

SOLUTION: BUSINESS MANAGEMENT MAY 2008

QUESTION 1

- (a) Poor motivation in the work place may be caused by several factors including the following:
- (i) Poor pay – where salaries are perceived to be low, particularly when they are lower than the market average, employees are not likely to be motivated to put in any extra effort.
 - (ii) Job insecurity - when employees also do not feel secured in the organization. For example when they are threatened with dismissal or they do not see themselves developing with the organization, they are likely to feel alienation and would not feel obliged to do more than they are required to.
 - (iii) A poor work environment may also be a cause of poor motivation. If the environment is seen to be risky where employees can easily get hurt or sick because the health and safety of employees are not taken seriously, there is a high tendency that employees would not put in any extra effort.
 - (iv) Boredom or uninteresting work is also sometimes responsible for lack of motivation in an organization. Individuals who perform repetitive tasks, for example, easily get fed up and lose interest in the job.
 - (v) Poor communication in the organization can also affect management and employee relationships and the flow of quality information for decision making. This will have a negative effect on the morale of employees and they may not do well.
 - (vi) Finally, where individual employees do not feel a part of a social group within the organization they may not be able to satisfy their need for belongingness and for that matter may not be happy with their jobs.
- Where any or all of the above situations exist employees are often not satisfied with their jobs and consequently this affects their motivation levels.

- (b) Under the conditions described above the organization is likely to suffer in the following ways:
- (i) Poor quality work – often performance gets below standard in terms of quality and this ultimately affects sales.
 - (ii) Absenteeism and labour turnover are often the reactions of employees who are not satisfied with their jobs. While some may frequently absent themselves from work, others may decide to withdraw altogether.
 - (iii) Failure to meet deadlines – low morals may lead to inability to complete tasks on time which, in turn may also affect delivery schedules.
 - (iv) Disciplinary problems – the organization is likely to be faced with many disciplinary problems arising from open protests and work-to-rule attitudes adopted by employees.

- (v) Unwillingness to take orders from management. When employees are not motivated, there is a tendency that they will not willingly accept and comply with the orders of their superiors. Consequently, this will negatively affect output.

QUESTION 2

- (a) A matrix organization structure is one which combines the benefits of the functional structure and the divisional structure.

In a matrix structure there are two chains of command, a vertical chain which is functional or divisional and a horizontal chain which links together a project team or working group. The structure is two-directional and employees have two superiors. This does not conform to the classical management principle of unity of command.

- (b) i. Authority may not be clearly defined or may overlap, and subordinates may get confused, have divided allegiance between two bosses or may play one superior against the other.
 - ii. The structure may encourage power struggle as one manager may usurp the authority of another. Decision making will slow down and this may lead to inefficiency.
 - iii. It may be more costly to operate the structure and arrangements may be complex as additional jobs may be created which would not have been required in a simple functional structure.
 - iv. The structure requires interpersonal skills and special training for its successful implementation and if this does not exist, its adoption may create problems for the organization.
 - v. Both employees and managers may suffer on their jobs. While individuals with two or more bosses may suffer role stress, some managers may not be sure of what is expected of them and so may experience job dissatisfaction.

QUESTION 3

- (a) Leadership is the activity of influencing people to strive willingly for group objectives. It is an intentional influence exercised in a situation and directed through the communication process towards the attainment of specialized goals. It is an administrative process that involves directing affairs and actions of others.

To lead is to guide, conduct, direct and influence the activities or behaviour of an individual or a group towards goal achievement in a given situation.

- (b) The main sources of leaders' power are;
- i) Reward Power – This is based on the subordinate's perception that the leader has the ability and resources to obtain rewards for those who comply with directives e.g. pay, promotion, praise, recognition and so on.
 - ii) Coercive Power – Is based on fear and the subordinate's perception that the leader has the ability to punish or to bring about undesirable outcomes for those who do not comply with directives e.g. withholding pay rises, promotion or privileges, allocation of undesirable duties or responsibilities etc.
 - iii) Legitimate Power – Is based on the subordinate's perception that the leader has a right to exercise influence because of his/her role or position in the organization. It is based on authority, for example, that of managers and supervisors within the hierarchical structure. Legitimate power is therefore "position" power because it is based on the role of the leader in the organization, and on the nature of the personal relationship with others.
 - iv) Referent Power – This is based on the subordinate's identification with the leader. The leader exercises influence because of perceived attractiveness, personal characteristics, reputation or what is called "charisma". For example, a particular manager may not be in a position to reward or furnish certain subordinates but may still exercise power over the subordinates because he/she commands their respect or esteem.
 - v) Expert Power – Is based on the subordinate's perception of the leader as someone who is competent and who has some special knowledge or expertise in a given area. It is based on credibility and clear evidence of knowledge or expertise; for example, the expert knowledge of "functional" specialists such as the personnel manager, management accountant or systems analyst. Expert power is usually limited to narrow, well-defined areas of specialists.

