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FOUNDATION EXAMINATION

Autumn 2005

BUSINESS MANAGEMENT

PAPER, SOLUTIONS

and

EXAMINERS REPORT

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The Institute of Accounting Technicians in Ireland

Foundation Examination : Autumn 2005

PAPER 3 : BUSINESS MANAGEMENT

Thursday 25th August 2005 - 9.30 a.m. to 12.30 p.m.

INSTRUCTIONS TO CANDIDATES

PLEASE READ CAREFULLY

Answer FIVE questions, including AT LEAST TWO from each Section. If more than the requisite number of questions are answered, then only the requisite number, in the order filed, will be corrected.

Candidates should allocate their time carefully.

Answers should be illustrated with examples, where appropriate.

Question 1 begins next page.

Answer FIVE questions, including AT LEAST TWO from each Section

SECTION A

QUESTION 1

- (a) Describe McClelland's theory of needs and explain how it differs from Maslow's hierarchy of needs. 10 Marks
- (b) Explain how the nature of planning differs by level of management. 6 Marks
- (c) "Plans are a pre-requisite for control" Do you agree? Give reasons in support of your answer. 4 Marks
- Total 20 Marks**

QUESTION 2

- (a) Describe the contingency theory of management and explain its importance. 10 Marks
- (b) Describe *two* advantages and *two* disadvantages associated with tall vertical organisational structures. 6 Marks
- (c) "The informal organisation frequently undermines the authority of the formal organisation" Do you agree? Give reasons in support of your answer. 4 Marks
- Total 20 Marks**

QUESTION 3

- (a) Describe *four* ways of handling conflict in organisational settings. 10 Marks
- (b) Describe *two* ways in which team norms develop. 6 Marks
- (c) Describe the action research model of change management. 4 Marks
- Total 20 Marks**

QUESTION 4

- (a) Contrast autocratic and democratic styles of leadership and describe when the use of each is appropriate. 10 Marks
- (b) Explain what is meant by "team cohesiveness". 6 Marks
- (c) "The Hawthorne experiments have little relevance to management today" Do you agree? Give reasons in support of your answer. 4 Marks
- Total 20 Marks**

Answer AT LEAST TWO questions from this Section

SECTION B

QUESTION 5

- (a) Identify and describe all four elements of the marketing mix for products. 10 Marks
- (b) Describe *three* benefits associated with employee appraisal. 6 Marks
- (c) Explain what is meant by the term "factoring" of debtors. 4 Marks
- Total 20 Marks**

QUESTION 6

- (a) Explain each of the following strategies in Ansoff's product-market growth model:
- (i) market penetration strategy.
 - (ii) market development strategy.
 - (iii) product development strategy.
 - (iv) diversification.
- 10 Marks
- (b) Describe *three* factors to be taken into consideration in evaluating training programmes. 6 Marks
- (c) Explain what is meant by the term "quality circles" and describe *two* reasons for their establishment. 4 Marks
- Total 20 Marks**

QUESTION 7

- (a) Identify and describe *four* roles of a public relations manager in a large organisation. 10 Marks
- (b) Describe a simple organisation chart for an IS/IT department. 6 Marks
- (c) Explain how IS/IT strategy may be important to corporate strategy. 4 Marks
- Total 20 Marks**

QUESTION 8

- (a) "Market research is an important phase of the enterprise process". Describe *five* issues you would expect it to address. 10 Marks
- (b) Describe *two* advantages and *two* disadvantages of debentures as a source of finance. 6 Marks
- (c) Explain the term "business ethics". 4 Marks
- Total 20 Marks**
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The Institute of Accounting Technicians in Ireland

Foundation Examination : Autumn 2005

SOLUTIONS TO PAPER 3

BUSINESS MANAGEMENT

Author : Mr Nathy Walsh, ACA

Solution to Question 1

Part A

McClelland proposed that people at work have three key needs that motivate their behaviour:

Need for Achievement

People who have a high desire for this need strive for personal achievement and endeavour to do things better or more efficiently. They like to experience a challenge and like to receive feedback so that they can evaluate their own performance.

Need for Power

Those who have a high need for power like to be in charge. They are primarily concerned with gaining influence over other people and control over information and resources.

Need for Affiliation

Those with a high need for affiliation desire to be liked and accepted by superiors and subordinates. They avoid conflict situations and are sensitive to the needs of others.

