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NEW SYLLABUS



FOUNDATION EXAMINATION

AUTUMN 2008

BUSINESS MANAGEMENT

PAPER, SOLUTIONS

and

EXAMINERS REPORT

NOTES TO USERS ABOUT THESE SOLUTIONS

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NEW SYLLABUS

The Institute of Accounting Technicians in Ireland

Foundation Examination : Autumn 2008

PAPER 3 : BUSINESS MANAGEMENT

Thursday 28th August 2008 - 9.30 a.m. to 12.30 p.m.

INSTRUCTIONS TO CANDIDATES

Answer FIVE questions, 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 and should note that 1 mark equates to 1.65 minutes.

Answers should be illustrated with examples, where appropriate.

Question 1 begins on the next page

SECTION A

QUESTION 1

- (a) Describe Maslow's theory of motivation. **10 Marks**
- (b) Comment on its relevance in today's business environment, making reference to organisations with which you are familiar. **6 Marks**
- (c) "Giving feedback may involve telling people things they do not necessarily want to hear." Briefly describe *two* steps you would take to ensure such feedback is communicated in a manner that is constructive rather than destructive. **4 Marks**
- Total 20 Marks**

QUESTION 2

- (a) Explain the term 'Strategic Planning' and outline how it should be undertaken. **10 Marks**
- (b) Your organisation, a fast growing health and fitness commercial organisation, with a number of centres in Dublin, is considering expanding nationwide. Explain why SWOT analysis might be important in the strategic evaluation of these plans. **6 Marks**
- (c) 'Teams are means to ends, not ends in themselves.' Do you agree? Give reasons in support of your answer. **4 Marks**
- Total 20 Marks**

QUESTION 3

- (a) Describe the Hawthorne experiments and the related Human Relations view of management and comment on its relevance in today's business environment. **10 Marks**
- (b) "Conflict is prevalent in many organisational environments." Describe *two* common approaches to managing organisational conflict. **6 Marks**
- (c) "Authority, responsibility and accountability are integral to the process of delegation." Do you agree? Give reasons in support of your answer. **4 Marks**
- Total 20 Marks**

QUESTION 4

- (a) Your Managing Director recently approached you to draft a report on the issue of "Change Management." Draft a *brief* report explaining the term, and *one* model of change management. **10 Marks**
- (b) Outline *three* common mistakes managers make when leading change initiatives. **6 Marks**
- (c) "The degree of competition in an industry is captured well in Porter's Five Forces model." Do you agree? Give reasons in support of your answer. **4 Marks**
- Total 20 Marks**

SECTION B

QUESTION 5

(a) A speaker at a marketing conference you attended recently made the following observations:

- (i) Markets are dynamic rather than static.
- (ii) They need to be continuously analysed.
- (iii) The segmentation process is fundamental to such analysis.

Explain the term “Market Segmentation” and describe *four* key market segmentation variables (bases), using examples where appropriate.

10 Marks

(b) Ansoff’s Product Market matrix offers *four* growth orientated marketing strategies. Briefly describe any *two* of these strategies, giving examples where appropriate.

6 Marks

(c) “There is little difference between transaction and relationship marketing”. Do you agree? Give reasons in support of your answer.

4 Marks

Total 20 Marks

QUESTION 6

(a) “Effective recruitment procedures are a prerequisite to the development of an effective workforce.” Briefly describe the main steps in the recruitment process for a new member of staff.

10 Marks

(b) The Human Resource manager in your organisation has requested that you prepare a set of guidelines for the conduct of staff in selection interviews. Briefly describe *three* factors that should be addressed by such guidelines.

6 Marks

(c) “Formal performance related pay systems should be in place at all levels in all organisations.” Do you agree? Give reasons in support of your answer.

4 Marks

Total 20 Marks

QUESTION 7

(a) Describe *two* different types of budgets organisations normally prepare and comment on their purpose and relevance.

10 Marks

(b) Your organisation expects to experience strain on its short term financial needs over the next few months. Describe the merits and limitations of *two* short term sources of finance that may help alleviate this strain.

6 Marks

(c) “Budgets have little motivational effect in organisations.” Do you agree? Give reasons in support of your answer.

4 Marks

Total 20 Marks

QUESTION 8

(a) “IS projects frequently run over budget and over time.”

Briefly describe three common causes of Information Systems (IS) project failure and explain how the adoption of a systematic approach to systems development might overcome many of these difficulties.

10 Marks

(b) Describe *three* major security controls that should be in place over IT / IS systems.

6 Marks

(c) “Information Technology and Information Systems have limited strategic significance in the modern business environment.” Do you agree? Give reasons in support of your answer.

