SOLUTION - BUSINESS MANAGEMENT MAY 2009

QUESTION 1

a) i. An employee who has been unfairly dismissed can seek re-instatement.

    ii. An employee can also go to court to seek compensation for unfair dismissal.

b) i. A plan relates to what has to be done, in the future, who is to do it, when to do it and how it must be done.

    A strategy, is a plan of action or activity, mainly long term and the resources required and how they would be allocated in a way to achieve organisational objectives.

    ii. A programme is a co-ordinated group of plans for the achievement of a particular objective. It is usually a complex of plans which stands by itself and has a clear, separate identity within the organisation and its planning structure.

    A budget on the other hand is a formal statement of expected results set out in numerical terms and summarized in money values. It indicates how much resources will be allocated to each department or activity in order to carry out the planned activity

    iii. A procedure is a series of actions required to perform a given task. Thus, it is a path on which to tread.

    A rule is a specific, definite course of action that must be taken in a given situation. Unlike a procedure, a rule does not set out the sequence of work.

    iv. An objective is an end goal towards which all activities shall be aimed. An objective might be to make a profit or the provision of a service.

    A policy is a general statement which provides guidelines for management decision making.

QUESTION 2

a) Management By Objectives (MBO) is a comprehensive approach to setting objectives, targets and plans. It is a scheme of planning where the manager and the subordinate together discuss the manager's objectives and how the subordinate can best contribute to their achievement.

b) i. For MBO to succeed, it will be necessary to clarify with each manager the key results and performance standards to be achieved, which must conform to corporate and divisional objectives.

1

ii. There should be an agreed personal job improvement plan which will make a quantifiable and measurable contribution to the achievement of organisation.

iii. Conditions must be provided which will help individual managers to achieve their key results and job improvement plans. For example, there should be an effective and efficient management information system to provide feedback and structure which gives managers sufficient flexibility and freedom of action.

iv. Managers must be motivated with effective salary, selection and career development plans. If this is not done, they will not lend their support to the programme.

v. It will be important to develop and implement management training plans to improve upon the skills of managers if an MBO programme is to be a success.

vi. Regular reviews must be held for each manager in order to identify those with the potential for advancement within the organisation. Those with problems would also be assisted by their superiors.

c)   i. A major cause of strikes in organisations is lack of communication. Where internal communication is ineffective, employees may either suffer role conflict or ambiguity or there may be suspicion between managers and employees which can lead to strike actions.

ii. Unfair terminations or dismissals are causes of most strike actions in organisations. Where the services of employees are dispensed with under circumstances perceived to be unfair, the workforce is likely to embark on a strike action in solidarity with their discharged colleagues.

iii. Grievances are part of daily organisational life. However, procedures are usually put in place to resolve these grievances when they arise. Where prompt steps are not taken to address employee grievances in a just manner, this can lead to strike actions.

iv. Failure on the part of management to negotiate collective agreements can cause a strike action. When an existing collective agreement expires, the parties must initiate moves to negotiate a new one, where labour perceives a refusal or delay on the part of management to engage in negotiations, a strike action may result.

v. Perceived ill-treatment of employees are also major causes of strike actions. Where the employees suffer ill-treatment in the hands of management, they are likely to embark on a strike action.

vi. When the rights of employees are denied them, this will be a recipe for an industrial action. If, for example, basic amenities available to staff are withdrawn without their knowledge and consent or where basic work conditions are not maintained, it is likely the workers will resort to a strike action.

QUESTION 3

a)   An organisation is seen as an open system because it takes inputs in the form of raw and other materials from the environment and through a series of activities, transforms them into outputs in the form of goods and services. These are then supplied to customers in the external environment. The organisation is in constant interaction with the external environment of which it is a part. In order to survive and grow, it must respond to the opportunities and challenges, risks and limitations prevailing in the environment.

b)   Management succession planning is the process of ensuring that a sufficient supply of appropriately qualified and capable employees are available to meet the future needs of the organisation. Such employees should be readily available to fill vacancies created by retirement, death, resignation and the establishment of new positions within the organisation.

c)   i.   Horizontal integration takes place when one company buys another company in the same line of business in an attempt to gain a better share of the market. For example, a large departmental store may buy a sole proprietor's shop in order to open up a retail store in a different location.