Maslow's Need Hierarchy theory states that human motivation is dependent on the desire to satisfy various levels of needs and that the type of behaviour results from the particular need to be fulfilled at a given time. According to Maslow, five basic needs exist in a hierarchy from lower level deficiency needs to higher growth level needs, as follows;

Physiological needs: These needs relate to the basic survival needs which allow for continued existence, such as food, water and adequate shelter.

Safety needs: These needs relate to physical and psychological safety from external threats to our well being,

such as the need for security and protection. These needs take effect when physiological needs have been met.

Social needs: This level of need relates to the need for company and companionship, and for a sense of personal belonging. These needs for personal contact and interaction with other people are triggered once physiological and safety needs have been met.

Esteem needs: This is the first level of growth needs, which relates to the need for a sense of self-esteem and a feeling of personal self-worth. They become salient once the first three levels of deficiency needs have been satisfied.

Self-actualisation needs: The final level in the hierarchy refers to the need for personal growth, and the development of one's full potential and capabilities. This need level is different from others in that such needs can rarely be fully satisfied or fulfilled. The more they are satisfied the stronger the needs become.

Unlike Maslow's theory, the needs in McClelland's theory do not have to be satisfied in any particular order. McClelland's theory proposes that people will hold a differing balance of these three needs. Some people will have a dominant need for power, some achievement and others affiliation. The intensity of each need will vary with each person. The theory can best be applied by matching people to jobs that best suit their individual needs. If someone is employed in a post that matches their need they are much more likely to be motivated.

Research has shown that people with a high need for:

Power: are more likely to be effective managers, since managing is concerned with influencing and controlling the performance of others. Moreover, the desire for control will result in these individuals seeking more senior managerial positions. However, the drawback is that their motivation for more personal power is at the expense of others or the goals of the organisation.

Achievement: are motivated by jobs that will give them individual responsibility, feedback on their performance and realistic achievable goals. They are highly suited to entrepreneurial activities like running a business or an autonomous department in an organisation. However their managerial skills may suffer from a lack of consideration of others and a focus upon their own performance as opposed to how their staff are doing.

Affiliation: may not make good managers as they could seek to avoid conflict and may be unwilling to take the unpopular stance that is sometimes required by managers. Alternatively, people with this need will be good at maintaining positive relationships with team members and will seek work that enables social interaction.

Part B

There are three levels of management – top, middle and lower which equate to senior, middle and front line managers.

Senior Management is concerned in the main with the strategic management, including the overall mission and direction of the organisation. Examples of strategic management are Chairpersons, Chief Executive Officers and Boards of Directors. They must formulate long-term goals and strategic decisions which will achieve these goals. Planning at this level is long term and strategic in nature.

Middle Management operate at the tactical level, in other words they translate strategic direction and organisational goals into achievable tactical objectives and activities. They are the link between the strategic level and the operational level. Examples of middle managers include Plant and Operations managers, Business Unit Managers etc. Planning at this level is focused at the individual unit level over the coming six to twelve months rather than the overall organisation over the next two to three years.

Front Line Management are responsible for directly supervising and managing employees involved in the day-to-day operation of the organisation, whether they are employed in production, marketing, finance or human resources. Planning at this level is likely to focus on the specific task over the coming days and weeks.

Part C

Organisational control is defined as the systematic process through which managers regulate organisational activities to make them consistent with the expectations established in plans, targets and standards of performance. To effectively control an organisation, managers and workers must plan and set performance standards, implement an information system that will provide knowledge of actual performance, and take action to correct deviations from standard.

In a perfect world management planning would take care of all contingencies. Once set in place a plan would not need to be monitored or adjusted. The real world is rarely as accommodating. It is important therefore to compare the actual performance of organisations with their pre-determined standards in order to see if and where goals are not being met, and to take corrective action where necessary. As a result managers are alerted to problems before they become critical.

Controlling is similar to planning in that the following questions are asked; Where are we now? Where do we want to go? How do we get there? The controlling process however takes place after planning action has been taken, and it provides feedback to staff, enabling corrective adjustments to be made to plans. From a controlling perspective plans and standards have to be attainable.

Solution to Question 2

Part A

A shortcoming of most traditional perspectives on management is that they assume a universalistic approach. This assumes that the solutions they put forward were applicable for all organisational types, regardless of size, type, industry or profit orientation. Conversely, the case study approach assumes that all business situations are entirely unique, and that models cannot be converted. The contingency theory of management is a body of managerial theory which merges both approaches.

The theory emphasises that there are certain patterns, contingencies and variables which exist in most business situations, and an analysis of these contingencies will assist managers in understanding what will or will not work in their particular situation. It examines the total situation in which the organisation finds itself, in its complexity and contingency.