4 Marks

Total 20 Marks





NEW SYLLABUS

The Institute of Accounting Technicians in Ireland

Foundation Examination : Autumn 2008

SOLUTIONS TO PAPER 3

Business Management

Author : Ms Celine McCartan FCA, MCIPD

Solution to question 1(a)

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;

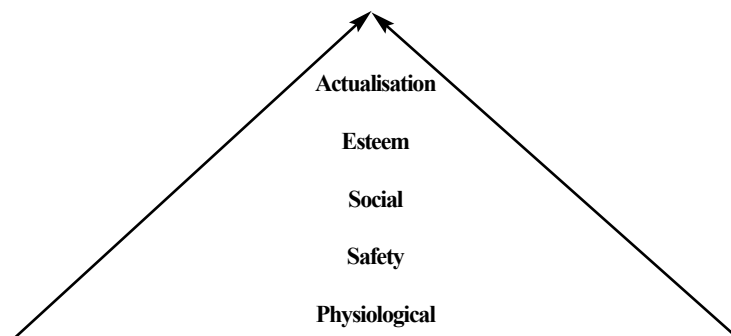
Physiological needs: These needs relate to the basic survival needs which allow for continued existence, such as food, water and adequate shelter.

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.



Solution to question 1(b)

Maslow's theory is a general theory not specifically designed for organizations. However it has relevance to understanding people's motives within organizational settings.

The theory is universalistic in nature. It assumes that people move from one level to the next. However in reality people may have a number of unfulfilled needs at a number of levels concurrently.

The theory does not reflect how the motivational process is played out. Different people may construct or perceive their needs differently. It does not reflect how expectancy and equity interact with people's needs and it makes no mention of the impact of people's perceptions of power differentials.

Overall the theory has wide application and most people can identify with its suppositions. It is valuable to managers in that it helps them to gain a deeper understanding of the variables at motivational play with different people in their organizations.

Solution to question 1(c)

Destructive feedback is disapproving without any intention of being helpful and almost always causes a negative or defensive reaction in the recipient.

By contrast, constructive feedback is intended to be helpful, corrective, and / or encouraging. It is aimed at correcting performance deficiencies and motivating employees.

For feedback to be constructive rather than destructive, it must be immediate, focused on specific behaviours and problem orientated.

Giving feedback does not give managers the right to personally attack workers. Though managers may be frustrated by a worker's poor performance, the point of problem-orientated feedback is to draw attention to the problem in a non judgmental way so that the employee has enough information to correct it.

Solution to question 2(a)

Strategic planning is the process of determining the major goals of the organisation, and of crafting the appropriate strategies for obtaining and using resources to achieve those goals. Senior management generally initiates it, but lower levels of management will be involved in information gathering and decision-making. The final product of this process is a Long Range (Strategic) Plan, which will stretch 3 to 5 years into the future.

Typically there are five stages in developing a strategic plan

- Developing a concept of the business and forming a vision of where the organisation needs to be headed, or giving it a mission.
- Translating the mission into specific long-range and short-range performance objectives.
- Crafting a strategy that fits the organisation's situation and that should produce the targeted performance.
- Implementing and executing the chosen strategy efficiently and effectively
- Evaluating performance and making adjustments to the objectives or strategy, or their implementation, in the light of changing conditions or new opportunities.

Effective strategic planning has to be based on a solid understanding of the causal relationships underpinning success in the markets the business is operating in and the factors underlying competitive success in those markets. Information on the nature of the industry, changes / developments taking place therein, the nature of the competitive forces at play, the position of the company in relation to these factors all underpin the process of strategic planning.

Solution to question 2(b)

SWOT analysis is an important part of strategic planning and involves addressing the following issues

- Defining current position and objectives: Is the organisation performing satisfactorily? Are there opportunities it should be pursuing or weaknesses it should be concerned about?
- External / Internal analysis: How will the organisation go about achieving its goals? What are the factors within and outside the organisation that might help or hinder its performance?
- Analysing gaps and matching capabilities: Does the organisation have the human and material resources to fulfill its objectives? Can it get them? Or are the objectives realistic?
- Once an appropriate SWOT analysis has been undertaken an organisation is in a position to devise strategies to counter threats and weaknesses and to capitalise on opportunities and strengths. This form of analysis of the current situation, allows organisations to determine the direction it should take? The resources it will need? And the tactics or parameters it should operate within to achieve its objectives?

In the context of the case presented the businesses strengths may be its existing reputation, expertise and experience. Opportunities may include the growing interest in health and fitness in the population. The wealth of the country means that many are prepared to pay for these up market facilities. On the other hand there is considerable competition in this field. Breaking into new markets is always difficult. (e.g. overcoming local allegiances and friendships etc.) The quality of the services, the range of equipment, services, prices, location etc will all be critical not to mention levels of competition, demographics and the culture of the locality. In addition the down turn in the state of the economy may impact the potential for growth in these areas in the short to medium term.

Solution to question 2(c)

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 the external business environment, the underlying culture, past, present and future strategy, and the reward/control systems within which teamwork is to be established.

