FOUNDATION EXAMINATION

Summer 2005

BUSINESS MANAGEMENT

PAPER, SOLUTIONS

and

EXAMINERS REPORT

NOTES TO USERS ABOUT THESE SOLUTIONS

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The solutions are relevant to the tax rates in the year the Examination was sat. A copy of the tax rates is enclosed with the solutions.

The Institute of Accounting Technicians in Ireland

Foundation Examination : Summer 2005

PAPER 3 : BUSINESS MANAGEMENT

Thursday 19th May 2005 - 9.30 a.m. to 12.30 p.m.

INSTRUCTIONS TO CANDIDATES

PLEASE READ CAREFULLY

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.

Answers should be illustrated with examples, where appropriate.

Question 1 begins next page.

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Answer FIVE questions, including AT LEAST TWO from each Section

SECTION A

QUESTION 1

(a) Explain Vroom's expectancy theory of motivation.

10 Marks

(b) Describe *two* advantages and *two* disadvantages associated with group decision making.

6 Marks

(c) Explain how leadership and motivation are interconnected.

4 Marks
Total 20 Marks

QUESTION 2

(a) Mintzberg described *ten* roles commonly undertaken by managers. Describe any *five* of these roles.

10 Marks

(b) What is meant by the span of control and why is it important?

6 Marks

(c) "Lewin's *three* step model of change management has little relevance today". Do you agree? Give reasons in support of your answer.

4 Marks
Total 20 Marks

QUESTION 3

(a) Explain what is meant by the term "Strategic Planning" and describe *four* stages in the strategic planning process.

10 Marks

(b) Describe *three* sources of resistance to change in organisational settings.

6 Marks

(c) "The simplicity of McGregor's Theory X and Theory Y classification of workers renders it a dangerous guide to managerial action". Do you agree? Give reasons in support of your answer.

4 Marks
Total 20 Marks

QUESTION 4

(a) Describe *four* general stages of team development.

10 Marks

(b) Explain how a front-line manager's understanding of the concept of control is likely to differ from that of a senior manager.

6 Marks

(c) "Lateral communication is particularly important in formulating Strategic Plans". Do you agree? Give reasons in support of your answer.

4 Marks
Total 20 Marks

Answer FIVE questions, including AT LEAST TWO from each Section

SECTION B

QUESTION 5

(a) Identify and explain all *four* phases of the lifecycle of a typical product.

10 Marks

(b) Describe *two* short term sources of finance available to organisations.

6 Marks

(c) "Product branding is the same as product positioning". Do you agree? Give reasons in support of your answer.

4 Marks
Total 20 Marks

QUESTION 6

(a) Identify and describe *four* stages in the recruitment process.

10 Marks

(b) Explain what is meant by the term "Buyer Behaviour Analysis".

6 Marks

(c) Explain *two* features that distinguish service provision from product provision.

4 Marks
Total 20 Marks

QUESTION 7

(a) Describe *four* stages in the IT systems development cycle.

10 Marks

(b) Identify and explain *three* controls over IT operations in an organisation.

6 Marks

(c) "IT Strategy drives Corporate Strategy" Do you agree? Give reasons in support of your answer.

4 Marks
Total 20 Marks

QUESTION 8

(a) Describe *four* stages in the enterprise development cycle.

10 Marks

(b) Describe *two* advantages and *two* disadvantages of franchising.

6 Marks

(c) Describe *two* reasons why ethical conduct makes good business sense.

4 Marks
Total 20 Marks

The Institute of Accounting Technicians in Ireland

Foundation Examination : Summer 2005

SOLUTIONS TO PAPER 3

BUSINESS MANAGEMENT

Author : Mr Nathy Walsh, ACA

Solution to Question 1

(a)
This theory could also be called motivation by expectancy. It is based on the idea that we constantly create expectations about future events. If things seem reasonably likely and attractive, we know how to get there and we believe we can "make a difference" then this will motivate us to act to make this future come true.

Vroom suggests three factors interact psychologically to create this motivational force. He termed these Valence, Instrumentality and Expectancy.