According to contingency theory, the structure and operation of an organisation is dependent on the situational variables it faces, including the environment, technology and scale. In this theory, organisations are not viewed as closed systems; they are open and dependent on flows of personnel and resources from inside and outside.

The factors analysed in contingency theory are as follows:

- The rate of change and complexity of the external environment.
- The types of technology, tasks and resources used by the organisation.
- The internal strengths and weaknesses of the organisation.
- The values, skills and attitudes of the workforce.

Part B

The purpose of an organisational structure is to organise resources to accomplish organisational goals. Elements of structure such as chain of command, centralisation and decentralisation, formal authority, teams and co-ordination devices fit together to form an overall structural approach. In some organisations, the formal, vertical hierarchy is emphasised as the way to achieve organisational goals (e.g. Army).

An organisation structure with specialised tasks, strict hierarchy, centralised decision making and many levels of management is said to fall into the “tall vertical ” category.

In other organisations, decision-making is decentralised, cross-functional teams are implemented, and employees

are given greater freedom to pursue tasks as they see fit. In this type of organisation communication is horizontal and is facilitated through the use of task forces and teams. In this form of structure there are fewer layers of management and the organisation is said to fall into the “flat” category.

How does an organisation decide on whether to use a mechanistic (tight) or an organic (loose) structure? In general it is incorrect to state that one approach fits all circumstances. Different organisations require different types of structures. The structure needs to fit in with a variety of contingent factors such as:–

- Strategic goals.
- The business environment.
- Size of the organisation.
- Stage in product life cycle.
- Manufacturing and service technologies.
- Departmental interdependence.
- Geographic distribution.

For example, research has shown that firms operating in a dynamic environment need a flexible structure, while those in a more stable environment may adopt a more rigid structure.

Vertical structures provide clarity of purpose and responsibilities, an opportunity to specialise and a means to hold people accountable and a basis for clear lines of communication.

On the down side it can mean decisions may not be made quickly enough, by those closest to the coal face. It can burden senior managers with routine decision making and it can be de-motivating for ambitious employees.

Part C

Apart from the formal types of communication channels, informal communications exist within an organisation, and which can have both negative and positive effects on communication and organisational effectiveness. The key informal channels are referred to as the “grapevine”, which is defined as the unofficial communication system.

In formal terms, lateral communication takes the form of Committee Meetings, Department and Inter-Departmental Meetings and the distribution of written reports. However, informal channels can be important in their own right. For example, they were particularly evident in the setting of group norms in the Hawthorne experiments.

Chester Bernard identified four distinct functions of informal communication. These are:

1. To develop important personal influences in the group.
2. To promote self discipline of the group.
3. To communicate intangible facts, opinions, suggestions and suspicions.
4. To minimise excessive divergence of interests and views.

Depending on the nature of the networks and power structures in the organisation the informal organisation can present management with formidable challenges. It can stall and slow down their plans, it can act as a covert third force. However it would be incorrect to presume this is always negative. In some instances the informal organisation may be presenting a picture of “lived experience” that is worthy of greater managerial attention.

Solution to Question 3

Part A

There are many reasons for team conflict in organisations, some of which include;

Personality differences: A clash of personalities among team members can often create conflict. In many cases, the only action open to team leaders is to minimise the amount of interaction between these individuals at critical decision-making points.

Power and status differences: Where teams come together from various departments or from different levels of managerial status it may be the case that some individuals feel they have to exert their power and influence over other members in the team, and this can have a detrimental effect on performance.

Goal differences: Goal differences can be a source of conflict among teams created from various departments/functions or between competing teams in one department.

Communication breakdown: When there is a breakdown in effective information sharing or communication or when the goals or objectives of the group are misunderstood or misinterpreted due to poor communication, conflict can arise.

Unclear boundaries or responsibilities: When job boundaries are unclear, there may be tension between group members.

Scarce resources: As financial and human resources are nearly always scarce in organisations, team conflict can arise among teams made up of members of various departments or functions who have an inherited loyalty to their original grouping.

Each organisation's set of circumstances are unique and conflict in such circumstances resists classification and standardisation. However in dealing with situations of conflict managers tend to adopt five general styles that involve varying levels of assertion and co-operation:

Competing: This style is most effective during crises or when decisive action is required. It requires a very high level of assertiveness.

Avoiding: This is a neutral style which is most appropriate when the conflict issue is not a priority, when there is not adequate information available, or when there is no chance of immediate resolution of the problem.

