills are what separate good managers from others. For effective management, the primary skills are technical, interpersonal, conceptual and diagnostic.

a) Technical skills
These are skills needed to perform specialized tasks and are especially important for first line managers. They enable one to use the tools, procedures or techniques of a specialized field.

b) Interpersonal skills (Human)
These are the skills needed to work with, motivate and understand individuals or groups. The better a manager's human skills are, the more effective he is likely to be.

c) Conceptual skills
These relate to a manager's mental ability to coordinate and integrate all the organizations interests and activities i.e. be able to think in the abstract, to see relationships between forces that others cannot see and to take a global perspective of the organization and its environment.

d) Diagnostic skills
The skills used to define and understand situations and events, they are mainly directed at problem solving. Managers should be able to distinguish a problem from a symptom.

CONCLUSION
Although all skills are essential for effective management, their relative importance depends on the level of each manager.

Technical skills are more important at lower levels of management, human skills are probably most important at the supervisory level while conceptual and diagnostic skills are most important at the top management level where the managers are involved in broad issues concerning the whole organization.

QUESTION SIX

Introduction
All organizations at one point or the other undergo changes. Some organizations change mainly in response to external circumstances (reactive change): others change principally because they have decided to change (proactive change). However, it is good to note that change does not always imply innovation i.e. introducing something new. Change can be triggered by both internal and external factors.

a) Reasons for innovation and change

(i) Technology
Technological innovations are a powerful force causing organizational change. Today firms have to adapt to very dramatic changes in communication and information technology, for example the internet.

(ii) Competition
Change can be introduced by competitors and their actions. When a competitor introduces a new product or aggressively cuts down prices, a company may need to follow suit to hold its position in the market place.

(iii) People
When the demographic profile of the population shifts e.g. to younger workers. Organizations may need to change and satisfy their wants of higher salaries, flashy perks and less loyalty.

(iv) Environment

No firm operates in a vacuum. It is hence greatly affected by changes in the external environment as well as those within its own internal environment. Such changes may include political forces, economic forces and socio cultural factors. Inflation or political instability for example, will force a firm to adjust its operations in certain areas.

(v) Communications
Unlike the traditional paper based communication, most companies have adopted electronic mail systems, mobile telephones and video conferencing, as these are innovations available to them today.

(vi) Research and Development
A lot of money is invested in these areas by companies so as to better their products and be able to satisfy customers and keep up with market trends. In order to respond to the development of potential new products and services devised by 'research and development', change becomes inevitable.

b)   How management can overcome barriers to effective implementation of innovation and change
Change is not always readily accepted by people in organizations. A change may cause a loss to the person who is affected by it.

It is vital that managers planning changes should acknowledge that some barriers to implementation will be avoidable.

However, the following approaches may be used to overcome the barriers.
- Provide information in advance. The idea of change must be 'sold' early and carefully. Allow people to contribute to change before decisions are made.
- Encourage participation by all. A culture of "pride" should be encouraged within the organization, in which achievements are highlighted and experienced innovators serve as consultants to the other parts of the organization.
- Simple form, lean staff: Unnecessary layers of hierarchy should be reduced i.e. aim for flatter structures.
- Make only necessary changes.
- As a pre-requisite to change, top management must be personally committed to supporting innovation and must learn to think integratively.
- Attempt to maintain useful customs and informal relationships.
- Build trust and improve lateral communication.
- Guarantee against loss.
- Provide counseling.
- Allow for negotiation.
- Access to power sources such as management committees should be enlarged to improve support for innovatory experimental proposals.

QUESTION SEVEN

a) Definition of Planning: It is the process of determining in advance what should be done and how it should be done. It is the foundation of management and involves setting objectives and developing methods of achieving these objectives. Basically, it is a decision making process by which an organization decides what it wants to achieve, how it intends to achieve it and in what manner.

a)   The relationship between corporate strategic plans and operational plans:
Given the variety of areas that organizations plan for, plans fall into different categories;

Strategic plans are broad plans developed by top managers to guide the general direction of the firm. They follow from the major goals of the firm and indicate what business the firm is in or what business it intends to be in. Strategic plans therefore indicate how or where the firm will position itself within the environment.

Characteristics of strategic plans include:
- They are long term compared to all other plans.
- They provide a basis for more detailed plan and for day-to-day managerial functions.
- They are made by top-level management.
- They deal with fundamentals of basic problems by providing answers to questions such as 'what is our business?' 'what business ought we be in?' and 'who are our current and potential customers?'
- They help to integrate and unify the actions of the organization over time.
- They provide guidance and boundaries for operational plans.

Operational plans are unlike strategic plans in that they are made at low levels of management and they focus mainly on current operations and efficiency. Such plans provide details of how the strategic plans will be accomplished.

Operational plans can be divided into two main types:
(i) **Standing plans** that are standardized approaches for dealing with recurrent and predictable situations e.g. policies, rules and regulations.
(ii) **Single use plans**, which are developed to achieve specific purposes and are dissolved once these have been achieved e.g. projects, programs and budgets.

Below are the main differences between strategic and operational plans
- Operational plans mainly focus on operational problems while strategic focuses on longer-term survival and development.
- Operational plans face present resources environmental constraints while strategic is concerned with future resources environmental constraint.
- Operational plans deals with information relating to present business while strategic deals with future opportunities.
- For operational plans, rewards are mainly current efficiency and stability but for strategic plan, they are the development of future potential.
- Organization in operational planning is bureaucratic but it is very flexible and entrepreneurial in strategic.
- Leadership for operational plans, problem solving is reactive, relying on past experience and analysis but it is very flexible for strategic plans. Operational plans are low risk but strategic plans are very high risk.

b)   (i) Constraints to effective planning

- **Environmental barriers**

The environment in which most organizations operate is complex and dynamic. Environmental factors e.g. technology, politics and economic situations keep on changing.

These changes affect the organizations' plans, some of which may become obsolete even before they are executed. Working on a day-to-day basis may be more economical

- **Poor goal setting**

The first step in planning is goal setting. If they are unrealistically set - unattainable or too low - they will hinder effective planning.

- **Resistance to change**

By its very nature planning involves change. For various reasons, many members of an organization usually resist change; they tend to prefer the status quo as it is. This usually makes them resist planning that will cause change.

- **Time and expense**

Lack of time and financial resources do limit planning.

- **Attitudes of managers towards planning**

Some have a negative mental attitude towards planning. They may believe that the future cannot be predicted accurately and all planning is inaccurate.

- **Pressure from stakeholders**

Powerful people may exert pressure to ensure that the plans serve their own interest. Planners may go for the 'pet projects' of powerful people and not make an objective analysis of the alternatives available.

- **Competence of the planner**

It is vital that he be equipped with the necessary skills to make focused plans that are likely to succeed.

- **Lack of participation**

Unless everyone in the organization is involved in planning, it is not likely to succeed. Strategic plans must be communicated to middle level managers who should play a role in making the operational and tactical plans.

b) ii) Overcoming constraints to effective planning

- Planning must start at the top. The initiative and support of top management is essential for effective planning.
- Allow for wider participation in the formulation and execution of plans.
- Planning should be definite, time specific and focused.
- Goals, premises and policies must be properly communicated to all in the organization.
- Long range planning must be integrated with short range planning.
- Planning must include awareness and acceptance of change.
- An open system involving continuous monitoring of the environment should be adopted.
- Plans should be flexible - allow for change so as to adapt the changing environment.
- Train managers on the art of planning.
- Develop accurate forecasts and be objective.
- Review plans regularly to ensure that the premise still hold and allow for changes as appropriate.

QUESTION EIGHT

Ways in which managerial functions enhance productivity in the organization.

The managerial functions are the separate parts (activities) that make up the whole process of management. They can be described as the activities that are inherent in most managerial jobs. Many of these activities can be grouped into the following general functions - planning, organizing, directing, staffing and controlling.

Planning

This is the process of selecting missions, goals and objectives and the strategies to attain them. It involves anticipating the future to discover alternative courses of action. It also involves determining in advance what should be accomplished and how it should be realized.

Planning can be long term (strategic and corporate planning) or short term. Planning therefore describes the direction/path that the organization must follow in order to achieve goals most efficiently and effectively.

The three major types of plans are strategic, tactical and operational.

Planning is important for several reasons
- It gives direction and purpose to organizational activities.
- Aids in utilization of resources.
- It gives good measures against which performance can be judged.
- It reduces waste especially of time and resources.
- Helps organization members to remain within focus and it gives boundaries of the extent of organizational activities.
- Planning is the basis for all other functions of management.

Organizing
Plans have to be put into operation. This involves detailed organization and coordination of tasks and the human and material resources needed to carry them out.

Organizing therefore is the process of identifying and grouping work to be performed, defining and delegating responsibility and authority and establishing relationships to ensure people work together effectively.

The key components and concepts in organizing include designing jobs, managing authority and responsibility, the span of management and line/staff positions.

Organizing helps management to respond to new opportunities, threats and challenges as the environment is always changing.

Organizing also assures the appropriateness of an organization's structure and its processes i.e. its ability to attain the goals of the organization.

Staffing
It is that element of management that ensures that the organization has qualified people at all levels and at all times to meet its short and long-term Human Resource requirements. It involves activities such as recruitment, training and development, compensation, labour relations etc.

The human resource is the most important resource in the organization. Without competent people both in managerial and employee positions, organizations will not be able to accomplish their goals.

The staffing process ensures that an organization is supplied with the right people, in the right positions at the right time.

Directing
This is the process of determining or affecting the behaviour of others. The actual performance of subordinates is guided through common goals. It involves motivation, leadership, communication and all other aspects of organizational behaviour. Supervising is one aspect of this function at lower levels where physical overseeing of work is possible.

Directing is of critical importance to management because unless people are motivated, led and effectively communicated to, not much in the way of results can be achieved even with very good plans and organization structures.

Controlling

Controlling involves the measurement and correction of the performance of employees and of other organizational resources to ensure that everything is going according to plan.
The process of control involves three major steps:

- Setting the standards
- Measuring performance against the standards
- Taking corrective action

Control applies to all the activities of the organization. An organization controls its human resources, financial resources, physical resources as well as the information resources.

Controlling helps organizations to readjust their plans in cases of changes in the environment. Plans will thus remain appropriate.

A proper control system will help a manager to grasp all the inner working of the organization. It can provide instant data on inventories of all resources, raw materials, work-in-progress and finished goods.

Control procedures help to detect errors in good time. A small error not detected early can become bigger and afflict the whole firm e.g. use of faulty raw materials will result in faulty products which in effect will lead to poor sales.

Controls therefore help managers to answer a very important question, 'how well are we doing?'

JUNE 2011

QUESTION ONE

a) The chief executive may realize that the interests of customers could conflict with the efforts to serve the shareholders of Sound Health Ltd because:

i)   The shareholders may require higher returns on their investments in the company which may only be possible through higher charges on the customer. The customers may find higher product charges exploitative

ii)   The customers may require the company to make socially responsible investments, but the shareholders may not be in agreement thereto as this reduces profitability

iii)   To supply product to the greatest number of customers, expansion plans may have to be considered and this requires further capital, which the shareholders may not be willing to part with

iv)   Duality relationships where customers are also shareholders of the company, make the conflicts even more intense

v)   The term "best possible product" would mean a product of high quality. To produce high quality products requires the use of high quality raw materials.

b) The role of a manager in reducing operational costs in an organisation

i.   The manager is a central figure in the introduction of radical changes through proceses such as BPR and TQM

ii.   Ensuring that resources are committed to their best uses (high output-input ratio)

iii.   Allocating resources to activities according to priorities identified in the annual objectives

iv.   Coordinating departmental uses of the resources available to the organisation

v.   Innovation/entrepreneurial; came up with ways of doing things for example recycling of certain materials.

QUESTION TWO

a) The components of Total Quality Management (TQM)

The main ideas around Total Quality Management (TQM) are:

i.   **A systems approach:**
   Managers must be responsible for three systems-the social or cultural system, the managerial system and the technical system.

ii.   **The tools of TQM:**
   These include statistical quality control, fishbone diagram (diagram used to organize and show the visually the possible causes of a problem or event; cause-and-effect diagram; Ishikawa diagram) and benchmarking (the process of finding the best available product features, processes, and services and using them as a standard for improving a company's own products, processes, and services).

iii.   **A focus on customers:**
   If customer needs are not the starting point of the quality management process, using the tools of quality may result in products and services that no one wants to buy. Quality refers to "fitness for use"-the ability of a product or service to satisfy a customer's real needs. By focusing on real needs, managers and workers can concentrate their efforts where it really matters.

iv.   **The role of management:**
   Many managers begin with the assumption that where there is a quality problem, the workers or some individual (manager or worker) is to blame. However, TQM implies that when there is a quality problem, it begins in the boardroom and in the offices of the senior managers and others who do not take quality seriously enough. For instance, until the system that is the cause of a particular failure in quality can be identified,

management cannot do its job. It is every manager's job to seek out and correct the causes of failure, rather than merely identify failures after they occur and affix blame to someone.

v. **Employee participation:**
Having the support and attention of senior management remains a necessary condition for making quality management work in an organization, but without empowered employees, it won't go very far. Empowerment stands for a substantial change that businesses are implementing. It means letting employees make decisions at all levels of an organization without asking for approval from managers. The idea is quite simple: the people who actually do a job, whether it is running a complex machine or providing a simple service, are in the best position to learn how to do that job the best way. Therefore, when there is a chance to improve the job or the systems of which a job is a part, people should make those improvements without asking for permission.

vi. Quality is everybody's responsibility and it is customer driven not organization driven.

vii. There is real commitment to a continuous improvement of all processes.

viii. Communication is excellent and multi-way – people can freely air their news and concerns

ix. Attention is focused first on the process and second on results.

x. There is an absence of strict control systems.

b) Benefits to an organisation practicing Total Quality Management (TQM)

Among the perceived benefits of TQM include:

i) The connection of quality management systems to organizational processes

ii) The encouragement of a natural progression towards improved organizational performance, via:
- the use of the Quality Management Principles
- the adoption of a "process approach"
- emphasis of the role of top management
- requirements for the establishment of measurable objectives at relevant functions and levels
- being orientated toward "continual improvement" and "customer satisfaction", including the monitoring of information on "customer satisfaction" as a measure of system performance
- measurement of the quality management system, processes, and product
- consideration of statutory and regulatory requirements
- attention to resource availability

iii) Consideration of the needs of all interested parties/stakeholders.

iv) Enables the organization to meet the customers' needs hence achievement of objectives and objectives.

v) Improves the competitive strengths of the organization.

vi) Promotes interpersonal relations and team spirit among the employees.

vii) Improves communication between managers and subordinates.

viii) Improves employee motivation through better terms and conditions of services e.g. improved salaries.

ix) Strengthens long-term operations of the organization.

QUESTION THREE

a) Corporate strategies Vs Marketing strategies for an organization: The question is focusing on the difference between corporate and operating strategies.

Corporate strategies

Corporate strategy defines the business the company is to compete in with the other organizations. Corporate strategies are developed by the top-level management and focuses on the possible areas of competition between the organizations.

Concerns here centre around the whole company and involve:

- Defining the company mission
- Setting the company objectives and objectives
- Designing an appropriate business portfolio

Marketing strategies

Marketing strategy is functional in that it relates to the marketing department's (unit) objectives. It is thus the marketing logic by which the business unit hopes to achieve its marketing objectives. It consists of specific strategies bearing on target markets, marketing mix and marketing expenditure level.

- **Target markets-**spell out the market segments on which the company will focus. These segments differ in their preferences, responses to marketing effort, and profitability. The company would be smart to allocate its effort and energy to those market segments it can best serve from a competitive point of view. It should develop a marketing strategy for each targeted segment.
- **Marketing mix-**the manager should outline specific strategies for such marketing mix elements as new products, field sales, advertising, sales promotion, prices, and distribution. The manager should explain how each strategy responds to the threats, opportunities, and key issues spelt out in the earlier sections of the plan.
- **Marketing expenditure level-**the manager should also spell out the marketing budget that will be needed to carry out the various strategies. The manager knows that higher budgets will produce more sales, but is looking for the marketing budget that will produce the best profit picture.

b) SWOT ANALYSIS

The overall evaluation of a company's strengths, weaknesses, opportunities, and threats is called SWOT Analysis.

External environmental analysis (opportunity and threat analysis)

In general, a business unit has to monitor key macro environment forces (demographic-economic, technological, political-legal, and socio-cultural) and significant microenvironment actors (customers, competitors, distributors, suppliers) that affect its ability to earn profits. The business unit should set up a marketing intelligence system to track trends and important developments. For each trend or development, management needs to identify the associated opportunities and threats.

A major purpose of environmental scanning is to discern new marketing opportunities. A marketing opportunity is an area of buyer need or potential interest in which a company can perform profitably. Opportunities can take many forms and marketers have to be good at spotting them:

i.   A company may make a buying process more convenient or efficient e.g. consumers can now use the Internet to find more books than ever and search for the lowest price with a few clicks.

ii.   A company can meet the need for more information and advice e.g. guru.com facilitates finding professional experts in a wide range of fields

iii.   A company can customize a product or service that was formerly offered only in a standard form e.g. P& G's Reflect.com website is capable of producing a customized skin care or hair care product to meet a customer's need.

iv.   A company can introduce a new capability e.g. consumers can now create and edit digital "Movies" with the new iMac and upload them to an Apple Web server to share with friends around the world

v.   A company may be able to deliver a product or service faster e.g. FedEx discovered a way to deliver mail and packages much more quickly than the U.S. Post Office.

vi.   A company may be able to offer a product at a much lower price e.g. pharmaceutical firms have created generic versions of brand-name drugs.

The company now applies **Market Opportunity Analysis (MOA)** to determine the attractiveness and success probability of any opportunity. Five questions are asked:

1. Can the benefits involved in the opportunity be articulated convincingly to a defined target market(s)?
2. Can the target market(s) be located and reached with cost-effective media and trade channels?
3. Does the company possess or have access to the critical capabilities and resources needed to deliver the customer benefits?
4. Can the company deliver the benefits better than any actual or potential competitors?
5. Will the financial rate of return meet or exceed the company's required threshold for investment?

OPPORTUNITY MATRIX
Success Probability

		High	Low
Attractiveness	High	1	2
	Low	3	4

Opportunities:
1. Company develops a more powerful lighting system
2. Company develops a device for measuring the energy efficiency of any lighting system
3. Company develops a device for measuring illumination level
4. Company develops a software program to teach lighting fundamentals to TV studio personnel

In the opportunity matrix above, the best marketing opportunities facing the TV-lighting company are listed in the upper-left cell (#1); management should pursue these opportunities. The opportunities in the lower-right cell (#4) are too minor to consider. The opportunities in the upper-right cell (#2) and lower-left cell(#3) should be monitored in the event that any improve in attractiveness and success probability.

Some developments in the external environment represent threats. An environmental threat is a challenge posed by an unfavourable trend or development that would lead, in the absence of defensive marketing action, to deterioration in sales or profits. Threats should be classified according to seriousness and probability of occurrence

THREAT MATRIX

Probability of Occurrence

	High	Low

Seriousness	High	1	2
	Low	3	4

Threats:
1. Competitor develops a superior lighting system
2. Major prolonged economic depression
3. Higher costs
4. Legislation to reduce number of TV studio licenses

The figure above illustrates the threat matrix facing the TV-lighting-equipment company. The threats in the upper-left cell (#1) are major threats, because they can seriously hurt the company and have a high probability of occurrence. To deal with these threats, the company needs to prepare contingency plans that spell out changes it can make before or during the threat. The threats in the lower-right cell (#4) are very minor and can be ignored. The threats in the upper-right (#2) and lower-left (#3) cells do not require contingency planning but need to be monitored carefully in the event that they grow more serious.

Once management has identified the major threats and opportunities facing a specific business unit; it can characterize that business's overall attractiveness. Four outcomes are possible:

1. An ideal business is high in major opportunities and low in major threats
2. A speculative business is high in both major opportunities and threats
3. A mature business is low in major opportunities and low in threats
4. A troubled business is low in opportunities and high in threats.

QUESTION FOUR

Diversification refers to an organisation's move to scale-up its presence through the introduction of new products in new markets

a) Circumstances that may render it necessary for a company to diversify include:
- The need to achieve operating economies
- Growth opportunity
- Availability of extra finances/huge retentions
- Tax-friendly investment destinations/Favourable investment concessions
- Shareholder interests (The dictates of shareholders)
- Better access to capital markets because of the large size "big is mighty".
- Risk spreading:- entering new products into new markets offers protection against the failure of current products or markets
- High profit opportunities: -stability in profits because if there are hard times in one industry they offset losses from others.

b) **The different forms of diversification include:**
Diversification occurs primarily when a company decides to make new products for new markets. The company gets involved in activities that differ from those in which it is currently involved. The company selectively changes the product lines, customer targets and manufacturing and distribution arrangements.

Diversification can either be related or unrelated.

Related: - is development beyond the present product market but still within the confines of the industry. It therefore builds on the assets or activities which the firm has

developed. It takes the form of **vertical or horizontal integration:** - development into activities which are competitive with or directly complementary to a company's present activity (ies).

Vertical integration: - occurs when a company becomes its own supplier or distributor. Can either be **backward or forward.**

Horizontal integration:-occurs when a company joins together with another company for which it is in the same state of production, distribution or area of business.

Unrelated: or conglomerate is development beyond the present industry into product/markets which, at face value may bear no close relation to the present product/market.

QUESTION FIVE

a) **STEPS IN EMPLOYEE SELECTION PROCESS**:
Selection refers to the mutual process whereby the organization decides whether or not to make a job offer and the candidate decides whether or not to accept it.

The steps involved are as follows:

	PROCEDURES	PURPOSES	ACTIONS AND TRENDS
1.	Completed job application	Indicates applicant's desired position; provides information for interviews	Requests only information that predicts success in the job
2.	Initial screening (preliminary) interview	Provides a quick evaluation of applicant's suitability	Asks questions on experience, salary expectation, willingness to relocate, etc.
3.	Testing	Measures applicant's job skills and the ability to learn on the job	May include computer testing software, handwriting analysis, medical and physical ability
4.	Background investigation	Checks truthfulness of applicant's resume or application form	Calls the applicant's previous supervisor (with permission) and confirms information from applicant
5.	In-depth selection interview	Finds out more about the applicant as an individual	Conducted by the manager to whom the applicant will report
6.	Physical examination	Ensures effective performance by applicant; protects other employees against diseases; establishes health record on applicant; protect firm against unjust worker's compensation claims	Often performed by company's medical doctor
7.	Job offer	Fills a job vacancy or position	Offers a salary plus benefit package

b) **"Sound staff selection procedure is a vital element of human resource planning."**
Selection procedures formulated by the organization should essentially culminate in matching the right candidate with a particular position in the organization. For this to

happen, the organization must decide at the onset to make attractive offers for its positions. This will attract qualified and capable individuals.

Tests carried out to gauge employee suitability should be:

i) reliable-provide consistent results if a person takes the same test a number of times
ii) valid-measure what they are designed to measure.
iii) objective-when different raters interpret the results of the same test, they should arrive at similar results/conclusions
iv) standardized-administered under standard conditions to a large group of persons to whom it is intended

For many positions, particularly in management, the in-depth interview should be given considerable weighting, since this is an important factor in management's decision to make a job offer and in the individual's decision to accept or decline the offer.

The most effective interviews-those that are best able to predict the eventual performance of applicants-are usually planned carefully. Ideally, all candidates for the same position should be asked the same questions.

Sound procedures should employ the realistic job preview (RJP) technique, in which case candidates are exposed to the unattractive as well as the attractive aspects of the job, and using a structured and focused approach to acquire a more accurate picture of each interviewee's likely job performance.

Only questions that have job relevant data should be included in the application forms. This ensures that focus is kept on the strengths of the individual vis-à-vis the requirements of the job.

QUESTION SIX

a) ENVIRONMENTAL FACTORS INFLUENCING THE ACTIVITIES OF AN ORGANISATION

All managers irrespective of the type of organization in which they operate, must take into account the factors in the external environment in which they operate. They may do little or nothing to change these forces; however, they must respond to them. They must therefore identify, evaluate and react to these forces that may affect the organizational operations positively or negatively. These factors may include:

i. **Political/Legal Constraints:**
Laws regulate every dimension of human existence. They prevent or stop the abuse of power. In exercising their power over resource, managers increasingly come into conflict with societal expectations and objectives. Business managers therefore face multitude of law as that limit their various powers. Examples of these laws include:
- Laws that regulate working conditions, minimum wages, safety of workers, competitive practices, etc. With regard to political legal constraints, managers can make inputs at the local/national levels. Managers may lobby with influential personalities so as to influence government decisions. In the final analysis, an organization usually cannot control what the government does.

ii. **Economic Constraints:**
These include availability of capital, inflation ,interest rates on deposits and loans and similar factors that affect management practice. Business firms are increasingly influenced by government/donor imposed economic policies e.g. Structural Adjustment Programmes (SAPs)

iii. **Socio-Cultural Constraints:**

These consist of the value system, socio-demographic characteristics and other basic characteristics of people comprising the society. Such characteristics include attitudes, desires, expectations, level of education, beliefs, religion, traditions, habits and customs of people in a society. The population structure, for example, would influence decisions on what products to produce by a business concern. Demographic patterns would also dictate the availability of workforce for a business entity. If a firm ignores society's social concern, the society will impose legal restrictions.

iv. **Technological Constraints:**

Technology refers to the sum total of the knowledge we have of ways of doing things, inventions and techniques in areas of processes, machines and tools. Technology is the key to an organisation's transformation processes affecting processing speed as well as quality of the final output.

Technology can offer organizations a competitive edge.

v. **Ethical Constraints:**

Ethics refers to the code of morals of a person or groups that set standards as to what is good or bad, right or wrong in one's conduct.

Management ethics are standards and principles that guide the actions and decisions of managers and determine if their actions and decisions are good or bad. Ethical behaviour is fair conduct that goes beyond laws and regulations.

vi. **Ecological Constraints:**

This refers to the protection of the ecosystem. This is currently becoming more critical as environmental awareness increases globally.

vii. **Constraints imposed by labour unions:**

Through contracts negotiated with management, labour/trade unions may restrict what management may want to do about wages, retirement plans, working conditions and employment policies.

viii. **Constraints imposed by competitors action:**

A competitor through his actions places restrictions on what an organization can do. Pricing decisions in many firms often reflect the pricing decisions of a leading competitor. Also, if a competitor holds patent rights, he may restrict other organizations actions.

b) MANAGER'S RESPONSE TO ENVIRONMENTAL FACTORS

Managers essentially have three major option of responding to the environmental factors that influence the activities of an organization-adapt to the existing environmental elements, attempt to influence environmental favourability, and/or shift the domain of operations away from threatening environmental elements and toward more beneficial ones.

The feasibility of any or all of these approaches depends on the situation, but prospects are enhanced if the environment offers high munificence or if the organization has built a cushion of resources.

i. **ADAPTATION**

This involves changing internal operations and activities to make the organization more compatible with its environment. This strategy essentially accepts the existing environment as given and seeks to develop some rational process for adjusting to it. Four common methods used by organisations to adapt to environmental fluctuations are:

- **Buffering-**involves stockpiling either inputs into or outputs from a production or service process in order to cope with environmental fluctuations. Buffering by stockpiling units is used when it is difficult to line up reliable sources of inputs, such as supplies. Conversely, buffering by maintaining inventories of finished products is used when wide fluctuations in market demand make it difficult to produce outputs efficiently as they are ordered. Buffering is not always feasible because of high expense, perishability of materials, or the difficulty of stockpiling services, such as

customer service in a restaurant. Furthermore, substantial buffering of inputs and finished products can lead to obsolescence before the items are used or sold.

- **Smoothing-**involves taking actions aimed at reducing the impact of fluctuations, given the market .e.g. utilities often discount their rates during certain time periods to encourage use of energy in designated low-demand periods. Department stores may run sales promotions during slow months. Restaurants often offer coupons that can be used only on certain weekday nights when business is typically slow. Such actions may avoid the inefficiencies that occur when expansion to meet peak demands results in underutilized resources during non-peak times.

- **Forecasting**-the process of making predictions about changing conditions and future that may significantly affect the business of an organization. To the extent that it is possible to predict future conditions with a reasonable level of accuracy, it may be possible to prepare in advance to meet the fluctuations. e.g. on the basis of customers' shopping habits, grocery stores frequently hire part-time cashiers to supplement regular staff during expected busy periods. For situations such as this, forecasts based on experience with patterns may be reasonably accurate. When environmental fluctuations are related to more complex and dynamic factors, such as trends in the economy, more sophisticated forecasting techniques may be required. Many companies have staff economists and/or subscribe to services that provide economic forecasts based on elaborate econometric models.

- **Rationing**-this is providing limited access to a product or service that is in high demand. e.g. many colleges and universities ration slots for popular programmes by establishing cut-off points such as the achievement of a certain mean grade or percentage score at the time of entry. By rationing, the organization can avoid having to expand capacity to meet temporary upward swing in demand. This is advantageous, since fixed costs associated with capacity expansion (e.g., extra plants, equipment, or classroom buildings) continue to be incurred during downward demand swings. Rationing is also used when demand exceeds forecasts or when new production expands slowly (e.g., because of heavy costs and considerable risk if forecasted demand does not materialize).Rationing does have a disadvantage, however in denying a consumer a product or service, the organization is turning away potential business.

ii. FAVORABILITY INFLUENCE

In contrast to adaptation strategies, the favourability influence approach involves attempting to alter environmental elements in order to make them more compatible with the needs of the organization. Rather than accepting environmental elements as givens, this approach holds that at least some aspects of the environment can be changed by the organization in advantageous ways.

There are a number of major methods that organizations can use in attempting to influence significant environmental elements. These include:

- **Advertising and public relations**-Advertising, the use of communications media to gain favourable publicity for particular products and services is a means of influencing the environment. Closely aligned to advertising is public relations, the use of communications media and related activities to create a favourable overall impression of the organization among the public. In combination, advertising and public relations can help promote a positive feeling toward an organization among environmental elements. e.g. in addition to regular advertising, many major companies sponsor such events as Breast Cancer Awareness, Heart to Heart Run, and donate money to a variety of groups including colleges and universities.

- **Boundary spanning-**This refers to the creation of roles within the organization that interface with important elements in the environment. Boundary spanners, the people in these roles can fulfil two different functions.

> ➤ They can serve an information processing function by collecting information from the environment, filtering out what is important, and transmitting it to those inside the organization who can act on the information.
> ➤ They can perform an external representation function by presenting information about the organization to those outside. Boundary spanners include salespersons, purchasing specialists, personnel recruiters, admissions officers, shipping and receiving agents, receptionists, lawyers, and scientists who maintain close ties with developments in their fields.

- **Recruiting**-this is the process of finding and attempting to attract job candidates who are capable of effectively finding job vacancies. This tool can be used for environmental influence when organizations seek job candidates who have a knowledge of and close ties to a significant element of the environment. e.g. organizations often hire executives from specific companies or in particular industries because of their environmental knowledge and connections.
- **Negotiating contracts –** this involves agreeing on terms of service.