Valence is the subjective value we place on the perceived outcome or reward (What's in it for me? – this could be extrinsic (money / status) or intrinsic (satisfaction at seeing a job well done) or a combination of either)

Instrumentality is the perceived performance-reward relationship, that is, the belief people hold about the likelihood of being rewarded if they achieve certain results (That the path is clear and unambiguous).

Expectancy is the perceived capability-performance relationship, that is, the belief people hold in their own abilities, (e.g. that with extra effort they can do what is required)

In short it suggests that motivation is a combination of the following beliefs that;

- effort will lead to results, results will lead to rewards and rewards will satisfy.

According to the theory there are two broad classes of outcomes associated with job performance. Intrinsic outcomes are attained or experienced as a person, simply as a result of performing the job effectively. In general they are self administered, and are experienced as feelings of personal accomplishment, competence, personal satisfaction, and so on. Extrinsic outcomes are outcomes that are administered to the person by the organisation such as pay, promotions, verbal praise, and so on.

The relationship between one's behaviour and particularly desired outcomes is affected by individual factors such as personality, perception, motives, skills etc, and by organisational factors such as culture, structure, managerial style. (i.e. the context in which one is working).

Expectancy theory avoids attempts to isolate a definitive set of employee motives. Instead it adopts a process orientated understanding of the complex concept of motivation. One that seeks to accommodate individual differences in terms of goals, motives and behaviours.

In summary it postulates that employee motivation is dependent on how the employees perceive the relationships between effort and performance, performance and rewards, and rewards and satisfaction.

(b)

Advantages of group decision-making

Pooling of viewpoints from a variety of sources can provide penetrating insights into issues and result in higher quality decisions being made as a wider base of experience and skill is involved. It is particularly useful when creative decisions are required.

There is also a greater likelihood of decisions gaining acceptance when those affected by them are requested for their views at an early stage. It also means less co-ordination and communication is required to implement a decision.

Advantages of individual decision-making

Group decision-making can become the norm rather than a need occasioned by specific problems, an organisational goal rather than a tool. It can become bureaucratic in a negative sense, slowing up decisions that need to be taken quickly, or acting as an obstacle in situations where managers are in a position to take decisions. This is where decisive action by individuals becomes advantageous.

Group decision-making may even be used in situations where it is irrelevant to the concerns of group members.

Even when it is appropriate, there are several pitfalls with group decision-making For example where one or two members of a group dominate, and the ensuing conflicts slow up / stall decision-making. Similar problems may arise where “group think” predominates.

Individual decision-making therefore has the benefits of speed, clear accountability and consistency in certain situations.

(c)

Leadership can be described as the capacity to achieve the objectives of the organisation, by showing what needs to be done and by showing how to do it. Therefore leadership can be broadly described as the management process of getting results through people and other resources, by;

- Creating a vision for others to follow,
- Establishing values,
- Transforming the efficiency and effectiveness of the organisation,
- Organising and motivating employees as workgroups, teams and departments
- Organising resources in the most effective manner
- Resolving conflicts that may arise

Leadership can be described as the process by which one individual, in a group, influences the others to contribute voluntarily to the achievement of the groups tasks in a given situation. Leadership is a dynamic process where the role of the leader is to direct the group towards group goals.

Motivation is a complex concept, which does not lend itself to simplistic generalisations. Individuals display different levels of motivation and ability. Some people are more willing than others to exert high levels of effort to perform their jobs effectively. Some lack drive and commitment. Some do their best, while others do as little as possible. Both individuals and groups are complex. They are affected and motivated by the environment, both internal and external to the organisation.

In order to successfully meet goals and objectives, management must understand the needs, perceptions and expectations that underlie employee behaviour and their level of motivation.

Three basic questions can be asked about employees:

What primarily motivates them?
What determines the intensity of this motivation?
What causes motivation to diminish or cease?

A variety of need and cognitive theories of motivation exist but none provide universal answers that apply across all situations.