Teams fulfill a number of functions in organisations. They tend to be established to fulfill specific ends. However they actually may become cohesive units that outlive their original purpose and in that sense they can take on a life of their own.

Solution to question 3(a)

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 3(b)

There are many reasons for team conflict in organisations, some of which may arise for the following reasons;

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 do not necessarily lend themselves to standardised cook book solutions. However when 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.

Solution to question 3(c)

Managers can exercise their authority directly by completing the tasks themselves, or they can choose to pass on some of their authority to subordinates. Delegation of authority is the assignment of direct authority and responsibility to a subordinate to complete tasks for which the manager is normally responsible. When a manager delegates work, three transfers occur.

First the manager transfers full responsibility for the assignment to the subordinate. Secondly delegation transfers authority to the subordinate over the resources to do the job. The third transfer that occurs with delegation is the transfer of accountability. The subordinate now has the authority and responsibility to do the job and is accountable for getting the job done. From the foregoing we can see that authority, responsibility and accountability are integral to the process of delegation.

Solution to question 4(a)

To: Managing Director

From: Joe Bloggs

Re: Change Management

Date : 28 August 20XX

I am pleased to take this opportunity to elaborate on the concept of change management.

Change is so pervasive in business today that a whole new branch of management theory has evolved, concerned with the management of change. Theorists of change management have used different strands of thinking in the social sciences concerned with how individuals and organisations react to change.

Common to most is the recognition of the need for phased strategies to unlock the inertia of the *status quo*, usually involving research, feedback and adjustments; Most models also emphasise the need for continuous monitoring of the results of the change process.

There may be resistance to change from organisations or individuals. Individuals may feel their working habits are being disrupted or that they are not being adequately compensated etc. Areas of the organisation may feel their expertise or power is being undermined or their needs are being ignored and so on.

A well managed change process should include a strategic picture of its aims, a coherent set of phases, the maximum involvement of those most closely affected, an emphasis on securing the commitment of everyone involved and perhaps a change in the behaviour of employees and in the culture of the organisation.

Organisations of the future are likely to be conducive to the flow of information and strategy from the bottom up as well as *vice versa*, and they may well be able to cope and even thrive on continuous change.

According to social psychologist, Kurt Lewin, change is a function of the forces that promote change and the opposing forces that slow or resist change. Change forces lead to differences in the form, quality, or condition of an organisation over time. By contrast resistance forces support the *status quo*, that is, the existing conditions and organisation.

Resistance to change is caused by self-interest, misunderstanding and distrust and a general intolerance for change. People resist change out of self-interest because they fear the change will cost or deprive them of something they value. For example, resistance to change might stem from a fear that the changes would result in a loss of pay, power, responsibility, or even perhaps one's job.

People also resist change because of misunderstanding and distrust; they don't understand the change or the reasons for it, or they distrust the people, typically management, behind the change. Resistance isn't always visible at first, however. In fact some of the strongest resisters may initially support changes in public nodding and smiling their agreement, but then ignore the changes in private. Management consultant, Michael Hammer, calls this deadly form of resistance the "kiss of yes".

Resistance may also come from a generally low tolerance to change. Some people are simply less capable of handling changes than others. People with a low tolerance to change feel threatened by the uncertainty associated with change and worried that if they won't be able to learn the new skills and behaviours needed to successfully negotiate the change in their companies. Because resistance to change is inevitable successful change efforts require careful management.

According to Kurt Lewin, managing organisational change is a basic process of unfreezing, change intervention, and refreezing. Unfreezing is getting the people affected by change to believe that the changes are needed. During the change intervention itself, workers and managers change their behaviour and work practices. Refreezing is supported by reinforcing the new changes so that they stick.

Given the choice between changing and not changing, most people would rather not change. Because resistance to change is natural and inevitable, managers need to unfreeze resistance to change to create successful change programmes. The following methods can be used to manage resistance to change; education, communication, participation, negotiation, top management support and coercion.

The above are some preliminary observations on the concept of change management in organizations. If you would like to discuss them further, please do not hesitate to contact me.

Solution to question 4(b)

The first two common errors tend to occur during the unfreezing phase, when managers must try to get people affected by change to believe the changes are really needed. The first and potentially more serious error is not establishing a great enough sense of urgency. People will feel a greater sense of urgency if the leader in the company makes a public, candid assessment of the company's problems and weaknesses.

The second mistake that occurs in the unfreezing process is not creating a powerful enough coalition. Change often starts with one or two people but to build enough momentum to change an entire department, division or company, change has to be supported by a critical and growing group of people. It is recommended that key employees, managers, board members, customers and even union leaders be members of a core change coalition which guides and support organisational change.

The next four errors that managers typically make arise during the change phase, (when a change intervention is used are to try to get workers and managers to change their behaviour and work practices).

Lacking a vision for a change is a significant error at this point. A vision is a statement of the company's purpose of reason for existing. A vision for change makes clear where the company or department is headed and why the changes are occurring. Change efforts that lack of vision tend to be confused, chaotic and contradictory. By contrast, change efforts guided by visions which are clear and easy to understand can be effectively explained in five minutes.