QUESTION SEVEN

a) **Steps in the identification of the causes of poor performance and the suggestions of solutions thereof**
   i. Consider the original reason for introducing the performance appraisal system, its suitability and feasibility.
   ii. Performance review component-consider whether employees salaries across the organization link with performance.
   iii. Check whether an appropriate programme to aid the individual's career development and succession is in place. The lack of such a programme may mean inadequate skills on the part of employees to handle tasks in customer-driven styles. It will also provide a measure of the likely employee performances in the future
   iv. Consider whether the appraisal system has been constructed in a manner that is fair to both the individual and the organization and whether the scheme's expectations were clearly communicated in advance.
   v. Consider whether the measures of gauging employee performance are appropriate in light of the nature and circumstances of the organization.
   vi. Consider the extent to which organizational employees are motivated and work as teams and whether departmental objectives are synchronized with those of the whole organization.
   vii. Consider whether management is participative and quick in responding to employee concerns. Employee indirect enquiries may be useful here.
   viii. Consider whether the results of appraisals are regularly discussed by employees and agreements struck on new expectations, action plans and improvement of the appraisee.

b) **Measures to alleviate poor performance**
   i) Employees should be asked to provide feedback on managers' roles and stewardship through an upward feedback loop. Identity of the employees should be anonymous to eliminate fear of victimization.
   ii) Informal "open space"/work-out sessions and retreats should be held on a regular basis with staff to discuss issues affecting them and obtain feedback. A toolkit to help solicit information may be useful. Issues should be documented, and actions taken or to be taken openly communicated to staff.
   iii) Management should place a lot of emphasis on team building-Synergistic effects are likely to be realized if this is the case.
   iv) An open culture where staff are encouraged to speak up should be encouraged.
   v) Senior management should be highly committed to being responsive to staff concerns.

vi) Explore possibility of closer linkage of employee satisfaction information with overall departmental performance reporting.

vii) There should exist clarity of senior management responsibilities and organization.

viii) Performance of all executives should be reviewed by a management committee, not individuals, to avoid bias and ensure consistency.

ix) Employees should have standard performance reviews (some conducted verbally), and agree on training plans with managers.

x) Managers should be encouraged to take risks and be innovative in carrying out company duties.

xi) System of delegation and authority-responsibility relationships within the company should be re-examined.

Strong rewards and recognition programs should be put in place to recognize staff contributions. Awards from senior management (e.g., End-of Year Merit Awards, Long-Serving Employee Awards) are usually highly valued. High level of recognition from senior management may be of significant motivational effect.

xii) The company should be very open in its management style. The corporate culture fosters employee frankness and participation.

xiii) Career enhancement plans should be developed for employees. The employees may, for instance, need retraining to keep up with changes in the operating environment.

xiv) Joint committees should be set up to promote cooperative efforts amongst staff and with external partners/stakeholders.

xv) Communication systems within the organization should be strong allowing for wide distribution of information.

xvi) External partners should be encouraged to provide input and advice through participation in various organizational committees and forums.

QUESTION EIGHT

a) All managers do not work in the same way even at the same level – some managers will prove more successful and effective than others. To be successful and effective managers must have the following characteristics:

i. **Will to Manage** – a good manager must have within himself the desire to become even a better manager. He must be willing to accept responsibility and have the confidence to be accountable for the work of others. Some people have low desire to manage for the following reasons:
- They lack confidence.
- Afraid of decision making.
- Fear responsibility/accountability.
- Are happy with current positions.

ii. **Knowledge of Management Process** – a manager should have an understanding of the management process and management functions. It's important that candidates have some formal training and education in management.

iii. **Intellectually capable** – he should possess the necessary level of intelligence and ability to make logical decisions.

iv. **Ability to command respect –** a manager must be able to earn respect from his subordinates so that they are able to obey him, he must therefore be able to understand employees, be honest, fair and have a positive attitude. Respect from others cannot be forced and it's only a manager who respects himself and others who will be able to earn respect.

v. **Have good communication skills –** must be able to express himself in a manner acceptable both to his superiors and subordinates. He must be able to make himself understood either orally or through writing. Ineffective communication leads to misunderstanding which results in mistakes.

  vi. **Integrity –** managers act on behalf of the organization. They take care of the resources of the organization, if they wanted they could cheat, embezzle, falsify records, show favouritism, etc. They must have a high sense of what is right and what is wrong and practise it. Others in the organization look up to them and their mistakes are copied by others. They must conduct business and trade in a straight, ethical and acceptable manner.

  vii. **Loyalty –** must show loyalty to the organization e.g. they should not do the same business or competing business. They must not sell company secrets and vital information to others for instance. Must always try and give a good image of the organization both within and without.

  viii. **Good Personality –** a good personality will ensure that one is able to relate to others amicably. A good manager should be one ready to work with others and one who does not always insist on doing things his own way. He should also have a stable character – with few personal problems which might be a liability to the firm e.g. alcoholism, drug addiction or domestic troubles.

b) "Managers are not born, they are made"

Good leaders are **made** not born. If you have the desire and willpower, you can become an effective leader. Good leaders develop through a never-ending process of self-study, education, training, and experience.

To inspire your people into higher levels of teamwork, there are certain things you must be, know, and, do. These do not come naturally, but are acquired through continual work and study. The **best** leaders are continually working and studying to improve their leadership skills.

Developing the behavioural attributes of managers mentioned above

- **Know yourself and seek self-improvement.** In order to know yourself, you have to understand your being, know, and do, attributes. Seeking self-improvement means continually strengthening your attributes. This can be accomplished through reading, self-study, classes, etc.
- **Be technically proficient.** As a leader, you must know your job and have a solid familiarity with your employees' jobs.
- **Seek responsibility and take responsibility for your actions.** Search for ways to guide your organization to new heights. And when things go wrong, they will sooner or later, do not blame others. Analyze the situation, take corrective action, and move on to the next challenge.
- **Make sound and timely decisions.** Use good problem solving, decision making, and planning tools.
- **Set the example.** Be a good role model for your employees. They must not only hear what they are expected to do, but also see.
- **Know your people and look out for their well-being.** Know human nature and the importance of sincerely caring for your workers.
- **Keep your people informed.** Know how to communicate with your people, seniors, and other key people within the organization.
- **Develop a sense of responsibility in your people.** Develop good character traits within your people that will help them carry out their professional responsibilities.
- **Ensure that tasks are understood, supervised, and accomplished.** Communication is the key to this responsibility.
- **Train your people as a team.** Although many so called leaders call their organization, department, section, etc. a team; they are not really teams...they are just a group of people doing their jobs.
- **Use the full capabilities of your organization.** By developing a team spirit, you will be able to employ your organization, department, section, etc. to its fullest

DECEMBER 2011

QUESTION ONE

(a) **Barriers to Communication**
     From the narrations in the passage, it can be deduced that Maziwa Dairies Ltd is afflicted by the   communication problems detailed below:
  (i) Lack of planning to communicate – good communication is not be chance. Clear thinking must precede talking or writing. Often people talk or write without clear thinking and without a clear purpose for their work.
  (ii) Unclarified assumptions – most messages have an underlying assumption. For a message to be clearly understood both the sender and the receiver must understand the underlying assumption.
  (iii) Semantic distortion (language) where words are not clearly understood because they are ambiguous. Besides some words have several meanings and when used in a message they may mean different things to different people.
  (iv) Poor expression (language) – caused by poorly chosen words, omissions, lack of coherence, awkward sentence structure and unfamiliar jargon.
  (v) Loss of transmission – as the message is passed around people insert their own words or they paraphrase the message and this distorts the original message.
  (vi) Poor retention – few people retain things for a long period. People forget too fast.
  (vii) Poor listening – human minds keep wandering as a message is being passed people keep pondering their own things. Some use the opportunity to make impressions on others and such people give ideas and comments totally unrelated to the message.
  (viii) Hasty (premature) evaluation – people have a common tendency to judge, approve or disapprove what is being said rather than trying to understand the speaker.
  (ix) Distrust, threat and fear – in an organization plagued by fear and distrust communication is difficult as each message is viewed sceptically.
  (x) Insufficient period for adjustment to change – the essence of communication is to effect change. Change usually disrupts the way people have been carrying on their work and usually people need enough time to adjust to change.
  (xi) Noise – noise or interruptions from without the communication e.g. giving instructions in a noisy environment, disease, weather etc.

(b) **Mr. Ngure could take the following steps to motivate his employees:**
  (i) Define specific communication objectives prior to actual communication.
  (ii) Establish communication mechanisms through which organizational members can interact regularly.
  (iii) Facilitate frequent face-to-face interactions between supervisors and employees.
  (iv) Encourage employees to express their ideas and concerns in dealing with their jobs.
  (v) Solicit information from employees concerning their careers and personal problems.
  (vi) Involve employees in formulating their task objectives and responsibilities.
  (vii) Provide employees with timely feedback on their job performance.
  (viii) Inform employees on any changes in the company's objectives and policies as soon as possible.
  (ix) Periodically evaluate the firm's communication effectiveness.

QUESTION TWO

a) A committee is an official group mainly formed to deliberate on a specific subject or matter. Other names include task forces, commission project teams etc. A lot of managerial work is usually delegated to committees. Committees usually range in size from two to several people. They are found at all levels in the enterprise.

Committees are either standing committees i.e. they are permanent, or ad hoc i.e. formed for a specific purpose and mainly temporary. Whereas management may create certain committees for purposes of delegation of some matter, some forms of committee are created by law e.g. Board of Directors, PTA in schools and Board of Governors.

An organization may find it appropriate to use committees in the following circumstances:
i. When they are likely to produce more information for decision making, especially when they are made of experts/specialists from different fields.
ii. To balance power relationships in the organization as authority is distributed when decisions are made by a group as opposed to an individual.
iii. To facilitate coordination among the functionalities of the organization – each committee member may be reporting about or representing each of the functional areas in the organization.
iv. To foster support for decisions – usually through the use of committees employees are given the opportunity to participate in the decision making process as they are allowed to represent their viewpoints.
v. As part of organizational employee development plans. Because of the expensive contact with people from different fields, committee members get to broaden their knowledge. Young managers can learn a lot by sitting in committees.

b) **Committees can be made more effective if managers follow specific guidelines/steps:**
i. The objectives and limits of authority of the committee need to be clearly specified so as to keep the activities of the committee in focus.
ii. The committee should have a specific agenda on which to focus.
iii. Members of committees should not devote too much time to the committee and forget their regular jobs.
iv. The results or output of the committee should be specified and clearly communicated to the committee.
v. The size of the committee should be appropriate. It should only be large enough to be most efficient. Large committees may be desired if many different experts are needed and if the scope of the task is wide. Smaller committees may be needed if (i) speed in action is necessary, (ii) if the matter is highly confidential.
vi. The committee should have the right members i.e. the people selected to the committee should be suited for the work. They should be people with the interest of the committee at heart, they should be psychologically compatible with each other and they should be qualified i.e. they are able to provide the needed information.
vii. The person heading the committee i.e. the chairperson should be suited for the position. He is the person to set the mode and to be held accountable for the success of the committee. He should be a person who possesses the following qualities – planning, ability, objectivity, diplomacy, experience and efficiency.
viii. The committee should be provided with the needed or necessary information and resources to accomplish their task e.g. they should have the necessary staff assistance.
ix. The committee should be provided with realistic and reasonable deadlines for the completion of its assignment. Frequent checks on the committee's progress are also necessary so as to review whether the committee need any extra information.

  x. The committee should be asked to provide a final report in writing and the report should be acted upon.

Limitations of Committees:
(a) They are expensive both in terms of time and resources.
(b) Committees often lead to slow decision making especially due to the consultations they need for consensus.
(c) Committees could lead to compromise solutions in a bid to avoid conflicts.
(d) Since it is a group decision making with no one person responsible for the results, members may lack commitment on that account.

QUESTION THREE

The Relevance of Henri Fayol's Principles of Management to the management of organizations today

Henri Fayol (1841-1925) is generally hailed as the founder of the classical management school-not because he was the first to investigate managerial behaviour, but because he was the first to systematize it. Fayol believed that sound management practice falls into certain patterns that can be identified and analyzed. From this basic insight, he drew up a blueprint for a cohesive doctrine of management, one that retains much of its force to this day.

To the extent that Fayol believed in scientific methods, he was like Taylor, his contemporary. However, while Taylor was basically concerned with organizational functions, Fayol was interested in the total organization and focused on management, which he felt had been the most neglected of business operations.

Before Fayol, it was generally believed that "managers are born, not made. "Fayol insisted, however, that management was a skill like any other-one that could be taught once its underlying principles were understood.

Fayol's 14 Principles of Management and their Relevance to Management Today:
1. **Division of Labour:** The more people specialize, the more efficiently they can perform their work. This principle is epitomized by the modern production assembly lines.
2. **Authority:** Managers must give orders so that they can get things done. While their formal authority gives them the right to command, managers will not always compel obedience unless they have personal authority (such as relevant expertise) as well.
3. **Discipline:** Members in an organization need to respect the rules and agreements that govern the organization. To Fayol, discipline results from good leadership at all levels of the organization, air agreements (such as provisions for rewarding superior performance),and judiciously enforced penalties for infractions. In organisations today one finds a handbook that outlines rules and regulations.
4. **Unity of Command:** Each employee must receive instructions from only one person. Fayol believed that when an employee reported to more than one manager, conflicts in instructions and confusion of authority would result.
5. **Unity of Direction:** Those operations within the organization that have the same objective should be directed by only one manager using one plan. e.g. the personnel department in a company should not have two directors, each with a different hiring policy.
6. **Subordination of the individual interest to the common good.** In any undertaking, the interests of employees should not take precedence over the interests of the organization as a whole. It is common practice today to find organisations that prohibit leave in peak seasons.
7. **Remuneration:** Compensation for work done should be fair to both employees and employers.
8. **Centralization:** Decreasing the role of subordinates in decision making is centralization; increasing the role is decentralization. Fayol believed that managers

should retain final responsibility, but should t the same time give their subordinates enough authority to do their jobs properly. The problem is to find the proper degree of centralization in each case.

9. **Hierarchy of Authority:** The line of authority in an organization (often represented by the neat boxes and lines of the organization chart) runs in order of rank from top management to the lowest level of the enterprise.

10. **Order:** Materials and people should be in the right place at the right time. People, in particular, should be in the jobs or positions in which they are best-suited. In organisations it is common practice for management to allocate people specific sitting positions in the office.

11. **Equity:** Managers should be both friendly and fair to their subordinates.

12. **Stability of staff:** A high employee turnover rate undermines the efficient functioning of an organization.

13. **Initiative:** Subordinates should be given the freedom to conceive and carry out their plans, even though some mistakes may result.

14. **Esprit de Corps:** Promoting team spirit will give the organization a sense of unity. To Fayol, even small factors should help to develop the spirit. He suggested, for example, the use of verbal communication instead of formal, written communication whenever possible. The 14 principles are relevant today since they are still being applied in modern organisations.

QUESTION FOUR

a) The Production Concept:
This concept holds that consumers will favour or go for products that are widely available and low in cost Management should select products that are economical to produce and set up a marketing department to distribute these goods (wide distribution coverage). The concern in production concept is on achieving production efficiency resulting in lower cost of production and lower prices in order to attract customers.
This concept holds good or can work in at least two situations:
   i. Where the demand for the product exceeds supply-in this case, the management should look for ways of increasing production.
   ii. Where the production cost is high and can be brought down through increased productivity to expand the markets.

b) The product concept:
Suppliers know best what the customer needs in terms of quality. Product quality must therefore be upheld in order to attract and maintain the existing customers. The product feature orientation believes that all a firm needs to do is to offer for sale high quality goods with many attractive features, provide effective after-sale service and the goods will sell themselves (high quality, performance and features).Therefore, the managers of these organizations concentrate on making good products and improving them over time. These managers also assume that buyers or consumers admire well-made products and are willing to pay more for their products.
The product concept or philosophy leads to undue concentration on the product rather than the consumer needs. This situation is referred to as "marketing myopia" where the organization's focus is on the product rather than the consumer's needs.

c) The selling concept: The sales orientation approach believes that people will not buy until they are persuaded to buy. Marketing focus should therefore be on publicity and advertising. It therefore emphasizes on the promotion of organization's products.
This concept has two major assumptions:
   i. Consumers typically show buying resistance and need to be persuaded to buy more
   ii. Consumers who are persuaded into buying the product will like it and if they don't, they will complain to their friends or consumer organizations, and in addition they will possibly forget their disappointment and buy the product again.

d) The marketing concept:

This concept tends to challenge the selling concept. The organizations need to focus on the needs of its customers to meet the highest level of customer satisfaction. In this situation, production responds to the demands of marketing and not vice versa.

The marketing concept takes an outside-in perspective while the selling concept takes an inside-out perspective i.e. organisations guided by the marketing concept start from the market, they identify customer needs, and then develop products that will satisfy consumer needs. Organizations guided by the selling concept start from the factory, develop products without taking into consideration consumer needs and then promote those products/services aggressively to the consumers.

The marketing concept comprises four elements: **market focus, customer orientation, co-ordinated marketing and profitability.**

e) The societal concept:

In recent years, some people have questioned whether the marketing concept is an appropriate organisational philosophy in an age of environmental degradation/resource shortages, explosive population growth, food shortages, poverty and neglected social services.

According to this philosophy, marketing should serve the needs and requirements of the society. Business organizations exist within societies and therefore societal demands should be given prominence.

This concept calls upon marketers to balance three considerations in setting marketing policies, namely:

   i. Company profits
  ii. Consumers wants satisfaction
 iii. Public interest/society welfare

QUESTION FIVE

a) The difficulties managers may encounter when forecasting
   i. Lack of trained in-house staff to carry out forecasting. This forces the manager to outsource and this may be costly.
  ii. The business environment is fluid/dynamic hence the forecasts may be useful for a much limited period than intended as a result of significant changes in the operating environment
 iii. Inadequate budget allocations for forecasting rendering the process ineffective-narrow resource base to support forecasting
  iv. The use of certain qualitative techniques, which make use of human judgement, may be prone to bias hence less objective.
   v. Lack of cooperation on the part of personnel on forecasting projects

b) Factors considered when selecting a method of forecasting
   i. The environment within which the organisation operates e.g. it may be useful to use time series analysis if it is stable.
  ii. The time horizon e.g. fifty-years' forecast makes it inappropriate to use time series analysis
 iii. Costs Vs Benefits Analysis e.g. the Delphi technique requires the use of experts and this has a cost bearing on organizational resources
  iv. Accuracy of method in identifying patterns and trends
   v. Ease of understanding of the technique involved.
  vi. Accuracy of the method in predicting turning points

QUESTION SIX

a) Characteristics of an effective and efficient control system

a) **Clear-cut purpose**
The task of control is to ensure that plans succeed by detecting deviations from plans and furnishing a basis for taking action to correct potential or actual undesired deviations.

b) **Future-oriented**
Owing to the time lags in the total system of control, the more a control system is based on feed forward rather than simple feedback of information, the more managers have the opportunity to perceive undesirable deviations from plans before they occur and to take action in time to prevent them.

c) **Control responsibility**
The primary responsibility for the exercise of control rests in the manager charged with the performance of the particular plans involved. Since delegation of authority, assignment of tasks, and responsibility for certain objectives rest in individual managers, it follows that control over this work should be exercised by each of these managers. An individual manager's responsibility cannot be waived or rescinded without changes in the organization structure.

d) **Cost Benefits**
Control techniques and approaches are efficient if they detect and illuminate the nature and causes of deviations from plans with a minimum of costs or other unsought consequences.
Control techniques have a way of becoming costly, complex and burdensome. Managers may become so engrossed in control that they spend more than it is worth to detect a deviation.

e)   **Preventive nature**
Focus should be more on prevention rather than the correction of the negative aspects of the system.

f) **Standardized**
Effective control requires objective, accurate, and suitable standards. There should be a simple, specific and verifiable way to measure whether a planning program is being accomplished.

g) **Flexible**
If controls are to remain effective despite failure or unforeseen changes of plans, flexibility is required in their design.

h) **Exceptional**
The more that managers concentrate control efforts on significant exceptions, the more efficient will be the results of their control.

b)   THE LIMITATIONS OF BUDGETS AS CONTROL TOOLS:

i.   **Rigidity and inflexibility:**
Most managers see budgets as static and inflexible. For budgets to be useful in the organizational environment which is dynamic, the budgets must be accommodative of the changes. Budgets must never be seen as rigid since price change, sources of raw materials change, labour skills change, etc and these changes must be reflected in our budgets.

ii. **Reluctance to involve subordinates:**
Managers are often reluctant to involve subordinates in budget formulation yet the efforts and commitment of the subordinates is the cornerstone of the budget success.

iii. **Forecasting problems:**
Budgeting like any other plan requires forecasting e.g. sales budget will depend on the projected demand patterns over time. Forecasts are never 100% accurate and therefore a problem we face in budgeting.

iv. **Goal quantification difficulties:**
Budgets include only items that can be expressed in numerical terms. However, certain objectives of the organization are non-quantifiable and therefore budgets may not cater for them. For example improvement in product quality.

v.   **Unrealistic objectives:**
Sometimes budgets are formulated based on unrealistic objectives. These objectives may be non-attainable and therefore may demotivate staff.

QUESTION SEVEN

The external and internal forces that may trigger change in an organisation
Change refers to any fundamental adjustment or reorganization of one or all of the aspects of an organization e.g. redesigning the overall structure or changed mode of production or even replacing employees with technology or changing from one level of technology to another.

All organizations at one point or the other undergo changes. Some organizations change mainly in response to external circumstances (reactive change): others change principally because they have decided to change (proactive change). However, it is good to note that change does not always imply innovation i.e. introducing something new. Change can be triggered by both internal and external factors.

i. **Technology:** Technological innovations are a powerful force causing organizational change. Today firms have to adapt to very dramatic changes in communication and information technology, for example the internet. Technological developments: This is

especially so in information technology. Most departments are computerized and the service industry uses IT to improve what it offers to customers.

ii. **Competition:** Change can be introduced by competitors and their actions. When a competitor introduces a new product or aggressively cuts down prices, a company may need to follow suit to hold its position in the market place.

iii. **People:** When the demographic profile of the population shifts e.g. to younger workers. Organizations may need to change and satisfy their wants of higher salaries, flashy perks and less loyalty.

iv. **Environment:** No firm operates in a vacuum. It is hence greatly affected by changes in the external environment as well as those within its own internal environment. Such changes may include political forces, economic forces and socio-cultural factors. Inflation or political instability for example, will force a firm to adjust its operations in certain areas.

v. **Communications:** Unlike the traditional paper based communication, most companies have adopted electronic mail systems, mobile telephones and video conferencing, as these are innovations available to them today.

vi. **Research and Development:** A lot of money is invested in these areas by companies so as to better their products and be able to satisfy customers and keep up with market trends. In order to respond to the development of potential new products and services devised by 'research and development', change becomes inevitable.

vii. **Globalization:** There is now a realization that people can set up trade bases in other countries unlike in the past when trade was restricted to purely domestic markets. Companies are now operating on a global basis, a lot of multinational businesses have come up with several productive subsidiaries abroad. Size has now become a critical factor for success alongside entry into foreign markets.

viii. **Threatening tactics of competitors:** There has been a lot of competition due to liberalization. Tactics such as drastically cutting prices and 'dangerous' advertising have been used.

ix. **Entry of many newcomers with competing products or services**: For a long time monopoly has been rife with particular firms being sole producers of a certain product. Now there are many entrants offering competing products. Survival now depends on the strategies one uses to market their product or service.

x. **Customer needs**: The essence of business is the customer. Unlike the traditional customer who bought what was on sale, today's customer has needs and preferences, which must be satisfied. Firms are also aware of the existence of a middle class group of customers who have different needs from the low income-earning customer. Customers' focus is now a major starting point for many firms' actions.

xi. **A new perspective of the Human Resource**: Unlike the previous years, the human resource is now considered as the firm's most valuable resource. The Human Resource department is now instrumental in most firms and a lot is being done to keep the firms most valuable asset happy and productive.

xii. **Political stability:** Stability is a major consideration for investors who are eager to be assured that their investment is safe within the country. In Kenya, a relative amount of stability has attracted several investors. At the same time, a few disruptions and speculations about the stability has led several investors to close up and relocate their business.

xiii. **Lobby groups**: especially those furthering the cause of women and 'minority' ethnic groups. They demand equal employment opportunities and a respect for the rights and dignity of women at work. They look into issues of discrimination by employers There are also groups that are pushing firms to be environmentally conscious such as Green Belt Movement. Firms have had to incur extra costs so as to comply with their demands.

xiv. **Demographic pattern**: there are still a lot of unskilled people seeking employment thus making casual employment a continued possibility. A lot of changes have also taken place in the provision of degree, masters and doctoral programmes. There are now a lot of qualified personnel seeking employment at managerial levels and whose needs firms must cater for. Changes in the demographic pattern also imply a change in customer demands and needs.

xv. The AIDS scourge: this affects all employers, as productive citizens are the most affected. Laws regarding issues such as medical cover and insurance are a major consideration for all employers. The Federation of Kenya Employers has in the recent past protected the rights of affected citizens to ensure that they are not discriminated against.

QUESTION EIGHT

a) **Rational decision making process/scientific decision making process**.
According to David Schwartz, decision making is made up of the following identifiable steps:

1. **Find and define the problem and its process:**
   In defining a problem, it is important to consider not just the problem itself, but the underlying courses e.g. High staff turnover may be as a result of:
   i)   Poor pay
   ii)   Lack of career progression
   iii)   Poor leadership
   iv)   Unconducive work environment, etc.

The causes of the problem must be understood before they are addressed. Managers must be aware of the risks of dealing with the symptoms of a problem instead of the real problem.

2. **Generate alternative solutions:**
A problem can be addressed in several ways. It is best to generate as many ways of solving the problem as possible. This is of course subject to availability for time and criticality of the decision.

3. **Gather enough information about the alternative solutions:**
Managers need to gather as much information as possible about the various alternatives generated before picking or dropping any one of them. This assists in realistic appraisal of each alternative.

4. **Analyze or evaluate the alternatives:**
Equipped with enough information, managers are now in a position to critically and realistically evaluate each alternative. They consider the pros and cons of each alternative before picking/dropping any of the alternatives.

The following tools may be useful in the evaluation/analysis:
   i)   Cost-benefit analysis: - Options whose benefits exceed associated costs are considered in priority.
   ii)   Marginal analysis: products with higher marginal contributions considered in priority.
   iii)   Decision trees: Expected values of the various possibilities/outcomes considered.

5. **Decide/select the preferred solution:**
This entails selecting the alternative offering the highest promise of attaining the objectives. This is probably the highest stage in decision making process. Sophisticated evaluation techniques may be used. However, there is nothing to guarantee the success of the decision. Fear of making a wrong decision sometimes causes managers to be indecisive. Indeed, manager's success depends on the quality decisions made by them.

6. **Implement the preferred solution:**
Once the choice has been made, the alternative is converted into action and implemented.

7. **Evaluation of outcomes:**
Evaluate the results to find out if the decision is successful in the light of changes in the business environment.

b) DECISION SUPPORT SYSTEMS (DSSs)

Decision support systems may be defined as interactive computer-based systems which help decision makers utilize data and models to solve unstructured problems.

According to Keen and Morton, decision support systems coupled the intellectual resources of individuals with the capabilities of the computer to improve quality of the decisions.

DSSs may be seen as an interactive, flexible and adaptable computer-based information system that utilizes decision rules and models, comprehensive database and decision maker's own insights. They support complex decision making and increases its effectiveness.

The Decision Support Systems available to managers when making decisions include:
- Linear Programming models
- Queueing models
- Simulation models
- Transhipment /Transportation models
- Assignment models

c) BENEFITS OF DECISION SUPPORT SYSTEMS (DSSs)

1. Cost saving:
DSS eliminates costs associated with wrong decisions.

2. Facilitates communication:
Data collection and analysis is done with higher user participation and hence facilitates greater communication among managers.

3. New insights and learning:
The users are exposed into new insights through sensitivity analysis and therefore an agency for training inexperienced managers.

4. Decision support systems have the ability to quickly and objectively different strategies under different situations.

5.   Ability to support solution of complex problems

6. DSS results into objective decisions which are more consistent than complex decisions made through trial and error.

7.   Improved managerial effectiveness
Managers will therefore perform tasks with less time and effort.

8.   Graphical displays
The DSS provides graphical display of information needed by managers and therefore helps managers view, analyze and understand data.

JUNE 2012

QUESTION ONE

TO: THE MANAGING DIRECTOR, ABC LTD
          DATE: 17TH OCTOBER 2012
FROM: AUDI JACKSON
          BUSINESS DEVELOPMENT MANAGER
          ABC LTD

RE: ORGANISATIONAL LIFE-CYCLE CONCEPT IN RELATION TO
      INNOVATION AND CHANGE

a) **The organizational life cycle concept in relation to the difficulties of introducing innovation and change in a successful organization:**
   Organizations, like humans and products are entities that undergo the cycle of inception, growth, maturity and decline. Strategies need to be developed at each of the phases to ensure that change, which is inevitable, is appropriately managed to keep the organization towards its objectives. The difficulties characterizing the introduction of change and innovation generally includes:
   i)   Different perception: certain employees may see the change as beneficial to only the initiator of the change; because of this kind of perception, they would always resist change
   ii) Uncertainty: The effects of proposed changes on both the organization and employees are usually uncertain. This uncertainty would always be avoided by the employees
   iii) Loss: Changes often result in job loss to some employees (laid off/declared redundant) and even lower productivity for certain departments. Individuals and groups will therefore not be willing to accept the loss.
   iv) Self-interest and fear: Naturally employees would se always fear change because of the uncertainties with regard to the effects of the change. Some employees would also want changes that would cater for their own interest and not the group or organizational interest.

b) **How the company may stimulate a pro-change culture in the organization:**
   i)   Motivation-There is need to motivate subordinates to initiate the change and therefore to support the change
   ii)   The informal organisation-There is need to use the informal leaders to help initiate the change since informal organisations are prone to resistance of change.
   iii) Participatory decision making-The whole organisation needs to be involved in making a decision that results in change initiation.
   iv)   Plan for the change-Planned changes help reduce the uncertainties with regard to the effects of change. While it is obvious that some of the reasons for change are beyond the scope of management, management can nevertheless try to anticipate the change and plan for it.
   v)   Effective leadership-Effective leadership capable of keeping the change process under control is likely to mitigate resistance from the persons concerned.
   vi)   Improving employees' perception of change by getting their views.
   vii) Facilitation-management expects resistance and introduces change gradually.
   viii) Open communication-let employees know when changes are to be made.

QUESTION TWO

a) MANAGEMENT ETHICS

Management ethics refers to the accepted standard of behaviour by those in managerial positions. It is essentially concerned with the following:

i. The obligations that managers have to their various stakeholders: employees, customers, shareholders, and the community
ii. Topics at the cutting edge of business ethics, including the ethics of supply chain management, as well as dealing with the press and non governmental agencies
iii. The concepts of sustainability and triple bottom line accounting
iv. A manager's station and his duties: the function of being a manage
v. Stockholder management or stakeholder management
vi. The ethical treatment of employees and customers
vii. Corporate social responsibility
viii. Moral imagination, stakeholder theory and systems thinking: one approach to management
ix. Decision-making
x. Leadership

Ethics is the defining issue for today's organizations. Companies, professional firms and individuals alike are being held increasingly accountable for their actions, as demand grows for higher standards of corporate social responsibility. Today we are judged not only on the financial performance of our organizations, but also on whether we are good corporate citizens. And at the heart of corporate citizenship is organizational ethics.

b) INDICATORS OF MANAGER'S ETHICAL/UNETHICAL BEHAVIOUR

i. Individual rights of the subordinates which must be upheld at all times.
ii. Distributive justice-the decisions and actions of managers must be seen as fair by everyone in the organization
iii. Internal policies of the organization-these must be upheld by all managers in the organization/entity
iv. Utilitarian outcome-the outcomes of managers decisions and actions if favourable is a sign of ethical behaviour to a certain extent only.
v. Personality-a function of inner feelings (deed, ego, superego)
vi. Individual's own behaviour-certain aspects of individual behaviour may be very difficult to change/shape.

c) MEASURES BY MANAGEMENT TO IMPROVE THE ETHICAL BEHAVIOUR OF EMPLOYEES

In light of his analysis, Saul Gellerman made several suggestions on how ethical behaviour could be improved. These include:

i. Provide clear guidelines for ethical behaviour.
ii. Teach ethical guidelines and their importance.
iii. In gray areas where there are questions about the ethics of an action refrain from it.
iv. Set up controls (for example, establish an auditing agency reporting to outside directors) that check on illegal or unethical deeds.
v. Conduct frequent and unpredictable (surprise) audits.
vi. Punish trespassers in a meaningful way, and make it public so that it may deter others.
vii. Emphasize regularly that loyalty to the company does not excuse improper behaviour of actions.
viii. Establish Code of Conduct/Rules and Regulations governing the actions and decisions of the staff in the organization
ix. The formation of ethics committee.
x. Ethics training programmes to be initiated.

xi.   Role modeling by the manager i.e. "Lead By Example"
xii.   Social audit has to be conducted. Social audit entails ascertaining the contribution of the organization to the environment/society.
xiii. Establish offices for investigations.
xiv.   The moral decisions should be built upon past decisions for fairness to be seen.