Overall it is fair to say that the motivation of individuals and groups will be influenced by the strategy of the leader. The leader will determine the goals, the tasks to be performed, the responsibility held, the rewards given, the value of each person's contribution, and the nature of many relationships within and between groups etc. All these factors influence motivation. Essentially it is the leader's responsibility to create conditions for motivation to develop.

The really effective Chief Executives are very effective managers, leaders and motivators.

Solution to Question 2

(a)

Henry Mintzberg suggested, that rather than look at the functions of the manager, it is more beneficial to view the key roles they play. He isolated ten roles common to most day to day work of managers, and grouped them under the following broad categories; Interpersonal, Informational and Decisional.

Roles of a broad Interpersonal Nature

Managers need to interact with individuals and teams. As "figureheads", the managers handle ceremonial and symbolic activities for the organisation. As "liaison officers" they develop information sources both inside and outside the organisation. As "leaders" they provide direction to the organisation and build relationships with staff, instilling confidence and winning their support and commitment to formulated visions.

Roles of a broad Informational Nature

Information is the lifeblood of organisations. A key role of the manager is to develop and maintain an information network. Managers may spend 75 per cent of the day communicating with others to maintain this network. The "monitor role" involves seeking / acquiring information from a variety of sources, whereas the "disseminator" and "spokesperson roles" refer to the transmission of information to others who require it. With the growing importance of staff in organisations, the informational role becomes much more important.

Roles of a broad Decisional Nature

Managers need to balance competing interests and choose among alternatives. Through decisional roles, strategies are formulated and implemented. Both conceptual and human skills are important in this instance. The "entrepreneur role" involves the initiation of change, thinking about the future and devising ways to deal with current and future problems. The "disturbance handler role" involves the resolution of conflicts between individuals and teams. The "resource allocator role" involves making decisions on how to allocate resources to meet stated objectives. The negotiator role refers to the formal negotiation and bargaining activity to attain outcomes for the manager's area of responsibility.

(b)

Span of control: refers to the numbers of employees managers directly supervise – are managers directly accountable for a large number of employees, or are they in close contact with a small number?

In most organisations, authority has to be vested at different levels as no one manager at the top can supervise the activities of all subordinates (e.g. the garda-commissioner cannot supervise all within his remit).

In searching for the answer as to how many subordinates a manager can effectively supervise, one discovers that – aside from such personal qualities as comprehending quickly, getting along with people and commanding loyalty and respect – the most important determinant is the manager's ability to reduce the time he/she spends with subordinates. This ability naturally varies with managers and their jobs, but eight general factors materially influence the number and frequency of such relationships.

1. Subordinate training
2. Clarity of delegation and authority
3. Clarity of plans
4. Rate of change
5. Use of objective standards
6. Communication technologies
7. Amount of personal contact
8. Variation by organisational level

(c)

Lewin suggests a successful change management project, involves three stages or phases

1. Unfreezing
2. Moving
3. Refreezing

Unfreezing

This involves reducing those forces maintaining the organisation's behaviour at its present level. It is argued that this requires some form of confrontation meeting or re-education process for those involved, possibly through team building or management development. In this process the problem to be solved is analysed, or data is presented to show that a serious problem exists, in order to convince relevant parties of the need for change.

Moving

Moving equates with the action element. Moving involves acting on the results of the first step, having analysed the present situation, identified alternatives and selected the most desirable state of affairs. This requires developing norms, behaviours, values and attitudes through changes in organisational structure and processes, so that those involved do not revert back to the old way of doing things.

Refreezing

This phase seeks to stabilise the organisation at a new state of equilibrium in order to ensure that the new ways of working are relatively safe from regression, using support mechanisms that positively reinforce the new ways of working, including organisational culture, norms, policies and practices.

Lewin's three-step model has been subject to criticism, that it is not relevant to change in the nanosecond culture of today's high tech environment. It has been criticised as too simplistic and mechanistic for a world where organisational change is a continuous and open-ended process. It has also been suggested it is only relevant to incremental and isolated change projects and not able to incorporate radical, transformational change.