Under communicating the vision for change is another mistake in the change phase. Companies mistakenly hold just one meeting to announce the vision. Or if the new vision receives heavy emphasis in the executive speech, senior management then undercuts the vision by behaving in ways contrary to it. The successful communication of the vision requires that top managers link everything the company does to the new vision and that they will "walk the talk" by behaving in ways consistent with the vision.

Furthermore, even companies that begin change with a clear vision sometimes make the mistake of not removing obstacles to the new vision. They leave formidable barriers to change in place by failing to redesign jobs, pay plans, and technology to support the new way of doing things.

Another error in the change phase is not systematically planning for and creating short term wins. Most people don't have the discipline and patience to wait two years to see if the new change effort works. Change is threatening and uncomfortable, so people need to see an immediate payoff if they are to continue to support it.

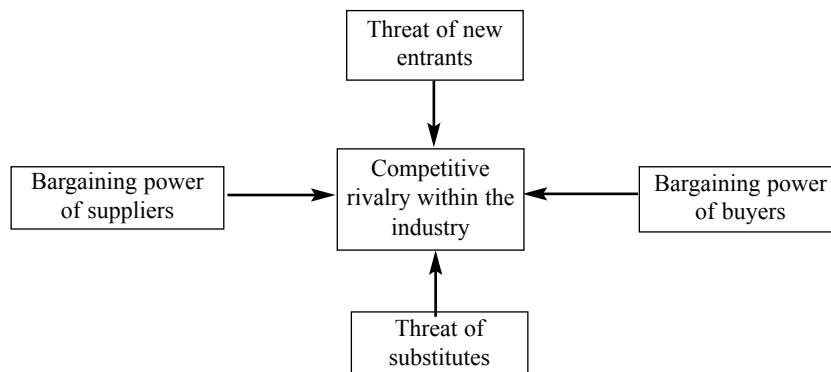
The last two errors that managers make typically arise during the refreezing phase when attempts are made to support and reinforce changes so that they "stick". Declaring victory too soon is a tempting mistake in the refreezing phase. Managers typically declare clear victory right after the first large-scale success in the change process. The last mistake that managers make is not anchoring changes in the Corporation's culture. An organisation's culture is the set of key values, beliefs and attitudes shared by organisational members that determines the "accepted way of doing things" in a company.

With the fast changing business environment of today, change management is more important than ever before.

Solution to question 4(c)

Porter identified five forces that assist the organisation in analysing the intensity of competition, profitability and attractiveness of an industry.

Understanding these forces gives managers the necessary insights to facilitate them to develop relevant strategies to be successful in their market. The five forces are:



Threat of new entrants

The more uncomplicated it is for new companies to enter the industry, the more aggressive the competition will be. Factors that can limit the threat of new entrants are known as barriers to entry. Some examples include:

- Existing loyalty to major brands
- Incentives for using a major brand
- High fixed costs
- Scarcity of resources
- High cost of switching brands / companies
- Government restrictions or legislation

Power of Suppliers

This focuses on the amount of pressure suppliers can place on a business entity. If one supplier has a large enough impact to affect a company's margins and volumes, then it holds considerable power. Reasons that suppliers might have this power include:

- Few suppliers of a particular product exist
- No substitute products are available
- Switching to another competitive product is costly
- The product is very important to buyers
- The supplying industry has a higher profitability than the buying industry

Power of Buyers

This relates to the amount of pressure customers can place on a business. If one customer has a large enough purchasing power to affect a company's margins and volumes, then the customer holds considerable power. Reasons that customers might have this power include:

- Small number of buyers exist
- These buyers purchase large volumes of the product
- Switching to another competing product is simple
- The product is not important to buyers; they can do without the product for a period of time
- Customers are price sensitive

Availability of substitutes

If the cost of switching to competitive products is low, then brand switching could be a serious threat. Factors that can affect the threat of substitutes include:

- if substitutes are similar, it can be viewed in the same light as a new entrant
- if the substitutes are perceived to have the same benefits
- if significant price differentials emerge and
- if products are equally available and accessible

Competitive rivalry

This depicts the intensity of competition between existing firms within an industry. Companies that are highly competitive generally earn low returns because the cost of competition is high. A highly competitive market may result from:

- Players within an industry that are similar in size; there is no dominant firm
- Little differentiation between competitor's products and services
- A mature industry with very little growth; companies can only grow by encouraging customers to switch from competitors.

From the foregoing we can see that the variables in the model are intuitively relevant to the nature of competition in most industries and therefore that the assertion in the question has validity.