QUESTION THREE

a) Factors considered when designing a staff appraisal system

Appraisal systems are often misunderstood and mismanaged. Appraisals are central to human resource and performance management and understanding their role, objectives, benefits and purpose is extremely important. Careful preparation and understanding are required if the appraisal process is to be successful and worthwhile.

   i. Management's understanding of the basic and inter-linked purposes of an appraisal system, which are threefold:
   - To measure the extent to which an individual may be awarded a salary or pay increase compared with his or her peers; the Reward review component.
   - To identify training needs and plan follow up training and development to enable the individual better to assist the organisation to achieve its objectives; the Performance review component.
   - To aid the individual's career development and succession by attempting to predict the type and level of work that the individual is likely to be capable of in the future; the Potential review component.

   ii. The appraisal should establish key results which the individual needs to achieve within a set period of time
   iii. The appraisal system should be a well constructed scheme which is fair to both the individual and the organisation.
   iv. The availability of the required input documents for the appraisal system i.e. job description, a statement of performance or appraisal form and a record book highlighting the employee's performance.
   v.   Modes of assessment that are objective in light of organisational circumstances i.e. whether to use peer assessment, comments from clients and customers, self assessment ,supervisor assessment and in what weighting.
   vi. The incorporation of qualitative characteristics into the appraisal system e.g. the employee's general personal attitude, honesty, motivation, etc

b) Performance appraisal methods
   These include:

   i)   Behavioural rating:
   Employees are rated based on traits exhibited in the organisation and points allocated accordingly. Examples of these traits include punctuality, honesty, courtesy, etc
   ii)   **Work standards approach:**
   Employees are rated based on their performances at work. Their performance should be within the acceptable limits.
   iii)   **Management By Objectives (MBO):**
   Employees are rated based on their abilities to attain their own individual goals and objectives.
   iv)   **Essay Approach:**
   This approach is useful in assessing the staff's ability to communicate effectively and hence the relative degree of the human skills.
   v)   **Ranking Method:**

Here it is the jobs that are ranked and not the personalities/job holders. The intention is to determine the relative worth of a job in the organization.

c) Factors limiting the effectiveness of a performance appraisal system

i. Misunderstanding and mistrust of the appraisal scheme– the appraisal interview may be seen as an informal, loosely constructed and badly managed dialogue without purpose.

ii. Bureaucracy – a system based on forms devised solely to satisfy the employer. Thus its main purpose that of identifying individual and organisation performance and improvement, is forgotten.

iii. Confrontation due to lack of agreement on performance, badly explained or subjective feedback, performance based on recent events or disagreement on longer term activities. In an expanding organisation where performance criteria are unclear, this is a serious barrier.

iv. Biased judgement – the appraisal is seen as a one sided process based entirely on the manager's or owner's perspective. This is a danger since staff members may be frustrated to realize that their appraisals will be based partly on the activities of others.

v. Unfinished Business – the appraisal is not seen as part of a continuing process of performance management. Without clear performance criteria, the appraisal is obviously an exercise in futility.

vi. An Annual Event – the appraisal is seen as simply an event which sets targets annually that quickly become out of date. Appraisals are best held more frequently.

QUESTION FOUR

a) The steps in a materials purchasing procedure

i. Preparing the purchase requisition by the stores manager when the quantity of materials in store reaches re-order level and sending it to the purchasing department

ii. Generation of the purchase requisition by the purchasing department specifying the quantities, prices, delivery dates and contract terms.

iii. Receipt of materials after inspection that they meet the specifications in the purchase order

iv. Recording of the quantities received in the stock ledger and bin cards.

v. Storage of the materials in the store, awaiting requisitions for usage by the relevant departments

b) The factors to be considered when purchasing materials for an organisation.

i) Reliability of supply sources in terms of lead time and continued supply

ii) Stock inventory system being run by the organization i.e. whether Just-In-Time, ABC System, Perpetual Inventory or periodic system

iii) Costs involved in the acquisition of the materials including any discounts on offer for bulk purchases

iv) Level of quality required for the finished products to be made from the materials

v) Storage space available to the company

vi) Materials budget/ceiling set by management

vii) Workability of the materials

viii) Storage life of the materials

ix) Demand levels for the finished products

x) Levels of buffer stocks as well as re-order levels set by management

QUESTION FIVE

STEPS IN DEVELOPING A QUALITY CONTROL PROGRAMME FOR AN ORGANISATION

The role of a quality control programme is to ensure that:

a. an appropriate infrastructure or "quality system" encompassing the Procedures, Processes, and Resources

b.   the systematic actions necessary to ensure adequate confidence that a product (or service) will satisfy given requirements for "Quality"

The stages involved in developing a quality control programme may vary from organisation to organisation, but typically include:

1.   Ensuring products are developed correctly
2.   Identifying managerial responsibilities
3.   Providing Standards of Procedure (SOPs) for production and control
4.   Organizing supply and use of correct starting materials
5.   Defining controls for all stages of manufacture and packaging
6.   Ensuring finished product correctly processed and checked before release
7.   Ensuring products are released after review by authorized person
8.   Providing storage and distribution
9.   Organizing self-inspection

Basic tasks involved in the quality assessment process include:

1.   Checking whether ingredients are of the required purity
2.   Checking whether proper storage containers are used
3.   Checking correct labelling of finished products
4.   Release of batches by the authorized person
5.   Retained samples of starting materials and products
6.   Establish QC procedures
7.   Environmental monitoring

QUESTION SIX

In the new global environment, with greater competition from more and more products and choices, alliances are not just a planning option but a strategic necessity. The old adage "If you can't beat them, join them" is being replaced by "Join them and you can't beat them." In fact, new technology companies in software, biotechnology or telecommunications are now usually "born global", for instance the Microsoft Corporation renowned for the manufacture and distribution of office software around the world. Companies are increasingly forging strategic alliances in form of joint ventures, development groups, partnerships, etc

Just doing business in another country may require the firm to license its product, form a joint venture with a local firm, or buy from local suppliers to meet "domestic content" requirements. As a result, many firms are rapidly developing global strategic networks, and victory is going to those who build the better global network.

Strategic alliances are booming across the entire spectrum of industries and services for the numerous benefits that underlie them. These include:
i)   Help those organizations that cannot build markets on their own on account of little publicity/small scale of operations to do so.
ii)   Filling gaps in current market and technology.
iii)   Turning excess manufacturing capacity into profits.
iv)   Reducing risks and entry costs into new markets.
v)   Accelerating product introductions into the markets
vi)   Achieving economies of scale in operations
vii)   Overcoming legal and trade barriers
viii)   Extending the scope of existing operations
ix)   Cutting exit costs when divesting operations
x)   Improved effectiveness in the delivery of missions (products and services) through strategic partnerships.
xi)   Achieving national and/or global leadership in the operational areas. Even giant companies such as American Telephone & Telegraph (AT&T), International

Business Machines(IBM),Philips, Siemens are keen on strategic alliances for leadership purposes.

xii) Complementing or leveraging the individual companies' capabilities and resources. The Star Alliance, for example, brings together 15 airlines-Lufthansa, United Airlines, Mexicana, Air Canada, ANA, Austrian Airlines, British Midland, Singapore Airlines, Tyrolean, Lauda, SAS, Thai Airways, Varig, Air New Zealand, and Ansett Australia-into a huge global partnership that allows travelers to make nearly seamless connections to about 700 destinations.

Even multinational giants are forging strategic alliances. Recently Coca-Cola partnered with several other global companies. In May 2000,Coke formed a marketing alliance with AOL Time Warner designed to both bolster Coke's online marketing presence and promote AOL's image off-line. Coke partnered with Inter public ad agency in December 2008 to coordinate its $1 billion annual global marketing effort. With these deals, Coke sought to capitalize on many of the strategic reasons for alliances listed above.

NB:
Despite the many good reasons for pursuing alliances, a high percentage end in failure. In order to craft a winning alliance, three keys seem to be the way forward i.e. **strategic fit, a focus on the long-term and flexibility.**

QUESTION SEVEN

All managers irrespective of the type of organization in which they operate, must take into account the factors in the external environment in which they operate. They may do little or nothing to change these forces; however, they must respond to them. They must therefore identify, evaluate and react to these forces that may affect the organizational operations positively or negatively. These factors may include:

i) **Political/Legal Constraints:**
Laws regulate every dimension of human existence. They are about to prevent or stop the abuse of power. In exercising their power over resource, managers increasingly come into conflict with societal expectations and objectives. Business managers therefore face multitude of law as that limit their various powers. Examples of these laws include:
-Laws that regulate working conditions, minimum wages, safety of workers, competitive practices, etc. With regard to political legal constraints, managers can make inputs at the local/national levels. Managers may lobby with influential personalities so as to influence government decisions. In the final analysis, an organization usually cannot control what the government does.

ii) **Economic Constraints:**
These include availability of capital, inflation, interest rates on deposits and loans and similar factors that affect management practice. Business firms are increasingly influenced by government/donor imposed economic policies e.g. Structural Adjustment Programmes (SAPs)

iii) **Socio-Cultural Constraints:**
These consist of the value system, socio-demographic characteristics and other basic characteristics of people comprising the society Such characteristics include attitudes, desires, expectations, level of education, beliefs, religion, traditions, habits and customs of people in a society. The population structure, for example, would influence decisions on what products to produce by a business concern. Demographic patterns would also dictate the availability of workforce for a business entity. If a firm ignores society's social concern, the society will impose legal restrictions.

iv) **Technological Constraints:**
Technology refers to the sum total of the knowledge we have of ways of doing things, inventions and techniques in areas of processes, machines and tools.

Technology is the key to an organisation's transformation processes affecting processing speed as well as quality of the final output.

Technology can offer organizations a competitive edge.

v) **Ethical Constraints:**

Ethics refers to the code of morals of a person or groups that set standards as to what is good or bad, right or wrong in one's conduct.

Management ethics are standards and principles that guide the actions and decisions of managers and determine if their actions and decisions are good or bad.

Ethical behaviour is fair conduct that goes beyond laws and regulations.

vi) **Ecological Constraints:**

This refers to the protection of the ecosystem. This is currently becoming more critical as environmental awareness increases globally.

vii) **Constraints imposed by labour unions:**

Through contracts negotiated with management, labour/trade unions may restrict what management may want to do about wages, retirement plans, working conditions and employment policies.

viii) **Constraints imposed by competitors action:**

A competitor through his actions places restrictions on what an organization can do. Pricing decisions in many firms often reflect the pricing decisions of a leading competitor. Also, if a competitor holds patent rights, he may restrict other organizations actions.

QUESTION EIGHT

Business Process Reengineering (BPR)

BPR is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality, service and speed.

BPR is a radical technique that has been advocated to overhaul existing business processes and practices with a view to improving organizational performance. BPR places emphasis on processes as a change mechanism. Typical processes include ordering, buying, manufacturing, product delivery and invoicing.

In each case the idea is to ask radical questions about why things are done in a particular way and whether alternative methods could achieve better results.

a) **Employees' behaviour:**
   - Likelihood of resistance to the radical changes requiring new work methods
   - Incidents of go-slows and handing tools down as a result of some employees being relieved of their roles
   - Formation of new social groups as a result of employee transfers and deployments
   - Motivation because the decision point is where the work is performed. The people who do the work are empowered.

b) **Work structure:**
   - The focus of performance and payment shifts from activities to results (expressed in terms of value created for the customer).
   - Organize around outcomes not tasks.
   - Ensure that those who use the output perform more of the process themselves rather than passing it on.
   - Link parallel activities rather than integrate results i.e. consolidation of tasks
   - Capture information only once - ideally at its source.

DECEMBER 2012

QUESTION ONE

a) The human resource problems facing Block Industries Ltd
  i. The newly appointed managers in charge of public relations and administration departments have no specific training/expertise to handle amicably the affairs falling within their dockets
  ii. The new manager has failed to motivate organizational staff since his personality is wanting-cold and aloof.
  iii. The values of team work and organizational synergies/coordination are largely wanting
  iv. Organisational change seems to have been poorly managed, by the introduction of a highly skilled yet poorly human manager. The board appears to have done poor selection and/or bias may have been involved
  v. The new manager is hasty in decision making he has not taken time to analyze employee behaviour.

b) Causes of the derailed human resource situation in the company
  i. Lack of a clear policy on managerial promotion and transfers
  ii. Lack of essential human and networking skills on the part of the new manager
  iii. Lack of a sense of belonging among most employees; the new manager appears partisan in his management of organizational affairs
  iv. Resistance to change.

Possible corrective interventions include:
  i. As a matter of immediate concern, the board should rescind the decision to hire the new manager and higher another one through a more careful and stakeholder-inclusive approach
  ii. Clear reporting relationships should be instituted by the board to narrow down any misunderstanding on roles as well as authority-responsibility relationships
  iii. Performance appraisal systems should be re-evaluated and especially the goals to be achieved through their use should be clearly spelt out.
  iv. Train the new managers on interpersonal relations also the assistant managers could be trained on communication and leadership.

QUESTION TWO

Stakeholders refer to those groups or individuals who are directly or indirectly affected by an organization's pursuit of its goals. Stakeholders fall into two categories:
Internal stakeholders-Groups or individuals, such as employees, that are not strictly part of an organization's environment but for whom an individual manager remains responsible. They include employees, shareholders and the Board of Directors.

External Stakeholders-Groups or individuals in an organization's external environment that affects the activities of the organization. They include customers, suppliers, governments, special-interest groups, the media, labour unions, financial institutions and competitors.

The roles stakeholders play may change as organizational environments evolve and develop. Managers must be sensitive to this fact when they are tracing the various influences on an organization's behaviour and recommending responses to environmental change.

INTERNAL STAKEHOLDERS
Even though, strictly speaking, internal stakeholders are not part of the organization's environment (because they are part of the organization itself),they are a part of the environment for which an individual manager is responsible.

Employees:

The nature of the workforce is changing in most organizations, partly because of demographic factors. At the same time the skills needed by employees are changing. As companies find it necessary to experiment with quality programs, team approaches and self-managed work groups, they need employees who are better educated and more flexible. They are increasingly becoming aware of their rights and industrial relations have to be well managed.

Shareholders and Boards of Directors:

The governing structure of large corporations allows shareholders to influence a company by exercising their voting rights. Traditionally, however, shareholders have been interested primarily in the return of their investment and have left the actual operation of the organization to its managers.

EXTERNAL STAKEHOLDERS

Customers:

Customers exchange resources, usually in the form of money, for an organization's products and services. A customer may be an institution, such as a school, hospital or government agency; or another firm such as a contractor, distributor or manufacturer; or an individual. Selling tactics vary according to customer and market situations. Usually a marketing manger analyzes the potential customers and market conditions and directs a marketing campaign based on that analysis. They are now demanding quality products and this has led to introduction of TQM techniques to keep up quality standards.

Suppliers:

Every organization buys inputs-raw materials, services, energy, equipment and labour-from the environment and uses them to produce output.. What the organization brings in from the environment-and what it does with what it brings in-will determine both the quality and the price of its final product. Organizations are therefore dependent upon suppliers of materials and labour and will try to take advantage of competition among suppliers to obtain lower prices, better quality work, and faster deliveries.

Government:

The doctrine of laissez-faire, developed in the eighteenth century, holds that a government should exert no direct effects on business, but should limit itself to preserving law and order, allowing the free market to shape the economy. Government also act to aid and protect industries. The government expects taxes to be paid on time failure of which penalties are imposed or some other legal action. This has an impact on the profitability of the firm.

Special-interest groups:

These use the political process to advance their position on particular issues such as gun control/fire arm disarmament, abortion or prayer in the public schools. Managers can never be sure whether an ad hoc group will form to oppose the company on some issue-waste disposal methods, etc

The media can give such groups instant national attention, and political action committees of such groups may use campaign contributions to influence legislators to vote in particular manner on issues of organizational interest. Managers must take both present and future special-interest groups into account when setting organizational strategy. Among the most important special interest groups are consumer advocates and environmentalists.

Media:

The economy and business activity have always been covered by the media because these topics affect so many people. Today, though mass communication allow increasingly extensive and sophisticated coverage, ranging from general news reports to feature articles to

in-depth investigative exposes. The coverage is also more immediate, due to the increasing use of communication satellites.

Today, managers at most large organizations realize they operate in a fishbowl, where every action may be the subject of media scrutiny. To improve their communication with both internal and external audiences, they have developed sophisticated public relations and marketing departments. In addition, executives who regularly deal with the media often seek professional coaching to improve their ability to present information and opinions clearly and effectively. Some organizations provide training for all employees to help them respond capably in situations that may arise.

Labour unions:

Personnel specialists generally deal with an organization's labour supply, sometimes supplemented by other managers with specific hiring and negotiating responsibilities. They use multiple channels to locate workers with the various skills and experience the organization needs. When an organization employs labour union members, union and management normally engage in some form of collective bargaining to negotiate wages, working conditions, hours, etc.

Financial institutions:

Organizations depend on a variety of financial institutions, including commercial banks, investment banks, and insurance companies, to supply funds for maintaining and expanding their activities. Both new and well, established organizations may rely on short-term loans to finance current operations and on long-term loans to build new facilities or acquire new equipment. Because effective working relationships with financial institutions are so vitally important, establishing and maintaining such relationships is normally the joint responsibility of the chief financial officer of the organization.

Competitors:

To increase its share of the market, an organization must take advantage of one of two opportunities:

- it must gain additional customers, either by gathering a greater market share or by finding ways to increase the size of the market itself; or
- it must beat its competitors in entering and winning in an expanding market

In either case, the organization must analyze the competition and establish a clearly defined marketing strategy in order to provide superior customer satisfaction.

Other stakeholder groups:

Each individual organization has a host of different stakeholders. For instance, a hospital will have to consider the Kenya Medical Association (KMA); groups of doctors, nurses, caregivers and patients. Every organization has a particular stakeholder map that is in essence a picture of the direct-action component of its external environment.

QUESTION THREE

a) THE OPERATIONS OF INFORMAL GROUPS AND THEIR BENEFITS TO ORGANIZATIONS:

An informal group in a set of evolving relationships and patterns of human interaction within and organization which are not officially prescribed. It arises out of spontaneous, personal and social relationships between individuals formed on the basis of personal attitude, values, friendships, similarity of work, likes and dislikes etc.

Informal organizations provide social satisfaction to people and help preserve the integrity of the work group.

Success is management depends on how well informal organizations are put into use. Formal organizations emphasize on positions in terms of authority while informal organization emphasize on social relationships/interactions at workplace.

CHARACTERISTICS OF INFORMAL ORGANISATIONS
   i. They are unofficial arising spontaneously without official sanctions by management.
   ii. They arise through social interaction between people within the organization.
   iii. They are structure less and ill-defined.
   iv. Their tasks and goals are mainly centered around individuals and group satisfaction.
   v. They are personal with emphasis on people and their social relationships within the organization
   vi. They have unwritten conventions and norms.
   vii. They find no place in organizational charts and manuals.
   viii. They are relatively unstable and unpredictable based on man's quest for social satisfaction.
   ix. One person can be a member of several informal groups of his choice.

THE BENEFITS OF INFORMAL GROUPS TO AN ORGANISATION
   1.   Provision of social satisfaction
        Informal organizations give employees recognition status and further opportunity to relate to one another. They therefore provide an outlet for employee relations.
   2.   Provides an additional channel of communication (grapevine)
   3.   Assists in accomplishing work by reducing managerial workload especially where thee manager has the full support from the informal organizations.
   4.   Help remove weaknesses that may exist in the formal organizational structure: there is usually a longer communication channel in the formal structure and therefore information may take much longer to reach the lower levels of management. Grapevine that exists in the informal structure will ensure that the workers are updates as far as the information needs are concerned.
   5.   It lengthens the effective span of management resulting in reduced supervising costs.
   6.   It encourages better management since informal organizations blend well with the formal systems to make a workable system for getting work done.
   7.   It gives stability and satisfaction to the work group since it acts as a means by which workers achieve a sense of belonging and security.
   8.   It acts on a safety valve for workers' destinations and other emotional problems.

b)   THE DISADVANTAGES OF INFORMAL GROUPS

1. Resistance to change:

An informal group has a tendency to evolve its own work, methods and procedures.   Any threat of change to these procedures is usually resisted because this is seen as a threat to the existence of the group/organization.

2. Rumours

Informal groups may engage in rumours which can be destructive to the organization.

3. Conformity

Informal groups encourage conformity by group members thereby inhibiting critical evaluation capabilities of its members. Sometimes they may limit production levels of members and those who exceed set levels may be dubbed rate busters.

4. Informal groups increase the time required to complete activities since obedience to orders is not automatic.

5. Role conflict.

The quest for social satisfaction of group members may move the organization away from goal attainment i.e. the demand for $1^1/_2$ hrs of lunch break results into reduced productivity for the organization.

6.   Informal groups encourage negativism and hence result into frustration and lack of motivation by its members.

7. Informal groups generate interpersonal and group rivalries that may result in conflict in the organization. Managers have no power to abolish informal organizations. They must try to understand their good and bad qualities and deal with it intelligently to serve the organizational purpose.

QUESTION FOUR

a) CONSUMER MARKETS Vs INDUSTRIAL MARKETS

Consumer markets refer to all the individuals and household who buy or acquire goods and services for personal consumption. Consumers vary tremendously in age, income, education level, mobility patterns, and tastes. Marketers have found it worthwhile to distinguish different consumer groups and develop products and services tailored to their needs. If a market segment is large enough, some companies may set up special marketing programs to serve this market.

Industrial markets refer to all the individuals and organizations who acquire goods and services that enter into the production of other products or services that are sold, rented, or supplied to others. The industrial market includes buyers from many types of industries-manufacturing, construction, transportation, communication, banking, finance and insurance, transportation, services, agricultural, forestry, and fisheries, mining and public utilities. The industrial market is very huge consisting of many organizations which buy huge volume and value of goods and services. It is the largest and most diverse organizational market.

b) BASES FOR THE SEGMENTATION OF CONSUMER MARKETS

i.   **Geographic segmentation** - This calls for dividing the market into different geographical units such as nations, states, counties, cities, or neighbourhoods. The company decides to operate in one or a few geographical areas or to prepare in all but pay attention to variations in geographical needs and preferences. Some companies even subdivide major cities into smaller geographical areas/major submarkets depending on the preferences of the individuals residing in those areas.

ii. **Demographic segmentation** - This consists of dividing the market into groups on the basis of demographic variables such as age, sex, family size, family life cycle, income, occupation,, education, religion, race and nationality. Demographic variables are the most popular bases for distinguishing customer groups. One reason is that consumer wants, preferences, and usage rates are often highly associated with demographic variables. Another is that demographic variables are easier to measure than most other types of variables. Even when the target market is described in non demographic terms (say, a personality type), the link back to demographic characteristics is necessary in order to know the size of the target market and how to reach it efficiently.

iii. **Psychographic segmentation** - The buyers are divided into different groups on the basis of social class, life style, or personality characteristics. People within the same demographic group can exhibit very different psychographic profiles.

iv. **Behaviour segmentation** - The buyers are divided into groups on the basis of their knowledge, attitude, use or response to a product. Many marketers believe that behaviour variables are the best starting point for constructing market segments.

QUESTION FIVE

a) **Effective allocation of resources of the organization is essential for strategy implementation.**
Without resources, an organization cannot achieve its objectives. Resource allocation is therefore a central management activity that allows for strategy execution. Strategic management enables resources to be allocated according to the priorities established by the annual objectives.
It should be possible to implement the chosen strategy with the resources available to the organization. Resources are also necessary so as to motivate people to get included in strategy implementation.

b) **Criteria that an organization can use for allocating resources to different departments:**

i.   **The role played by the individual company departments in realizing corporate objectives, especially the long-term objectives:**
Those departments whose contributions to company annual objectives/strategic objectives are immediate are likely to receive more allocation than others.
ii. **Relative Economic Efficiency of the departments:**
Those departments that have a higher output-input ratio are in most instances preferred centres of resource allocation. In economic terms, an efficient (or pareto efficient) allocation is one at which no re-allocation of resources could make any department better off without making some other department worse off.
iii. **Departmental value-addictiveness to company's growth and overall profitability:**
This implies that more profitable departments (high yielding) have more resources dedicated to them.

Since resources are finite, they must be allocated according to criteria that will maximize the impact per resources allocated.

iv. **Need and Market for Departmental offering:**

What is the probable versus potential market for the department's products and/or services is the question to be answered here, e.g., there may be a huge potential market for the department's offering, but the probability of competing successfully for a large share of external market may be minimal unless significant advertising expenditure committals are made. Clearly established need and a large probable market are preferred.

v. **Internal Resource Generation Processes:**

Are there departmental-specific activities capable of generating revenue for own sustenance? Departments that have own resource-generating activities may be able to sustain themselves without or with little additional resource support from the head office.

vi. **Monitoring and Evaluation Systems:**

Is there a comprehensive plan by a department to evaluate resource impact as well as account fully for resources allocated? An organization may be keen on those departments with clear-cut resource monitoring and activity reporting systems

vii. **Marketing Plans:**

Is there a plan to market the department's products to ensure that targets are met and/or surpassed? Departments with achievable (realistic) marketing plans-higher yield chances are often preferred.

viii. **Instructional and Administrative Leadership:**

Is there a departmental head who can and will serve as the leader for the design and implementation of the department's activities and programs? Is there adequate technical know-how and administrative support to ensure efficient use of resources?

ix. **Departmental Track Record**:

Is there a record of success in preparing and implementing departmental plans? A previous outstanding record is preferred case.

QUESTION SIX

a) **The impact of Information Technology (IT) on modern management practice**

Information Technology is manifest in the use of computers as well as a radical reform in the way processes are carried out in organizations. These have numerous effects on the practice of management:

i. IT has improved a great deal the level of efficiency and accuracy of information
ii. IT has increased the volume of information that can be processed.
iii. The speed at which information becomes available to more people.
iv. The use of computers has eliminated cumbersome manual operations e.g. in accounting department where clerks have to deal with so many records.
v. IT has reduced the cost of operations to the management in terms of space and the number of record clerks to be employed.
vi. Complete computerization of organizational activities have made operations more efficient by making for it easier not only for users but also for managers to access virtually all information pertaining to activities of other departments and other sections of the organization. Hence there is improved communication between the various functional units.
vii. IT has resulted in better customer service especially since staff can handle customer queries by accessing the organization data files.
viii. The planning and control of the production department has been enhanced with systems such as 'Just-in-Time' (JIT), 'Materials Requirements Planning' (MRP), 'Computer Aided Design' (CAD) and 'Flexible Manufacturing System' (FMS). Stock control is likely to be easier as well.

However the benefits of IT have not been without certain adversities;
i. High displacement rates of employees at clerical and worker level.

ii.   Loss of data due to e.g. black outs delay operations and affect decision making.
iii.   Rapid changes in the use of technology make the cost of training and acquiring new packages expensive.
iv.   Security problems with data e.g. viruses or intruders. These may cause huge losses to the organization.
v.   Computer virus and computer bugs may affect the use of computers resulting to distortion and disappearance of data.
vi.   Resistance to change by organizational staff as a result of the introduction of new approaches.
vii.   IT leads to changes in organizational structure as it encourages a tendency towards decentralization of authority with its associated problem.
viii.   Health problems may result from over use or poor use of IT facilities resulting in employee/manager absenteeism and lost productive time to the organization
ix.   Easy access of information by lower level workers may lead to potential loss of status and power by managers. IT, though useful may then be a source of emotional problems and stress to both managers and their subordinates.

b)   **The role of the manager as an agent of change**
   "For any manager to be effective in the change process, he" must own the process"
   i)   Provide information in advance: i.e. the reason for change, its nature, timing and impact on both the organization and the individual.
   ii)   Encourage participation: If subordinate participation is encouraged in establishing the change, they will support change.
   iii)   Guarantees against loss: Give truthful guarantees that there will be no lay offs or pay reductions as a result of the changes.
   iv)   Make only necessary changes: Don't make changes for the sake of change; every change introduced must be justified.
   v)   Build trust: If a manager is trusted by employees' resistance is likely to be less.
   vi)   Counseling: This will not only prevent rebellion but have some chance of stimulating voluntary adaptation.
   vii)   Allow for negotiation: Allow employees and managers to give their views and come to a consensus.
   viii)   Maintain useful customs and informal relationships: when possible changes could be made to coincide with the culture and personnel within the organization.

QUESTION SEVEN

Delegation of authority is the process of vesting decision-making discretion in the subordinates by a superior. It is the passing of needed authority to subordinates by a superior to accomplish responsibilities. The manner in which work is delegated directly affects the overall effectiveness of the organization in attaining its objectives. Even with delegation, the manager is still held responsible for the success or otherwise of business operations (ultimate responsibility remains with the superior).
   Delegation means giving the subordinates authority to do something which the executive does not have time to do. When the subordinate accepts the assignment through delegation of authority, he assumes responsibility for performing the duties assigned.

a)   **Chain of command:**
   Delegated authority need necessarily flow vertically from top level management to lower level management. A single line of authority creates harmony in reporting outcomes of delegated work.

b)   **Unity of Command:**
   Authority should be delegated so that the individual reports to only one superior. Every superior has complete command over his subordinates and every subordinate is directly

accountable to only one superior immediately above him. If a subordinate was to report to several superiors in relation to delegated work, his actions may be confused resulting in sub-optimal work.

c) **Span of control:**
This refers to the number of people a superior can effectively supervise. There is always a limit to the number of subordinates (delegates) each executive can supervise effectively because each executive has limited time, knowledge, attention and capacity.
Organisations with narrow span of control/many management levels exhibit a limited degree of delegation while those with wide span of control/fewer management levels exhibit more visible delegation.

d) **Line and staff relationship:**
Line executives are responsible for execution of organizational objectives while staff provide advice, information and assistance to line executives to enable them work more efficiently. Responsibility for action/ultimate authority is in the hands of the line managers and delegation of work to staff is only advisory. Line managers should not delegate to staff managers as this often results into conflicts.

QUESTION EIGHT

Quality management is an important strategic issue in an organization.

A Strategic issue is one that is critical to the future of the organization; an issue that *must* be addressed in order for the organization to carry out its mission.

Quality in the workplace has gone beyond creating a better-than-average product at a good price, and now refers to achieving increasingly better products and services at progressively more competitive prices; this includes doing things right the first time, rather than making and correcting mistakes.