It is important to note that the depiction of the three-step model in textbooks is a highly reduced version of Lewin's overall work. A basic tool for the analysis of group life is the representation of the group and it's setting as a "social field". According to Lewin what happens in a field depends upon the distribution of forces throughout the field. Any situation at any given time is not static but is subject to the interplay of these counter-veiling forces. Some forces seek to drive change to a more stable state, others seek to restrain change. – Like a river whose form and velocity are determined by the balance of those forces that tend to make the water flow faster, and the friction that tends to make the water flow more slowly – the cultural pattern of groups of people at given times are maintained by a balancing of counteracting forces.

Consideration of these factors prior to undergoing a change process, and indeed the management of these forces as the process is being implemented is crucial to success.

Lewin's work is still of considerable relevance today, as much of the criticism of his contribution, appears to be unfounded or based on a narrow interpretation of his work.

Solution to Question 3

(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.

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 fulfil 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?

Part (b)

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.

They have developed many models of organisational change, among them Action Research, 3 Step and Phases of Planned Change Models etc. . 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.

(c)

Rather than examining the needs, perceptions, or expectations of employees, McGregor focused on the assumptions managers hold in relation to employees and on how this affects managerial behaviour in motivating them. He suggested two sets of managerial assumptions about employees. The first, called Theory X said to be held by autocratic, assumes that employees are inherently lazy, will avoid work or do as little as possible, and that they therefore need to be corrected, controlled and directed to ensure they put in enough effort.

The second, Theory Y, held by more democratic managers, assumes that employees like work and need challenges. The implication of this theory is that if the work and organisational environment are appropriate, employees will embrace the tasks set for them without the need for control or coercion.

McGregor maintained that in general, Theory Y assumptions more accurately reflected employee perceptions and attitudes towards work. Therefore, organisational structures, systems and practices should allow for employee participation in the decision-making process, and job enrichment and flexibility should be allowed and perhaps encouraged.

Classifying people into universal categories like McGregor's has done while appealing in some respects is highly problematic. Humans beings do not behave with hydraulic predictability. The danger of reading such presumptions into human behaviour is that the scope for reaching people in other ways is blotted out of consideration. In many respects such simplistic stereotyping of humans is a source of many of the difficulties encountered in practice in managing difference and diversity.

Solution to Question 4

(a)

Group / Team development is not random, but evolves over definitive stages. The five generic stages of development are forming, storming, norming, performing and adjourning.

Forming

This stage of team development is characterised by initial orientation and acquaintance. The team is formally introduced and given its task or brief. Team members typically start "testing the water" with other team members to understand what exactly is required from them, what the other team members are like etc. The first steps in "jockeying for position" emerge at this stage. The team leader should focus on the facilitation of social interaction and the clear statement of objectives and roles / requirements.

Storming

This is a stage of team development in which individual personalities and roles emerge, and potential for conflict or misunderstanding of individual roles becomes an issue.

At this stage a team may break into factions if not properly managed, and this has a serious effect on the overall cohesiveness of the group. At this stage a team leader must ensure healthy participation by all members, to ensure that ideas are proposed, disagreements are minimised, and conflicts are dealt with appropriately.

Norming

This is the stage of team development when many of the conflicts that emerged during the earlier stages are resolved and team harmony and unity evolves. A team leader at this stage should focus on the team rather than individual performance and assist in the clarification of team roles, norms and values if any confusion or conflict still exists.

Performing

The focus moves from the assurance of team cohesion towards problem-solving and the accomplishment of the task at hand, although the socio-emotional roles should not be discarded. The team at this stage is highly co-ordinated and focused on their individual roles. Team leader activity is heavily focused on the facilitation of high performance.

Adjourning

The stage of team development in which members prepare for the team's disbandment. The brief of the team has been met and is "put to bed". Various emotions prevail at this stage from complete satisfaction / elation to depression. The team leader is focused on task accomplishment and reward where appropriate.

(b)

Senior Management address the strategic management and direction of the organisation. Groups and individuals involved at the strategic management level include Chairpersons, Chief Executive Officers and Boards of Directors. They must formulate long-term goals and strategic decisions which will achieve these goals. Planning and control at this level is long term and strategic in nature. As such control is likely to be assessed in aggregate terms – that is, the success of broad strategies adopted etc.