Solution to question 5(a)

Market segmentation consists of breaking the total market into segments that share common properties, such as the common wants of consumers, or their purchasing power, geographical location, or buying attitudes or practices. The ultimate degree of marketing is customised marketing where sellers design a separate product for individual buyers. Airline manufacturers such as Boeing customise products. However for smaller businesses it is not profitable to customise products at the individual level, so manufacturers identify classes of buyers who differ in their broad requirements or marketing responses.

The criteria used to segment a market can include;

- Age range - 18 to 30
- Gender - male or female
- Location - urban, rural, national or international
- Family life cycle - single, married no children, married young children, etc.
- Socio- economic status - professional, managerial, skilled workers, unskilled etc.

Solution to question 5(b)

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.

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.

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.

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's entering the Home Insurance market).

Solution to question 5(c)

Relationship marketing is a customer-centric strategy with the goal of maximising profitability, revenue and customer satisfaction. It involves building and maintaining profitable customer relationships by delivering enhanced customer value and satisfaction. Customers perceive "value" when they evaluate the difference between all the benefits and all the costs of a marketing offer. Customer satisfaction depends on the products' perceived performance relative to a buyer's expectations. The key is to match customer expectations with company performance.

In this regard companies should strive to institute customer loyalty and retention programmes in order to build relationships. These include:

1. Offering financial benefits, such as frequency programmes which can include air-miles, loyalty cards or money off vouchers
2. Offering social benefits, such as club marketing programmes
3. Offering structural ties such as offering free printers with computers or free CD's with newspapers

Transactional marketing delivers the rational and functional basic components of value delivery. This type of marketing generates passive, transitory, and reactive relationships with the customer and tends to be short term in nature.

The characteristics of each approach may be summarised below:

Characteristic	Transactional Marketing	Relationship Marketing
1. Time orientation	Short Term	Long Term
2. Organisational goal	Make the Sale	Retain the Customer
3. Customer Service Priority	Relatively low	Key Component
4. Customer Contact	Low to moderate	Frequent
5. Degree of Customer Commitment	Low	High
6. Buyer - Seller Interactions	Conflict & Manipulation	Co-operation & Trust
7. Source of Quality	Primarily from Production	Company-wide commitment

From the foregoing it is clear that there are significant differences between relationship marketing and transaction marketing.

Solution to question 6(a)

Employee recruitment is the process of obtaining a sufficient number of the right people at the right time to best meet the needs of the organisation. It involves finding, hiring and holding onto people who can satisfy the technical, educational and social needs of the organisation. Recruitment relies on a number of sources, including internal promotions, advertisements, employment agencies, management consultants, and so on. The process is comprised of a number of distinct stages

1. Manpower planning / Needs analysis
2. Job description - responsibilities defined
3. Attributes & aptitudes required
4. Conditions established - terms and conditions
5. Job advertisement drawn up
6. Advertised internally
7. Advertised externally
8. Short listing
9. Interview and other selection procedures
10. Offer made
11. If accepted unsuccessful candidates notified
12. Induction and training

A short description of a selection of stages is set out below.

Need Analysis

This stage of the process is concerned with estimating the quantity and quality of human resources required to meet the objectives of the organisation. It is based on a thorough understanding of organisations strategy and its implications for the workforce, planned technological changes, a detailed inventory of employee characteristics (age, sex, marital status, tenure, skill level, qualifications, promotion potential and performance levels) and attrition rate.

Job Description

This involves specifying the job and what the job demands in terms of employee behaviour. It is a statement of the main tasks of the job. It is clearly an important aspect of the background stage of recruitment, because the ideal individual is derived from the contents of the job description. If an inaccurate job description is prepared, then the individual characteristics subsequently specified may also be inaccurate or inappropriate.

Attribute and Aptitudes required

They may also be called the person specification. It details the skills, qualification, knowledge and experience the individual should possess in order to best match the job. The person specification may often distinguish between those characteristics considered essential and those considered desirable. Among the things it might take account of are:

- attainments, education/ qualifications / experience
- general intelligence
- special aptitudes
- interests
- motivation
- adjustment

Advertising

Equipped with a job description and a person specification, the task now becomes one of attracting a pool of potential candidates. In considering possible sources of labour, we must consider internal and external sources. Internal sources may come from transfers or promotions. Potential external sources include colleges, Institute's of Technology, Universities, employment agencies and management consultancies and executive search agencies.

Each of these sources should be evaluated, particularly with respect to their suitability to yield the right candidate, and costs involved.

Selection

The selection process effectively begins when application forms / CV's are received. Selection tools available to organisations range from the more traditional methods of interviews and references, through to the more sophisticated techniques, such as biographical data, aptitude tests and psychological tests.

The interview is widely held to be the most commonly used selection technique. Often described as a conversation with the purpose, it may take a number of different forms. The three most common types are one-to-one interviews, panel interviews and group interviews / assessment.

Solution to question 6(b)

A variety of factors influence the selection decision. Before any criteria may be set, those involved need to have a clear understanding of the nature and purpose of the position to be filled. This entails developing answers to the following questions, what has to be done in this job? How is it done? What background, knowledge, attitudes and skills are required for a job of this nature?