An increasingly vital issue in this respect is the concept of Total Quality Management (TQM).TQM is an organizational cultural commitment to satisfying customers through the use of an integrated system of tools, techniques, and training. TQM involves the continuous improvement of organizational processes, resulting in high-quality products and services.

According to W. Edwards Deming, the view that an unwavering focus on an organization's mission of "continuously and forever" improving the quality of goods and services-combined with statistical quality control and achieving "joy in work"-is necessary for competitive survival. Moreover, Deming believes that the manager's job is to seek out and correct the causes of failure, rather than merely identify failures after they occur. The goal of Deming's fourteen points therefore lies in altering the behaviour of managers and employees so that companies can become low-cost, high quality, and highly productive suppliers of goods and services and places of work that honour and support the contributions of all organizational members.

Create constancy of purpose for improvement of product and service:
Management must maintain an unwavering commitment and shift its focus from the short-term to the long-term. Quality, not profit, should lie at the heart of the organization's purpose. According to Deming, profit is a consequence that naturally follows when an organization targets quality.

a) **Adopt the new philosophy:**
The recognition that we are in a new era in which ever-increasing quality is necessary for corporate survival is based on maintaining a constancy of purpose. Management must reject inferior materials, poor workmanship, defective products, and slack service. It is not enough that defects are minimized: they should be eliminated. Reliable service reduce

costs while delays and mistakes raise costs. The traditional system should be dismantled and replaced. The new culture must be supported by all employees, and should reflect commitment to quality.

b) **Cease dependence on mass inspection:**
Deming recognizes that once errors occur, efficiency and effectiveness have already been lost. Mass inspections to catch errors after they have occurred therefore need to be replaced by building in quality from the start. Continuous process improvement reduces costs incurred when errors are made and then corrected. The completion of high-quality products also enhances employee satisfaction, because it enables employees to feel a sense of accomplishment and enables them to take pride in their work-no on enjoys producing junk.

c) **End the practice of awarding business on price tag alone:**
Deming encourages companies to end adversarial relationships with their suppliers, and instead develop long-term relationships with them. He argues that price is not relevant until it is linked to a measure of the quality being purchased. Statistical tools are very important in enabling companies to evaluate the quality of vendors and purchased parts.

d) **Constantly and forever improve the system of production and service:**
Management's obligation to seek out methods for quality improvement is never-ending. He believes that improvement follows from studying the process itself, not the defects, and that process improvement is the responsibility of management.

e) **Institute modern methods of training on the job:**
Training encompasses more than merely teaching employees how to use tools, such as statistical quality control, for improving quality. Training also translates into making sure that workers get adequate knowledge and skills for the jobs which they are responsible.

f) **Institute leadership:**
The traditional actions of supervisors are not adequate-supervisors merely tell workers what to do and make sure they do it. They administer rewards and penalties, and provide discipline when necessary. They do not see their jobs as providing leadership. Leaders, on the other hand, begin with the assumption that workers aim to do the best job they can, and endeavour to help workers reach their full potential. For lower-level managers, this entails coaching and arranging for training. Top managers, must in turn, help design and implement a strategic vision that grounds a TQM culture, and make sure their own behaviour exhibits the values that support such a culture.

g) **Drive out fear:**
It is important that fear not prevent employees from being able to ask questions, report problems, or express ideas. Employees must feel secure in order for quality to be pursued successfully in the workplace. A culture of openness, where people are not afraid of telling the truth, remains essential

h) **Break down barriers between staff areas:**
Barriers between functional departments are counter productive. Employees can improve productivity by learning from one another and coordinating efforts, regardless of their functional expertise. The tendency of traditional organizational structures is to encourage competition between departments. Employees recognize that, regardless of their expertise, they all share the same overriding objectives. Competition should be with other organizations, not within their own.

i) **Eliminate slogans, exhortations and targets for the workforce:**
Continual improvement as a general goal, should replace supposedly motivational or inspirational signs, slogans, etc. Companies that attempt to motivate employees through

speakers and inspirational tracts, for it merely frustrates employees to be encouraged to do things the existing management system prevents them from doing.

j) **Eliminate numerical quotas:**
Quotas should be removed because they end up encouraging people to focus on quantity often at the expense of quality. Companies should focus on quality issues instead of blindly pursuing numbers.

k) **Remove barriers to pride of workmanship:**
Annual ratings or merit systems should not be used as incentive systems for good performance. Rather, assistance in overcoming obstacles imposed by inadequacies in materials, equipment and training. Systems that endeavour to remove such obstacles should replace systems that attempt to coerce performance by making workers feel that they are always being judged, ranked and rated.

l) **Institute a vigorous program of education and training:**
Training should include a thorough foundation in the tools and techniques of quality control, as well as additional instruction in teamwork and the philosophy of a TQM culture.

m) **Take action to accomplish the transformation:**
The entire organization must work together to enable a quality culture to succeed. As top manager design and implement the strategy, workers can then cooperate in the pursuit of a TQM culture.

The main ideas around Total Quality Management (TQM) are:

i. **A systems approach:**
   Managers must be responsible for three systems-the social or cultural system, the managerial system and the technical system.
ii. **The tools of TQM:**
   These include statistical quality control, fishbone diagram (diagram used to organize and show the visually the possible causes of a problem or event; cause-and-effect diagram; Ishikawa diagram) and benchmarking (the process of finding the best available product features, processes, and services and using them as a standard for improving a company's own products, processes, and services).
iii. **A focus on customers:**
   If customer needs are not the starting point of the quality management process, using the tools of quality may result in products and services that no one wants to buy. Quality refers to "fitness for use"-the ability of a product or service to satisfy a customer's real needs. By focusing on real needs, managers and workers can concentrate their efforts where it really matters.
iv. **The role of management:**
   Many managers begin with the assumption that where there is a quality problem, the workers or some individual (manager or worker) is to blame. However, TQM implies that when there is a quality problem, it begins in the boardroom and in the offices of the senior managers and others who do not take quality seriously enough. For instance, until the system that is the cause of a particular failure in quality can be identified, management cannot do its job. It is every manager's job to seek out and correct the causes of failure, rather than merely identify failures after they occur and affix blame to someone.
v. **Employee participation:**
   Having the support and attention of senior management remains a necessary condition for making quality management work in an organization, but without empowered employees, it won't go very far. Empowerment stands for a substantial change that businesses are implementing. It means letting employees make decisions

at all levels of an organization without asking for approval from managers. The idea is quite simple: the people who actually do a job, whether it is running a complex machine or providing a simple service, are in the best position to learn how to do that job the best way. Therefore, when there is a chance to improve the job or the systems of which a job is a part, people should make those improvements without asking for permission.

PRINCIPLES OF PRACTICE & MANAGEMENT
JUNE 2013
SUGGESTED SOLUTIONS

QUESTION ONE

(a) (i) Need for clarification/eliminate ambiguity
There is need to verbal communication in order to provide clarification to the staff on the various issues he is addressing.

(ii) Need for future reference
In case he needs evidence or reference in future, he needs to use written documents like the memo.

(iii) Time
The urgency of the issue being communicated determines which method to use. If the notice is short, then verbal communication is preferred.

(iv) Need to demonstrate
In case a process is to be explained to the staff, for example, the process of having a requisition paid, Samson it is better using non verbal style such as flow charts.

(v) To eliminate different assessments
People have different assessment about various issues and therefore to clarify the main object, it is better is Samson uses verbal communication that allows room for answers.

(vi) Need to cultivate trust and relationship with the staff
This requires him to engage more in verbal communication where he gets to be in direct contact with the persons themselves.

a) Guidelines of auditing effecting meetings
   (i) Agenda
The agenda of the meeting needs to be clearly communicated to the staff in the department.

(ii) Subject matter understanding
To enhance his confidence, he needs to have a thorough grasp of the subject matter for discussion. Therefore, he needs to do thorough research before.

(iii) Well versed with the organization structure and policies
He needs to be well acquainted with the running of the organization so as to be at par with the experienced and older employees.

(iv) Give everyone a chance
It is paramount that each employee be given a chance to speak and their views taken to account

  (v) Punctuality
   All persons attending meetings should observe punctuality.

QUESTION TWO

Human Resource Information System (HRIS)

Provides managers with the necessary information for making intelligent human resource decisions. Basic human resource decisions are recruitment, selection and placement, training and development, performance appraisal, wage and salary management.

(a)   Benefits of a computerized HRIS

(i)   It can handle a large volume of staff records. Given that the employees are expanding in number, then this will be very relevant.

(ii)   Updates

Using a HRIS updates on staff records can easily and effectively be done. This is because, the computer allow for edit of records.

(iii)   Accessibility

Accessibility to records can be done on the click of a button. The disadvantages of numerous files is eliminated.

(iv)   Cost effective

A computerized HRIS is a definite cost cut bearing in mind that the staff is large and thus the cost are spread over a large volume.

(v)   Accuracy

Accuracy of records is greatly enhanced through use of computers. However, the GIGO concept still applies, that is Garbage in, Garbage out.

Definition of a HRIS

The Human Resource Information System (HRIS) refers to a system where all personnel, benefits and payroll information are processed and stored. The HRIS systems are usually purchased from vendors (such as PeopleSoft) and customized to run in organizations.

Modules supported by the HRIS include:
- Base Benefits
- Effort Reporting (interim solution)
- Financial Statement Analysis – with regard to personnel benefits
- Payroll Processing
- Position Management
- Recruitment

b)   Steps to follow

(i) Problem definition

We need to define what the current manual system is not meeting adequately, that is the inaccuracy, time consuming retrieval, bulk records, problem in updates.

(ii) Feasibility study

Carry out a study to analyze how the above problem can be handled. The solutions should match with the current internal environmental conditions such as the organization structure, the technology in use.

(iii) System design and analysis

Then the proposed information system is designed to match the requirements of the study. A blue print of the whole program is developed at this level.

(iv) System implementation

This has three stages; testing, training and actual implementation. The program developed is tested, the staff is trained and relevant documentation developed. The program could then be implemented either on a department basis (pilot run). It could be let to run parallel to the existing manual system, or implemented directly.

(v) System evaluation and control
The system is the evaluated to see whether it is meeting the requirements.

QUESTION THREE

a) Challenges in setting prices the first time
When a company introduces a new product, it is faced with the challenge of setting a price. The main areas of concern is whether the price the price is affordable, whether it meets the costs incurred to produce it, the market share that the price will help the product gain etc

The challenges in setting initial prices are:-
(i) Cost coverage
Whether the price will cover all the direct and indirect unit costs is always an issue.

(ii) Clientele targeted
Whether the price is affordable for the clientele targeted is always a question to the marketers.

Pricing strategies for New Products are two i.e. **Market penetration** and **Market Skimming**

Market penetration pricing
This involves setting a low initial price to enter the market quickly and deeply, attract a large number of buyers and win a large *market share*. Benefits are
- It will discourage new entrants to the market
- Shorten the introductory stage of the product's life cycle
- Production costs will fall as sales volume increases allowing for further price reductions if needed.

Market Skimming Pricing
This refers to setting initially high prices and spending heavily on advertising and promotion to obtain sales. As the product moves ages the price will be lowered. The aim is to gain high unit profits early in the product's life cycle. Skimming is a *profit maximization* strategy.

b) i) **Social-cultural environment**
The social institutions and beliefs, values, customs, lifestyles and desires of the market.
ii) **Technological factors**
Techniques, skills, tools and equipment, products and raw material.
iii) **Competition**
iv) **Economic environment**
Stage in the business cycle of economy, inflationary trends, monetary ad physical policies, balance of payments.
v) **Political-legal environment**
Laws and regulations, political stability, political climate (hostile) judicial system etc

Environmental factors

Technology

Demographics

Government

Culture

Economics
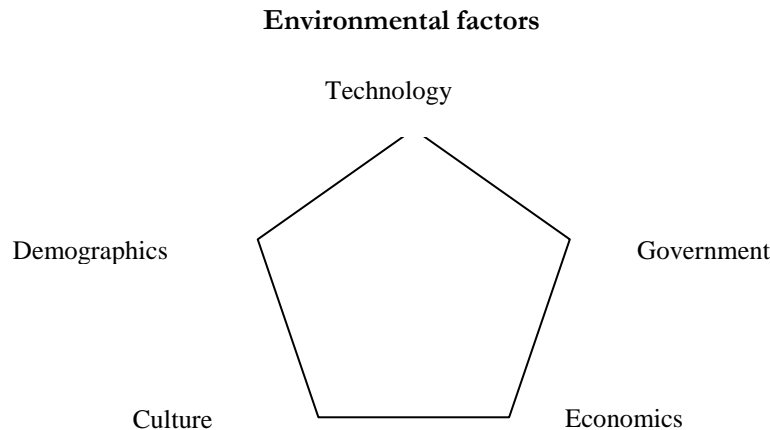
QUESTION FOUR

Scientific school of management
- It refers to the use of science to solve organizational problems
- It was developed by Fredrick Taylor
- He came up with four principles
    (i) That a science of each element of work needs to be developed through work study
    (ii) Scientific selection, training and development of staff
    (iii) Specialisation, such that managers should do what they can do best and employees should carry out the tasks they can do best
    (iv) The manager needs to cooperate with the employees so as to ensure that work is being done as described.

This thought looked at human beings as economic objects who were only interested in material gains.

Contributions and Relevance
 (i) It introduced the concept of specialization which in turn promotes efficiency
(ii) The differential piece rate system introduced is still applicable today
(iii) The aspect of cooperation was also introduced which is necessary even in organizations today.

Its application is **relevant in a rigid/static business environment** such as a factory **where a best way of doing a job can be identified.**

QUESTION FIVE

a) What are the characteristics of a good mission statement?

A **Mission Statement** is a statement of the organisation's purpose. It identifies what the organization aspires to be and describes the role that it plays within the environment in which it exists.

Mission statements may specify some or all of the following:
- target customers and markets
- principle products or services
- geographical domain
- core technologies
- concerns for survival
- plans for growth and profitability

- basic philosophy and
- desired public image.

A firm may have multiple mission statements, one for the overall firm and one for each foreign subsidiary.

The characteristics of a desirable mission statement include:
- Concise enough to remember it without difficulty
- Market oriented
- Realistic
- Specific
- Fit-market environment
- Distinctive competencies
- Motivating
- Purposeful

b) Differences between goals and objectives and their use in the development of corporate strategic plans

Strategic planning – Goals versus objectives
The difference between where we are (current status) and where we want to be (vision and goals) is what we do (target objectives and action plans)

Goals
By definition are "Outcome statements that define what an organization is trying to accomplish both programmatically and organizationally" Goals are usually;
- A collection of related programs
- A reflection of the major action of the organization
- A rallying point for chairmen

Try to think of each goal as a large umbrella with several spokes coming out from the center. The umbrella itself is a goal. Now, how do you narrow down club activities into four or five categories that can be considered the club goals for the next three to five years.

First ask yourselves, what are the main things my club is concerned with? Look at this list to see if your club is concerned with any or all of the topics.
- membership
- service
- creating an image in your community
- communications
- financial stability
- member development

Can your club identify with any of these statements as primary concerns of the group? If so, which ones? Can any of these be grouped together? Those are the decisions for each individual club, but basically all clubs are concerned in one way or another with the above subjects.

After the goals are identified clubs can then think in terms of what they want to accomplish within each goal in the next three to five years. Using membership as an example, does your club want to concentrate on:
- Growth or maintaining present membership numbers
- New club building
- Retention

- Revitalisation
- Member development

Do you see where each of these topics is related to the broader membership goal? These subjects are often mistaken for goals, but are really objectives under a general membership goal.

QUESTION SIX

a) Benefits of efficient procurement policy

(i)   It is cheaper for the entity to obtain materials as they are able to obtain discount

(ii)   Time saving – an efficient policy saves on the time required to acquire supplies

(iii) Quality – an efficient procurement policy ensures that only quality supplies are obtained

(iv)   An efficient policy eliminates any delays in production due to unavailable raw materials and this profitability is not affected

(v)   An efficient policy vets all the vendors/supplies and ensures that only the reliable supplies are awarded the tenders

(vi)   An efficient policy ensures that only the minimum number of human resource is maintained in the procurement department thus eliminating unnecessary duplication of effort and cutting of wage cost.

b) The centralization of procurement in a large company leads to greater efficiency
This is in essence time.

Centralisation of procurement means that procurement decisions are all executed at the top. Basically, a centralization decision is influenced by factors such as the cost of decisions, desired uniformity of policy, subordinates desire the independence, economic size of enterprise and history of organization.

Given today's magnitude of purchasing expenditures, then there is dire need for efficiency in the purchasing department.

Centralisation enhances efficiency in that:-
(i)   It enhances control
       Control is monitored and left entirely to one or a few persons thus greater monitoring
(ii)   It eliminates inefficient duplication of effort
       Therefore, no time is wasted in the procurement process
(iii) Centralisation promotes certainty because decisions are made in one place by one or few persons. Thus the required specifications are know to be met in advance.
(iv)   Saves on cost
       Centralisation of the procurement policy of a large organization saves on cost of purchase because the goods are bought in large volumes and thus quantity discount.

Efficient procurement focused on capabilities
The traditional procurement paradigm is fraught with issues. There is the matter of obsolescence – the tender takes so long to develop, respond to and to evaluate that by the time the contract has been awarded, the user's requirements have already evolved and changed. Contracts are also generally rigid and inflexible, unable to readily support changes that naturally occur within an agency's business environment, such as changing strategy, policy and technology. The development of detailed tender specifications and the evaluation of the responses is also extremely costly to the public sector. Moreover, the investment

required by the private sector to respond to a detailed specification is a high proportion of its operating expenditure (the cost of responding to tenders can approach or exceed 20 percent of total operating expenditure) In short, the traditional procurement paradigm often results in agencies acquiring solutions that do not meet their needs, in a manner that increases costs for vendors and agencies alike.

To circumvent these problems, several approaches can be considered to mitigate the issues associated with traditional contracting. Public agencies should ensure that their tenders are simple and focused on assessing the relevant organizational capability of the vendor. Examples of criteria that the tender should seek to evidence could include the vendor's relevant experience in a program of this type and scale, the strength of the vendor's relevant reference sites, the strength of the vendor's top management team proposed for the program, the scale and track record of the vendor in the local market and financial viability of the vendor.

Public agencies should also outline the required business outcomes and evaluate the ability of vendors to work within a framework that aligns the incentives of both parties. To achieve this, the tender could include additional evaluation criteria e.g. the vendor's understanding of the client's business and business outcomes; the vendor's ideas as to potential contractual frameworks that would best align the objectives of the parties and maximize the probability of achieving desired outcomes, and the vendor's practical experience in operating within the proposed framework (evidenced by reference sites, track record, lessons learned, etc)

QUESTION SEVEN

a) **Barriers to effective decision making in an organization**
   Decision making is the process of choosing one alternative from a set of rational alternatives. The barriers/constraints to decision making include;

   (i)   Multiple criteria
   Typically, a decision today must satisfy a number of often conflicting criteria representing the interest of different groups. Identifying the interest group and trading off their conflicting interest is a major challenge for today's decision maker.

   (ii)   Intangibles
   Factors such as customer goodwill, employee morale, increased bureaucracy, and aesthetic appeal, although difficult to measure, often determine decision alternatives.

   (iii)   Risk and uncertainty
   Along with every decision alternative goes the chance that it will fail to satisfy the relevant criteria

   (iv)   Time

   (v)   Inter-disciplinary input
   Decision complexity is greatly incurred when technical specialists such as lawyers, advocates, tax advisors, engineers etc are consulted before making a decision.

   (vi)   Lack of resources
   Lack of resources such as adequate information constraints/limits to decisions only to the available information.

Solutions

(i) A clear policy for decision making should be enumerated. This will guide the way in which decisions are made. The policy should embrace codes of ethics, organization mission and goal. This reduces the problem of multiple criteria.

(ii) Clear deadlines. The deadlines to decision making should be clearly communicated and they should also be reasonable to provide time for effective decision being made.

(iii) Decisions makers should try and incorporate the intangible factors which they also need to clearly understand

(iv) Finances should be availed to provide resources for decision making. Such include the investment in the internet and an updated library.

(v) The possibility of a risk can be dealt with either by ensuring that adequate information for decision making is available and that all stakeholders are consulted.

b) Explain the three levels of strategy and the characteristics of strategic management decisions at each level.

CORPORATE STRATEGY

Single-business
Related diversification
Unrelated diversification

BUSINESS STRATEGY

Differentiation	Cost leadership	Focus

FUNCTIONAL STRATEGIES

Marketing	Operations	Finance, Accounting and Tax	HRM	R&D

Corporate strategy
Corporate strategy helps a firm define the domain of business in which it intends to operate. A firm might adopt any of three forms of corporate strategy: single business, related diversification, or unrelated diversification;

The single-business strategy
A firm that adopts this strategy relies on a single business, product, or service for all its revenue. Advantage: concentration on one product or service. Disadvantage: vulnerable to changes in the external environment.

Related diversification
Most commonly adopted corporate strategy. A firm that adopts this strategy operates in several different but related businesses, industries, or markets at the same time. Advantages: less vulnerable, economies of scale and scope, wider use of its technology or expertise. Disadvantages: the cost of coordinating the operations of the related divisions, all business units subject to be affected by external forces.

Unrelated diversification
A firm following this strategy operates in several unrelated industries and markets. Advantages: risk spreading, easy to divest unprofitable operations and acquire new

operations. Disadvantages: no synergy across business units, executives must be familiar with a much wider array of businesses and markets than if operations are related.

Business strategy

Business strategy focuses on each line of business within an organization and answers the question, "How should we compete in each market we have chosen to enter?" Firms that follow a diversification strategy (either related or unrelated) usually group lines of business into strategic business units (SBUs). A firm may develop a unique strategy for each of its SBUs, or it may follow the same strategy for all of them. The three basic forms of business strategy are differentiation, overall cost leadership, and focus.

Differentiation

Differentiation strategy is the most common form of strategy. A firm attempts to establish and maintain the image that the SBU's products or services are fundamentally unique from other products or services in the same market segment.

Overall cost leadership

An overall cost leadership strategy focuses on achieving highly efficient operating procedures so that the firm's costs are lower that its competitors. A firm then attempts to sell products in high volumes at low prices. (economies of scale)

Focus

A focus strategy calls for a firm to target specific types of products for certain customer groups or regions. Firms match the specific product features to the needs of specific consumer groups.

Functional strategies

Functional strategy answers the question, "How will we manage the functions of finance, marketing, operations, human resources, and research and development in ways consistent without international corporate and business strategies?"

Characteristics of Strategic Management Decisions at each Level

The characteristics of strategic management decisions vary with the level of strategy activity considered

Decisions at the corporate level
- are more value oriented, more conceptual, and less concrete that decisions at other levels
- characterized by greater risk, cost and profit potential
- include the choice of business, dividend policies, and priorities for growth

Decisions at the functional level
- implement the overall strategy formulated at the corporate and business levels
- involve action-oriented operational issues and are relatively short range, low risk but more concrete and quantifiable
- include decisions on Basic vs. Applied Research and Development, high vs. Low inventory levels, general-purpose vs. specific purpose production equipment.

Decisions at the business level
- Help bridge decisions at the corporate and functional level
- Are less costly, risky and potentially profitable than corporate level decisions, but more costly, risky and potentially profitable than functional level decisions.

- Include decisions on plant location, marketing segmentation and geographic coverage, and distribution channels.

QUESTION EIGHT

a)   Explain the importance of public relations to an organization

Public relations is the management function which evaluates public attitudes, identifies the policies and procedures of an individual or an organisation with the public interest, and plans and executes a program of action to earn public understanding and acceptance.

While the public part implies inclusion of thins like public affairs, community relations, investor relations, public press conferences, media events, internal communications and crisis communications, it also involves a lot of behind-the-scenes, non-public activity. It could involve simply writing of a press release, but it could also involve coordinating media contacts for an event or conference, securing credentials, lobbying for article placement and the like.

Sometimes public relations is an effort to influence the public. This is especially true for political action groups, associations and other groups. Sometimes public relations is community relations. Just look around your won community to see how many companies and organisations have a community affair initiative or a person in charge with a related title. In larger, publicly held firms, this person is sometimes the director of investor relations. Investors are a public entity, so in this case public relations is appropriate.

What the public wants to hear is a good story. Good PR is the telling of a good story. The better the story, the better the acceptance by the public and the better the public relations. Of course if the story is especially appealing to those that could be your clients, then you could have a PR homerun. In this case, it is communication with your target market that may or may not be very public.

PR's importance is changing, according to *The Fall of Advertising and the Rise of PR* (HaperBusienss). America marketing strategies A2 and Laura Ries argue that public relations has become the most effective way to build a brand. Well-known brands like The Body Shop, PlayStation and Harry Potter spend little on brand-name advertising. The same is true for many entrepreneurial companies like yours. Business owners become known in their respective fields of concentration many times through public relations and the associated media generated.

PR is communication in many ways with your target market. May be instead of public relations we ought to call it target market relations or TMR. You may be communicating about a new product, spreading news about your company or making a major announcement. You want to communicate publicly, but the only people you care about are potential prospects, customers or investors, in the case of a partnership or a public company. One exception may be communication to a group that you are trying to influence for the best interest of your company and target market. An example of this is lobbying government.

Define what your public or target is in your public relations effort. This is best done by defining your target market and then any sub-segment. Lining up publications and broadcasts with the market and the segments will define what the public is for your public relations.

The bottom line is to get word about you, your company, your products and services to those who could potentially buy from you. Public relations is just one part of marketing, as marketing is made up of many things. The good news about PR is the cost and the effectiveness when it's in front of your target market.

Public relations is the ongoing process of helping an organisation to create mutually beneficial relationships with its important publics. Utilising research, publicly and other communications techniques, our skilled practitioners will conceive and execute programs designed to analyse, adjust, influence, direct and persuade the publics who impact your organisation, its policies, products and services. Some of the public relations functions we can execute for your organisation follow.

b) Outline the activities that are included in a public relations programme of an organisation

Media relations
Our media relations staff know how to manage information through the various communications channels (newspaper, consumer and trade magazine, newsletter, television, cable, radio or internet) that act as gatekeepers for key publics. Utilising a set of professional interviewing, writing and proactive marketing skills, we can skillfully identify and develop ongoing relationships with key media on your behalf.

Marketing communications
Public relations is an important component of the marketing mix. Power/Warner has the expertise to develop strategic publicity programs that support your new product launch or existing products and services. Our skilled publicity practitioners know how to create and sustain ongoing media interest in your brands.

Media Tour
Power/Warner can develop an itinerary or cities or markets in which a spokesperson needs to visit. It is customary for a spokesperson to tour major localities in which a product or service is to be heavily publicized. We can book the media tour, schedule transportation and accompany the interviewee.

Media Training
We can provide professional counselling and rehearsal to prepare your organisation's spokesperson for interviews on television or radio.

Corporate Communications
The relationship between your organisation and your most important constituents – employees, local municipalities and investors – is often critical to your organisation's success. Our practitioners understand the power of corporate branding. We work closely with our clients to help them build and manage critical relationships with key internal and external audiences.

Employee Relations
Our public relations practitioners provide guidance and support for corporate communicators who need to inform, influence and reinforce positive relationships with their employees.

Philanthropy and Community Affairs/Corporate Social Responsibility (CSR) Activities
Whether you are moving into a new location, seeking more recognition or building your status as a good corporate citizen, it's important to have a well-developed plan. Power/Warnter will help you to clarify your thinking about social responsibility and

ethics; design and implement gift-giving programs, and manage community issues that impact the company.

Change Management
In any organisation, sudden or predictable changes occur. Often, these changes are painful for employees and burdensome for management. It's important for an organisation to develop strategic communication strategies before changes occur. Power/Warner provides professional counsel to help you manage change.

Communications Audit
Sometimes an organisation needs to gauge public opinion concerning its image or reputation. A communications audit is a useful tool to gain an accurage view of an organisation, its policies or its products.

Investor Relations
We provide strategic counsel and execute turn-key public relations programs to assist public companies to communicate regularly with current and potential shareholders as well as business publics. Financial relations activities include annual and quarterly reports, meetings with financial analysts and publicity in business media.

c)   Describe the steps to be followed in the implementation of a code of ethics

A code of conduct is an important management tool which can positively shape the culture of an organisation. Many organisations have found that adopting a clearly defined approach to ethical issues improves the organisation's reputation, helps to develop pride among staff and is good for business. A code of conduct wets out the standards of behaviour expected of staff in an organisation and should help them to solve ethical dilemmas they face at work. A good code of conduct is an active document to which all staff in the organisation refer-not a document that sits on a shelf in a senior manager's office gathering dust.

Steps for developing a corporate ethics program

Confirm the development phase of the code
Ensure that a checklist regarding the development of the code is adhered to. In this regard, confirm the awareness of the need for the code throughout the organisation early in the process. Ensure that as many people as possible, including employees, are involved in the development of the code, that the desired ethical climate and organizational culture are inculcated, that research with regard to the concerns about ethical issues of all the stakeholders is done, that a set of vital values is articulated as a foundation upon which to build the code, that the values are phrased and explained so as not to be vague, but to make it possible to access after a period of time whether they are actually being implemented in practice.

Institutionalise and Internalise the code
One way of ensuring that the code is made a living document, is to accept, institutionalize and internalize the organisation's value system as an integral part of its strategic management process and managerial style. In this regard, institutionalizing implies establishing a new vision, an organizational culture, a set of universally shared values and a set of norms subscribing to these values in the organisation and making employees aware of this development through a number of ways, such as training, discussion sessions, visits by top management, performance management, culture interventions, ethics appraisals and ethics audits etc. The aim is to gain the commitment of employees, for the sake of unity and uniformity in an organisation, to think and act the same and to jointly work towards the same goal.

Internalising, in turn, implies the perpetuation of the organisation's culture by every member of the organisation in order to convince them, through repeated experience of or exposure to the vision, culture, values and norms of the organisation, to absorb the contents of the code and making it part of their attitudes, feelings, beliefs, etc.

Prepare the launch of the code

The way in which the code is going to be launched, must be planned carefully so as to achieve both maximum exposure and maximum commitment. The launch must therefore reflect the intention of the code. If economy is stressed, a lavishly illustrated and expensive booklet will send the wrong message. The fact that the code is not just another policy paper, must, however, be strongly communicated throughout the organisation. Top-level presence of the leadership of the organisation during the launch of the code, will be perceived as a token of their commitment to apply the values and the code to the work of top management. Even before the launch of the code, the sincerity and determination to make a permanent impact, must be demonstrated to counter cynical response. This can be done by starting to live the values well before they are published and not ever claiming that it is possible to live up to all of them.

Communicate the code

Each of the dimensions of a code, namely the aim, process, form, content and tone thereof, have important implications for the communicability and success of the communication of the code. The fact that the process followed to develop the code could grant credibility and knowledge to the code if the code is based on transparency and participation, serves as an example in this regard. Apart from the communication potential in the development and design of the code, the code must, after it has been finalized, be communicated to at least all the internal stakeholders or the organisation. The communication should not be a once off exercise, but must be sustained. In this regard it serves to mention that a single mass signing of an ethical code by all employees of an organisation cannot be compared to a mass acceptance of the code.

Enforce the code

Enforcement mechanisms must be implemented for a code to work. In this regard, the organisation must not only identify the values essential to the organisation, it must also develop a process that evaluates members' conduct and creates a reward and penalty system that reflects the presence or absence of these values. Sanctions for disregard of the values and violations of the code are necessary to emphasise to employees the seriousness of the undertaking and its importance to the organisation. Compliance and enforcement must therefore flow from the top and a high level of organizational commitment is vital in order for the code to be effective and have a truly positive impact on the organisation and its employees. The organisation would also have to resolve who or which office would have the responsibility for administering the code and dealing with infractions. That entity could also act in an advisory capacity by dealing with questions of interpretation or by providing recommendations regarding ambiguous situations.