Compromising: This involves an equal but moderate degree of assertiveness and cooperativeness. It is most useful when both sides of the conflict situation have valid arguments, when both sides have equal power or influence, or when a stop-gap solution is required to reach the next phase of team performance.

Accommodating: This is a highly co-operative style where group harmony is vital, where one side of the conflict situation is cornered and realises they are wrong.

Collaborating: This involves an equal but high degree of both assertiveness and cooperativeness which enables both sides of the conflict situation to win or not to lose, or when both sides have valid and equally important concerns.

Part B

Norms are acceptable standards of behaviour that are shared by team members. These are not written rules, but an informal shared understanding of how people in the team should behave. Team norms are important because they help maintain conformity. Team members generally conform with team norms, as they want to be accepted by the team. Therefore team norms set standards of behaviour that help reduce conflict and promote a more consistent way of doing things. This consistency allows for greater predictability in managing teams and their performance.

Norms may relate to:

Appearance : Your physical appearance and the impression you give to others.

Performance : The level of performance that is acceptable at work e.g. what constitutes a good days work?

Social matters : The social interaction in the team. e.g. do team members socialise or is socialising seen as a waste of time.

Resource matters : The allocation of resources within the team, e.g. how is work distributed, who gets new training opportunities, new office equipment etc.

Norms develop over time through:

Experience norms may develop as a result of previous experience.

Direction from managers and team leaders who are in a position to influence how the team will act.

Inherited Behaviour arising from experience of working in other teams and the standards of behaviour that were adopted in those circumstances.

Part C

The action research model of change management is based on the systematic collection of information and an analysis of it to determine the choice of action. A change agent (manager of change – either internal or from outside the business) will conduct the five steps involved.

1. Diagnosis

This involves a search to find what the problem is by gathering information, reviewing records and holding interviews with the parties involved.

2. Analysis

The information collected is examined to attempt to scope the shape of the problem areas.

3. Feedback

The findings from the analysis are feedback to those involved in the process (managers and employees) and they then have the opportunity to work with the change agent to determine a plan to overcome the problems.

5. Action

Based on the plan determined, the change agent, managers and employees now carry out specific activities to put the plan into action.

6. Evaluation

Evaluation is then undertaken to assess how successful the change plan was. The initial collection of information can be used as a benchmark to compare performance before and after the change.

There are two principal benefits to this approach. The first is that it centres on the problem and involves changes to correct the problem. This sounds obvious, however change may occur for other reasons, such as the trend in an industry, rather than to solve a problem in the business. Secondly, people are recognised as central to the successful management of change. Giving feedback convinces people of the need for change. Moreover participation means that change plans have a greater chance of success as resistance is reduced.

Solution to Question 4

Part A

The two most common styles of leadership are:

Autocratic leadership

This style involves making decisions without consultation, and can result in a high level of power being exercised by management over the actions of subordinates (e.g. through the direct issuing of orders etc.). Major characteristics in this instance would include decisiveness, dominance, aggressiveness, self-assurance and initiative. This style is most effective in emergencies where absolute trust in the leadership of the organisation is required.

Autocratic leadership is most prevalent in the military forces. Invariably motivation comes from fear and punishment, and in some cases is a result of intimidation.

It typically involves the close supervision of subordinates with the leader issuing precise and detailed instructions on every task undertaken. Its advantages include speedy decision making, ability to use rewards and sanctions to influence behaviour and clarity for employees on their roles.

It is an important form of leadership in situations that demand decisive action.

Democratic leadership

Working under democratic leadership employees are allowed to participate in the decision making process with managers. Progressive organisations have embraced this approach successfully. Managerial characteristics include flexibility, good communication skills, co-operation and openness.

It is a style of leadership that involves a considerable level of consultation between the leader and the group. It has the benefit of promoting ownership and a greater sense of identity with organisational endeavours. Rather than being passive receivers of instructions, employees are allowed the opportunity to more actively engage with charting organisational direction. They are given the opportunity to exercise a degree of autonomy, to influence events, to use their voice. It is felt that this approach enhances the organisation in a number of ways; it utilises workers skills and knowledge in solving problems, it broadens their responsibilities and makes work more interesting and empowers them to participate more actively in forward planning and decision making. On the down side, it can slow up decision making, it assumes workers are interested and capable of working without close supervision. Finally it can lead to a sense of pseudo participation, where workers may feel they are involved in minor operational matters but excluded from the major strategic discussions.