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 and control at this level is likely to focus on the specific tasks to be completed over the coming days and weeks. (e.g. meeting measurable targets and in initiating prompt and effective responses to emergencies and deviations as they arise).

(c)

Some view organisational communication as one aspect of the organisation, others see it as the underlying basis of the organisation itself. The former tend to see it as the sending and receiving of messages as signals, while the latter see it as a central binding force that permits co-ordination among people and allows for organised behaviour.

Organisational communication may be viewed from a number of angles

1. a technical perspective, (did you receive the message),
2. a contextual perspective, (focusing not just on accuracy of content delivery, but on the larger context of communication, as a symbolic interaction that creates meaning).
3. a negotiated perspective where the communication context itself is examined and the appropriateness of knowledge claims are examined.

Lateral communication is a distinct form of communication among persons who do not stand in hierarchical relation to one another. With recent trends to flatten organisations it is becoming increasingly important that workers in different functional areas, promote learning and the sharing of experience and expertise rather than blindly follow sequential work processes.

Lateral communication in the corporate planning process is particularly important, if the efforts of all sections and departments in the business are to be successfully co-ordinated in order to achieve the objectives of the organisation.

Lack of horizontal (or lateral) communication, whether informal or formal, can lead to divisions in the management structure, poor co-ordination and excessive rivalry between departments, all ultimately detrimental to the effectiveness of the organisation.

Solution to Question 5

(a)

Every product has a life cycle. Every product is introduced into the market, grows to maturity, and eventually declines. This life cycle could be as short as six weeks or six months, for a fad or a fashion. For other products, it may take many years to go through the product life cycle. The main stages of the product life cycle are as follows:

Introduction

The product is launched onto the market and is unknown. There is a lack of general market acceptance, and as a result sales and profits are very low. This makes the introduction stage most risky. The public must be informed about the product through the right promotional campaign. They may also be given incentives to try the product. Costs are high, due to the cost of both research and development and market research conducted prior to the product launch. Competition is low or non-existent.

Growth

As the product becomes known, and earns a reputation, sales will increase and consequently profits. Customer awareness is growing as the investment in promotion will still be quite high. Competitors will enter the market attracted by the growth in sales, and increased competition therefore emerges. The price of the product begins to drop as the company produces larger quantities.

Maturity

Sales reach their peak here. The product has now reached the main market. The market is becoming saturated, due to the large amount of competing brands. Competition will therefore be intense. Only the strongest will survive, and the weak firms will be pushed out of the market. For the firms who are in a strong position, this stage is probably the most profitable. The manufacturer will try to keep his product at the mature stage as long as possible to avoid the decline stage. Thus the company will continually update their product (revamping). The firm may invest some of its profits in developing new products. At this stage the cost of the product has dropped as the company benefits from economies of scale in production.

Decline

Demand starts to fall as the product becomes obsolete. The management must face this fact. They have the choice of phasing out this product, or they can drop it immediately. Customers are aware of the product but disinterested. The competition now dominates. If the company has been developing new products all along then there will be new products to replace the declining product.

(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.

(c)

A brand is defined as a name, symbol or design that identifies the goods or services of one seller and distinguishes them from those of competitors. Think of the strength and importance to the firm of brand names such as Ballygowan, Heinz, Coca-Cola, Guinness and Microsoft.

It can be a letter, a word, a group of words or a symbol. (e.g. Nike). A product manager co-ordinates all the efforts for a particular product (or product line) or brand. An important part of the brand image of a product is the packaging that is utilised.

Branding

- Makes goods easily identifiable and gives them a distinctive appearance
- If the quality of goods is maintained, it gives the consumer reassurance that they know what they are buying
- It facilitates advertising and promotion and new product development

Market positioning considers the perceptions of the consumer about the product or service, relative to other products and services in the market. The marketer seeks to position the product so that it is perceived to possess the key variables considered important by customers. Re-positioning involves moving the product away from its current position to a point that improves its market appeal. Lucozade is a product that was re-positioned from a drink for people who were feeling unwell to a sports drink.