Reinforce the message

Promotional campaigns and glossy launches don't change behaviour in an organisation to any significant degree. It therefore has to be followed up by continual reinforcement of the message. It is also clear that it must be seen that the organisation is serious about its espoused values. To ensure that these new principles are incorporated in every aspect of training, may therefore constitute a powerful way to achieve this. In this regard, all activities of the organisation should relate naturally to what it claims to value, because if you are not prepared for this it will rapidly become clear that the pretence of valuing the publicized values is little more than a public relations exercise. New managers and staff should be made familiar in their induction training with the code and/or values statement, and also with how people are expected to use it. At least for

senior positions and for jobs involving external contact, a discussion of values and their
significance should have taken place at the recruitment stage.

DECEMBER 2013 SOLUTIONS

QUESTION ONE

(a) Limitations of on-the-job training

Whilst on-the-job experience is very effective in providing action-based training to assist employees in learning the necessary skills to deal with the day-to-day routines encountered in their job, they get little opportunity to develop their response to infrequent, but high risk situations. Paradoxically, it is the employee's response to infrequent, hut critical situations that often determines the safety and profitability of the railway itself. So on-the-job training must be supplemented to provide employees with the skills to respond to these situations correctly.

As the name implies, on the job training involves employees training at their place or work.

The most common methods of on the job training are:

- Demonstration/instruction; showing the trainee how to do the job
- Coaching - a more intensive method of training that involves a close working relationship between an experienced employee and the trainee
- Job rotation - where the trainee is given several jobs in succession, to gain experience of a wide range of activities (e.g. a graduate management trainee might spend periods in several different departments)
- Projects - employees join a project team - which gives them exposure to other parts of the business and allow them to take part in new activities. Most successful project teams are "multi-disciplinary"

Disadvantages of on the job training

- Teaching or coaching is a specialist skill in itself; unless the trainer has the skills and knowledge to train, this would mean that the training will not be done to a sufficient standard
- The trainer may not be given the time to spend with the employee to teach them properly, which would mean substandard training has been achieved and learning has only been half done
- The trainer may possess bad habits and pass these on to the trainee

(b) Measures to reduce high turnover of management trainees:

High or low employee turnover can be detrimental to the company. Employee turnover can vary as a result of the industry and location of your business. For instance, the food service industry typically experiences turnover of 100-300%. The stress of employee turnover is much greater on smaller businesses than larger corporations. Before you can take effective measures to reduce turnover, you first need to find the price your business pays in lost employees.

High turnover can cause continual retraining and it projects an unfavourable image to members and potential members. The problem might be at the beginning of the employment relationship—hiring the right people in the first place.

Hire the Right Demographic: Is your small business properly recruiting the right age group? Match your company profile with your target hiring group. If you can't offer career advancement to your workforce, then avoid hiring young career oriented staff. Consider hiring older employees who are less concerned with advancement.

Understand Employee Motivation: Retaining staff requires learning what's important to your employees. Look to the external motivators like recognition and rewards. Remember the internal motivators of purpose and passion.

Read between the Lines: The real cause of employee turnover usually won't be found in your typical exit interview. Departing employees will provide the usual response of leaving for more pay or a better job. Inquire for deeper meaning. Was it a lack of support? Was the commission structure unreasonable? Take the time to get to the bottom of the turnover.

QUESTION TWO

The Sequential Framework for compiling a business plan
What is a Business Plan?

The primary value of a business plan is to create a written outline that evaluates all aspects of the economic viability of a business venture including a description and analysis of business prospects.

A business plan is an essential step for any prudent entrepreneur to take, regardless of the size of the business.

Business plans can vary enormously. Be aware now that most start-up entrepreneurs are reluctant to write down their business plan. It is therefore strongly recommended that you complete each segment of the plan as you progress through this course. We make it easy for you by providing sample plans for both product and service businesses and also an attractive blank form that you can download onto MS Word and customize yourself.

Why Prepare a Business Plan?

Your business plan is going to be useful in a number of ways. Here are some of the reasons not to skip this valuable tool.

- First and foremost, it will define and focus your objective using appropriate information and analysis.
- You can use it as a selling tool in dealing with important relationships including your lenders, investors and banks.
- You can use the plan to solicit opinions and advice from people, including those in your intended field of business, who will freely give you invaluable advice. Too often, entrepreneurs forge ahead ("My Way!") without the benefit of input from experts who could save them a great deal of wear and tear. "My Way" is a great song, but in practice can result in unnecessary hardships.
- Your business plan can uncover omissions and/or weaknesses in your planning process.

Six Steps to a Great Business Plan

1. Write out your basic business concept.
2. Gather all the data you can on the feasibility and the specifics of your business concept.
3. Focus and refine your concept based on the data you have compiled.
4. Outline the specifics of your business. Using a "What, where, why, how" approach might be useful.

5. Put your plan into a compelling form so that it will not only give you insights and focus but, at the same time, will become a valuable tool in dealing with business relationships that will be very important to you.

QUESTION THREE

(a) Various Types of Benchmarking:

Benchmarking is a very versatile tool that can be applied in a variety of ways to meet a range of requirements for improvement.

Different terms are used to distinguish the various ways of applying benchmarking. The first word in each term relates to either the type of partner or the purpose for benchmarking. At the outset of benchmarking projects, it is vital to be clear on exactly what is to be achieved through benchmarking and apply an appropriate methodology.

Standard benchmarking terms include:

1. **Strategic Benchmarking**
2. **Performance Benchmarking or Competitive Benchmarking**
3. **Process Benchmarking**
4. **Functional Benchmarking or Generic Benchmarking**
5. **Internal Benchmarking**
6. **External Benchmarking**
7. **International Benchmarking**

1. **Strategic Benchmarking** is used where organisations seek to improve their overall performance by examining the long-term strategies and general approaches that have enabled high-performers to succeed. It involves considering high level aspects such as core competencies, developing new products and services; changing the balance of activities; and improving capabilities for dealing with changes in the background environment. The changes resulting from this type of benchmarking may be difficult to implement and the benefits are likely to take a long time to materialise.

2. **Performance Benchmarking** or **Competitive Benchmarking** is used where organisations consider their positions in relation to performance characteristics of key products and services. Benchmarking partners are drawn from the same sector. However, in the commercial world, it is common for companies to undertake this type of benchmarking through trade associations or third parties to protect confidentiality.

3. **Process Benchmarking** is used when the focus is on improving specific critical processes and operations. Benchmarking partners are sought from best practice organisations that perform similar work or deliver similar services. Process benchmarking invariably involves producing **process maps** to facilitate comparison and analysis. This type of benchmarking can result in benefits in the short term.

4. **Functional Benchmarking** or **Generic Benchmarking** is used when organisations look to benchmark with partners drawn from different business sectors or areas of activity to find ways of improving similar functions or work processes. This sort of benchmarking can lead to innovation and dramatic improvements.

5.   **Internal Benchmarking** involves seeking partners from within the same organisation, for example, from business units located in different areas. The main advantages of internal benchmarking are that access to sensitive data and information are easier; standardised data is often readily available; and, usually less time and resources are needed. There may be fewer barriers to implementation as practices may be relatively easy to transfer across the same organisation. However, real innovation may be lacking and best in class performance is more likely to be found through external benchmarking.

6. **External Benchmarking** involves seeking outside organisations that are known to be best in class. External benchmarking provides opportunities of learning from those who are at the leading edge, although it must be remembered that not every best practice solution can be transferred to others. In addition, this type of benchmarking may take up more time and resource to ensure the comparability of data and information, the credibility of the findings and the development of sound recommendations. External learning is also often slower because of the 'not invented here' syndrome.

7. **International Benchmarking** is used where partners are sought from other countries because best practitioners are located elsewhere in the world and/or there are too few benchmarking partners within the same country to produce valid results. Globalisation and advances in information technology are increasing opportunities for international projects. However, these can take more time and resources to set up and implement and the results may need careful analysis due to national differences. An International Benchmarking Methodology Framework and Aide Memoire can be downloaded **here** (.DOC format, 23KB).

8. Competitive benchmarking
Some authors call benchmarking "best practices benchmarking" or "process benchmarking". This is to distinguish it from what they call "competitive benchmarking". **Competitive benchmarking** is used in **competitor analysis**. When researching your direct competitors you also research the best company in the industry (even if it serves a different location or **market segment** and is therefore not a direct competitor). This benchmark company is then used as a standard of comparison when assessing your direct competition and yourself.

9. Collaborative benchmarking
Benchmarking, originally invented as a formal process by **Rank Xerox**, is usually carried out by individual companies. Sometimes it may be carried out collaboratively by groups of companies (e.g. subsidiaries of a multinational in different countries). One example is that of the **Dutch** municipally-owned **water supply** companies, which have carried out a voluntary collaborative benchmarking process since 1997 through their industry association VEWIN.

(b) Advantages of benchmarking
Benchmarking is a powerful management tool because it overcomes **paradigm blindness.** Paradigm Blindness can be summed up as the mode of thinking, "The way we do it is the best because this is the way we've always done it." Benchmarking opens organizations to new methods, ideas and tools to improve their effectiveness. It helps crack through resistance to change by demonstrating other methods of solving problems than the one currently employed, and demonstrating that they work, because they are being used by others.

The advantages of benchmarking include:
*   Provides a systematic approach to the assessment of practice

- Promotes reflective practice
- Provides an avenue for change in clinical practice
- Ensures pockets of innovative practice are not wasted
- Reduces repetition of effort and resources
- Reduces fragmentation/geographical variations in care
- Provides evidence for additional resources
- Facilitates multidisciplinary team building and networking
- Provides a forum for open and shared learning
- Is practitioner led, so gives a sense of ownership
- Accelerates quality improvement

(c) Key Requirements for successful project management

Project management is intended for managing technical development and manufacturing projects of great complexity. In its early days it was a highly technical field known best, perhaps, for generating reams of paperwork. Even today, many people think of project management as a series of graphs, charts, and procedures, often implemented through a software package, designed to plan and guide to completion repetitive and highly predictable work...or--worse--to fill the empty hours of soulless bureaucrats.

Project management has evolved over the years. Today's project management is less an arcane technical discipline than a set of principles intended to provide a structured approach to making the everyday decisions that keep a business running, even a small business.

Project management begins, as it should, by defining its subject: A project, according to project management theory, is an activity with three characteristics:

- Specific outcomes or results
- Definite start and end dates
- Established resource budgets

Proper project management may be resolved through the following measures:

- Implementing the appropriate level or organization
- Clarifying line and project management responsibilities
- Implementing effective manpower planning
- Controlling the workload: managing change
- Establishing professional working practices in the team
- Developing project management competencies in the team
- Establishing team roles and integrating team members
- Acquire Project Sponsorship
- Support Project Management
- Articulate & Link Business Need to Vision
- Create a Clear Project Plan
- Match Changes to Vision
- Acquire Project Sponsorship
- Executive support,
- Understand what 'Project' means
- Understand what 'Quality' means
- Define the Result, that is, the 'End-Product' well
- Write down the phases, that is, Segments of your project

- Commit to work in a Total way
- Usher in your project by translating the phases
- Be Vigilant to time, cost, resources and customer

In summary, PQRSTUV: Project, Quality, Result, Segments, Totality, Ushering and Vigilance.

QUESTION FOUR

Steps in the implementation of a performance measurement system in an organization

Performance is an important part of any measurement based management system. Before you start, your organization should establish a core team to carry the performance measurement system design process forward. Though the system is never finished, it should take only a year or so to get something in place.

1. Understand and map business structures and processes.

This forces those setting out to design a performance measurement system to think through and reacquaint themselves with the organization, its competitive position, the environment it exists in and its business processes. After participating in this exercise, most managers agree the effort is a welcome break from day to day operations and an opportunity to revisit some of the organization's strategic issues.

2. Develop business performance priorities.

The performance measurement system should support the stakeholders' requirements from the organization's strategy through to its business processes. This order of priorities must be in place well before the process enters the actual design phases.

3. Understand the current performance measurement system.

Every organization has some kind of measurement system in place. For this reason, there are basically two ways to approach the design and implementation of a new performance measurement system. You can either scrap the old system and introduce the new one as a replacement, or you can redevelop the existing system. Both approaches can work, but the former approach is more likely to lead to trouble. People will cling to the old measurement system and either use both systems simultaneously or use the old one and simply go through the motions of the new one. You can eliminate this outcome by taking the latter approach.

4. Develop performance indicators.

The most important element of a performance measurement system is the set of performance indicators you will use to measure your organization's performance and business processes. This is the point in the design process where the top-down cascading approach meets the bottom-up design approach and where the broad masses of the organization become involved. The purpose of this step is to develop the performance measurement system with an appropriate number of relevant and precise performance indicators.

5. Decide how to collect the required data.

Developing perfect performance indicators that will tell you everything you ever wanted to know about what goes on in your organization is one thing, but being able to collect the data required to calculate these performance indicators is a completely different matter. This issue must initially be ad-dressed during the development of the performance indicators so you avoid selecting those that can never actually be measured. Remember, the proliferation of modern enterprise resource planning systems has turned this into an exercise in figuring out which data can be extracted from the systems' data warehouses.

6. Design reporting and performance data presentation formats. In this step, you decide how the performance data will be presented to the users; how the users should apply the performance data for management, monitoring and improvement; and who will have access to performance data. After you finish, you should have a performance measurement system that has a solid place in your organization's overall measurement based management system.

7. Test and adjust the performance measurement system.

Your first pass at the performance measurement system will probably not be completely right--there are bound to be performance indicators that do not work as intended, conflicting indicators, undesirable behavior and problems with data availability. This is to be expected. In this step you should extensively test the system and adjust the elements that do not work as planned. As a result, you will have a system where the main quirks have been eliminated; however, your system will still not be perfect. A performance measurement system should be construed as a never ending journey toward perfection.

8. Implement the performance measurement system.

Now it's time to put your system to use. This is when the system is officially in place and all can start using it. This step involves issues such as managing user access, training, and demonstrating the system is important and will be used.

Remember, this is not an absolute process that needs to be followed to the letter to work. In some cases, one or more steps may be superfluous; in others, additional steps may be needed. You know your organization better than we do, so it's up to you to make the necessary adjustments to the process to maximize the probability of the system's success.

QUESTION FIVE

Outsourcing some of an organization' operation could lead to increased productivity"

Summary of key benefits:

- More focus on core business
- Flexibility to expand and reduce services in line with demand
- Reduction in cost of network ownership
- Contractual service level agreements
- Reach new markets and customers
- Immediate access to new broadband products and services
- Dedicated skilled resource

- Network evolution strategy

Factors in the Design of an Organization Structure

A basic design challenge involves deciding how much authority to centralize at the top of organizations and how much to decentralize to middle and lower levels. An organization's hierarchy begins to emerge when the organization experiences problems in coordinating and motivating employees.

These problems lead to organizations:

- Increasing the number of managers
- Increasing the number of levels in the management hierarchy

Principle of Minimum Chain of Command

An organization should choose the minimum number of management levels consistent with its goals and the environment in which it exists. In other words, keep the organization as flat as possible while maintaining control over activities.

One way is by increasing manager's **span of control**—the number of subordinates a manager directly manages. In general, a manager's span of control is limited by two factors: the **complexity** and **interrelatedness** of tasks.

Factors affecting the shape of the hierarchy:

Horizontal Differentiation — an organization that is divided into subunits has many different hierarchies, not just one.

Centralization — with decentralization, less direct managerial supervision is needed

Standardization — reduces the need for levels of management because rules *substitute* for direct supervision

QUESTION SIX

Characteristics of an effective management system

A management information system (MIS) provides managers with information that supports effective decision making and provides feedback on daily operations

The use of MISs spans all levels of management

Fixed format, standard reports
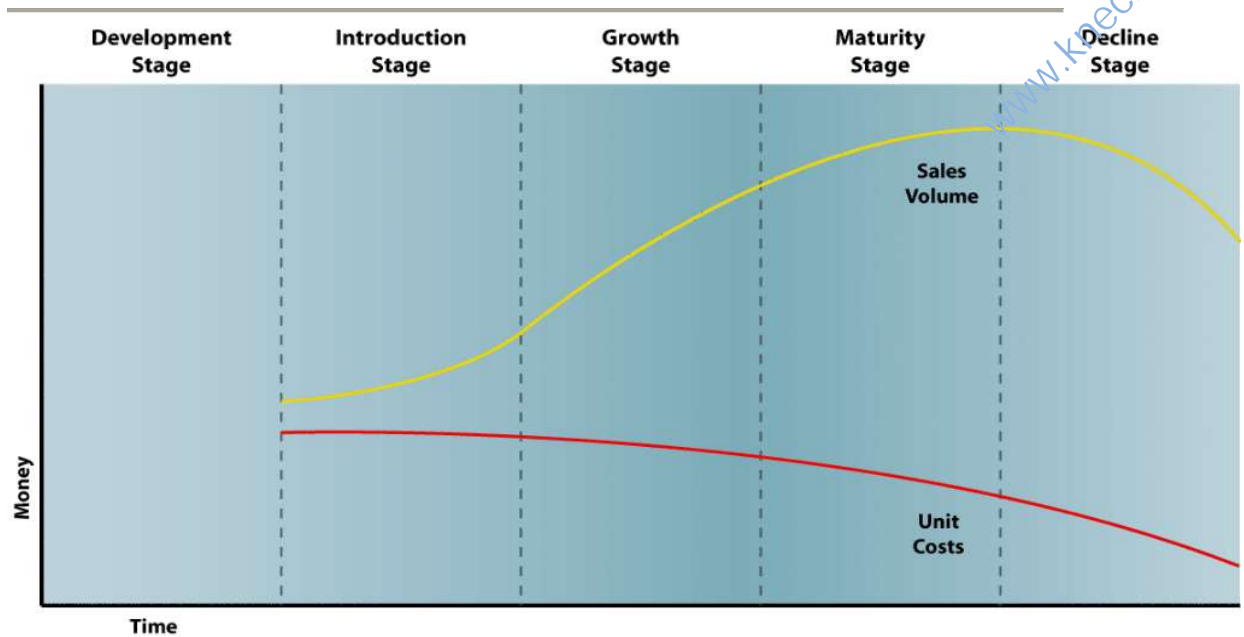
Hard-copy and soft-copy reports

Uses internal data

User-developed reports

Users must request formal reports from IS department

QUESTION SEVEN

The Major Stages in New Product Development

Products tend to go through five stages:

New product development stage
*very expensive
*no sales revenue
*losses

Market introduction stage
*cost high
*sales volume low
*losses
*high prices

Growth stage
*costs reduced due to economies of scale
*sales volume increases significantly
*profitability
*prices to maximize market share

Mature stage
*costs are very low
*sales volume peaks
*prices tend to drop due to the proliferation of competing products
*very profitable

Decline stage
*sales decline
*prices drop (lower prices may lead to lower value perception)
*profits decline

The management of the product life cycle

The progression of a product through these stages is by no means certain. Some products seem to stay in the mature stage forever (e.g., milk). **Marketers** have various techniques designed to prevent the process of falling into the decline stage. In most cases however, one can estimate the life expectancy of a product category.

Marketers' **marketing mix** strategies change as their products goes through their life cycles. **Advertising**, for example, should be informative in the introduction stage, persuasive in the growth and maturity stages, and be reminder-oriented in the decline stage. **Promotional** budgets tend to be highest in the early stages, and gradually taper off as the product matures and declines. **Pricing, distribution**, and product characteristics also tend to change.

Customers respond to new products in different ways. **Diffusion of innovations** theory, pioneered by **Everett Rogers**, and other **diffusion models** posits that people have different levels of readiness for adopting new innovations and that the characteristics of a product affect overall adoption.

Microsoft has released publicly the dates at which its various products will be discontinued or unsupported, even before they are released.

QUESTION EIGHT

Although the elements of strategic management are broadly the same irrespective of the type of organization or its context, the range and nature of strategic issues does to some extent differ according to the organization type and its context.

In other words, it would be wrong to assume that, for example, all the elements of strategic management are equally important in all circumstances, or indeed that their application is the same in all situations. Some of the key differences are discussed below for each of the different types of organization and contexts in the question.

(a) Strategic management in public sector organizations
Firstly it is important to recognize that the public sector itself comprises of a very wide and diverse set of types of business organization. In fact, the public sector comprises of a number of sub-sectors such as the nationalized organizational sector, government agency type organizations, and public service organizations such as hospitals, the police service etc. Each of these sub-sectors to some extent has its own special characteristics with regard to the application of the strategic management elements. However, recognizing this, it is possible to point to some of the general differences and special considerations which arise with regard to strategic management in the public sector organization.

Perhaps the main difference in this type of organization/context is the influence of political considerations and factors in the development of strategic plans. So, for example, public sector organizations are often constrained and/or directly influenced by political considerations. A related issue is that public sector organizations are very much more accountable for their decisions to outside parties and indeed in the broadest sense, often to the public in general. Decisions by managers in such organizations will often be taken in the context of such political/ regulatory requirements such as, for example, a requirement to buy from domestic suppliers.

Finally, public sector organizations are often very formal and bureaucratic and for this reason, may often be slow to respond to change.

(b) Strategic management in the voluntary and not-for-profit sector
As with public sector organizations, it is important to recognize that this sector contains many different varying types of organization. However, it is again possible to generalize

regarding the extent to which there are differences regarding the nature of strategic management in such organizations.

One of the key differences in this sector is that values and expectations of different stakeholder groups will play a very important part in the process of strategic management. Moreover, the range of stakeholder groups is often much wider and sometimes potentially conflicting compared to its profit making counterparts.

Funding for organizations in this sector may come from several sources including, for example, funding bodies and public donations, and because of this openness and effectiveness in the uses of funds is often a high priority. Because, by definition, many of the organizations in this sector do not have profit objectives, clear objective setting is sometimes difficult and indeed objectives may often conflict.

Finally, in the past it has sometimes been the case that the management of companies in this sector have perhaps lacked some of the planning skills of their profit making sector counterparts. However, in recent years this has changed and now managers in this sector are now just as skilled in the strategic planning process and indeed often use the same concepts and techniques developed in the profit/commercial sector organizations.

Part III: Comprehensive Mock Examinations

QUESTIONS - MOCKS

The following are five MOCK papers that address the major areas of the syllabus. It is recommended that candidates attempt the questions in Ian examination condition and then revise their answers using the suggested answers that follow.

Instructions:
Answer any FIVE questions. Note that marks allocated to each part of the question are shown at the end of the question.

Questions in this part are selected from across the topics in the entire syllabus. It will be important for the candidate to try and relate the questions to the appropriate topic or sub-topic of the syllabus.

Each question carries a total of 20 marks.

Time Allowed: 3 hours

PAPER ONE

CS EXAM

PRINCIPLES AND PRACTICE OF MANAGEMENT

Time Allowed: 3 hours

Answer any FIVE questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

(a) Define span of management.   (4 marks)

(b) What factors determine the optimum span of management and the number of levels of management in an organization?   (16 marks)
(Total: 20 marks)

QUESTION TWO

The production process is one by which goods and services are brought into existence. Write a brief account of the planning and operating decisions and activities, which the production manager is likely to encounter.   **(20 marks)**

QUESTION THREE

Explain why the formulation of strategy in a non-profit organization may be different from a profit making organization.   **(Total: 20 marks)**

QUESTION FOUR

(a) Explain the concept of product life cycle   (6 marks)

(b) What is the importance of the product life cycle for business planning and budgeting?
(14 marks)

(Total: 20 marks)

QUESTION FIVE

Informal groups exist in organisations to cater for interests and needs of workers. State and explain the merits and demerits of informal groups to a business organization?
(Total: 20 marks)

QUESTION SIX

Evaluation of managers is fundamental to assess whether they are performing as expected.

a) Describe the five major methods of evaluating managers.   (10 marks)
b) What are the critical guidelines for effective manager evaluation?   (10 marks)

(Total 20 marks)

QUESTION SEVEN

What is meant by the term culture? How does an organization's culture manifest itself? How can organizational cultures be differentiated from each other?   **(Total: 20 marks)**

QUESTION EIGHT

Planning is an important and persuasive activity in many organizations. Identify and distinguish between various types of plans, which are likely to be found in an organization which invests substantial resources in the planning process.

(Total: 20 marks)

PAPER TWO

**CS EXAM
PRINCIPLES AND PRACTICE OF MANAGEMENT**

Time Allowed: 3 hours

Answer any FIVE questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

It is essential that new employees go through a period of orientation and training before formally settling in their positions.

(a) What benefits can a company derive from a well-planned employee induction and training program? (6 marks)
(b) What are the desirable elements of a sound promotion policy in an organisation
(14 marks)
(Total 20 marks)

QUESTION TWO

Exactly what constitutes the management task is often unclear or misunderstood.

Required:
(a) Explain the five main duties of a manager, according to the writer Henri Fayol.
(10 Marks)
(b) Explain the differences between the role of a supervisor and that of a manager
(10   Marks)
(Total: 20 marks)

QUESTION THREE

Absenteeism and low morale are apparent in the accounting department of XYZ Limited, in which you are employed. Your superior knows that you are a student and have heard of Maslow's Hierarchy of Needs Theory. However, your superior is also aware that, although the theory has some relevance to motivational techniques, it has substantial limitations.

Required:
a)   Using appropriate examples, explain Maslow's Hierarchy of Needs Theory.
(12 marks)
b)   List the shortcomings of using this theory as a motivational tool (8 marks)
(Total 20 marks)

QUESTION FOUR

Quality circles is a common concept in Total Quality Management (TRM)

a)   What are quality circles? (4marks)
b)   What are their basic characteristics? (6 marks)
c)   How do employees benefit from participating in quality circles? (10 marks)
(Total: 20 marks)

QUESTION FIVE

a) Distinguish between centralisation and decentralisation   (5 marks)
b) What factors affect the degree to which top management centralises decision
    making authority?   (15 marks)
                                                                    (Total: 20 marks)

QUESTION SIX

From the study of managerial function of controlling, certain principles (truths) have been implied. These truths may be similar to truths in other areas management and they summarise the nature and purpose of control.

State and discuss these principles.   **(Total: 20 marks)**

QUESTION SEVEN

a) Outline the factors that a manager needs to consider in selecting distribution
    channels.   (10 marks)
b)   Outline the functions performed by market intermediaries.   (10   marks)
                                                                    (Total: 20 marks)

QUESTION EIGHT

a)   Clearly define the term "group decision making".   (10 marks)
b)   Outline the potential advantages of group decision making..

                                                                             (10 marks)
                                                                    (Total: 20 marks)

PAPER THREE

CS EXAM
PRINCIPLES AND PRACTICE OF MANAGEMENT

Time Allowed: 3 hours

Answer any FIVE questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

Discuss the major features and significance of the Hawthorne experience at the Western Electric Company.   **(Total: 20 marks)**

QUESTION TWO

a)   Outline the kind of behaviours that call for disciplinary action in workplaces.
                                                                                (12 marks)
b)   Design a general description of what would be expected of responsible employees in a company where top management has a positive policy for discipline.

                                                                                (8 marks)
                                                                      (Total: 20 marks)

QUESTION THREE

a)   Explain what you understand by the term "pluralistic society"   (12 marks)

b)   What are the implications for a business operating in a pluralistic society?

                                                                                (8 marks)
                                                                      (Total 20 marks)

QUESTION FOUR

Motivation of subordinates is an important aspect of a manager's job.

   a)   What do you think motivates a person to work well?   (4marks)
   b)   What steps can a manager take to motivate his subordinates?   (6 marks)
   c)   "People only come to work for money". Discuss   (10 marks)
                                                                      (Total: 20 marks)

QUESTION FIVE

"Attempts to bring scientific methods into management merely show what an inexact art management really is." Discuss.   **(Total: 20 marks)**

QUESTION SIX

 Discuss the evidence which suggests that in order to be effective, a manager can and should be flexible in the choice of his managerial style   **(Total: 20 marks)**

QUESTION SEVEN

a)   List the factors influencing effective teamwork.   (8 marks)
b)   Take four of the factors and write a short paragraph on each.   (12 marks
                                                                      (Total: 20 marks)

QUESTION EIGHT

As a result of company expansion, the accounts manager now has control of four assistant managers. This expansion has resulted in the need for greater delegation and clear definitions of levels of authority and responsibility.

Required:
a) Explain what is meant by:
     i.   Responsibility
     ii. Authority
     iii. Delegation   (6 marks)

b) Explain the need for effective delegation, the problems with delegation and how these problems may be overcome.   (14 marks)
                                                                                                     (Total: 20 marks)

Paper Four

CS EXAM
PRINCIPLES AND PRACTICE OF MANAGEMENT

Time Allowed: 3 hours

Answer any FIVE questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

Simon Price works as an accounts clerk in a large manufacturing organisation and has worked there for seven years. He is known as an unassuming individual who quietly goes about his work. Over recent months his workload has increased dramatically. Many members of the accounting team have been away from work due to discontentment and Simon has had to do their work also.

Simon has tried explaining to his line manager, David Lowe, how he and the accounting team feel about the absenteeism and the increase in workload. The feeling among the accounting employees is that the manager is not listening and 'is following his own agenda'. Effective working relationships within the accounting department are now breaking down.

Last week Simon Price had influenza and was away from work. He returned on Monday feeling tired and miserable. He has spent the last three days catching up on last week's work in addition to undertaking the work of Sally Simpson, the purchase invoice clerk, who is currently away from work.

It is 15.30 on Thursday and his line manager has just asked him to update the cashbook and reconcile it with the most recent bank statement. At this moment in time Simon is working on inputting sales invoices and has approximately two hours work left on this project. Stopping now would mean that he would have leave the sales invoicing work and return to it tomorrow. He really does not want to do the new task now. Simon feels that he has had enough pressure. He has endeavoured to communicate with David Lowe and although Simon and the accounting department regard David Lowe as possessing poor interpersonal skills, Simon feels that he must now do something.

Required:
With reference to the above scenario:

(a) When he communicates his feelings to David Lowe, the line manager, Simon Price needs to distinguish between aggressive and assertive behaviour. In this situation, explain:
    (i) the inappropriateness of aggressive behaviour;   (3 marks)
    (ii) the appropriateness of assertive behaviour.   (2 marks)
(b) Explain whether Simon Price has been displaying passive behaviour.   (3 marks)
(c) Explain why David Lowe, the line manager, needs to possess effective interpersonal skills.   (3 marks)
(d) Explain why David Lowe, the line manager, needs effective interpersonal skills in the following specific areas:
    (i) Motivation;   (3marks)
    (ii) Negotiation;   (3 marks)
    (iii) Team Building.   (3marks)
                                          (Total: 20 marks)

QUESTION TWO

An organisation is recruiting additional staff and has decided to compare the benefits of appointing existing internal staff with that of appointing external candidates.

Required:
a) Define and describe the advantages of internal promotion   (5 marks)
b) Define and discuss the advantages of external recruitment   (5 marks)
c) Describe three factors that should be taken into account when deciding upon whether to use recruitment consultants.   (10 marks)
(Total:20 marks)

QUESTION THREE

Exactly what constitutes the management task is often unclear or misunderstood.

Required:
(a) Explain the five main duties of a manager, according to the writer Henri Fayol.

(10 marks)
(b) Explain the differences between the role of a supervisor and that of a manager.

(10 marks)
(Total: 20 marks)

QUESTION FOUR

As organisations expand and the number of employees increase there is a need for delegation and

Required:
(a) Briefly explain what is meant by:
      (i) Responsibility;   (3 marks)
      (ii) Authority;   (3marks)
      (iii) Delegation.   (3 marks)
(b) Briefly explain the difference between authority and responsibility.   (4 marks)
(c) Explain how effective delegation can be achieved.   (7 marks)
(Total: 20 marks)

QUESTION FIVE

Motivation is fundamental to the task of management.