In selecting candidates for a new position, I would consider the following factors

1. *Previous experience*; Preferably candidates have a proven track record in a comparable environment. (e.g. direct experience in the areas in question in the same industry or the potential to progress quickly).
2. *Professional and academic qualifications*: Ideally they will possess qualifications appropriate to the role
3. *Degree of fit*; Ideally they will achieve an appropriate match or fit with the environment and the job. (e.g. the candidate is not over qualified or currently earning a substantially higher salary etc)
4. *Personal traits*; Ideally the candidate has appropriate personal and managerial characteristics. (e.g. evidence of honesty, commitment and integrity)
5. *Achievement*; Ideally the candidate has demonstrated achievement in work and other areas (e.g. has demonstrated evidence that he is a self starter, shown initiative, is a good finisher of work etc.)

In developing guidelines for the conduct of interviews considerable attention needs to be given to ensuring

- candidates are unfairly discriminated against on the grounds of age, gender, ethnicity etc
- candidates need to be treated fairly and with due respect and consideration
- candidates must not be misled or misinformed
- due consideration needs to be given to the line of questioning and practical arrangements for the interview

Solution to question 6(c)

Systematic approaches to appraisal 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

Some of the problems associated with appraisals can be avoided by accurately measuring job performance and effectively sharing performance feedback information with employees. One way to minimise rating errors is to use better appraisal measures, such as objective measures of performance or behavioural observation scales. Another is to increase the training to those involved.

Linking pay to performance makes intuitive sense and where it is feasible to implement such systems clearly it has many merits. It is likely to motivate employees, provide clear connections between results and rewards.

But the challenges to the introduction of such systems should not be ignored. They tend to work best where work is repetitive and standardized. Where outcomes are intangible or difficult to measure the system may cause more difficulties than it resolves (e.g. disputes about entitlements, equity, favouritism, lack of cooperation etc.).

Overall I would disagree that it should be introduced at all levels in all organizations.

Solution to question 7(a)

A budget is a financial or quantitative plan of operations prepared, negotiated and approved prior to a defined period of time. Budgets for organisations serve a number of objectives. They:

- aid the planning of operations
- co-ordinate the activities of the various parts of the organisation and ensure that the parts are in harmony with each other
- communicate plans to the managers of responsibility centres
- motivate managers to strive to achieve the organisational goals
- control activities
- evaluate the performance of managers.

Stages in the Budgeting Process - The important stages are:

- communication of details of budget policy and guidelines to the people responsible for the preparation of budgets
- initial preparation of various budgets
- negotiation of budgets with superiors
- co-ordination and review of budgets
- final acceptance of budgets
- ongoing review of budgets.

APPROACHES TO BUDGETING

Incremental Budgeting

An incremental approach to budgeting concentrates on the marginal change from one period to another. The current year's estimates of expenditure and income are used as the starting point for next year's budget. Obviously, new activities will be incorporated in the new budget but the main weakness of this approach is its failure to critically appraise the larger components of expenditure and to justify continued funding support. A counter argument could be put forward that a substantial part of the activities are mandatory or statutorily required and there is no merit in undertaking a costly justification of the expenditure.

Zero Based Budgeting

Zero based budgeting (ZBB) is the preparation of budgets from a zero base and involves starting from scratch and building up a budget from knowledge of the planned activities for the coming period. Nothing within the budget is sacrosanct and this approach is radically different from incrementalism.

Fixed and Flexible Budgets

A fixed budget is based on a certain level of activity. As such, all costs are related to this level of activity and if the activity level changes, cost control can be problematic.

A flexible budget, by comparison, shows different levels of activities and costs allowing the budget to be "flexed" to actual activity levels. Flexible budgets recognise the behavioural patterns of costs and are useful for planning and control purposes.

TYPES OF BUDGETS

Revenue and Capital Budgets

Organisations prepare both revenue and capital budgets for specific periods.

Revenue expenditure is expenditure upon items whose value is used up immediately or during the year.

Capital expenditure is expenditure incurred on the acquisition of some object of lasting value to the organisation, usually described as an asset. This asset will contribute value to the organisation over a period of years.

Cash Budgets

To ensure the continued financial survival of organisations, the activities must generate sufficient cash to cover all expenses.

Cash budgeting and cash management are equally applicable to the not for profit sector and the private sector as managers must ensure the provision and delivery of services by having sufficient funds available for that purpose.

Cash budgets can be weekly or monthly and the steps in preparation will include:

- estimating cash receipts for the period
- establishing cash payments to staff and suppliers
- negotiation of maximum overdraft facilities.

Solution to question 7(b)

Bank Borrowings

Commercial banks extend short-term facilities mainly in the form of overdraft arrangements. Generally commercial banks reserve the right to cancel overdraft facilities at short notice. In practice it is probably not to the banks advantage to pursue this policy to the letter, as they might needlessly force the borrower into financial difficulties.