A perceptual map may be used to identify key consumer target criteria (i.e. where the product is to be targeted in the minds of consumers) and where brands are positioned in relation to each other. (i.e. luxury motor vehicles versus fuel-efficient vehicles)

Product branding may therefore form part of the drive to re-position or reinforce an existing position in the market place, but it is not the same as product positioning.

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-on to 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 the organisations strategy and its implications for the workforce, planned technological changes, a detailed inventory of employee characteristics (age, sex, martial 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

The 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, Institutes 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.

(b)

Every business must have an understanding of the end consumer of their products. Each consumer goes through a decision-making process in terms of recognising a need, searching for information, evaluating alternative products, deciding on a purchase, and evaluating their purchase after the event. The firm has some influence through its marketing mix on various stages of this decision making process, but this influence is far outweighed by outside influences relating to the personality of the consumer and the way in which they purchase goods. The following psychological, socio-cultural and situational influences are all factors in the decision-making process

- Psychological influences, such as perception, attitude, learning and motivation
- Socio-cultural influences, such as reference groups, family, social class, culture
- Situational influences, such as type of purchase, social surrounding, physical surrounding and previous experience

(c)

Services are intangible. They are difficult to describe, to demonstrate to the buying public, or to illustrate in communications and promotional material. An organisation's reputation and that of its sales people are more essential to service marketing than to goods marketing.

Services are only of immediate or single use. Most services are purchased and consumed simultaneously. For example, an airline seat, a hotel room or a consultancy room cannot be inventoried or held in stock.

Services provide heterogeneous output. There can be a great deal of variability in the output of a services firm and even a single service employee. This arises, as it is more difficult to establish standards for output and even harder to ensure standards are being met each time the service is being delivered.

Services require simultaneous production and consumption. The consumer, such as a tourist listening to a tour guide, interacts with and participates in the service delivery system.

Solution to Question 7

(a)

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 is 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 snapshot 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 programmes 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.

(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.

(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 organisations 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 information 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 information 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

(a)

The enterprise process generally consists of six key phases

Idea Origination
Testing and Validating the feasibility of a particular idea (including selecting a route to market)
Writing the business plan
Resource Assembly and Market Entry
Growing the business
Expanding or exiting depending on the window of opportunity

Idea Generation

Business ideas and opportunities arise from a wide variety of sources and circumstances. For example, prior employment, collaboration, hobbies and social encounters etc.

Testing and Validating

This is a crucial phase, in that the entrepreneur weighs up the level of opportunity involved, and is clear about the skills necessary to see the venture through.

Testing

Are people going to want the product, will they buy it, will it make a profit?
What are the set up costs, opportunity costs and what is the downside risk?
Will it give me greater independence, wealth, opportunity for self-expression?

Validating

The key areas to be validated are whether the venture team possesses a competitive advantage vis-à-vis existing or potential competitors. It will also look at the operational requirements in terms of production and marketing, the human resources required and the capital requirements of the venture.

Writing the Business Plan

The purpose of writing the business plan is to show how the business is to be set up and managed. It is written with potential investors or lending agencies in mind. It will usually contain information such as:

Description
Market analysis
Marketing plan
HR plan
Operating and financial plan
Details of experience of management team

Market Entry – resource assembly

Assuming you have raised funding you are now ready to get cracking. It will not happen overnight and so it is vital that you establish a realistic timeframe for market entry plans

Issues to be dealt with include:

Winning customers
Finding suppliers and distributors
Dealing with regulations
Organising the right team and technology
Searching for money
Sustaining energy and commitment
Sustaining your life style and personal relationships

Part (b)

A franchise is an arrangement whereby a franchisee is permitted by the franchiser to sell or distribute trademarked goods or services. Examples would include McDonalds and Benetton retail outlets. Franchises are often seen as the simplest way of getting in to business, as the entrepreneur as the franchisee can draw on the expertise, support and financial assistance of an existing business. Every aspect of the business is written into the franchise agreement, in order to ensure the products or services offered remain recognisably those of the franchiser. There is therefore little room to manoeuvre for the franchisee in terms of making the business distinctive. In addition, the cost of securing a well-known franchise can be very high, and royalty payments based on sales can be exacting.