Required:
(a) What is meant by the term 'process theory' of motivation?   (5 marks)
(b) What is meant by the 'equity theory' of motivation?   (5 marks)
(c) Briefly describe the response an individual might have to feelings of negative inequity.

(10 marks)
(Total: 20 marks)

QUESTION SIX

A key part of a manager's job is communicating information to others.

Required:
(a) Explain the importance of good communication.   (7 marks)
(b) List five possible barriers to good communication.   (5 marks)
(c) Describe how these barriers to communication can be overcome.   (8 marks)
(Total: 20 marks)

QUESTION SEVEN

"Performance Management' is defined as a means of achieving better results by understanding and managing overall organizational performance.

Required:
Describe the five stages typically involved in the process of performance management.

(Total: 20 marks)

QUESTION EIGHT

All organisations need to recruit new employees. An important step in the process is the selection interview.

Required:
(a) Explain the purpose of the selection interview. (8 marks)
(b) Explain the advantages and the disadvantages of:
   (i) the interview by one person defined as the face to face interview; (6 marks)
   (ii) the interview with many people defined as the panel interview. (6 marks)

(Total: 20 marks)

Paper Five

CS EXAM

PRINCIPLES AND PRACTICE OF MANAGEMENT

Time Allowed: 3 hours

Answer any FIVE questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

Greg Pye is the chief executive of a medium sized company that traditionally has been organized hierarchically according to function. After attending a management seminar, he decided to encourage inter-functional departmental co-operation by implementing a matrix structure in the organization.

Greg agreed that a matrix organization and cross-functional team working would provide flexibility and enhanced performance to the organization. However, the company secretary drew Greg's attention to some potential drawbacks. These include the possibility that people won't know who they are meant to be reporting to, supervision will be difficult for their line manager who thinks they are working in their teams and team leaders will have no real authority over the team members.

After speaking to the company secretary, Greg began to have second thoughts about the matrix structure. Greg decides to ask for a more considered view of restructuring the company.

Required:
Greg Pye has asked you to explain:
(a) The advantages of the existing hierarchical structure   (7 marks)
(b) The advantages of introducing a matrix structure   (7 marks)
(c) How Greg and his management team can address the concerns expressed by the company secretary   (3 marks)
(d) How it might be possible to gain some of the benefits of a matrix structure without fully restructuring the organization   (3 marks)
                                                                    (Total: 20 marks)

QUESTION TWO

An important part of management understands the role of leadership.

Required:
(a) Describe Blake and Mouton's Managerial Grid.   (8marks)
(b) Discuss the relevance to management of Blake and Mouton's grid in understanding leadership styles.   (12   marks)
                                                                    (Total: 20 marks)

QUESTION THREE

The **person specification** is a development from the *job description*.

Required:
(a) Explain what is meant by the terms:
          (i) person specification;   (5 marks)
          (ii) job description   (5 marks)
(b) Briefly describe the way in which a *person specification* differs from a *job description*.

(6 marks)

(c) Summarise the purposes for which a person specification might be used. (4 marks)

(Total: 20 marks)

QUESTION FOUR

Appraisal systems are increasingly being used to measure performance within organisations.

Required:
(a) Describe the benefits of performance appraisal systems for:
   (i) the organisation; (4 marks)
   (ii) the line manager; (4 marks)
   (iii) the individual. (4 marks)

(b) Describe the following approaches to measurement used in performance appraisal systems:
   (i) classification;
   (ii) factor comparison;
   (iii) points rating. (8 marks)

(Total: 20 marks)

QUESTION FIVE

Understanding motivation theory is an important part of managing people.

Required:
(a) Explain what is meant by the content theories of motivation. (3 marks)
(b) Briefly describe Maslow's hierarchy of needs theory. (5 marks)
(c) Discuss the limitations of Maslow's theory to managing people. (7 marks)

(Total: 20 marks)

QUESTION SIX

Discipline in employee behaviour is critical to achieving organisational performance and success.

Required:
(a) What is meant by the term discipline? (2 marks)
(b) Describe the six steps involved in a formal disciplinary procedure. (18 marks)

(Total: 20 marks)

QUESTION SEVEN

Currently, your employer has no formal recruitment procedures, but now realises that formal procedures are required.

Required:
Identify and explain the stages involved in planning for recruitment. **(Total: 20 marks)**

QUESTION EIGHT

Conflict is an inevitable feature of organisations but is rarely recognised or understood.

Required:
(a) Define what is meant by conflict within an organisation. (3 marks)
(b) Describe causes of conflict (7 marks)

(c) Briefly describe characteristics of conflict which may be observed in the workplace.

(10 marks)

(Total: 20 marks)

ANSWERS - MOCKS

PAPER ONE

QUESTION ONE

Span of control refers to the number of subordinates over whom a supervisor has direct control. In an organization, a manager is limited by time as well as by personal skills and cannot supervise an infinite number of persons.

Optimum span of control that which is neither too narrow nor broad. Organizations should aim at having an optimum number of subordinates to be supervised by one person. An ideal or optimum span of control is one which leads to efficient utilization of managers and effective performance of their subordinates. Too wide a span may mean that managers are receiving too little guidance or control. Too narrow may mean managers are under utilized. The number of subordinates a manager can supervise will depend on a number of factors and cannot be identified in advance.

Factors determining choice of span of control:

1. Similarities of functions being supervised i.e. the degree to which the functions or subordinates task for which the manager is responsible are alike or different.
   - Similar tasks – Wide span of control
   - Different tasks – Narrow span of control

2. Complexity of functions i.e. the nature of the functions or task for which a manager is responsible.
   - Less complex – Wide span of control
   - More complex – Narrow span of control

3. Direction and control needed by subordinates i.e. the degree of supervision that subordinates require.
   - Unskilled workers would require close supervision hence narrow span of control.
   - Skilled and professional workers require less direction and control hence wide span of control.

4. Coordination required of the supervision is the degree to which the manager must try to integrate functions or tasks within the subordinates or between the subordinates and other parts of the organization. More coordination requires narrow span of control while less coordination requires broad span of control.

5. Planning required of the supervisor i.e. the degree to which the manager must try to program and review the activities of his subordinates.

6. Organizational assistance received by the supervisor i.e. how much help in terms of assistants and other support personnel a manager can rely on. The more organizational assistants in terms of personnel and other resources the wider the span of control. Less organizational assistants require narrow span of control.

7. Control standards:
   - When control standards are clear and can be quantified – Wide span of control
   - When control standards are not clear – Narrow span of control.

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8. Geographical dispersion of functions i.e. how closely the functions are located to managers.
- Greater geographical dispersion – Narrow span of control
- Lesser geographical dispersion – Broad span of control.

Other guidelines to choice of span of control

The following factors relating to the work situation, subordinates and the managers should be considered. The appropriate span of control can be relatively broad to the extent that:

i. The work is fairly routine.
ii. Operations are fairly stable.
iii. The work of subordinate is similar.
iv. Subordinates can generally work independently of each other.
v. Procedures and methods are well established and formalized.
vi. The work does not need high degree of control.
vii. Subordinates are relatively well trained for the work.
viii. Subordinates prefer to work without close supervision.
ix. Managers are well trained and experienced
x. Managers receive assistance in performing supervisory role.
xi. The manager doesn't have many additional non-supervisory activities to perform.
xii. He prefers fairly loose than tight supervisory style.

QUESTION TWO

The production management is concerned with the effective management of resources used to provide goods and services. This manager will therefore make decisions that will affect the management as follows:

- **Planning decisions**
a) Product: The production manager is concerned with the design, quality, quantity, reliability, selection, forecast, selling price and delivery of the product to the target market and will take decisions and activities such as

- Planning and designing new products
- Planning the network of the production department to determine the level of production processes in future.
- Determine the expected product demand.
- Draw up production specifications which includes operations that are to be performed in producing the products so as to fulfill the expected demand.
- Identify the resources that will be required i.e. plant facilities, labour, time, materials and how the work is to be assigned to different machines or departments in advance.
- The manager must decide on the appropriate stock levels to be maintained so as to ensure no shortages while at the same time minimizing costs.
- He must also make decisions regarding the expected quality levels to be maintained in the organization.

b) Plant: The manager will also make decisions regarding the location of the plant and other capital expenditure plans such as expansion or modernization of facilities. He will also make decisions regarding the utilization of the plant capacity to meet forecasted sales demand.

c) Other decisions will be made regarding staff in the production department, when to hire additional staff and their training.

- Operating decisions are concerned with the actual work of the department and include putting the plans into effect as well as control decisions. Some of the decisions the production manager will make include:

a) Product: He will decide on when production will be undertaken. During the production process, he will monitor and ensure that nothing goes wrong e.g. if there is a breakdown in machines, he must decide on repairs and ensure production continues.
b) Plant: the manager makes decisions on the maintenance of machines - when they are to be undertaken, purchases of spare parts etc.
c) Technology: this is the actual process used to transform raw materials to finished goods. Will it be labour or capital intensive?
d) People: the manager will decide who to promote, replacement of employees, overtime, recruit etc.
e) Other operational decisions include investigating variances from plans and instituting corrective action.

QUESTION THREE

- Managing activities internal to the firm are only part of the modern executives responsibilities. The executive must also respond to changes posed by the external environment as well. To deal effectively with everything that affects the growth of a firm, executives employ management processes that will position the firm optimally in its competitive environment. They strive to maximize the anticipation of environmental changes and of unexpected internal and competitive demands. They place emphasis on external forecasting and external considerations in the formulation and implementation of plans.

  This all encompassing approach is known as strategic management which may be defined as "The set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives" or "The development, implementation and control of agreed strategies."

  Strategic management comprises the following activities:

- Strategic Analysis

(i) Formulate the company's mission, including its purpose and philosophy. The goals and objectives of the company must also be developed.
(ii) Assess the external environment to identify opportunities and threats. This assessment covers both the competitive environment and the general environmental factors.
(iii) Development of a company profile that reflects its internal capabilities, resources and weaknesses. This is internal analysis.
(iv) Analysis of the company's options by matching its internal resources with the threats and opportunities in the external environment. This corporate appraisal should bear in mind the objectives to be achieved by the company as defined in step (i).

- Strategic formulation and choice

  Development of a range of alternative options/alternatives that the company can undertake.

(v) Identify the most desirable option by evaluating the various options in light of the mission statement.

- Strategic implementation

(vi) Implement the selected strategy by means of budgeted resource allocations, operational plans paying attention to the organization culture, structure and developing appropriate functional strategies.

- Strategic control

(vii) Review and control the strategy implementation process by assessing actual performance against plans.

- Strategy formulation in a profit making and a non-profit making organization follow the same procedures as above. The only difference that arises is that a non-profit making organization does not have competitors in the strict sense of the word. Thus assessment of the external environment will not be done in the same way as in a profit making organization. A non-profit making organization will be concerned with attracting funds and utilizing these funds well. The mission will also be different since a non profit organisation aims at providing a public good.

QUESTION FOUR

The concept of the product cycle has been developed from studies of life cycles of individual products. These studies suggest that any product ahs a life cycle and will pass through a number of distinct stages which are as follows:

- **Product Introduction:** Production costs are high, partly as a result of development costs; price is also high; competitors are few, if any, but sales and profits are low at this stage.
- **Growth:** Sales rise rapidly; prices ease; unit costs decline and profits are at their peak.
- **Maturity:** Sales continue to rise, but less rapidly; competition is fierce and prices ease further; profits begin to level off.
- **Saturation:** Sales stagnate; prices become very competitive and profits begin to shrink; mass market begins to evaporate.
- **Decline:** Sales take a permanent down turn; profits low or non-existent; product is eventually withdrawn.

The Implications for business Planning and budgeting. (combine the explanation for each stage with the implications)

- At the introductory stage, pricing can be geared at least to the recovery of costs, and possibly to what the market will bear.
- From the budgeting point of view, target for sales and profits shouldn't be set too high at the introductory stage. But there is need to set a demanding level for the subsequent stage of growth. There should be a large budget for advertising and promotion.
- At the growth stage, production needs to be planned at peak levels to meet increasing sales. Distribution needs to be geared up to moving goods to the point of sale. From the planning point of view, this is the period of peak activity to ensure that the product realizes the benefits of maximum competition.
- As sales increase and competition begins to appear, it is time to take advantage of flexibility of pricing by reducing prices just when competitors are beginning to bear their own development costs.

- During maturity, competition is at its highest, a lot of advertising and further price reductions are necessary. Budgets for both sales and profits will also need to be put at a lower level.
- At saturation stage, as sales begin to stagnate, efforts can be directed towards a variety of sales promotion activities to demoralize competitors. Earnings from the growth period can be used to support some of the costs incurred in subsidizing sales. Profit targets should be set but at a minimal level. Production resources should be curtailed considerably in the face of slow-down sales.
- As the decline stage approaches, budget costs should be set at the lowest possible levels, as the whole product cycle begins to wind down for good. Replacement goods should be underway and another cycle about to begin.

QUESTION FIVE

An organization can be described as a group of people working towards a common goal. Within any organization there exists two groups - formal and informal.

The informal groups are those that arise spontaneously from the interaction of people and are not controlled or prescribed by the formal structure.

- **Characteristics of informal groups:**
- Have their own goals.
- Members are often pressurized to conform to the group norms.
- They have an informal leader.
- They often depend on the grapevine for communication.
- The group provides a certain status to its members.

- **Merits of informal groups.**
- They provide a means of developing friendships and being accepted by fellow workers providing social satisfaction to the employees. This means that the social needs of employees are met.
- The group can supplement the formal structure by generating ideas that are flexible and spontaneous.
- They can point to the flaws in the formal communication system.
- Once accepted, a new staff member can be taught how to work and perform tasks by this informal group.

- **Demerits of informal groups**
- Many have their own objectives that differ from those of the organization.
- They encourage conformity to group norms and discourage creativity.
- Social costs may be incurred.
- The grapevine can sometimes be misused to spread destructive and inaccurate information.
- They tend to resist change that threatens them.

QUESTION SIX

a) Evaluation: This refers to the process of reviewing performance over the past period and identifying any deficiencies and improving them in future. Evaluation ensures that individuals in an organization are performing to their best ability while at the same time developing their potential.

Evaluations serve three main purposes:
- Planning and following up training and development programs.
- Planning career development and succession.

- Reviewing the individual's rewards.

b) Methods of Evaluation

i.   **Results evaluation**:   It assesses the employee in terms of what he actually accomplished over a period of time. It deals with quantifiable achievements e.g. units produced, volume sold, waste and turnover of manager's employees. This method gets to the heart of managing since it evaluates managers on the basis of results or objectives achieved.

ii.   **Trait or attribute evaluation:** It is a formal method of manager evaluation because it is carried out in a planned manner. Trait evaluation judges managers in terms of personal characteristics e.g. the degree to which he is loyal, initiative, ambition, fairness, dedication, decisiveness, ability to handle stress etc. It may also include judging the individual on work related qualities such as knowledge of the job, ability to plan and follow through on work assignments. Most trait evaluation systems give the evaluation alterative ratings for each characteristic considered important e.g. excellent, good, fair, poor. Trait evaluation may also ask the reviewer to answer several open-ended questions.

iii.   **Behaviour evaluation:** These are concerned with actual job behaviour. These instruments identify the key aspects of managers, the manager's job and describe a range of highly effective to very ineffective ways of performing various activities. The evaluator can note which description of behaviour is closest to the manager's actual performance.   The behaviour evaluation instruments emphasize the manager's development since it deals directly with what is needed to help a manager improve future performance.

iv.   **Functional evaluation**: Here managers are evaluated in terms of their ability to perform basic management functions of planning, organizing, staffing, directing and controlling.   Some argue that this is the best method since it utilizes the basic concepts and principles of management as a standard.

v.   **Informal evaluation**: This doesn't use formal instruments but is an ongoing and structured way of evaluating managerial performance. Informal evaluation is mostly used in small organizations where a superior can usually tell by observations - which employees are performing satisfactorily and which ones aren't. In medium sized firms, informal evaluation is also used especially in those firms with relatively unsophisticated senior managers who may not know the various appraisal tools. Informal evaluation is an ongoing unstructured way of appraising a manager's performance i.e. it employs no structure or design.

Critical guidelines to effective manager evaluation
- Keep the system simple.
- Avoid personal bias and subjectivity.
- Encourage frank and fair evaluation.
- Advise personnel on the methods and purpose of evaluation.
- Make evaluation to be a continuous process.
- Use results of evaluation constructively.
- Should be relevant.
- There should commitment to the system.
- It should be a participative activity.
- Efficiency i.e. benefits should outweigh the costs.

QUESTION SEVEN

Corporate culture is the system of shared values, beliefs and habits within an organization that interacts with formal structure to produce behavioural norms. Culture gives people a sense of how to behave and what they ought to be doing. Organization culture is composed

of such factors as friendliness, supportiveness and risk taking. Such perceptions are gradually formed for each individual over a period of time as the person performs assigned activities under the general guidance of a superior and a set of organizational policies.

Culture has an impact on the employees' degree of satisfaction with the job, as well as the level and quality of their performance. The assessment of how good or poor the culture is may differ for each employee. One person may perceive the environment as good while another may see it as bad. An employee may leave an organization with the hope of finding a more compatible culture.

- Ways through which culture can manifest itself includes:
    o Extent of the formalization of the structure.
    o Decision making by committees or individuals.
    o Communication.
    o Degree of freedom given to subordinates.
    o Kind of people employed.
    o Symbols and legends in the organization.
    o Management style.
    o Commitment to quality.
    o Attitude to technology.

Charles Handy has suggested that organizations can have any one of four different cultures as follows:
- The power culture - power and culture stem from a central source, often the owner of the company. There are not many rules and procedures.
- The role or bureaucratic culture - there is a formal structure and well-established rules and procedures.
- The task or matrix culture - the main aim of such an organization is to get the ob done. Individuals are valued for their contribution to team effort.
- The existential or person culture - the organization is formed to serve the interests of a person or the individuals within it.

QUESTION EIGHT

Definition of Planning:
Koontz says planning involves selection from among alternative future courses of action for the firm as a whole and for every department or section within it. Planning can therefore be looked at as the process of developing plans.

A **plan** is a blueprint or framework used to describe how the organization expects to achieve its goals. Planning then is simply the process of determining which path among several the organization wishes to follow.

Planning is the process of determining which is the best way to approach a particular goal.

Described by different levels of scope we have strategic, tactical and operational plans.

Strategic plans are broad plans developed by top manager to guide the general direction of the firm.

Tactical plans are concerned with how to implement the strategic plans.

Operational plans are developed to handle recurring and relatively routine situations.

Types of plans

- **Mission**: This plan defines the company's reason for existent or 'raison d'etre'. It answers two basic questions, "what business are we in? Why are we in business?" It also identifies the company's strategy, its values and behaviour standards. A mission statement should include a clear definition of current and future expected business scope in terms of products and services, markets and geographical coverage: a selection of a way to pursue a position of either cost leadership or sustainable competitive advantage and a short description of how goals might be attained.

- **Objectives:** These are the desired end results of any activity. They serve to translate the mission statement into specific ways of achieving it and provide a means of understanding the mission of the company. The SMART mnemonic is used to describe good objectives i.e. they should be Specific, Measurable, Attainable, Relevant and Time bound.

- **Strategies:** These are broad based plans that involve the determination of basic long-term objectives. A strategy is the game plan that management designs for positioning the firm in its chosen market are, competing successfully, pleasing customers and achieving good business performance. The aim of strategies is the gaining of a competitive edge.

- **Policies**: These are general statements or understandings that guide decision-making and they address recurring situations. Policies are long term decisions formulated in the context of objectives. Policy formulation is a function of all managers in an organization but higher-level managers play a more important role in policy making. Policies give benefits such as quick decision-making, better decentralization, effective coordination and simplified control.

- **Procedures:** These are plans that establish the required method of handling future activities. They are a chronological sequence of steps undertaken to enforce a policy and attain an objective.

The importance and advantage of procedures

- Can save time and other resources
- Help in training new employees
- Help in handling emergencies
- Relieves managers of the detail of directing subordinates
- Ensures uniformity of action by laying down a well thought of course of action etc.

- **Rules**: These are rigid and definite plans that specify what is to be done and not done in a given situation. They leave no room for discretion.
- **Programmes:** Are a coordinated group of plans designed to implement policies and accomplish objectives. They are complex and include goals, procedures, rules, task assignment, policies and other elements necessary to carry out a given course of action.
- **Budgets:** These are statements of expected results expressed in numerical terms for a definite period of time in the future. It may be referred to as a numbered plan.

PAPER TWO

QUESTION ONE

a) There are a number of key benefits likely to result from a well-planned induction and training program, viz:

    i) Orientation and induction provide new employees with general information that they need about the organization-about policies, procedures, practices, and rules that will affect them, and also about the jobs on which they will work. All this information should be communicated in a way that can help them to feel at home in their new work environment as quickly as possible.

    ii) New employees are instructed in the requirements of specific jobs they are to perform, as outlined in an accurate and comprehensive job description. In this way they can rapidly learn to measure up to standards for performance, thus increasing their value to the organization and satisfying their human needs for personal growth on the job.

    iii) An advantageous by-product of training is that accidents, spoiled work, and damage to machinery and equipment can be kept to a minimum by well-trained employees, who are also motivated to do good work.

    iv) Dissatisfactions, complaints, absenteeism, and turnover can be greatly reduced when employees are so well trained that they can experience the direct satisfactions associated with a sense of achievement and the knowledge that they are developing their inherent capabilities at work.

    v) As employees respond to continued training, they can progressively increase their value to the organization and thus prepare themselves for promotion.

    vi) Continued training can help employees to develop their ability to learn-adapting themselves to new work methods, learning to use new kinds of equipment, and adjusting to major changes in job content and work relationships. In the years ahead, when technological advances will doubtless continue to change many work situations rapidly, versatility and adaptability may well be the most important advantages that can be derived from training. **Training constitutes an investment in human resources**.

b) A sound promotion policy of an organisation need essentially possess a majority of the following elements:

    i) A relative emphasis on competence over seniority and non-discrimination in promotions.

    ii) A statement of management's intention that higher-paid and better jobs will be filled by promotion from within whenever possible, rather than by hiring from outside the organisation. If it is likely to be necessary to go outside to fill specific skilled or professional jobs, these should be identified in advance if possible.

    iii) Encouragement for supervisors to permit capable employees to leave the department or plant if better opportunities are available elsewhere. Capable employees who are held back are likely to be dissatisfied.

    iv) Establishment of lines of progression-ladders of promotion-within the organization. It is desirable to use job analysis to develop a chart showing basic job requirements (in competence, experience, formal education, etc.) and how each job leads to another. Employees need to know what is expected on higher-rated jobs to prepare themselves for advancement.

    v) Postings of openings for promotions, so that interested employees may apply within a specified period, usually several days or a week. If possible, the opening should be posted and the candidate selected before the job actually becomes

vacant. If the job is temporarily filled by an employee who is subsequently advanced to the job permanently, other applicants are likely to feel that the posting procedure is a farce.

vi) Provision of training as a means of preparation for promotion.

vii) Line responsibility for making promotions, with the advice and assistance of the personnel department in a staff capacity. The supervisor should propose promotions, which should then be subject to approval by the immediate superior in the line organization. This procedure serves as a check on the fairness of promotions and ensures that the policy will be consistently administered.

viii) Provision for employee or union challenge of a particular promotion in the bargaining unit, within the limits of the promotion policy and the union agreement. A management that has consistently adhered to a sound promotion policy should have little to fear from a commitment to arbitrate grievances about promotions.

NB: Not all employees want promotions, particularly if they will be required to leave a congenial work group, or if they feel inadequate about taking a more responsible job. Promotions should not be forced on reluctant employees as such a move may be detrimental to organisational success.

QUESTION TWO

Professional accountants are often employed in a managing as well as an accountancy capacity. This requires an understanding of the responsibilities and duties of a manger and of the lower level of management, that of supervision.

(a) The duties of a manger were first detailed by the writer Henri Fayol. He detailed five 'elements of management' which guide the management task. These are:

i. To forecast and plan ('prevoyance'):
To look into the future and set objectives in an attempt to understand and control the future. This element is further subdivided into the need for unity (each department's objectives being wielded together for the common good of the organization); continuity in short and long-term forecasting; flexibility in the need to adapt to circumstances and precision in attempting accurate future actions.

ii. To organize:
To build the human and material structure of the organization.

iii. To command (draws on the military roots of management theory):
To maintain activity amongst the workforce." Command" may be an outdated idea, modern writers would suggest that 'motivation' is more appropriate, although 'command' has a clear meaning in terms of the ultimate responsibility of management.

iv. To co-ordinate:
Fayol saw this as the process of binding together, unifying and harmonizing the activities of those employed in the organization.

v. To control:
That which brings conformity with established rules and command, through ensuring that targets are achieved and objectives met. This idea again draws on the military roots of management theory.

(b) Supervision is an important and integral part of the task and process of management. The role of supervision is a critical one because of the direct contact and responsibility for the work of others. It used to be said that a manager did his or her job by getting others to do theirs; in many ways this sums up the role of the supervisor. The role differs from that of the management in that the supervisor is unique, being the interface between management and the workforce and is the direct link between the two.

The role of the supervisor differs from that of the manager in that he or she:

    I.   Is in direct physical contact with non-mangers on a frequent basis
   II.   Is the front line of management
 III.   Has the chief responsibility for seeing that others fulfil their duties
 IV.   Has a dual loyalty and must be loyal both upwards and downwards
   V.   Has to face and resolve problems firsthand and often quickly
 VI.   Actually directs the work of others
 VII.   Directly enforces discipline
VIII.   Due to the closeness to others, has direct knowledge and ability in health, safety and employment legislation
 IX.   Often has responsibility for negotiation and industrial relations within the department

However, management must ensure that supervisors understand organisational objectives and make clear the powers and limits of the supervisor's authority and responsibilities.

QUESTION THREE

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

Maslow's Theory of Motivation suggests that individuals have a hierarchy of personal needs which are identifiable, universally applicable and which can be satisfied in a set order of priority in the workplace. Understanding this idea provides guidance to management as to the appropriateness of motivational techniques. The hierarchy of needs is usually depicted in the form of a pyramid, shown in the diagram below.
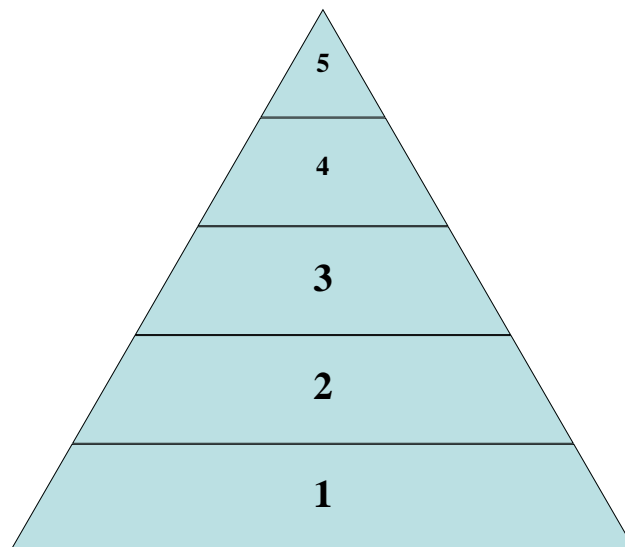
    KEY:
1. Basic/Physiological Needs
2. Safety/Security Needs
3. Social Needs
4. Ego/Esteem Needs
5. Self-Realization/Self-Actualization

NB: Needs 1& 2 constitute **primary needs** while needs 3, 4 & 5 constitute **secondary needs.**

The hierarchy is based on four assumptions:

I.   A satisfied need does not motivation. When a need has been satisfied, another need emerges to take its place, so people are always striving to satisfy some need
II. The need interactions of most people are complex, with a number of needs, affecting the behaviour of each person at any one time.
III. In general, primary needs must be satisfied before secondary needs are activated sufficiently to provoke motivated behaviour
IV. There are more varied ways of satisfying secondary needs than there are of satisfying primary needs.

Maslow's Theory may be summarised and simplified by saying that everyone wants certain things throughout life, and these can be ranked in order of ascending importance:

i.   Basic/Physiological Needs: The things needed to stay alive (food, shelter and clothing).Such needs require satisfaction before all other needs and can be satisfied by money.
ii. Safety/Security Needs: Protection against unemployment and consequences of sickness and retirement as well as safeguards against unfair treatment. These needs can be satisfied by the contract of employment (pension scheme, sick fund, employment legislation).
iii. Social Needs: People need to belong and it is only through group activity that this need   can be satisfied. How work is organised, enabling people to feel part of a group is fundamental to satisfaction of this need.
iv. Ego/Esteem Needs: People want the esteem of other people as well as feeling good about themselves. While status and promotion can offer short-term satisfaction, to build up the job itself and to give people a greater say in organising their work(participation) is to give satisfaction of a more permanent nature.
v.   Self-Actualization Needs: This is quite simply the need to achieve something worthwhile in life. It is a need that is satisfied only by continuing success.

The significance of Maslow's Hierarchy of Needs is that;

i.   It underlines the relative importance of money. Status has no satisfaction for the man desperate for food and shelter
ii. It demonstrates that money alone is not enough because, when basic and safety needs become satisfied, people are likely to concentrate their attentions on social and ego needs. Motivation of staff depends not only on money but also on the whole employment package embracing:
     • pension, sick fund, canteen arrangements
     • nature of the work done
     • interest and challenge in the work
     • scope in the job for self-expression and self-determination
     • style of management used

b) The shortcomings of using Maslow's Theory as a motivational tool.

It is very easy to become confused in distinguishing what a person wants and what a person needs. The very simplicity of need theories of motivation, which makes them initially attractive, may also be their greatest weakness. Motivation is a complex process and needs are only one component of that process. Apart from being simplistic in its approach, there are other weaknesses associated with the theory. These include:

i.   A major criticism of the idea is that not all these needs are, or can be, satisfied through work.

ii. The theory cannot accommodate an individual seeking to satisfy several needs t the same time.
iii. The theory does not recognise the demands of the organisational situation. As a consequence of their product, service, structure, technology or environment, some organisations do not provide a suitable environment for self-actualisation.
iv. The same need can cause different reactions in different people.
v. Many people settle for less than reaching the ultimate.
vi. People have different needs that may not be in the same order.
vii. If the theory is accepted wholly, it can mislead management in its desire to motivate staff.
viii. Job satisfaction does not lead to or equal improved work performance.
ix. The theory ignores the role of others in the work place and therefore the modern concepts of teams.

QUESTION FOUR

a) Quality circles

This is a quality control technique, which originated in Japan. It involves the use of committee of workers that analyzes and solves the quality problems of various departments in the organization.

The quality groups are established in every department and trained on problem solving by use of statistical quality control and other process.

They are encouraged to make important inputs to key decisions affecting their activities.

Quality circles are not permanent committees and comprise small groups of about eight to ten employees and membership is rotated between members of the department/production plant.