Part B

A team in an organisational context can be defined as a unit of two or more people who interact and co-ordinate activity to meet a particular organisational objective. It is important to note that a team is not a collection of talented individuals. They must share a collective vision, responsibility and entrepreneurship.

Team cohesiveness can be related to the strength of the bond between members of the team. If the team is cohesive, then members are motivated to achieve the team's goals and are enthusiastic about working with other people in the team.

Managing team cohesiveness and effectiveness is emerging as an important organisational phenomenon that brings together many aspects of management, from effective organisational structure to employee motivation, from management control to participative management. The focus on teams stems from the need for organisations to be flexible and responsive to customer requirements in an increasingly competitive business environment, while at the same time ensuring that management and staff work together to meet these changing needs.

Over the last number of decades there has been a fundamental movement away from a hierarchical and

adversarial management culture to one based on co-operative relationships in order to achieve a strong customer orientation, improved operation processes and an acceptance of the need for continuous improvement.

The effectiveness of a work team is highly dependent on the organisation in question, in terms of existing structure, changes in external business environment, the underlying culture, past, present and future strategy, and the reward/control systems within which teamwork is to be established.

Factors that help establish cohesiveness include; levels of interaction, sharing of common goals, participation, size, feedback and rewards for achieving challenging goals.

Part C

The Hawthorne experiments were held in Western Electric's Plant in Illinois. They involved tests designed to analyse the conditions under which productivity could be increased in line with Taylor's ideas. The researchers concluded that productivity seemed to go up regardless of the conditions under which staff worked. Their main finding which became known as the Hawthorne effect was the discovery that the workers involved in the experiment increased productivity simply because their needs were being catered for as part of an experiment.

They were consulted about their part in it, and made to feel special, a practice which became an integral part of the Human Relations perspective. Furthermore the study revealed the importance of informal dynamics / norms on group performance.

The relevance of these studies is reflected in the level of attention that is now given to the management of Human Resources in organisational settings. The Hawthorne Studies revealed the shortcomings in the traditional functionalist approaches of the era. The problems the study explored are however, still evident and important today.

Recent research in employee motivation, group dynamics, change management all present theories that assist us in obtaining a deeper understanding of the complex social reality of organisations that the Hawthorne experiments uncovered in their systematic study of life in the Western Electric Plant in Illinois in the late 1920's.

A complex reality that eludes simplistic reductionism. Just as the Hawthorne studies showed at the time.

Solution to Question 5

Part A

Most organisations define their Consumer Benefits Package within the **4P** parameter

Product.

Designing products of high quality and high-perceived value added to the consumer is a vital part of any business. Marketers must communicate with consumers and constantly adapt the products to changing market demands. Many factors have to be considered

- The range of products to satisfy the different segments of the market.
- The intangibles as well as the tangibles consumers evaluate when buying a product.
- Differentiation – how to promote the products distinguishing characteristics.
- Differences between consumer and industrial markets.
- Branding the bundles of benefits provided.

Price.

The main issues to be analysed are how price is to be used as a competitive tool, what are the determinants of price and what pricing methods and tactics marketers can use.

Price is a critical factor of the marketing mix, that is, it is the only factor that produces revenue. Many firms base their pricing policy on cost factors alone, and do not take into account the dynamics of the market. In the market a product may be successful at a certain price but not at another.

There are many factors, which determine the price of a product:

- Market structure.
- Economic conditions.
- Competitive conditions.
- Type of customer – disposable income bracket.
- Strategic objectives.
- Legal issues.
- Distribution channels.

Promotion

This relates to all communications with markets and consumers, including promotional activity, selling and sales, and marketing research. The design of effective product, pricing and delivery strategies are redundant if the communication strategy is not well designed or the selling and sales strategy are not integrated.

The key issues to be addressed within Promotion and Communications are as follows:

- Promotion and promotion mix.
- The Marketing Communications Process.
- Marketing Research.

Promotion is defined as “an attempt by marketers to persuade others to participate in an exchange with them”. The promotional mix is the combination of tools marketers use to promote their products and is made up of the following:

- Personal selling.
- Publicity.
- Public relations.
- Sales promotion.
- Advertising.
- Word of mouth.

Place

“Place” refers to distribution, the method by which the product leaves the manufacturer and reaches the final consumer.

| | | |
|--------------------|--------------------|--------------------|
| (Channel 1) | (Channel 2) | (Channel 3) |
| Manufacturer | Manufacturer | Manufacturer |
| | Wholesaler | Retailer |
| | Retailer | |
| Consumer | Consumer | Consumer |

Channel 1 is a short and direct channel of distribution. Internet shopping / Mail order is an example.

