

SOLUTION: BUSINESS MANAGEMENT NOV 2007

QUESTION 1

- a) Organisations have become conscious of the need for long-term planning because it **enables management to anticipate difficulties and take steps to eliminate** them before they arise and can help bring about a more unified approach to the various factors in a problem.

It is essential for the long-term survival of any business enterprise as it **helps to determine the most profitable way to allocate limited resources** among competing works.

(5 marks)

- b) Objectives should be established in the following areas:
- (i) Survival – the ability to make sufficient profit and to cover the cost of it staying in business
 - (ii) Growth – organizations must expand in size to become big. This is true even though some firms may have a policy to limit the size of operation in order to assure high quality of their products.
Economic contribution with respect to the needs of the society in the form goods and services. A company must constantly re-evaluate its present contribution in order to continue to meet the changing needs of the customers.
 - (iii) Social responsibility – involves recognition that companies and the communities in which they are located can develop a relationship in which their mutual interest are advanced e.g. providing job opportunities for handicapped citizens or by contributing money to development of community.
 - (iv) Profits – managers aim at maximizing profit for the shareholders. In doing this however, they do not normally gain maximum profits from operations without considering other results.

(15 marks)

(Total: 20 marks)

QUESTION 2

- (a) Efficiency refers to getting the most output from the least amount of inputs. Thus, efficiency means doing things right.

(2 marks)

Effectiveness is described as doing the right things, which means those work activities which will help the organization attain its goals.

(2 marks)

The distinction between the two is that whereas efficiency is concerned with the means of getting things done, effectiveness is related to the attainment of stated goals.

(1 mark)

(b)

(i) Technical skills – This refers to the extent to which a manager has knowledge of, and is proficient in a particular specialized field such as accounting and engineering. Since it is lower and middle level managers who interact more often with, and supervise subordinates, these skills are most required at these levels. The extent to which a manager is technically competent largely determines his success or otherwise.

(5 marks)

(ii) Human skills which involve the ability of the manager to work well with other people both on individual basis and in groups is a basic requirement of a successful manager.

Managers who have good human relations with employees are better able to get the best out of their subordinates because they know how to communicate, motivate, lead and inspire employees.

(5 marks)

(iii) Conceptual skills are the skills a manager must possess in order to think and to conceptualise about abstract and complex situations. Managers with conceptual skills are able to see the organization as a whole, understand the relationships among the various units of the organization and how the organization as a whole fits into the environment in which it operates. Conceptual skills are most required at the top level of management.

(5 marks)

(Total: 20 marks)

QUESTION 3

a) Performance management is the continuous process of identifying, measuring and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization.

(2 marks)

b) One of the concepts of performance management is that it involves a **never-ending process of setting goals** and objectives, observing performance and giving and receiving ongoing coaching and feedback.

(3 marks)

Also, performance management ensures that employees' **activities and outputs are congruent with organizational goals** and so helps the organization to gain competitive

advantage. Thus, performance management creates a direct link between employee performance and organizational goals and makes employee contribution to the organization explicit. *(3 marks)*

- c) i. **Increased motivation** – Receiving regular feedback about one’s performance increases the person’s motivation for future performance. Knowledge about how one is doing and recognition about one’s past success can provide the fuel for future accomplishment. *(2 marks)*
- ii. The definition of the **employee’s job and performance criteria are clarified**. Thus the job of the person being appraised may be clarified and defined more clearly. In other words, employees gain a better understanding of the behaviour and results required of their position and also what it takes to be a successful performer. *(2marks)*
- iii. Performance management systems provide valid information about the performance that can be used for administrative activities such as pay increases, promotions, transfers and terminations. In general, it helps to ensure that rewards are distributed on a fair and credible basis. *(2 marks)*
- iv. Organizational goals are made clear. The goals of the units and the organization are made clear and the employee understands the link between what he does and organizational success. This contributes to the communication of what the organizational goals are all about. *(2 marks)*
- v. **Employees become more competent**. Another contribution of performance management is that it improves employee performance. In addition, it provides the foundation for helping employees to become more successful by establishing development plans. *(2 marks)*
- vi. Performance management system allows **managers to communicate to their subordinates their** judgements regarding subordinate performance. Thus, there is higher accountability in how managers discuss performance expectations and provide feedback. *(2 marks)*
- (Total: 20 marks)**