QUESTION 4

- (a) Performance appraisal may be defined as a formalized and systematic approach designed to review the performance and potential of staff.
- (b) The benefits of performance appraisal include the following:
- (i) It can identify an individual's strengths and weaknesses and indicate how such strengths may best be utilized and the weakness overcome.
 - (ii) It can help reveal problems which may be restricting progress and causing inefficient work practices.
 - (iii) A greater degree of consistency in performance can be achieved through regular feedback and discussion about potential. This increases performance.

- (iv) Performance appraisal also provides information for manpower planning, training and promotion.
- (v) It can also improve communications within the organization. By giving staff the opportunity to talk about their ideas and expectations, a door is open for better interactions between management and staff. The result is improved communication flow which serves a good purpose for the organization.

QUESTION 5

- (a) Strategic planning involves decisions about the organizations long term goals and strategies. The plans cover major portions of the organization and are developed and executed to an extent by top management.

Operational planning on the other hand, involves decisions with short term effects focusing on routine tasks rather than on broad sections of the organization. Operational plans are implemented by lower level managers in order to meet the long term goals set by strategic managers.

- (b) i. Objectives are the targets or ends that a manager wants to reach. Objectives setting is the first main step in the planning process. For this reason all the other steps depend on it. Objectives determine or help in identifying alternative solutions to the problem and in the choice of the 'best' solution. They also guide the selection of appropriate resources and in the implementation of the selected solution. From the above, it is clear that a wrongly identified objective would lead to failure in planning.
- ii. Information is one of the key resources required for rational planning. Information on environmental factors (internal and external) helps the planner to identify challenges and opportunities facing the organization. From this appropriate objectives can be set. Alternative strategies identified are based on the information available. Complete and reliable information is, therefore, important for the identification of alternatives and for the choice of the best alternative. Information is also needed during implementation and for monitoring and control. Such information helps to compare actual performance to standards and to make corrections where necessary. There is no doubt therefore that information is essential for successful planning.
- iii. Resources are inputs used for the implementation of plans. They include human, capital resources and raw materials. Without these, plans cannot be implemented and consequently objectives cannot be achieved.
- iv. Management Competencies are extremely important for successful planning.

Management competencies with respect to planning include the following:

- ability to scan the environment for opportunities and threats

- ability to set specific, measurable, achievable, realistic and time bound objectives
- ability to select appropriate best solutions from among a number of alternatives and manage resources efficiently in order to achieve results at minimum cost.

These abilities or skills are inevitable for successful planning. Without them the planner is not likely to succeed.

QUESTION 6

- (a) A group may be defined as ‘any number of people who interact with one another, are psychologically aware of one another and perceive themselves to be a group’.

or

‘A collection of people who interact with one another, share common purpose and work inter dependently’.

- (b) Formal groups are created to achieve specific organizational objectives and are concerned with the co-ordination of work activities. Individual members have defined roles within the structure of the organization and are guided by established rules and norms of behaviour.

Informal groups, on the other hand, are based more on personal relationships than on defined role relationships. They seek to satisfy psychological and social needs which are not necessarily related to the tasks they perform. Membership may comprise individuals from different parts of the organization or may be the same as a formal group. Individuals do not have any defined roles nor are they guided by any established rules. However, there usually exist group norms and values which guide their behaviour.

- (c) Important benefits of groups include:
- (i) They accomplish tasks that cannot be done by individuals working alone.
 - (ii) they bring multiple skills and talents to bear on complex tasks.
 - (iii) They increase organizational stability by transmitting shared beliefs and values to new members.
 - (iv) Groups also provide an efficient means of organizational control of individual behaviour.
 - (v) Groups satisfy important personal needs, especially needs for social acceptance.
 - (vi) Members obtain valued rewards that are not accessible through individual influence.
 - (vii) Groups help members to learn about the organization and its environment.

QUESTION 7

- (a) Formal communication is communication that uses the officially sanctioned channels of communication. It can move upward or downward, or horizontally and often involves paper work. It is necessary for performing tasks.

Informal communication is more unofficial and arises through the network of social relationships which exist within an organization. Primarily, the informal communication network exists to satisfy the needs of members the need for companionship, to counter boredom and so on. It is often referred to as the 'grapevine'.

- (b) Factors to consider in choosing an appropriate channel of communication include the following:
- (i) Cost – this is how much it costs to put the communication together and to send it. All things being equal, the channel that appears to be cheaper would likely be selected.
 - (ii) Time – this is an important factor in determining how to send information when the time is limited, it is preferable to use a faster channel; for example, a telephone instead of a letter.
 - (iii) Nature of information – complex information may have to be written rather than using oral means. Written information can be read over and over again or can be presented in a way that facilitates understanding.
 - (iv) Distance – when the parties involved in the communication are close to each other it is possible to use face-to-face meetings or interviews, for example. However, when they are far from each other, a telephone, a letter or e-mail is better.
 - (v) Need to keep information for future reference – this will require that the communication be prepared in written form and sent to the recipient.
 - (vi) Availability of other channels – where there are no other channels one has no choice but to use the one available.

It is important to note that often the communicator considers as many of these factors as possible in making his decision.