Channel 2 is the longest and most indirect method of distribution. It is associated with many consumer items, durable and non-durable.

Channel 3 is an indirect channel of distribution. An example would be a large supermarket, who buys directly from the manufacturer and sells directly to the consumer, cutting out the wholesaler.

Choice of distribution and location are vital for many firms, in particular retailing and restaurant concerns and financial services.

Part B

Appraisal is carried out to assess the employee's performance. It is a task requiring some degree of managerial judgement and this places considerable responsibility on the managers involved. It is important that appraisal be objective. To this end someone from outside the organisation who is qualified in the particular area would be ideal, though this may not always be possible.

Performance appraisal should help:

- Identify employee strengths and weaknesses.
- Enable employees to improve their performance.
- Highlight training needs.
- Benefit the manpower planning process.
- Motivate employees.
- Encourage employees to think about their career paths.

Systematic approaches tend to commence with the completion of an appropriate appraisal form by the manager of the employee concerned. This will be followed by an appraisal interview in which the manager discusses progress with the member of staff involved, based on the contents of the appraisal form. The result is some form of agreed action, either by the staff member alone, or jointly with his manager.

Part C

Factoring of debtors

Debtors factoring is a policy adopted by some companies for acquiring cash on the strength of their debtors' balances at a date earlier than credit terms would normally indicate. In conjunction with providing cash advances some factoring agencies offer sideline services such as accounting, book keeping and insurance against debt default. There are two main types of factoring:

- Confidential invoice factoring.
- Sales ledger factoring.

Confidential Invoice Factoring

Under this method of factoring, the buyer of goods is unaware of any third party being involved. The client forwards a copy of all sales invoices to the factorer. The factorer in turn advances monies on the strength of these invoices. This form of factoring requires the company itself to collect the debts and forward the cash, when collected to the factorer.

Sales Ledger Factoring

Under this method of factoring, the factorer becomes responsible for credit control and debt collection. If required, for an additional premium, the factorer will accept the risks involved pertaining to debt default.

Solution to Question 6

Part A

Product market strategies combine the strategic marketing objectives of the firm with the product element of the marketing mix.

In general four fundamental product market strategies are open to a firm, as follows:

Market penetration; the strategy employed by a firm seeking to extend the market share of an existing product in an existing market. This is commonly the strategy of established brands.

Market development; refers to the introduction of existing products into new markets. The marketing of Ballygowan in the UK would be an example of this strategy.

Product development; this strategy involves the introduction of new products into an existing market. The introduction of new brands of stout into the drinks market is an example.

Diversification; the introduction of wholly new or unrelated products into new markets, or the purchase of new firms in unrelated areas of business. (e.g. TESCO entering the Home Insurance market).

Part B

Once training has been carried out, it must be evaluated. This evaluation may be undertaken at a number of levels ranging from the immediate to long term results.

Training centred evaluation aims to assess the inputs to training i.e. whether we are using the correct methods of training.

Reaction centred evaluation, which is probably the most widely used approach, seeks to obtain and assess the reactions of trainees to the learning experiences they have been put through.

Learning centred evaluation seeks to measure the degree of learning that has been achieved. This is usually undertaken by testing trainees following their training, as in a driving test for example.

Job related evaluation is aimed at assessing the degree of behaviour change which has taken place on the job after returning from a period of training. It is a measure of learning which has applied in the workplace.

Organisation changes can be brought about by training, and here the evaluation is linked to an organisation's change programme.

Cost benefit evaluation attempts to compare the benefits with costs incurred.

Part C

Quality circles are generally comprised of small groups of people who meet and discuss issues on a regular basis. The normal issues for consideration would be quality, productivity and safety with the twofold purpose of:

- Identifying improvements to be made.
- Putting the improvements into effect.

Quality circles are a real attempt to delegate authority to employees of the company on the shop floor which not only involves such employees in suggesting improvements, but also in implementing their suggestions.

In an organisation membership of a quality circle is on a purely voluntary basis. Each quality circle would be expected to elect its own leader. The members of the circle would normally include a number of shop floor workers, together with a foreman or supervisor and some specialist assistance, such as engineers etc.

In normal circumstances, a quality circle may adopt the following approach to their work:

- Identify and clarify the problems which seem to exist at a local plant.
- Rank the identified problems in order of importance.
- Identify the problems that need to be solved.
- Establish a predetermined but realistic target for improvement.
- Establish a detailed plan and timetable.
- Put the plan to the management.
- Having achieved the agreement of management, implement and test the plan.
- As a result of testing, revise the plan and monitor results on an ongoing basis.