QUESTION 4

- i. A primary responsibility of an employee is for him to **work conscientiously** in the job on which he had been lawfully placed. Thus, he must at all times devote his total and maximum effort at the job he is doing. *(4 marks)*
- ii. An employee has the responsibility to **report for work both regularly and punctually**. If he either fails to report for duty on time or reports rather late or both for no acceptable

reason, that can be a grounds for the termination of his appointment. (4 marks)

- iii. An employee has the responsibility **to exercise due care in the** execution of his assigned work. That is, apart from ensuring that he does the work, he is also expected to use machines in the manner directed, failing which he could be sanctioned. He is also expected to follow procedures and where judgement is required, be as careful in his decision making as possible. (4 marks)
 - iv. It is also the responsibility of the **employee to take proper care of the property** of his employer which has been entrusted to him or which is under his immediate control. (4 marks)
 - v. The employee is also responsible, partly, for taking all reasonable care for **the health and safety** not of only of himself but of his fellow workers. Apart from having to ensure that he does not do anything which will put his health and safety at risk, he is also to do the same in respect of other employees. (4 marks)
 - vi. An employee has the added responsibility of **protecting the interests of his employer** at all times. This may include not revealing the policies and strategies to outsiders. (4 marks)
- (Total: 20 marks)**

QUESTION 5

- a) A formal group may be defined as a social unit which has been deliberately constructed to seek specific goal. It is usually characterized by planned divisions of duties, power centres which control its efforts and the appointment and substitution of leaders. (2 marks)

An informal group on the other hand is one which is loosely structured, flexible and spontaneous. Membership is gained either consciously or unconsciously and it is often difficult to determine when a person becomes a member. (2 marks)

Thus the difference between the two forms of group is that where as the formal one is deliberately formed, the other is spontaneous. (1 mark)

- b)
 - i. An effective work group or team has a clear understanding of the goal to be achieved. Members are committed to the goals of the team, they know what they are expected to accomplish and understand how they will work together to achieve these goals. (3 marks)
 - ii. Effective teams have members who are competent and have the necessary technical and interpersonal skills to achieve the desired goals while working well together. It is important to understand that members of a group although may be very competent

persons, if they do not possess the interpersonal skills to be able to work as a team, they cannot be an effective team. *(3 marks)*

- iii. An effective team is also characterized by high mutual trust among members. That is, members believe in each other's ability, character and integrity. It is important for this trust which is quite often fragile to be maintained at all times and this requires attention by managers. *(3 marks)*
- iv. Members of an effective work group are dedicated to the goals of the team and are willing to expend extra amounts of energy to achieve these goals. Members exhibit intense loyalty and dedication to the team and are willing to do whatever it takes to make the team succeed. *(3 marks)*
- v. High performing groups make use of effective communication. Members convey messages, verbally and nonverbally, to each other in ways that are readily and clearly understood. Also feedback helps to guide team members and to correct misunderstandings. Members of this group are also able to quickly and efficiently share ideas and feelings. *(3 marks)*
- vi. Effective teams have good negotiating skills. Members continuously make adjustments as to who does what. This flexibility requires that team members possess negotiating skills. Since problems and relationships are regularly changing, in teams, members need to be able to confront and reconcile differences.
- vii. Appropriate leadership is an important characteristic of an effective team. Good leaders can motivate a team to follow them even through the most difficult situations by clarifying goals, increasing the self-confidence of team members and helping members to fully realize their potential. *(3 marks)*

QUESTION 6

- a) Change can be said to mean a shift from the usual way or ways of doing things. It can be a shift from the products an organization makes or who makes them.