Utilising bank facilities in a proper manner will ensure the maintenance of a flexible and comparatively cheap source of finance. Bank borrowings are flexible in that interest is only payable on the amount outstanding and not on a fixed advanced sum as is the case with the borrowings from other financial institutions. Bank borrowings are also comparatively cheaper than long-term loans due to the fact that the risk involved is smaller given that the lending period is shorter.

The security required by banks differs depending on the risks involved. They might require personal guarantees in the case of a private company or, alternatively, floating or fixed charges on the assets of the company, or indeed, both.

Bank lending rates are normally set one to two percent above the bank rate. Bank lending rates can therefore fluctuate upwards or downwards during the period in which the monies are advanced. This can be an advantage or a disadvantage depending on the direction of the change when compared to other forms of advances made by financial institutions at fixed interest rates.

Trade Credit Taken

Those companies experiencing difficulties in acquiring bank-borrowing facilities will, if possible, take greater credit by delaying payments to the suppliers of their goods and services. However, this is not to say that companies can use this form of finance recklessly. There are certain costs involved. Normally companies supplying goods will offer a discount for prompt settlement of invoices, e.g. 1% if settlement is made within one month of the date of the invoice of the goods. 1% per month is equal to a cost of 13.7% p.a. In periods of low interest rates this form of finance is the most expensive. In times of low interest rates there is more incentive to settle accounts with creditors within the credit period allotted.

A company can only use this source of finance to a certain degree as misuse of credit facilities offered, in the long run, may result in suppliers refusing to supply the goods or services required. This can be a critical factor with companies that rely heavily on a limited number of suppliers.

Solution to question 7(c)

Budgets are frequently used not only to maintain financial control but to influence human behaviour and to motivate employees to achieve organisational goals. The extent to which budgets act as a motivating device largely depends on the manner in which they are used. If difficult budgets are set, adverse variances are likely to occur, and it is important that the performance reports are not used as a punitive control device by management.

Whilst it is important to monitor financial progress through budgets, astute managers know that a wide range of factors need to be managed on a day to day basis if the organisation is to deliver the products and services that generate competitive advantage and lead to success.

A wide range of non-financial mechanisms may be equally as relevant as budgets, such as;

- Customer surveys and feedback forms
- Marketing information - Market share etc
- Staff Surveys
- Competitor analyses
- Benchmarking information
- Functional Audits - On the use of IT
- Project Management and Control

Budgets are ex-post measures. Many of the above mechanisms focus on the "determinants of success" which are critically important in organisations.

Notwithstanding the importance of budgets, they should be complimented by other mechanisms, in assessing performance and motivating employees and managers.

Solution to question 8(a)

In general projects differ from ongoing operations in that they have a defined beginning and end, have resources specifically allocated to them, occur only once, and follow a plan towards a clear intended end-result.

All projects share similar features and follow a similar process. This has led to the development of project management tools and techniques that can be applied to all projects no matter how diverse.

Project managers require a wide range of skills; including leadership and team building, organisational ability, communication skills, (written, spoken, presentations, meetings) some technical knowledge of the project areas and interpersonal skills.

Projects fail for a variety of reasons; unproven technologies, changing client specifications, politics and poor project management - over optimism, over promotion of technical staff, poor planning and poor control.

IT projects are particularly prone to the above weaknesses. In many cases user requirements may be unclear or poorly defined, the technology may be new, it may not interact with existing systems and it may be costly to amend at a later stage.

While project success is to a large extent influenced by people management (the team members selected and the development of group cohesiveness etc.) it is still one facet of the project manager's responsibilities. Ultimately the objective of project management is a successful project, that is, that the project has been completed at the specified level of quality, on time and within budget.

A wide range of resources and skills are drawn on to ensure that all the work that was specified has been done and all the deliverables have in fact been delivered. Traditionally, the activities necessary to produce and deliver information systems have been characterised as a series of steps called the systems lifecycle. Steps in the life cycle include;

- Design, which consists of the definition of functions and relevant technologies
- Construction, entailing detailed design, programming and testing (alternatively the system can be purchased)
- Testing and implementation, involving the integration of the system into the organisation, the redesign of processes and any necessary reorganisation
- Operation, which consists of the execution of processes, and the continuous, training of staff to exploit the system,
- Maintenance, the upgrade of technology, and the adaptation of the system to changing requirements

Design

The object of the design step is to produce a specification of the information service required. This includes identification of the users, the initial tasks to be implemented, and the type of service and support to be provided. Traditionally, the process initiated by either a user request or a joint IT department / user proposal based on the IT plan.

Design normally begins with a feasibility analysis that provides a high level snap shot of the potential costs and benefits of the proposed system and the technical / organisational feasibility of the project.

If the results of the analysis are favourable an explicit decision is made to proceed, this is followed by substantive collaborative work by a team of users, IT professionals, and experts to develop a working approach to, and set of specifications for the design.