Benefits include:

- A greater awareness of shop floor problems by quality circle members.
- A greater confidence in tackling problems and generating solution on the part of members.
- Consequent improvement in productivity and / or quality.
- Significantly improved motivation on the shop floor.

Solution to Question 7

Part A

Most firms, and particularly the large firms, have become very conscious of their image and how the public, at large, sees them. In an effort to have good public relations, some firms have separate public relations departments headed by a public relations manager or officer (PRO). There are also a number of independent professional public relations consultants and agencies who handle public relations for various firms.

Public relations can be distinguished from advertising in that it is not paid for by the firm benefiting from it. A firm may benefit from publicity received for their products in newspaper articles, TV and radio discussion programmes etc.

The main aim of a public relations department is to establish and maintain a good impression of a company in the minds of the public. A good public image is essential to success. To do this the organisation must evaluate public attitudes and develop policies and procedures consistent with the public interest, and take steps to earn public understanding and acceptance. Activities include media relations, event management, exhibitions and conferences, community relations, sponsorship of personalities or events and crisis management.

Part B

The internal structure of IT Departments vary from organisation to organisation, but certain common features will be found. In particular, the following functions will tend to be common to most organisations. They will normally be managed separately within the IT structure.

Systems Development

This function is tasked with designing, developing or acquiring application systems for user departments. Staff in this function comprise; Systems Analysts, Programmers or System Engineers.

Technical / User Support

This function provides problem solving assistance to business users in relation to technology and / or applications being used. Staff working in this function are usually known as Support Technicians or Support Consultants. It is a vital role to have support available to address issues promptly, otherwise user confidence in IT systems may be quickly eroded.

Computer Operations

This function manages and operates computer facilities for the benefit of business units. It is usually found only in larger organisations with large computer centres holding mainframe or mid-range computer installations.

The usual job titles involved are: computer operator, shift leader etc.

Part C

The Information Systems strategy has been defined as the long-term directional plan for IS in an organisation. It is seen to be business led and demand driven, and is concerned with exploiting IT either to support business

strategies or create new strategic options. An IS strategy therefore deals with the integration of an organisation's information requirements and information systems planning, with its long term overall goals.

IS strategy is formulated at the level of business where specific user needs can be delineated. The systems strategy identifies what applications should be developed, and what resources should be deployed.

The key to formulating the systems strategy is an assessment of the information needs that can be satisfied by formal information systems.

It is important to realise that systems strategy will have to address not just requirements for new systems, but will also be concerned with managing the life cycle development of the systems already in use. The systems strategy will therefore have to address:

- a) New systems – to meet new business needs or opportunities.
- b) Improvements to existing systems – enhancements to those already in use.
- c) Replacement systems – systems to replace live systems that have become obsolete.

Senior management must assess the quality of IT Operations, and depending on how critical it is to the overall strategic mission of the firm they must be involved in determining its structure and service quality standards.

Solution to Question 8

Part A

Marketing Research is a managerial tool that marketers use to improve the effectiveness of all other marketing efforts. It is intrinsically linked to promotion in that it generally involves direct communication with markets and consumers. Marketing Analysis and Research is defined as the systematic gathering, recording and analysis of data about problems relating to the likely marketing of goods and services.

It enables the entrepreneur to determine whether there are people willing to buy their product or service. Essentially market research should cover the following areas:

Determine the market

Who are the customers? How many are there? Where are they located? Where do they buy? What price are they prepared to pay? Are the number of customers increasing or declining?

Analyse the competition

Strengths and weaknesses of the competition? What do they offer? For how much? Where do they sell? To whom?

Assess the environment

How will the economy affect your business? Are there any trends in society that may influence your product e.g. green issues etc.

Evaluate the resources required

How much capital will be required? How much working capital will be needed?

Develop an appropriate response

What strategies are likely to work best? Is the market sufficiently attractive to justify the investment and the risks involved?

Part B

Advantages

- Normally loans advanced are secured on the assets of the company.
- Interest payable is allowable for tax purposes.
- Debenture holders have no right to interfere in the management of the company.

Disadvantages

- Interest is required to be paid even if the company makes insufficient profits.
- Debentures may place restrictions on the company's future borrowing position.
- The company will normally pledge its fixed assets to the debenture holders as security.