A change can be gradual and small or a transformation which is on a significant scale. *(3 marks)*
- b) A change in an organization can result from any of the factors below:"
 - i. Social or demographic changes can compel an organization to change the things it does or how it does them. If the level of education of either employees or customers increases leading to changing values and expectations the organization will necessarily have to change its ways of doing things. *(3 marks)*

- ii. Changes in technology will also compel an organization to make variations in its production process. In the era of rapid technological changes, an organization can only survive if it responds by making inventions in its products or process when new and improved technology is introduced onto the markets. **(3 marks)**
 - iii. Economic changes can also cause a change in an organization. When either exchange rate, level of macro-economic activity or competition changes an organization which wants to survive will surely have to make same changes in its operations. **(3 marks)**
 - iv. The political environment in which an organization operates can also cause a change in its ways of doing things. If a hitherto stable political environment changes, the organization will quickly have to respond by making changes in its operation, just as the introduction of new and more demanding legislation will also call for change. **(3 marks)**
- c) A planning change can be implemented through the following ways:
- i. Communication and education – communicate the vision and strategy for change in order to induce understanding and commitment. Staff can then be educated and prepared for the change.
 - ii. Participation – ensure that the persons involved in the change take part in the planning and designing it the change. They are then most likely to feel a part of the change as the element of its uncertainty about its impact will have been removed.
 - iii. Negotiation – negotiate with staff directly affected by a change in order to reduce their resistance to it.
 - iv. Create a sense of urgency among relevant people, whatever the nature or size of organization.
 - v. Build a guiding team with credibility, skills, connections, reputations and formal authority to provide change leadership.
 - vi. Create union which is sensible, clear and uplifting and sets of strategies.
 - vii. Empower action and remove all obstacles that stop people acting on the vision.
 - viii. Support from top management – changes affecting more than one department is more likely to be accepted if top management gives their approval to the change.
- * Any four (4) points explained for 4 marks each **(8 marks)**

QUESTIONS 7

- a) Recruitment involves attracting candidates to fill a vacant position in the organization. Candidates may be attracted from within the organization through notices or announcements or from outside the organization through advertisements, personal contacts or contacts with higher institutions or professional bodies.

The selection process starts from the short listing of candidates through various tests, interviews and medical examinations to the final appointment of the suitable candidate.

In filling a vacant position in an organization, therefore, the recruitment is used to attract candidates with the required qualifications and the selection process is used to pick the most suitable candidate for the position.

- b) To fill a vacant position management has a choice to promote an employee from within or to recruit from outside.

Advantages of Internal Recruitment

- i. It motivates staff to work hard because they know they may be promoted to higher positions whenever they become vacant.
- ii. This practice enhances the organization's reputation and attracts potential employees from outside the organization because the organization is known to be one that encourages career development.
- iii. Existing staff understand company policy and are used to working with specific values and norms. A manager recruited from outside the organization may need a considerable amount of time to get used to these.
- iv. Sometimes the confidential nature of the work requires that committed staff who will serve for many years rather than the appointment of new ones whose loyalty cannot be guaranteed.
- v. Saves cost and time of recruitment and training.

Disadvantages of Internal Promotion

- i. Employees with the requisite skills and knowledge may not be available for promotion.
- ii. The organization may be saddled with conventional ideas and the same old ways of doing things because it has closed its doors to 'outsiders' with new ideas.
- iii. This practice may generate intense jealousy and rivalry for promotion among staff.

- c) Advantages of recruiting from External Sources

- i. New ideas or methods introduced by new employees.
- ii. Wider source of potential employees
- iii. It prevents the jealousy and rivalry associated with internal recruitment.

Disadvantages of Recruiting from External Sources

- i. It demotivates existing staff from working hard
- ii. It is very expensive
- iii. Time consuming process