They meet together on a regular basis to discuss day-to-day issues such as quality, productivity and safety, with the object of:
  i. Making improvements
  ii. Organising their implementation

b) Basic characteristics of quality circles.
  i) Membership is voluntary, but usually consisting of a number of shop floor employees and a foreman or supervisor, or may consist of a mixture of skilled and unskilled employees together with one or two shop-floor specialists such as quality engineers and inspectors.
  ii) Each circle selects its own leader, and usually the organisation concerned provides training for such leaders in appropriate subjects(discussion leading, quality control, etc)
  iii) Members are trained in problem solving, in statistical quality control, and in working groups. A facilitator may work with the group but efficiency experts are usually excluded from the team. The team members participate actively in solving work-related problems.
  iv) Although initially the groups were trained in the analysis of quality problems, currently other problems, such as cost reduction, workshop facilities improvement, safety problems, employee morale, pollution control and education of employees, are also dealt with.
  v) The employees are given the tools, group support, and opportunities to nip problems in the bud.
  vi) Each QC is responsible not only for recommending solutions but also for actually implementing and evaluating results.
  vii) The QC members present their results, reports and deliberations for consideration by management.
  viii) They usually implement proposals accepted by management.

c) How do employees benefit from participating in quality circles?
   i) Greater awareness of shop-floor problems by circle members/Increased knowledge in area of work
   ii) Greater confidence in tackling problems and generating solutions on the part of circle members as the members are trained on this.
   iii) Improved productivity and/or quality because the circles provide checks among the members.
   iv) Improved motivation and self-esteem on the shop-floor because of employee involvement in solving organizational problems/concerns
   v) Improved communication skills.
   vi) Skills development, particularly problem-solving skills.
   vii) Employees become agents of change making the change process easier.

QUESTION FIVE

(a) Centralisation is the tendency to concentrate decision making authority at the top level of an organisation. To the extent that authority is not delegated, it is centralized. An organisation is thus centralised if its main area of authority is handled by a few senior managers at the head office. Then managerial functions of planning, research and development, personnel and finance are delegated with enough authority. There is little diffusion of appropriate authority because the senior managers at the centre do not want to delegate more work to their subordinates.

Decentralisation is the tendency to disperse decision-making authority throughout all levels of management by extensive delegation. To the extent that authority is not delegated, it is centralized
Under decentralisation, power and control are systematically delegated to lower levels in the organisation. Decentralisation is pursued
   i. when the environment is complex and uncertain;
   ii. when lower level managers are talented; and
   iii. when decisions being made are minor

   Decentralisation involves:
   i. determining what authority to push down to subordinates;
   ii. developing policies and procedures to give to subordinates on how to use this authority
   iii. controlling the use of this authority
   iv. geographical relocation of activity.

b) **FACTORS THAT INFLUENCE THE DEGREE OF CENTRALISATION OR DECENTRALISATION**

   Managers cannot ordinarily be for or against decentralization of authority. They may prefer to delegate authority, or they may like to make all the decisions.
   Although the temperament of individual managers influences the extent of authority delegation, other factors also affect it. Most of them are beyond the control of the individual managers. Managers may resist their influence, but no successful managers can ignore them.

   These factors include:

   i. Management Philosophy:
      This is the orientation of top management. Sometimes top managers do not interfere with the authority and information that they hold. At other times, top managers keep authority nt just as a desire for status or power but because they

       simply cannot give up the activities and authority that they enjoyed before they reached on top. Top managers may see decentralisations as a way that people create their own status.

ii. Costliness of the decision:

This is probably the most important factor as managers are reluctant to delegate authority for crucial decisions. Generally, the more costly the action to be decided, the more likely it will be made at higher levels e.g. an airline's decision to purchase airplanes will be made at top levels while a decision to purchase desks may be made at the operating level. Similarly, quality control in drug manufacturing company where a mistake could risk lives, would normally be made at higher levels.

iii. Importance of the decision:

If decisions at lower levels affect important aspects of the organisation, then the degree of centralisation will be restricted.

iv. Volume/Number of organisational decisions at lower levels:

The greater the number of decisions being made by an organisation at lower levels, the greater the degree of decentralisation.

v. Desire for uniformity of policy:

Usually where uniformity of policy is required, centralisation is favoured. An organisation may wish to ensure that customers are treated alike with respect to quality, price, delivery and service or that vendors are treated alike with respect to quality, price, delivery and service or that vendors are treated with the same policies or that public relations are standardised. Uniformity of standards makes it easier to compare relative efficiencies of departments and to keep costs down.

vi. Size and character of the organisation:

The larger the organisation, the more need to decentralise. Large organisations with huge numbers of people must be divided into fairly autonomous divisions to facilitate efficient management. Sometimes, decisions may be slow because of the number of managers and specialists who must be consulted. This could be expensive and therefore whenever feasible, the organisation should be centralised. The cost of large size may be reduced by organising the enterprise into small units.

vii. History and culture of the enterprise:

viii. Desire for independence:

ix. Availability of managers/Manager talent:

x. Control Techniques:

xi. Willingness of employees to accept responsibility:

xii. Rate of growth of the organisation

QUESTION SIX

PRINCIPLES OF CONTROL

i) Principle of purpose of control:

The task of control is to ensure that plans succeed by detecting deviations from plans and furnishing a basis for taking action to correct potential or actual undesired deviations.

ii) Principle of future directed controls:

Owing to the time lags in the total system of control, the more a control system is based on feed forward rather than simple feedback of information, the more managers have the opportunity to perceive undesirable deviations from plans before they occur and to take action in time to prevent them.

iii) Principle of control responsibility:

The primary responsibility for the exercise of control rests in the manager charged with performance of the particular plans involved. Since delegation of authority, assignment of tasks, and responsibility for certain objectives rest in individual managers, it follows that control over this work should be exercised by each of these

managers. An individual manager's responsibility cannot be waived or rescinded without changes in the organization structure.

iv)   Principle of efficiency of controls:
Control techniques and approaches are efficient if they detect and illuminate the nature and causes of deviations from plans with a minimum of costs or other unsought consequences.

Control techniques have a way of becoming costly, complex and burdensome. Managers may become so engrossed in control that they spend more than it is worth to detect a deviation. Detailed budget controls that hamstring a subordinate, complex mathematical controls that thwart innovation and purchasing controls that delay deliveries and cost more than the item purchased are examples of inefficient controls.

v)   Principle of indirect controls/preventive control:
The higher the quality of managers in a managerial system, the less will be the need for direct controls. Most controls are based in large part of the fact that human beings make mistakes and often do not react to problems by undertaking their correction adequately and promptly. The more qualified managers are, the more likely they will perceive deviations from plans and take timely action to prevent them.

vi)   Principle of reflection of plans:
The more that plans are clear, complete, and integrated, and the more that controls are designed reflect such plans, the more effectively controls will serve the needs of managers. It is not possible for a system of controls to be devised without plans, since the task of control is to ensure that plans work out as intended. There can be no doubt that the more clear, complete and integrated these plans are, and the more that control techniques are designed to follow the progress of these plans, the more effective the controls will be.

vii)   Principle of organizational suitability:
The more that an organization structure is clear, complete and integrated, and the more that controls are designed to reflect the place in the organization structure where responsibility for action lies, the more the controls will facilitate correction of deviations from plans.

Plans are implemented by people. Deviation from plans must be the responsibility primarily of managers who are entrusted with the task of executing planning programs. Since it is the function of an organization structure to define a system of roles it follows that controls must be designed to affect the role in which responsibility for performance of a plan lies.

viii)   Principle of Standards:
Effective control requires objective, accurate, and suitable standards. There should be a simple, specific and verifiable way to measure whether a planning program is being accomplished. Control is accomplished through people. Even the best manager cannot help being influenced by personal factors, and actual performance is sometimes camouflaged by a dull or sparkling personality or by a subordinate' ability to "sell" a deficient performance. Good standards of performance, objectively applied, will more likely be accepted by subordinates as fair and reasonable.

ix)   Principle of critical point control:
Effective control requires special attention to those factors critical to evaluating performance against plans.

It would ordinarily be wasteful and unnecessary for managers to follow every detail of plan execution. What they must know is that plans are being implemented. Therefore, they concentrate attention on salient factors of performance that will indicate any important deviations from plans. Perhaps all managers can ask themselves what things in their operations will best show them whether the plans for which they are responsible are being accomplished.

x)   Principle of flexibility of controls:
If controls are to remain effective despite failure or unforeseen changes of plans, flexibility is required in their design.

According to this principle, controls must not be so inflexibly tied in with a plan as to be useless if the entire plan fails or is suddenly changed. Note that this principle applies to failures of plans, not failures of people operating under plans.

xi) The exception principle:

The more that managers concentrate control efforts on significant exceptions, the more efficient will be the results of their control.

This principle holds that managers should concern themselves with significant deviations-the especially good or the especially bad situations. It is often confused with the principle of critical point control and the two do have some kinship. However, critical point control has to do with recognizing the points to be watched, while the exception principle has to do with watching the size of the deviations at these points.

xii) Principle of action:

Control is justified only if indicated or experienced deviations from plans are corrected through appropriate planning, organizing, staffing, and leading. There are instances in practice in which simple truth is forgotten. Control is a wasteful use of managerial and staff time unless it is followed by action. If deviations are found in experienced or projected performance, action is indicated, in the form of either redrawing plans or making additional plans to get back on course. The situation may call for reorganization. It may require replacing subordinates or training them to do the task desired or it may indicate that the fault is a lack of direction and leadership in getting a subordinate to understand the plans or in motivating him to accomplish them. In any case, action is implied.

QUESTION SEVEN

a) **FACTORS INFLUENCING THE TYPE OF DISTRIBUTION CHANNEL TO BE USED**

In deciding the combination of channels to use, the following factors should be considered:

 I. Company Characteristics-These include such factors as company objectives and constraints, financial status, past channel experience and desired degree of channel control required by the company.

 II. Product Characteristics-These include such factors as perishability (require more direct marketing), bulky products (require channels that minimise shipping distance and handling), non-standardised products(sold directly by the company's sales force e.g. custom-built machines),products requiring installation are usually sold by the company or by franchised dealers.

III. Middlemen Characteristics- These include such factors as financial capabilities, payment policies, capability in reaching consumers and any strengths and weaknesses.

IV. Competitive Characteristics-The channels used by the competitors may represent the wisdom of the industry. Therefore, the company may tend to use them to make available its product where the company competitors are Alternatively, the company might use a different channel so as to differentiate its products.

 V. Environmental Characteristics-Political, legal, economic and technological characteristics influence channel decisions. When economy is depressed, producers may wish to use shorter channels to reach the consumers with less cost. Government legislation against producers doing their own marketing may also influence the channel decisions.

VI. Customer Characteristics-Key questions here include:
   - What is the output level desired by the customers?
   - What is the lot size purchased by the customer?
   - Does the customer expect service back-up?
   - Are the target customers centrally located or dispersed?

b) **FUNCTIONS PERFORMED BY MARKETING INTERMEDIARIES**

I. Contacting Function:
    They reduce the number of sales contacts on sales needed to reach all the customers. As the number of sellers and customers increases, the number of sales contacts increase geometrically, otherwise arithmetically in cases where there are middlemen.

II. Sorting Function:
    This involves bulk breaking (buying in large units and breaking down into smaller units for resale) as
    Well as bulk building (middlemen buy from various small producers, sell to marketing boards, millers
    or Processors of foreign buyers-especially in the marketing of coffee).

III. Physical Distribution Function:
    Transportation and storage of products from producer to final consumer-Transportation creates utility by ensuring good are available where desired
    Warehousing/Storage-Ensures that products are available when desired. This ensures continuous production since manufacturers storage space is continuously emptied by outflow of stock going to middlemen. The middlemen assume ownership of goods/merchandise thus financing the stock and assuming the risk.

IV. Demand Stimulation:
    In a bid to make a profit, middlemen engage in marketing function like the marketing mix variables. Though they engage in marketing, they stimulate sales of their stock, which also include competitor products. If a company's product is not in demand, then they may phase it out. At times manufacturers may stimulate demand for their products by offering incentives to retailers. Demand stimulation by middlemen is appropriate for small producers who do not have fiancés to promote their products.

V. Market Information:
    They provide information from producers to consumers or from consumers to producers. This information backs up what salesmen, consumers and the media provide. Middlemen explain to consumers how to use and maintain company's products and where to take them for repair. Questions regarding function of the product by customers, warranties and guarantee conditions.

VI. Marketing intermediaries provide many producers lacking the resources to carry out direct marketing with an avenue to sell their products.

VII. In some cases, direct marketing is simply not feasible hence the choice of intermediaries.

VIII. It is better to outsource distribution function and concentrate on core business i.e. production.

QUESTION EIGHT

a) GROUP DECISION MAKING

This is the use of committees teams, task forces or simply work groups(as opposed to individuals) to consider problems/situations and ways of resolving them. The decision making process thus involves more than one person, who represent the varied interests. The conscious selection or making of courses of action emanating from more than one person.

In modern organizations, decisions are always made by groups of individuals. Groups fulfil different needs/goals that may not be forthcoming from an individual. Important to note that groupthink, group dynamics, group norms, group cohesiveness, group conformity are a range of characteristics that dictate the quality of decisions/work produced in a group setting.

b) Outline the potential advantages of group decision making.

     i. Better quality decisions arising from availability of more information.
     ii. Increased acceptance
     iii. Better understanding of the decisions made.
     iv. Elevated commitment to the organization and the implementation of plans.
     v. Enhanced motivation
     vi. Training device
     vii. More perspectives on the matter giving it different angles.
     viii. Eliminates subjectivity, thus promoting objectivity.
     ix. Easy to coordinate and control decisions at implementation.
     x. Takes care of the different and diverse interests within the organisation.
     xi. Enhances the communication of ideas.
     xii. An agent of change i.e. makes change an easier process.
     xiii. Enhances decentralization of authority,

PAPER THREE

QUESTION ONE

a) The Hawthorne experiments were conducted at the Western Electric Company's Chicago plant during the period 1927-1932(5 years).The researchers consisted of company personnel and members of Prof Elton Mayo's Industrial Research Department (IRD) at Harvard Business School.

b) First Stage: To study the effects of lighting on output.

Two groups of workers were selected for study-one group had no variations in its level of lighting, while the other had several variations from better to worse. The significant result was that the output of both groups increased. Obviously some factor other than purely physical conditions was at work in the situation. At this stage, Mayo's staff were invited in by the company.

c) Second Stage: Relay Assembly Test Room

A group of women were made the subject of various studies into the effects of changes in working conditions, especially in relation to rest periods, meal breaks, etc. As before, regardless of whether the conditions were improved or worsened, productivity always increased. The women were responding to the attention of the researchers, and saw themselves as a special group. This form of behaviour has been called the Hawthorne Effect. Awareness of this effect has helped subsequent researchers to make allowance for it, or obviate it, in the design of their programmes.

d) Third Stage:

This consisted of a major interview programme to establish employee attitudes towards working conditions, jobs and supervision. This recognition of the importance of work attitudes represented a complete break from the ideas of scientific management, and laid the foundation for later developments in understanding employee motivation at work.

Stage three established the importance of social relationships in the work situation. The findings led to a greatly increased interest in "human relations" at work.

e) Fourth Stage: Bank Wiring Observation

This furthered the ideas of stage three above and the group concerned set their own standards of work and work behaviour. The importance of groups with their informal or unofficial standards was seen to be a key factor in workplace productivity.

f) Final Stage

This took the form of personnel counselling ,in which employees were able to discuss their work problems. The result was an improvement in personal relationships, especially with supervisors. Here again the importance of taking account of employee needs as individuals was recognised by the company.

g) Significance:

The main significance of the Hawthorne Studies was its impact on subsequent social research methods. For managers, it indicated the vital importance of groups and social relationships at work.

QUESTION TWO

a) The following list of offences indicates the kinds of behaviours that have often been specified in disciplinary procedures:

   i) Engaging in a strike or group stoppage of work of any kind, slowdown, sabotage, picketing in connection with the failure to abide by the terms of the union agreement or by the award of an impartial arbitrator.

   ii) Insubordination or wilful disobedience in carrying out reasonable requests from a supervisor, or refusing to accept a job assignment.

   iii) Falsifying time cards and production records.

   iv) Inefficiency, e.g., failing to do the amount and quality of work that were expected of employees when first hired.

   v) Repeated tardiness and absenteeism.

   vi) Using liquor on company premises; possession, use, and distribution of unlawful drugs; drunkenness.

   vii) Fighting or attempting to injure others (aggressors only) on the job or on company premises; horseplay and practical joking.

   viii) Unauthorized possession of weapons.

   ix) Gambling and bookmaking on the premises

   x) Wilful damage to company property.

   xi) Violations of safety, environment and health regulations.

b) In companies where top management has a positive policy for discipline, written procedures can suitably be stated as a general description of what responsible employees are expected to do. e.g.,

   i. All employees are expected to abide by safety regulations and to be safety-minded at all times-not only for themselves but also in relation to other employees.

   ii. Subordinates are expected to support management authority by following the instructions issued by their immediate supervisor. Employees who feel that an instruction or order is unreasonable should obey under protest and then file a complaint, with the exception of orders or instructions that may jeopardize employee's safety or health-In such a case, the employee should ask for a written order so that the reason for prudent non-compliance is a matter of record and can subsequently be investigated.

   iii. All employees should respect the property rights of the company and for all other employees.

   iv. All employees should always show a responsible attitude toward their work and toward other employees. They should report for work promptly and regularly and not leave early; meet established standards for quality of work; refrain from drinking intoxicating liquor or using unlawful drugs and refrain from offering such addictive substances to another employee; exercise self-control, even under provocation; and refrain from practical jokes or horseplay.

QUESTION THREE

a) A pluralistic society is one in which many organized groups represent various interests. Each group has an impact on other groups, but no one group exerts an inordinate amount of power. Many groups exert some power over business. There are many claimants on the organization, who have divergent goals. It is the task of the manager to integrate their aims.

b) Working within a pluralistic society (i.e. a society in which many organized groups in existence represent various interests) has several implications for business:

   I. Business power is kept in balance by various groups, such as environmental groups.

   II. Business interests can be expressed by joining groups such as the Chamber of Commerce.

III.   Business participates in projects with other responsible groups for the purpose of bettering society e.g. working towards the renewal of inner cities.
IV.   In a pluralistic society, there can be a conflict or agreement among groups.
 V.   In a pluralistic society, one group is quite aware of what other groups are doing.

QUESTION FOUR

a)
 i.   Most people are motivated by money to the extent that they come to work to fulfil economic needs. It is very debatable whether people are motivated to work harder by the lure of money. Even when money is seen as a real incentive, the evidence seems to be that it is not a lasting form of motivation.
 ii.   Most people are also motivated by the social contacts made at work. There is plenty of evidence to suggest that the formation of social relationships and the need to belong to groups, is a very important motivator. The building of supportive work teams can therefore be a powerful motivator to people.
 iii. A person's standing or reputation at work are important motivators, whether he receives them from his peers or from the organization. Opportunities to achieve and to receive recognition for that achievement are also significant factors in the work needs of most people. On balance, the evidence seems to suggest that motives associated with the job itself are the most likely to encourage people at work. Nothing succeeds like success !

b)   A manager could take the following steps to motivate his/her subordinates:
 i.   ensure adequate level of pay. etc
 ii.   train the individual so as to enable him to master the job, and eventually move to a bigger one.
 iii. develop a team spirit in which the members feel that they can support the others and yet be supported by them as well.
 iv.   provide means whereby the employee can measure his progress in the job.
 v.   take an interest in the person and thank him when he has worked well.
 vi.   ensure that the person's job was a challenging one, however modest the level
 vii. keep the employee well-informed about matters that may concern him.

c)
 i.   People do come to work for money i.e. they have economic motives. It is unlikely that they come only for money. The reasons why people work have been studied by various writers and researchers. In several cases, assumptions about people's behaviour have been considered as important as research evidence.
 ii.   In the first twenty-five years of the 20th Century, the assumptions made by owners and managers were that people come to work primarily to fulfil economic needs. Therefore pay and monetary incentives are the key to employee motivation. Examples of this concept are those of F.W. Taylor and the scientific managers.
 iii. By the 1930s it was becoming evident, on the basis of research studies such as the Hawthorne experiments, that people have other needs, especially needs relating to personal relationships. In other words, while money is still an important factor, it is by no means an overriding one.
 iv.   Since the period following World War II, a number of theorists and research workers have concluded that people have a variety of needs at work .In particular, there is strong evidence, from the work of social scientists such as Herzberg and Likert, that people seek self-actualisation at work, i.e. they seek to realize their full potential.
 v.   The implications of self-actualisation are that people seek more than financial returns from work. They seek more than friendly relationships. What they are looking for are opportunities to exercise responsibility, to obtain a sense of achievement and to develop new ways of doing things.

vi.   In the final analysis, people come to work for a variety of motives. Each person has his or her own set of priorities. The challenge for modern management is to be aware of these needs and to meet them in an adaptable manner.

QUESTION FIVE

a)   Management is a process of planning, coordinating, motivating and controlling.

b)   The use of scientific methods involves searching systematically for evidence to prove or disapprove some theoretical proposition.

c)   Early examples of attempts to apply the methods of science to management were provided by F.W. Taylor and the Scientific Managers, who observed and measured work in order to establish more efficient ways of working.

d)   Those such as Fayol, Urwick and Brech who attempted to define certain laws or principles of management also may be included amongst the users of scientific or rational methods.

e)   In more recent times, the scientists are generally social scientists, interested in the study of human behaviour in organizations. Their methods are based on observation and analysis of people as individuals and in groups.

f)   Management has also been described as " getting things done through people". The application of scientific methods has shown that it is easier to record, measure and evaluate information about things, and much more difficult to make consistent sense of human behaviour.

g)   Scientific methods have made management more exact in terms of measuring and predicting things, but have done much less to prove that management is a science rather than an art.

QUESTION SIX

a)   There is not a great deal of evidence on this issue, although there is considerably more untested speculation.

An early attempt to suggest a range of leadership styles, as opposed to one or two mutually exclusive styles, was made by Tannenbaum and Schmidt in the 1950s.Their continuum of leadership styles ranged from authoritarian behaviour at one extreme to democratic behaviour at the other with several alternative styles in between. Like most of their contemporaries, Tannenbaum and Schmidt were more concerned with identifying a 'best style' rather than an 'appropriate style' (i.e. the best in the circumstances).

Prof. John Adair's functional model of leadership goes some way towards an appropriate style by suggesting that a leader's aim is to achieve the task set for him by paying sufficient attention to task needs, group needs and the needs of individuals within the group. Depending on the circumstances, the leader may need to pay more or less attention to each of the three variables ,but he must direct some attention to all of them. The approach suggested by Adair has been used as the basis for training leaders.

The most influential theory on the issue of flexible leadership style, however ,is that of F.E Fiedler. His researches were first written up in 1967 in a volume entitled "Theory of Leadership Effectiveness", in which Fiedler referred to a "contingency approach" to leadership. His conclusions were that group performance was dependent, or contingent upon, the leader adopting an appropriate style in then light of the relative favourableness of the situation. Fiedler found that the most important variables in determining the relative favourableness of the situation were as follows;

i.   The quality of leader-member relationships;

ii.   The degree of structure in the task; and

iii.   The power and authority of the leader's position

(b) The most favourable combination of variables for the leader appeared to be when:

i.   He had good leader-member relations;
ii.   The task was highly-structured; and
iii.   His position was powerful.

By comparison, the least favourable combination was when:
i.   The leader was disliked by the members;
ii.   The task was relatively unstructured; and
iii.   The leader had little position power.

(c) In considering the issue of style flexibility, a number of important factors appear to be emerging from the theories and researches carried out so far. These factors are as follows:
   i.   There is no "one best way" of arriving at an optimum leadership style.
   ii.   The most practicable approach is to aim for the "best fit" between the leader and his situation.
   iii.   The situation usually comprises the following variables:
      • The requirements of the task
      • The needs of the team
      • The needs of individuals within the team
      • The relations between the leader and the team
      • The authority granted to the leader as part of his appointed role
      • The power of the leader to act

d) Meeting the demands of the situation requires leaders to select an appropriate style from a range of styles, depending on the circumstances.

QUESTION SEVEN

a)   The principal factors which influence effective teamwork are as follows:
   i.   Leadership
   ii.   Nature of tasks required to be performed
   iii.   The knowledge, skills and motivation of the team members
   iv.   The size of the group
   v.   The group's stage of development
   vi.   The extent to which the group sticks together
   vii.   Group norms and organization norms
   viii. The roles played by individuals
   ix.   The environment in which the group has to work.

b)   Four of the above factors discussed
   i.   Leadership-Every group needs adequate leadership. An effective leader can meet the team needs of the group(e.g. fair treatment, adequate resourcing, development of team spirit, etc).He or she can also meet the needs of individuals(e.g. counselling, practical assistance, etc) and of the task(e.g. allocating work, arranging resources, scheduling events, etc).Ideally an effective leader will have a dominant style which suits the team for most of the time, but which can be adapted to meet contingencies arising from outside task pressures or from within the group(i.e. conflict).Conflict is not a bad thing in itself but it does require careful handling by the leader to prevent the team from disintegrating.
   ii.   Stage of Development-The effectiveness of a team, i.e. its ability to fulfil its tasks competently and with satisfaction, depends considerably on the relative state of development of the group who make up the team. A newly formed team will spend a good deal of their time finding out what is expected of them, what the rules are, and where they can obtain information and resources. In other words, they will be inward looking during this formative stage. As the team begins to settle down, the first conflicts and doubts tend to appear. Here again a good deal

of the team's energy will be taken up resolving these internal issues. As internal conflicts and doubts are settled, the team will find new levels of cooperation and standards of operation. At this stage, team spirit will be very high, and the group will be outward looking. As success with the task is experienced, and individual collaboration is achieved in practice, the team will be performing at about its optimum level.

QUESTION EIGHT

a) Term Definitions

i. **Responsibility-**This is an obligation placed on a person who occupies a certain position. It is accountability for the performance of specified duties or the satisfactory achievement of defined company objectives. Because responsibility is an obligation owed, it cannot be delegated. No superior can escape responsibility for the activities of subordinates, for it is the superior who delegates authority and assigns the duties. It does follow, however, that the subordinate has a responsibility back to his superior. Once a subordinate has accepted the assignment and the power to carry it out, his or her responsibility is absolute

ii. **Authority-**Henri Fayol defined authority as "the right to give orders and the power to exact obedience". It is the right to exercise powers such as hiring and firing or buying and selling on behalf of the organization. Authority refers to the relationship between the participants in an organization. The authority structure provides the basis for assigning tasks to the various elements-for commanding. The concept of authority is closely related to the idea of the legitimate exercise of the power of a position and depends on the willingness of subordinates to comply with certain directives of superiors. The scope of responsibility must correspond to the scope of authority given. If a manager is given responsibility without the necessary authority, he is in the invidious position of being powerless to achieve the levels upon which his performance is being judged. Conversely, a person given authority without clear responsibility for achieving specified targets, or without having to report to a more senior manager, is in a position of false security.

iii. **Delegation-**This is the process whereby a manager or supervisor transfers part of his or her legitimate authority to a subordinate. Along with authority goes responsibility but whilst authority can be delegated, responsibility remains with the superior, e.g. while a Board of Directors may delegate authority to the managers, the directors are still responsible directly to the shareholders. Delegation means giving someone else the freedom and authority to do a job for which you are accountable. This action implies that the person receiving the delegated work will handle it on his or her own initiative and that you have confidence in the ability of the delegatee to do the job successfully. Delegation is an important aspect of organization and effective management. Without delegation, formal organizations could not exist. If there were no delegation, the chief executive would be responsible for everything and would be the only person with the authority to do anything. Consequently nothing much would ever get done. Because management is the act of getting things done (accomplishing objectives) through the work of other people, to put it simply, it is obvious that management could not succeed without delegation.

b) In all but the smallest of organizations, some degree of delegation is necessary, as there are physical and mental limitations to the work that can be undertaken by any manager. This in turn allows subordinates to gain experience and demonstrate how they can perform. From these points the following practical advantages can be derived:
   i. The workload of the manager is reduced allowing more time to concentrate on strategic duties.
   ii. Subordinates can gain good experience for future management.

iii. Delegation can lead to decentralization, which can allow divisional or branch managers to react quicker to local changes than managers at head office.
iv. Allowing subordinates to perform work of a higher grade can aid their development.
v. Management can see how subordinates tackle work of a higher grade, and how they cope with extra authority.
vi. Effective deployment of resources fulfils value for money criteria.

When a manager or supervisor delegates there is a calculated risk being taken on the abilities of the subordinate. The best ways to ensure effective delegation are to:
i. Define the limits of authority delegated to the subordinate by giving an outline of the job, the control limits and the desired standards and ensuring that the subordinate accepts and understands what is involved.
ii. Allocate sufficient resources.
iii. Be satisfied that the subordinate is competent to exercise that authority.
iv. Be disciplined enough to permit the subordinate the full use of that authority without constant checks and interference and to be willing to listen to the ideas of the subordinate.
v. Link achievement with reward.

There are common problems associated with delegation, namely:
i. Failure to delegate sufficient authority
ii. Need for higher managerial skill
iii. Loss of direct control
iv. Lack of confidence in both the subordinate and the person delegating
v. Danger of a less satisfactory outcome/lower productivity
vi. Fear of losing one's job to a good subordinate
vii. Boss is secure and comfortable in his old job
viii. Subordinate may become impatient for monetary recognition
ix. Doubt over what to delegate and what to keep
x. Failure to monitor and counsel

The problems can be minimized by considering the following points:
i. The manager should not delegate so much as to overload a subordinate totally
ii. The employee has reasonable skill and experience in the area concerned
iii. The employee is carefully selected and trained
iv. Appropriate authority is delegated
v. The manager remembers to monitor and control
vi. The manager is not simply "passing the buck" or "opting out"
vii. All concerned know that the task has been delegated. There is an open communication system
viii. The manager puts time aside for coaching and guiding
ix. If delegation goes well, then the person will expect a reward, e.g., upgrade job/more pay.

PAPER FOUR

QUESTION ONE

To get the best out of people, managers need to have effective communication skills. However, these skills are not always understood or practised correctly. In an accounting department where communication and accuracy are a vital part of the work managers need good individual communication skills.

Professional accountants as managers need to understand the difference between aggressive and assertive behaviour. Often an exchange of communication can be interpreted as, or result in, a belligerent response from an employee. However, a slight difference in approach can communicate different feelings and achieve a more positive result.

(a) (i) Aggressive behaviour is competitive and directed at 'defeating' someone else. It is standing up for oneself at the expense of other people. It is defending one's rights but doing so in such a way that violates the rights of other people. Aggressive behaviour ignores or dismisses the needs, wants, opinions, feelings or beliefs of others.
Characteristics of aggressive behaviour include:
- Excessive 'I' statements
- Boastfulness
- Opinions expressed as fact
- Threatening questions
- Sarcasm and other throw-away remarks
- Blame put on others

Aggressive behaviour can be self defeating. It may cause such antagonism in the other party that they will refuse all cooperation.

(ii) Assertive behaviour is based on equality and co-operation. It involves standing up for one's own rights and needs but also respects the rights and needs of others. It is not 'overbearing' or aggressive but can be described as clear, honest and direct communication.
Assertive individuals defend their rights in a way that does not violate another individual's rights. They express their needs, wants, opinions, feelings and beliefs in direct and appropriate ways.
Characteristics of assertive behaviour include:
- Statements that are short, clear and to the point
- Distinctions are made between fact and opinion
- Suggestions are not weighted with advice
- Constructive criticism without blame or assumptions
- Questions to establish the wishes, opinions and thoughts of others
- Ways of getting round problems
- No 'ought' or 'should'
- Sticking to first statement
- Own feelings are expressed

Assertive behaviour can achieve its objectives if it displays a willingness to deliver a mutual compromise as an aid to achieving a clear objective.