Part C

Ethical concerns permeate every aspect of business activity. Core ethical values such as honesty and justice help to determine when other peoples rights are being undermined by our actions. Whenever there is a choice to be made between values, or a better or worse way of doing anything, an ethical judgement is involved. Many judgements and decisions about goals, standards and priorities are ethical, or have an ethical aspect. Trust, dependability and the sense that the organisation is pursuing proper ends and is accountable for its actions are foundations for sound business relationships.

Management make a vast range of decisions, such as hiring and firing, choosing suppliers, setting prices, allocating resources, determining dividends, disciplining workers, planning schedules and awarding contracts. All these decisions involve ethical choices. Even the most trivial decisions, and ones which appear to be made on purely technical or economic grounds, typically have ethical aspects. It is not just in the fringe areas of "do-gooding" that ethical issues occur, but throughout all of the business.

The real thorny business ethics issues are those where there is a genuine disagreement about what is right. Views may diverge because of unfamiliarity with the issues, or from a lack of analysis. More frequently, however, serious ethical issues arise because business people are faced with apparently incompatible objectives. When, for example, employees are exhorted to improve quality, but are rewarded politically and financially for sacrificing quality to cut costs, they can face a genuine moral dilemma.

In helping business to make informed decisions, business ethics is rather like management accounting. Of course, businesses can and do operate without management accounts. Small businesses often dispense with formal accounting systems altogether, and even large firms can survive in favourable circumstances ignorant of exactly how their costs arise, or which of their activities are profitable. That it is possible to operate blindly, however, this does not mean that it is sensible to do so. A business without management accounts suffers from a serious handicap: it lacks a fundamental management tool, as basic to directing business as a map is to navigation. Operating without such aids may be more adventurous, but it is unlikely to be as effective: it is easier to hit a target whose location and identity are known. Business ethics provides greater awareness of what is important in business activities, and can thus contribute to the long term well being of the entity and the stakeholders it serves.



EXAMINERS REPORT

BUSINESS MANAGEMENT

AUTUMN 2005

General Comment

Overall performance was good in this the third Autumn sitting of the new syllabus.

Question 1.

This was a popular question and attempted by over 80% of candidates. Overall it was well answered.

Part (a) A good proportion of candidates were able to describe McClelland's theory of needs. A number appeared to confuse it with McGregor's theory "X" and "Y". Whilst most candidates were able to explain Maslow's hierarchy of needs, the better candidates were able to tease out key differences between both theories.

Part (b) Exceptionally well answered.

Part (c) Generally very well answered with most candidates explaining the interdependency between planning and control, with better candidates highlighting categories of control that do not depend on plans etc.

Question 2

This question was attempted by 36% of candidates.

Part (a) A number of candidates confused the contingency theory of management with "developing contingency plans to cover various eventualities" (e.g. Plan B's).

Part (b) Very well answered.

Part (c) A number of candidate's answers did not reflect an appreciation of the complexity of the relationship between the informal and formal modes of organisation.

Question 3

Part (a) Quite well answered, even if a number of the answers were "home-spun" rather than embedded in related theories.

Part (b) A number of candidates drew on Tucker's theory of team development without specifying or describing how norms themselves develop.

Part (c) A number of candidates referred to Lewin's 3 step model of change management without explaining its connection with "Action Research".

Question 4

Part (a) on Autocratic and Democratic styles of leadership was very well answered with students using many interesting examples to illustrate their understanding.

Part (b) on “team cohesiveness” was exceptionally well answered.

Part (c) Most candidates gave surprisingly good answers to this part of the question. A small number missed the point altogether referring to the improvements in lighting since these studies were undertaken as the basis for their answer.

Question 5

The most popular question on the paper.

Part (a) Answers were very well developed by most candidates.

Part (b) Well answered by most candidates.

Part (c) A sizeable number of candidates confused debtors factoring with the preparation of a debtors aged analysis listing.

Question 6

Part (a) Most candidates did well here but a sizable number struggled to distinguish market penetration strategies from product development and market development strategies.

Part (b) Generally well answered.

Part (c) A number of candidates confused quality circles with quality mark symbols on products

Question 7

Part (a) A surprising number of candidates confused public relations with advertising and indeed human resource management.

Part (b) A wide range of configurations were presented as answers to this section.

Part (c) A number of candidates were unclear of the connections between Information Systems and Corporate Strategies.

Question 8

Part (a) Well answered with better candidates drawing on their understanding of marketing principles to illustrate the issues of relevance.

Part (b) Answers were disappointing.

Part (c) Generally well answered with most candidates demonstrating a solid understanding of ethics.