ii.   Vertical integration occurs when an organisation buys another business with the view to operating more stages in the provision of a particular product or service to reap profits from them. For example, a big textile company may acquire another company engaged in supplying cotton and other raw materials. This is vertical integration.

iii.   Diversification occurs when a company takes over other companies operating in a completely different line of business. A tobacco producing company might, for example, diversify into other areas such as banking and hospitality industries. Diversification is a good method by which companies spread risks.

iv.   Innovation means doing something completely new.   Although the term innovation is often associated with change, some changes might mean a return to something that was done in the past which does not necessarily mean doing something new.   Thus, while innovation can create change, change is not necessarily the same as innovation.

QUESTION 4

a)   i.   The information which management uses to evaluate performance must be seen to be objective and understandable. If the information tends to be subjective or ambiguous, it is not likely that management will be able to react knowledgeably and efficiently. The system should not be so complicated that only a few people understand it.

ii.   Accuracy – In order for the management to evaluate performance, the information used must be accurate. A control system that provides inaccurate information may

cause management to fail to correct a critical problem or event and even create one when none existed.

iii. It is essential that the cost of implementing and maintaining the control system does not exceed the benefits derived from it. Thus, control for its own sake is ineffective and inefficient.

iv. Realistic – It is essential that the control system is compatible with the realities of the organisation and its environment. This means that all standards must be realistic and all employees must perceive appropriate linkages between expected performance and expected rewards.

v. Prescriptive and operational – the information to be used for the control of performance must be received in usable form. Also when a deviation from standard is identified, the control system should indicate the specific corrective action to be implemented.

vi. Flexibility – for organisations that operate in highly dynamic environments, the control system must have the built-in flexibility to permit the organisation to react quickly to changes in the environment.

b) i. The control system may not be properly adjusted to reflect shifts in importance of various activities and goals over time.

ii. Problems which are easily measured normally receive too much attention as against difficult-to-measure problems.

iii. Short run factors are often over-emphasised at the expense of long-run factors.

c) i. Feedback – many communication problems can be attributed to misunderstanding and inaccuracies.

The manager can reduce or eliminate these problems if he uses feedback. He can ask questions about a message to determine whether or not the message was received and understood as intended. He could also ask the receiver to restate the message in his own words and if the manager hears what was intended, then understanding and accuracy would likely be improved in the communication.

ii. Simplify language – Because language can be a barrier to effective communication, managers should choose words and structure their message in ways which will make those messages clear and understandable to the receiver. Since effective communication is only achieved when a message is received and understood, communication is improved by simplifying the language used in relation to the intended audience.

iii. Active listening – Listening is an active search for meaning but too often, communicators do the opposite by hearing. Active listening which is listening for full meaning without premature judgements or interpretations demands total concentration but the average listener comprehends up to only about a quarter of what is being communicated. To enhance active listening, the manager must

develop empathy with the sender by putting himself in the sender's position. An empathic listening reserves judgement on the message's content and carefully listens to what is being said.

    iv. Emotional constraints – In most cases, people communicate in an irrational manner and this acts as a barrier to effective communication. Emotions can severely cloud and distort the transference of meaning. A manager who is emotionally upset over an issue is more likely to misconstrue incoming messages and fail to communicate his outgoing messages clearly and accurately. Therefore the way to improve interpersonal communication is for the manager to refrain from communicating until he has regained composure.

    v. Watch Nonverbal Cues   - It has often been said that actions speak louder than words. That being so, it is important for the manager when communicating to watch his actions to make sure they agree with and reinforce the words that go along with them. The effective communicator watches his nonverbal cues to ensure they convey the desired meaning.

QUESTION 5

(a)   i.   Leadership style refers to extent to which a leader or manger involves his subordinates in decision-making.

    ii.   Three styles of leadership exist. They are **autocratic style** where the leader makes decisions on his own and then announces those decisions to the group; the **democratic** where the leader solicits support input from subordinates; and the **laissez faire** which is characterized by absence of managerial decision making.

(b)   According to the situational theory a manager's leadership may be influenced by forces in the manager forces, in the subordinates and forces in the situation. These are described as follows:

    i.   Forces in the manager. These include

- his personal values; his feelings on sharing decision making authority, the importance he attaches to organisational efficiency and personal growth of subordinates.
- his confidence in subordinates – whether they have the knowledge and experience to deal with the situation.