(b) People who display passive behaviour do not stand up for their rights because they think that other people are more important. The main aim of passive behaviour is to avoid conflict and to please others. Passive behaviour includes long, rambling statements, frequent justification, many apologies and self put-downs; phrases that dismiss own needs such as 'It's not really that important' and very few 'I' statements.

PRINCIPLES AND PRACTICE OF MANAGEMENT

From an employers' point of view these passive people do as they are told, ask no questions and get the work done. However in some cases passive people can turn and then become aggressive rather than assertive. Passive employees often see other employees as better than themselves and can get frustrated which frequently leads to demoralisation and demotivation.

(c) Interpersonal skills are those individual skills needed in any situation in which two or more people are involved. David Lowe, the line manager, needs interpersonal skills:
- to inspire confidence in himself and subordinates
- to be able to motivate individuals
- to lead and control people to achieve the organisation's goals
- to understand and manage the many and diverse roles and perceptions in the workplace
- to handle different relationships within the workplace
- to understand individual attitudes to work and problems therein
- to communicate clearly, effectively and competently

(d) Motivation: is a fundamental task of management and good interpersonal skills ensure that staff know what is required of them.

Negotiation: such skills are important in a business environment where traditional power or command structures do not exist or are inappropriate.

Team Building: good interpersonal skills are used to inspire trust because a team works only where there is open and honest communication.

QUESTION TWO

Recruitment of staff, especially if large numbers are involved, may be time consuming and a drain on resources. Additionally, the expertise may not exist within the organisation, requiring the organisation to seek suitable candidates outside.

a) Internal promotion describes the situation where an organisation has an explicit policy to promote from within and where there is a clear and transparent career structure. This is typical of many management and administrative staff and of certain sectors of the economy such as the public services.

The advantages of internal promotion include:

I.   it acts as a source of motivation and provides good general morale amongst employees
II.   staff seeking promotion are known to the employer
III.   inexpensive in terms of time and money
IV.   training and induction costs are minimised
V.   further training can be product and organisation specific
VI.   the culture of the organisation is understood by the individual
VII.   illustrates the organisation's commitment to encouraging the staff
VIII.   the individual will already be familiar with the other members of the organisation

b) External recruitment describes the situation where the organisation decides to recruit someone from outside the organization to fill a staff vacancy.

The advantages of external recruitment include:
i.   May be necessary if particular skills or expertise are not available within the organisation
ii. Is necessary to restore staffing levels o where an organisation urgently needs new employees
iii. Can bring new ideas and novel approaches to the organisations and to the specific task
iv. Provide experience and work methods from other employers

c) Any organisation which is considering the use of external recruitment consultants would make its decision upon the following:
   i. The availability, level and appropriateness of expertise available within the organisation and its likely effectiveness
   ii. The cost of using the consultants against the cost involved in using the organisation's own staff, recognising the level of the vacancy or vacancies against the consultant's fee
   iii. The particular expertise of the consultants and the appropriate experience with any particular specialised aspect of the recruitment process
   iv. The level of expertise required of potential employees and therefore the appropriate knowledge required of the consultants
   v. The need for impartiality; this may be of particular importance with pubic sector appointments, organisations with particular needs of security or impartiality or where it is felt that an external, objective assessment is required.
   vi. The time involved in the consultants needing to learn about the organisation, its requirements and the vacancy or vacancies
   vii. If there is a ready supply of labour then consultants may be less useful, standard vacancies may be readily filled by advertising or similar inexpensive means
   viii. The views of internal staff as to the likely effect of using outside consultants
   ix. What effect the use of consultants might have on the need to develop expertise within the organisation, the use of consultants will not assist with developing internal organisational expertise
   x. The likelihood of existing staff to have misgivings about the presence of, or recommendations of, outside consultants which can lead to mistrust and rejection of any candidates recruited by the consultants.

QUESTION THREE

Professional accountants are often employed in a managing as well as an accountancy capacity. This requires an understanding of the responsibilities and duties of a manager and of the lower level of management, that of supervision.

(a) The duties of a manager were first detailed by the writer Henri Fayol. He detailed five 'elements of management' which guide the management task:

The first is **to forecast and plan,** that which he called 'prévoyance,' to look into the future and set objectives in an attempt to understand and control the future.
This element he further sub-divided into the need for unity; each department's objectives being welded together for the common good of the organisation; continuity in short and long term forecasting; flexibility in the need to adapt to circumstances and precision in attempting accurate future actions.

The second element is *to organise*; to build the human and material structure of the organisation.

The third element (drawing on the military roots of management theory) is *to command*; that is to maintain activity amongst the workforce. 'Command' may be an outdated idea, modern writers would suggest that 'motivation' is more appropriate, although 'command' has a clear meaning in terms of the ultimate responsibility of management.

The fourth element is *to co-ordinate*, Fayol saw this as the process of binding together, unifying and harmonising the activities of those employed in the organisation.

Finally, the element of *control,* that which brings conformity with established rules and command, through ensuring that targets are achieved and objectives met. This idea again draws on the military roots of management theory.

(b) Supervision is an important and integral part of the task and process of management. The role of supervision is a critical one because of the direct contact and responsibility for the work of others.

It used to be said that a manager did his or her job by getting others to do theirs, in many ways this sums up the role of the supervisor. The role differs from that of management in that the supervisor is unique, being the interface between management and the workforce and is the direct link between the two.

The role of the supervisor differs from that of a manager in that he or she is:
- in direct physical contact with non-managers on a frequent basis
- is the front line of management
- has the chief responsibility for seeing that others fulfil their duties
- has a dual loyalty and must be loyal both upwards and downwards
- has to face and resolve problems firsthand and often quickly
- actually directs the work of others
- directly enforces discipline
- due to the closeness to others, has direct knowledge and ability in health, safety and employment legislation
- often has responsibility for negotiation and industrial relations within the department

However, management must ensure that supervisors understand organisational objectives and make clear the powers and limits of the supervisor's authority and responsibilities.

QUESTION FOUR

Responsibility, delegation and authority are fundamental management skills. Students are required to show an understanding of the problems and challenges associated with these concepts of management.

(a) **(i) RESPONSIBILITY** is the liability of a person to be called to account for his or her actions and results, and is therefore an obligation to do something.

(ii) **AUTHORITY** is the scope and amount of discretion given to a person to make decisions by virtue of his position held within the organisation. The authority and power structure of an organisation defines:
- the part each member of the organisation is expected to perform
- the relationship between the organisation's members so that its efforts are effective

The source of authority may be top down (as in formal organisations) or bottom up (as in social organisations and politics).

(iii) **DELEGATION** is the giving to a subordinate the discretion to make decisions within a certain, defined sphere of influence. Therefore the superior must possess the authority to delegate.

The key element here is discretion and the level of authority within a specific sphere. Without delegation, formal organisations could not exist. An organisation chart may show the command structure of an organisation, but without authority, responsibility and delegation, a formal organisation cannot be effective. They are critical aspects.

(b) Unlike authority, responsibility cannot be delegated. There are however differing views on the extent to which this statement is true. There is a view that the idea of responsibility cannot be delegated is too simplistic. Any task contains an element of

responsibility. This underlines the doctrine of absolute responsibility; the superior is always ultimately accountable.

(c) Effective delegation can be achieved by:
– specifying expected performance levels and ensure that they are understood
– assigning agreed tasks to the subordinate
– allocating of appropriate and adequate resources
– ensuring that responsibility is exacted from the subordinate (i.e. responsibility is upwards)
– ensuring that the subordinate has the ability and experience to undertake the tasks maintaining frequent contact
– giving the subordinate written authority to do the job, which might be specific or general. This provides greater discretion.

QUESTION FIVE

Motivation is fundamental to the task of management. Many different theories have been presented on how management might motivate employees; Adams' equity theory is an attempt to bring a more modern approach to the topic, based on the idea of distributive justice.

(a) The process theory of motivation asks the question 'How can people be motivated?'
The process theory of motivation does not emphasise the need for fulfilment through work (as in the content theory), but concentrates upon the processes through which individuals are motivated. They attempt to explain how individuals start, sustain and direct behaviour and assume that individuals are able to select their own goals and means of achieving those goals through a process of calculation. Process theory emphasises the importance of rewards, often financial.

(b) Equity theory focuses on the feelings of the individual and how fairly they feel they have been treated in comparison with treatment received by others. It is sometimes referred to as exchange theory; individuals expect certain outcomes in exchange for certain efforts and contribution to the organisation. When an individual perceives that his or her efforts are equal to others and the rewards are the same, then equity exists. If the perception is that the efforts and rewards of one person are unequal to others, then there is inequity.

(c) When an individual has feelings of negative inequity, he or she can
– change the amount of effort put into the task
– change the nature or amount of reward required
– change the basis of comparison
– distort the comparisons psychologically
– Leave the work situation or employer.

QUESTION SIX

The need for clear and concise communication and the consequences of poor communication must be understood by a profession which exists to provide information to others. Poor communication leads to ineffective control, poor co-ordination and management failure.

(a) Good communication is important because:
– individuals know what is expected of them
– better co-ordination within the organisation
– improves control of the organisation's plans, procedures and staff
– the instructions of management are understood

– encourages group and team cohesiveness
– can lead to the reduction of stress
– bias, distortion or omission can be removed
– secrecy and misunderstanding is reduced or removed
– information is received by appropriate person
– conflict in the workplace is reduced

(b) Barriers to communication include:
– the personal background of the persons communicating
– language differences
– use of jargon
– different education levels
– 'noise'; that is the message confused by extraneous matters
– the perception of individuals
– conflict within the organisation
– overload; that is too much information being communicated at once
– problems of distance
– basic misunderstanding
– accidental or deliberate distortion of information.

(c) Barriers to communication may be overcome by:
– consideration of the needs and understanding of recipients
– careful and clear reporting at all levels
– express information clearly and concisely
– not using jargon or abbreviations
– using more than one communications system
– encouraging dialogue rather than monologue
– ensuring as few links as possible in the communication chain
– ensuring feedback.

QUESTION SEVEN

Accountants as managers should develop and understand the process that links employee performance with organisational goals and organisational success. However, before the process of performance management begins the organisation must itself have developed a clear, planned strategy.

The process of performance management typically involves five stages:

Stage One – identify and describe the essential job functions and competencies and relate them to the objectives of the organisation as laid out in the corporate plan.

Stage Two – develop realistic and appropriate performance standards which will form the basis of a performance agreement. This defines the expectations of the individual or team and includes the establishment of performance standards and indicators, together with the skills and competencies needed.

Stage Three – draw up an individually agreed performance and development plan. This details the action needed to improve performance and involves identification of areas in need of development, agreement on performance and development and training requirements.

Stage Four – performance is evaluated throughout the year, counselling and guidance is given as appropriate. Activity requirements are updated and control action taken. Communicating constructive performance evaluation is important as is the giving and receiving of feedback about performance.

Stage Five – the performance review. At an agreed time during the year, actual performance is measured against the agreed performance plan. The meaningful part of stage five is the planning and providing of education and development opportunities to build upon and improve employee performance in the future.

QUESTION EIGHT

Interviews are extensively used for the recruitment of new employees, but have been criticised for failing to identify appropriate candidates suitable for the organisation. It is essential that professional accountants recognise both the problems and opportunities that formal selection interviews present.

(a) The purpose of the selection interview is to find the best possible person for the position and who will fit into the organisation. Those conducting the interview must also ensure that the candidate clearly understands the job on offer, the associated career prospects and that he or she feels that fair treatment has been provided throughout the selection process.

In addition, the interview also provides the opportunity to provide a good impression of the organisation, whether the candidate has been successful or not.

(b) (i) The face to face interview is the most common form of interview. In this situation the candidate is interviewed by a single representative of the employing organisation. The advantages of such interviews are that they establish an understanding between the participants, are very cost effective for the organisation (as compared with panel interviews) and, because of the more personal nature, ensure that candidates feel comfortable.

The disadvantages however are that the selection relies on the views and impression of a single interviewer which can be both subjective and biased. In addition, the interviewer may be selective in questioning and it is easier for the candidate to hide weaknesses or lack of ability.

(ii) Panel interviews are often used for senior appointments and consist of two or more interviewers.

The advantages of such interviews are that they allow opinion and views to be shared amongst the panel. They have the authority to reach immediate decisions and provide a more complete picture, hence the problems or any bias inherent in face to face interviews can be removed.

The disadvantages however are that they can be difficult to control. Interviewers may deviate or ask irrelevant questions and they can be easily dominated by a strong personality who is able unduly to influence others. In addition, such interviews can often result in disagreement amongst the panel members.

PAPER FIVE

QUESTION ONE

(a) The organisational structure defines the communications pattern, the control system and the command structure. The traditional hierarchical structure provides certainty, clarity and clearly. Such a structure defines:
- o the communication pathways; the scalar principle provides an unbroken vertical communication line
- o the linking mechanisms between management roles
- o the allocation of formal responsibilities and authority
- o the co-ordinating structure
- o the relationships between departments, tasks and people and their duties
- o the power structure; where power, control and decision making exists; strong leadership is possible
- o management roles and official tasks
- o the functional distinction between departments
- o specialisation in departments, skills and management; procedures can be standardized
- o unity of command; one superior and one source of influence
- o the exception principle; decisions can be programmed and planning can form the basis of management
- o decisions are made from the perspective of the whole organization

(b) The Matrix structure allows cross functional activities to be undertaken whilst maintaining the function, skills and loyalties of departments. This type of structure is often associated with organisations which are product driven. The advantages of such a structure can be described as:
- o improvement in communication which will be lateral as well as hierarchical
- o improved quality of decision making throughout the organization
- o direct contact between managers and employees replaces rules and bureaucracy
- o management motivation is improved by greater involvement in decision making and control
- o product driven rather than department driven and thus more aware of the market
- o improved product knowledge by all the management
- o improves quality of decision making, specially at times of change
- o adaptive to local geographic conditions
- o removes the problem of 'management islands' associated with the departmental specialisms inherent in the hierarchical structure
- o managers are able to see and understand the whole picture
- o reduction of stress on senior management
- o provides flexibility across the organization
- o allows training and greater involvement for junior management
- o improved control through de-centralised functions such as product budgets and profit centres

These ideas may well be more appropriate to a smaller firm such as Greg Pyeís and are essential in an environment where there is constant adaption to markets and technology.

(c) The concern that individuals and managers may not adapt to a more flexible structure may be addressed by:
- o team development and building
- o balancing the demands of uniformity and diversity inherent in the matrix structure.
- o creating appropriate reporting systems

- o creating product teams and customer groups
- o addressing problems of trust and confidence that will arise from the removal of role certainty in the traditional organisation.
- o a system of performance evaluation
- o ensuring clear communication paths and patterns

(d) It should also be noted that many organisations display combinations of structure. A manufacturing division may be organised along traditional lines whilst the marketing department may be organised along the lines of a matrix organisation.

In reality, organisational structures are often a mix of formal, hierarchical structures and other forms. However, there is the danger that Greg Pye might end up with an inappropriate and clumsy construct. The benefits of both could be achieved through a hybrid structure.

The production department, with its need for uniformity and certainty could remain as a traditional hierarchical structure. The marketing department requires less formality and exists in a more uncertain environment, thus a matrix organisation, based in teams and products, might be more appropriate.

Overall however, a team based, product driven approach could be developed.

QUESTION TWO

Every manager has to provide leadership in one way or another. Many have no real idea what constitutes leadership.

Overview:
The professional accountant is frequently both the manager and leader. An understanding of leadership theory and practice is an important part of a manager's education.

(a) Robert Blake and Jane Mouton in their Ohio State Leadership Studies, observed that there were two basic leadership dimensions apparent from their research; concern for the task and concern for people.

Blake and Mouton recorded the extreme scores as:

- 1, 1 - Management Impoverished low concern for production and low concern for people.
- 1, 9 - Country Club Management low concern for production and high concern for people.
- 9, 1 - Task Management high concern for production and low concern for people.
- 5, 5 - Middle of the Road Management reasonable concern for both dimensions.
- 9, 9 - Team Management High concern for production and high concern for people.

(One may wish to draw the grid and describe these scores).

(b) Leadership is a conscious activity and is concerned with setting goals and inspiring people to provide commitment to achieve the organisation's goals.

Katz and Kahn describe leadership as 'the influential increment over and above mechanical compliance with the routine directives of the organisation.'

Mullins says leadership 'is a relationship through which one person influences the behaviour or actions of others.'

There are different levels of leadership from the top down to small team leaders, but they will still share the same function – to get people to do the job. How they do that will depend on their attitudes, their perceptions of what motivates people and the prevailing culture of the organisation.

John Kotter states that whatever style of leadership is practised, the following activities should always be considered:

- o the creation of a sense of direction

o   the communication of the goals
o   the motivating, energising and inspiring of subordinates

Blake and Mouton recognised that it was possible for concern for the task to be independent of concern for people. It was therefore possible for a leader to be strong on one and weak on the other, strong on both, weak on both or any variation in between. They devised a series of questions, the answers to which enabled them to plot the two basic leadership dimensions. These two dimensions were placed as the axes on a grid structure now known as the Managerial Grid. A person who scores 7 on 'concern for production'(the x axis) and 5 on 'concern for people'(the y axis) is known as a 7,5 leader.

1, 1 This manager only makes the minimum effort in either area and will make the smallest possible effort required to get the job done.

1, 9 This manager is thoughtful and attentive to the needs of the people, which leads to a comfortable friendly organisation atmosphere but very little 'work' is actually achieved.

9, 1 This manager is only concerned with production and arranges work in such a way that people interference is minimised.

5,5 This manager is able to balance the task in hand and motivate the people to achieve these tasks.

9,9 This manager integrates the two areas to foster working together and high production to produce true team leadership.

The grid assumes that leadership styles can be categorised into the two dimensions and that the results can be plotted on the grid. The position of team management is accepted as the best form of leadership. This may not be practical or indeed advisable. In many industries, concern for the task may be more important than concern for people, and vice versa and will always depend on the individual situation.

However, if the grid has relevance to leadership skills, it can provide the basis for training and for management development.

One way in which it could be useful is (for example) to support a 9, 1 leader with a 1,9 subordinate.)

QUESTION THREE

A traditional job description can only list or outline the tangible elements of a job. As work becomes more challenging, more information is required about the skills needed to perform that job. A person specification is of greater value in the service and professional sector, especially accounting, where it is inappropriate to assume repetition and where there is a greater degree of discretion in performing the task.

(a) (i) A person specification (sometimes also referred to as a personnel specification) provides the organisation with a profile of the kind of person that would match the needs of the post. It sets out in written detail the education, qualifications, training, experience, personal attributes and competencies a post holder must have to perform the task to the satisfaction of the organisation. It describes the person needed to fulfil the task.

(ii) The job description is based on information gathered from a job analysis and defines the position (i.e. the role) that has to be fulfilled. It is a statement of the component tasks, duties, objectives and standards and describes the purpose and relationships of the specific job together with the physical, social and economic factors which affect it. It describes the job to be done.

(b) The difference between a person specification and a job description is that a person specification sets out the qualities of an ideal candidate whereas a job description defines the duties and responsibilities of the job.

(c) The person specification may be used for a number of purposes:

  o In recruitment, to provide an illustration of the type of candidate sought prior to the selection stage.

  o In selection, the most obvious and popular use of this document, to assess whether an individual's personality, abilities and experience match the organisation's requirements.

  o For promotion, to evaluate whether an individual has the necessary ability and personality to move within the organisation.

  o In evaluation of performance to assess whether the person has demonstrated the necessary skills to do the job effectively.

QUESTION FOUR

Professional accountants, in their management role, need to understand and be familiar with current performance appraisal practices.

Overview:

Appraisal and evaluation of performance are increasingly being used in organisations especially in the service sector and the professions. Whilst not difficult to understand, these practices have their complications. It is important that professional accountants understand the technicalities and the issues involved.

(a) A performance appraisal system has benefits for the organisation, the line manager and the individual employee:

 The organisation benefits by having:

 o standard information about its employees

 o standard documentation to assist with recruitment, promotion and training

 o a facility to assist staff development

 o a means of planning accurately human resource needs

 o a system that provides motivation by making clear to employees what is expected of them

The line manager benefits by having:

o objective guidelines by which staff activity and effort can be assessed

o a better understanding of staff needs and aspirations

o a basis for improving relationships with staff

o an understanding with individual staff members, especially through the appraisal interview

The individual benefits by having:

o an opportunity (albeit in practice on a semi annual or annual basis) to discuss his work objectively with the manager

o performance can be objectively evaluated\

o a basis upon which training and development needs can be discussed

o relationships with the manager can be improved because of the communication mechanism built into the appraisal process

o clarification of duties and responsibilities

o a clear understanding of his or her role or position in the organisation

(b) Approaches to measurement used in appraisal systems are based either on an analysis of the whole job, or on the sub division of a job.

CLASSIFICATION:

Involves evaluating the whole job. Firstly, decisions are made on what grades there will be (A B C). Then a decision is made on where each job fits into the organisation. This method requires particular knowledge and is subjective.

FACTOR COMPARISON:

This method involves sub-dividing the job to be evaluated. Qualitative factors such as technical knowledge and responsibility are selected and given a financial value in pounds. Each factor in each job is then evaluated as a percentage of the financial value. A simple, unscientific method. Does not suit office type jobs.

POINTS RATING:

Probably the most scientific method. Different schemes involve either evaluation of the whole job or sub division of a job. Again, qualities required (skill, responsibility etc) are listed. Each job is divided into between eight and twelve such qualities. Points are allocated to each factor and added to give a total score. This is a flexible, reasonably fair, and most used system.

A derivative of this method is associated with HAY MSL. This is a form of points rating based scheme, but is based on three fundamental measurements ñ understanding, problem solving and accountability. Each is sub-divided in turn for points allocation along the lines of the points rating system.

Widely regarded as a fair and reasonably scientific system, the HAY system has been widely used for appraisal systems involving higher management.

QUESTION FIVE

The way in which a manager's duties are undertaken can significantly influence the satisfaction that employees derive from their work. In addition to technical skills, an understanding of human relations skills is required in motivating people.

(a) Content theories of motivation ask the question 'What are the things that motivate people?' They are sometimes called 'need theories' and assume that human beings have a set of needs or desired outcomes which can be satisfied through work. The theory focuses on what arouses, sustains and regulates good, directed behaviour. Content theories assume that everyone responds to motivating factors in the same way and that there is one best way to motivate everybody.

(b) Abraham Maslow's theory suggested that individuals have a hierarchy of personal needs which are identifiable, universally applicable and which can be satisfied in the workplace. Understanding this idea provides guidance to management as to the appropriateness of motivational techniques.

Maslow suggested that individuals have five needs which are arranged in hierarchical form:
1.   Self – actualization
2.   Esteem needs
3.   Social needs
4.   Safety needs
5.   Physiological needs

These needs are arranged in a hierarchy of importance and movement is upwards, from physiological needs to self actualization. Any individual will always want more, therefore each need must be satisfied before the next is sought. However, so far as motivation in the workplace is concerned, a satisfied need is no longer a motivator.

The theory is presented in the shape of a triangle, with physiological needs at its base and self-actualization at its apex. The triangle shape has a clear significance. As an individual moves up towards the apex, the needs thin out, illustrating that physiological needs are far greater than self-actualization needs. Thus the shape recognises that for many individuals, reaching social needs is often the highest need to be satisfied. More modern texts present the theory as a staircase; again with self actualization at the top. This second diagrammatic form reflects the application of the theory to more modern situations, where it can reasonably be assumed that those within the organisation have already achieved physiological and safety needs. For such individuals, social and esteem needs may well be greater.

Physiological needs are the basic survival needs ñ food and shelter, warmth, clothing.

Safety needs are the desire for security, order, certainty and predictability in life and freedom from threat.

These two so-called **'lower order needs'** dominate until satisfied.

Social needs are the gregarious needs of mankind, the need for friendship, relationships, affection.

Esteem needs are the desire for recognition and respect, often associated with status, especially in the modern world.

Self-actualization is the ultimate goal, the feeling that full potential has been achieved. Once this state is achieved the individual has fulfilled full personal potential.

Later work by Maslow has suggested that there are two additional needs; freedom of enquiry (free speech, justice) and knowledge (the need to explore and learn). These additional needs are a further development of social needs and recognise the changing nature of modern life.

The theory is based on the idea that the goals of the individual and the organisation can be integrated and that personal satisfaction can be achieved through the workplace. It also assumes that individuals will achieve self actualization through their role in assisting the organisation to achieve its objectives. Therefore work is the principle source of satisfaction.

(c) Although this theory has an intuitive obviousness in the way in which it describes human needs, it has many limitations.
- o individuals have different needs and not necessarily in the same order
- o it is simplistic in its approach; more modern theories of motivation recognise that the need for personal self fulfilment is extremely complex.
- o many individuals may seek to satisfy several needs at the same time
- o the same need can cause different reactions in different people
- o not all these needs are, or can be, satisfied through work ñ this is a major criticism of the idea
- o individuals are unlikely to seek or to reach the ultimate; many settle for less
- o taken literally, they can mislead management in its desire to motivate staff
- o job satisfaction does not equal improved work performance
- o what an individual seeks depends upon what he or she already has
- o ignores the dynamics of working with others in the workplace and therefore the modern concepts of teams

The theory does not recognise the demands of the organisational situation. Many organisations, as a consequence of their product, service, culture, structure, technology or environment, do not necessarily provide a suitable environment for self actualization.

QUESTION SIX

Understanding the problems of discipline in the employment situation are important management skills. Professional accountants often occupy a managerial position. Whilst a knowledge of motivation techniques is an important element in management, it is equally important to recognise the other side of motivation, that of discipline.

(a) Discipline is achieved in an organisation when organisational members behave sensibly and conduct themselves in accordance with standards of behaviour acceptable to the organisation's rules, goals and objectives.

Discipline may be positive. The employee is encouraged to conform to good practices and acceptable behaviour through for example training and by the presence and consistent application of rules and procedures.

Discipline on the other hand, may be negative. This is the situation where actions may be taken to ensure that the organisation's members behave in an appropriate way. Such actions include punishment, deterrent or reformative measures.

(b) Proper disciplinary procedures are essential for harmonious relationships between management and staff. They are also increasingly a legal requirement and are important in a litigious society. A six step approach to disciplinary actions is recommended.

The Informal Talk.
If the disciplinary matter is of a minor nature and the individual has had until this occasion a good record, then an informal meeting can often resolve the issue.

Reprimand or Oral Warning.
Here the manager draws the attention of the employee to unsatisfactory behaviour, a repeat of which could lead to formal disciplinary proceedings.

Official or Written Warning.
A written warning is a serious matter. It draws the attention of the offending employee to a serious breach of conduct and remains a recorded document on the employee's employment history. Such written documents can be used as evidence if further action is taken, especially dismissal.

Suspension or Lay-off.
If an offence is of a serious nature, if the employee has repeated an earlier offence or if there have been repeated problems then an employee may be suspended from work for a period of time without pay.

Demotion.
This is a situation where an employee is demoted to a lower salary or position level within an organisation. This is a very serious step to take and can be regarded as a form of internal dismissal. This course of action can have negative repercussions because the employee concerned will feel dissatisfied and such feelings can affect their own work and that of others.

Dismissal.
This is the ultimate disciplinary measure and should be used only in the most extreme cases. As with demotion, the dismissal of a staff member can lead to wider dissatisfaction amongst the employees.

Although a procedure is a legal requirement in some circumstances, the above is a recommendation which will vary in detail between organisations and countries.

QUESTION SEVEN

Recruitment of suitable staff is fundamental to organisational success. Too often the recruitment and provision of staff is treated as a secondary, unimportant activity. It is important therefore that a formal procedure exists to ensure that recruitment and selection is successful.

The Recruitment and Selection Plan
This needs to be an organised and systematic process aimed at matching the correct candidate to the post. It begins with the recognition of a vacancy or vacancies and should be based upon the requirements detailed in the human resource plan.
The recruitment and selection plan must follow a logical process and requires:

1. A Job Description:
This will specify the job content and the relevance of the vacancy to other posts. It must include the main duties and responsibilities of the postholder, the major tasks and limits to authority. It will also detail the job title, location and relationships with others in the organisation.

2. The Personnel (or Person) Specification:

This is often overlooked during the recruitment process, the assumption being that the job description suffices. The personnel specification identifies personal characteristics (as opposed to, for example, technical qualifications) such as physical attributes, aptitude, team approach, aspirations, intelligence, communication skills, personal disposition, experience and generally 'fitting in' to the organisation.

3. A Job Advertisement:

Most organisations will place an advertisement in an appropriate newspaper, professional journal or job centre. It is important to recognise that this advertisement must be targeted effectively and attractive to a potential employee, should include information about the vacancy (salary, work details, qualifications) and the organisation.

It may be the case that no advertisement is required because recruitment agencies or 'headhunters' are used. However, details along the lines of an advertisement would still be required.

4. Application Form:

These are an effective and efficient way of gathering information about candidates and a mechanism for comparison. The form has to be designed to be completed in a logical manner so that the correct information is provided. It must include questions on age, qualifications and experience. It must also reflect the vacancy and the culture of the organisation. For example, if the vacancy is in the caring professions, then questions might be asked about social interests and family background. Space should always be provided for the candidate to write about his or herself and the reasons why he or she is attracted to the vacancy. The application form allows early sifting of candidates.

5. The Interview:

This follows the sifting of the application forms. It is the most important stage in the process. It assess the candidate and for the candidate to learn more about the organisation. The interview process must have clear goals. It should aim to find the best person for the job, allow the candidate to understand what is expected of him or her and ensure that the candidate feels that he or she has been fairly and equitably treated.

The interview should be structured so that all candidates are put at ease, are asked the same questions and allowed the same opportunities to ask questions. A scoring system is sometimes adopted to ensure that some form of rational comparison is undertaken.

6. Selection Testing:

Is a scientific method of assessing a candidate's ability. These techniques are being widely used throughout business and industry and may include tests on intelligence, aptitude, proficiency and personality. They are however expensive to administer and may only be used for senior appointments.

7. Induction:

Often overlooked, the new employee should undertake a period of formal induction to familiarise his or herself with other staff, procedures, duties and safety requirements. This learning will of course continue on an informal basis throughout the individual's employment within the organisation.

8. Training:

It is often the case that new employees require both formal and informal training. To this end the employee's present level of ability and skills are determined and a training programme developed.

QUESTION EIGHT

Organisations employ people and different people have different views and attitudes. Conflict is an organisational reality and a phenomenon which needs to be understood and managed.

(a) Conflict can be defined as a process that begins when one individual perceives that another individual has had, or will have, a negative effect on something that the other individual cares about. Thus conflict is about perception. Put another way, conflict may be regarded as behaviour intended to obstruct the achievement of some other person's goals or objectives. Management and supervisors must understand that conflict exists in all organisations.

(b) Causes of conflict:
− departmentalisation and specialisation
− the nature of the work involved
− formal objectives diverge from the objectives actually being pursued by
− management or individual departments
− individual roles are unclear
− departmental and individual boundaries are unclear
− contractual relationships are unclear
− individuals undertaking simultaneous roles
− concealed objectives by management
− differences in perception as an individual's position in the organisation
− differences as to the perception of an individual's effort and output
− differences in individuals' perceived authority and importance

(c) Characteristics of conflict are:
− poor communication, remembering that communication may be vertical and horizontal
− departmental, team and individual rivalries
− departmental, team and individual jealousies
− inter-departmental disputes
− inter-personal disputes and arguments
− widespread arbitration and personnel department involvement
− inflexibility to change
− low morale
− frustration
− individuals' unwillingness to share information
− distorted information
− rigid application of, and adherence to, rules and procedures
− encouragement and use of the informal communication network
− concealed objectives; an individual or department may feel undervalued and follow other, self serving objectives
− territorial defence