Construction

MIS is a highly specialised activity that combines both art and logic. Systems construction involves selecting appropriate computer equipment and creating/ buying the specific computer programs that are needed to meet system requirements. Even the best designs require numerous interdependent decisions. Large project teams must co-ordinate closely to ensure that the system components will work together flawlessly.

Testing and Implementation

Implementation involves extensive User-IT co-ordination as the transition is made from the predominantly technical, IT-driven task of construction to the user-driven management of the completed system. Whether the system is bought or made, the implementation phase is very much a joint effort. Extensive testing, which disrupts normal business operations, must be performed; training is required, work procedures and communication patterns likewise are affected.

It is essential to the realisation of the benefits of the new system that these changes are carefully managed.

Operations

In many systems formal procedures are in place that specify that operating personnel must "sign-off" on a new system. The specific criteria for testing and approval are defined as part of the system design phase. This control mechanism distributes responsibility and authority for systems development and serves as an important quality-control mechanism.

After the system is built and installed, measures must be developed to assess actual service delivery, and its cost effectiveness and quality. While many believe "post-implementation audits" are inadequate for all systems projects. In recent times increasing attention is being focused on the lack of control of end-user developed systems.

Solution to question 8(b)

One of the most important topics related to IT operations is how much security is necessary for protecting the site and how much actually exists. Perfect security is unattainable at any price; however different types and levels of security are appropriate for different types of organisation.

A number of steps can be taken within a single site, ranging from limiting physical access to sensitive areas and installing complex, encrypted codes to deny entry to data to unauthorised personnel etc. Other procedures one would expect are back up procedures, disaster recovery plans, effective virus protection and password procedures. In addition to the foregoing issues such as the capacity of the computer hardware in terms of the workloads to be supported need to be considered along with normal day to day matters such as processing capabilities, network management, file and database management and the effectiveness of general operational procedures. In addition to the foregoing effective security controls need to be built into systems at the design stage. These include programmed general and application controls.

Effective controls over the transmission of data and the storage of vital information in light of privacy laws and potential attacks on the system are vital. Security controls therefore need to be reviewed and monitored on an ongoing basis.

Solution to question 8(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 to 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



NEW SYLLABUS

EXAMINERS REPORT

Business Management

Autumn 2008

	Autumn 2008			Autumn 2007			Autumn 2006		
Number of candidates	192			251			242		
% obtaining 50 or more	72%			59%			63%		
Average marks	52			50			50		
Question	1	2	3	4	5	6	7	8	
No. Attempting	169	158	113	72	100	153	104	55	
Marks available	20	20	20	20	20	20	20	20	
Average marks	11.37	11.03	10.96	9.45	9.99	10.86	10.76	10.80	

General comment

Overall performance was good in this autumn sitting.

Question 1

This was a popular question and attempted by over 88% of candidates. Overall it was well answered

Part (a) A good proportion of candidates provided excellent descriptions of Maslow's theory of motivation. A small number confused it with other theories (e.g. Mc Gregor's theory "X" and "Y" etc.).

Part (b) Very well answered with most candidates demonstrating a solid understanding of its relevance in the work place

Part (c) Confused with general forms of communication by a number of candidates. (e.g. horizontal, vertical etc.) Failure to deal adequately with the scenario presented

Question 2

This question was a popular question.

Part (a) Was well answered by the majority of candidates.

Part (b) Many candidates understood the concept of SWOT analysis but failed to relate it to the scenario presented

Part (c) A good understanding of the different roles fulfilled by teams was demonstrated

Question 3

- Part (a)** Exceptionally well answered. The majority of candidates demonstrated a deep understanding of experiments and their relevance
- Part (b)** A sound understanding of the common approaches for managing conflict was demonstrated.
- Part (c)** A number of candidates were unclear of the inter-relationships between these concepts and the processes of delegation

Question 4

- Part (a)** Generally very well answered
- Part (b)** On “common mistakes in leading change initiatives” was well answered
- Part (c)** Answers were disappointing in this area

Question 5

A popular question

- Part (a)** Answers were very well developed by most candidates.
- Part (b)** A sizeable number of candidates struggled with this part
- Part (c)** Was very well answered

Question 6

- Part (a)** Most candidates demonstrated a full and complete understanding of the stages involved.
- Part (b)** Generally well answered
- Part (c)** A number of candidates supported the claim without recognising some of the challenges involved

Question 7

- Part (a)** Well developed by most candidates
- Part (b)** Some students are still confusing long term sources (e.g. raising share capital) with short term sources.
- Part (c)** There were some excellent answers to this part

Question 8

- Part (a)** Well answered with better candidates identifying common causes but showing how systematic approaches alleviate them
- Part (b)** Well answered by most candidates
- Part (c)** A number of candidates were unclear of the connections between Information Systems and Corporate Strategies.