- his leadership inclinations – whether he is by nature democratic or autocratic .

- feeling of insecurity – whether he feels secure in delegating decision to subordinates

    ii.   Forces in the subordinates. These include

- employees' knowledge and experience

5

- their readiness to accept decision making responsibility

- their interest in the task or problem

- whether they understand and accept the organisation's goals.

The manager will be willing to share decision making authority if employees have the knowledge and experience; are ready to accept responsibility; are interested in the task involved; and are will to identify with the goals of the organisation.

iii. Forces in the situation.

- the type of leadership style the organisation values; whether it emphasises results or interest in people

- effectiveness of the group

- the nature of the problem of the importance and complexity

- time and money constraints.

The manager will grant greater participation where the organisation values worker participation; if the group is effective; if the problem is not perceived to be too complex for the subordinates; and if there is enough time and money

Note: Candidates should explain at least **two** points under each main point.

QUESTION 6

a) i. Groups facilitate good decisions making. Group decisions are generally more accurate and effective because group and team members contribute different expertise and perspectives.

ii. Quick response - When action is necessary to respond to competition or to solve a problem, small groups can act more quickly.

iii. Teams improve the morale of employees. Personal satisfaction and job morale increase when teams are succeeful.

b) i. Forming – This is the stage where individuals get to know each other. The members of the group now attempt to bind and begin to develop trust in each other while at the same tike discussing issues such as the reasons for forming the team, terms of ownership and behaviours expected of its members.

ii. During the **storming phase**, members define their roles and responsibilities, decide how to reach their goals and iron out the rules governing how they will relate to

each other. This stage often produces conflicts and a leader must quickly step in to stem the likely chaos. The leader usually succeeds if he acts as a coach rather than the police of the group. How long the storming phase lasts depends on the compatibility of group members.

iii.   **Norming** is the stage where all the tensions which arose at the storming phase subside and roles are clarified and information begins to flow among members. Here the group occasionally evaluates its work to check the progress being made towards achieving goals. Every member assumes same leadership functions and so a formal leader is not necessary. Members freely share ideas and become interdependent, move smoothly towards a direction and put in place procedures to resolve any future conflicts.

iv.   The last stage of group formation is the **performing stage**, although some groups do not reach it. Problems such as confused goals, bad leadership, poor feedback and unresolved procedures may prevent many groups from reaching this phase. However, for those which attain this stage, members would have established shared interests and values. They develop loyalty and a "can do" attitude towards their goals. Members work together without grudges, meet deadlines and productivity rises significantly.

QUESTION 7

i.   Education and communication is useful in dealing with resistance to change when the basic problem is a lack of information about the need for, or the nature of, the planned change. If people can be persuaded about the change, they will be more likely to help with its implementation. This approach can be time-consuming and even unworkable if the resistance is due to reasons other than lack of communication within the organization.

ii.   Participation and involvement increases the probability that people will be committed to implementing the change. Where employee opinions are taken into account, this may enhance the effectiveness of the change programme. If the initiators of change do not possess all the information required to design a change programme and when the change affects people with considerable power, then this method becomes particularly appropriate.

iii.   Another method of dealing with resistance to change is the use of such techniques as training, counseling and group discussions which are designed to reduce fear and anxiety. This is very necessary where the main reason for resistance is based on insecurity and adjustment problems. When a change appears to threaten employee aspirations and job security, facilitation and support helps in dealing with resistance.

iv.   Negotiation and agreement may also be adopted in dealing with resistance to change. This is particularly necessary where a group clearly stands to lose out in some way because of the change, and has sufficient power to resist the change. If well applied, this method of dealing with resistance to change may help to avoid major problems. The disadvantage, however, is that it can be expensive.

v. Change managers may resort to manipulation and co-optation. This is an approach which relies on presenting partial or misleading information to the people resisting the change. Co-optation involves identifying key individuals resisting the change and buying them with positions of authority to help implement the change.

vi. Another method of dealing with change resistance is the use of force, or the threat of force, to enforce the implementation of change. This approach may be necessary if the parties involved are operating from entrenched positions and there are disagreements over objectives or methods.