(c)

Ethical concerns permeate every aspect of business activity. Core ethical values such as honesty and justice help to determine when other person’s 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 provides greater awareness of what is important in business activities. Not only what improves business performance, but more significantly what affects the standing of the business in the eyes of key stakeholders – such as customers, employees, suppliers and society at large, which can only be in the long term best interests of the firm.

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EXAMINERS REPORT

BUSINESS MANAGEMENT

SUMMER 2005

General comment

The overall performance of candidates was satisfactory in this the third year of the new syllabus. Results were comparable with the previous two sittings.

Question 1.

(a) Generally well answered with most students correctly identifying expectancy, valence, etc. Many students failed to develop/explain the point once made, for example, a student might write down a word like "valence" but not demonstrate an understanding of it. The majority of students were able to translate it into a practical recommendation for managers in terms of reward systems.

(b) Answers were excellent to this part of the question. Almost all students correctly identified and described two advantages and disadvantages of group decision-making.

(c) Answers were somewhat disappointing. In some instances candidates simply described Fayol's theory of management.

Question 2

(a) Overall, this was answered to a high standard, with a good level of understanding demonstrated. A number of students described the whole 10 roles, rather than five as required. There were a number of completely confused answers, where it was obvious that the candidates had never heard of Mintzberg.

(b) Answers to this part were generally disappointing. A minority gave good or very good answers, others did not even attempt this part of the question.

(c) This was generally well answered, although there was some confusion about the actual terminology, with freezing, unfreezing, defreezing, and refreezing appearing randomly, although even then the process was usually described pretty accurately.

Question 3

(a) Generally candidates demonstrated a strong understanding of the concept of strategic planning and the four stages in the strategic planning process.

(b) Answers to sources of resistance to change in organisational settings were disappointing.

(c) Answers dealing here with McGregor’s Theory X and Theory Y classification of workers were satisfactory.

Question 4

(a) Very well answered. But occasionally candidates confused the stages of team development with the characteristics of teams.

(b) The majority of candidates demonstrated a strong grasp of the distinction between a front line manager's understanding of the concept of control and that of senior management.

(c) A number of candidates spoke of the importance of communication when planning without demonstrating the connection between lateral communication and strategic planning.

Question 5

(a) Most students demonstrated a thorough understanding of the phases in the lifecycle of a typical product.

(b) Answers were generally good but it was surprising to see a number of students include the issuance of ordinary shares and debentures as short term sources of finance.

(c) Most candidates grappled quite well with this part. Answers varied widely. A number gave a spatial perspective of positioning (e.g. location at eye level on shelves) rather than a perceptual perspective of positioning of products in the minds of consumers (e.g. position of Mercedes Benz in the minds of consumers in the car market)

Question 6

(a) Generally very well answered. The majority of candidates demonstrated a strong understanding of the stages in the recruitment process.

(b) Answers were somewhat disappointing.

(c) A number of candidates were unable to articulate the features that distinguish service provision from product provision (e.g. it is not good enough to come out with statements that 'service provision is the provision of a service and product provision is the provision of a product').

Question 7

(a) Generally this part dealing with the stages in the "IT systems development cycle" – was well answered. A number of candidates did however confuse it with the various eras of computer evolution.

(b) Answers to controls over IT operations were mixed and varied.

(c) Answers here varied widely with some candidates demonstrating a thorough understanding of the relationship between IT strategy and Corporate strategy while others failed to take up a position on the matter.

Question 8

(a) Generally a very high standard of answer but there was some confusion with the product development lifecycle and there was a tendency to list or mention a point without describing or explaining it.

(b) Very well answered, in some cases from the point of view of the franchisor and in others from the perspective of the franchisee but both were equally acceptable and valid

(c) Answers to this section varied widely.

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