

CAF-04 BMBS



**ICAP CHAPTERWISE PAST PAPERS
WITH SUGGESTED ANSWERS**

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Question 1 (S-15)

Douglas McGregor has presented two different approaches, viz. Theory X and Theory Y, about managing workers in organisational environments.

State the salient features of Theory X and Theory Y which must be kept in perspective by managers for achievement of optimal performance levels from workers?

The salient features stated in Theory X and Theory Y which should be kept in perspective by managers in order to achieve optimal performance from workers are:

Theory X

- workers inherently dislike work and, whenever possible, will attempt to avoid it
- workers dislike work and must therefore be coerced, controlled, or threatened with punishment to achieve objectives
- workers try to avoid responsibilities and therefore must be given formal directions whenever possible
- workers lack ambition and place job security above all other considerations.

Theory Y

- workers put efforts in their work and consider work as a natural phenomenon
- workers exercise self-direction and self-control in their work to achieve objectives of the organisation and perform without any threat of punishment
- workers are willing to perform and are willing to learn and accept responsibility
- workers often do not utilise their intellectual ability to their full extent and possess potential for assuming higher positions in the organisational hierarchy

Question 2 (S-15)

Ajax Textile Mills Limited (ATML) is engaged in the business of weaving of cloth. ATML has shown good performance and achieved high rates of returns on investment during the preceding five years.

Explain in the context of Peter Drucker's management theory, the factors which may have contributed towards the good performances of ATML?

The factors which may have contributed towards ATML's good performance and high rate of return on investment in the context of Peter Drucker's theory of management are:

(i) Setting objectives

The management of ATML would have established well-defined objectives and set performance targets for achievement of the objectives with strict deadlines.

(ii) Organisation of work –

The management of ATML would have organised the work by dividing it into activities and jobs to be performed by individuals and groups in a well-defined organisational structure with appropriate authorities and responsibilities.

(iii) Motivating employees and establishing appropriate communication channels

ATML must have created a motivated work force with an equitable compensation structure to reward employees for their performance. Specific targets for individuals and groups must have been communicated to the employees to enable them to make concerted efforts for achievement of their targets.

(iv) Measuring performance

ATML must be monitoring actual performance against specific pre-determined targets and taking timely corrective measures to ensure that the performance is on track.

(v) Developing employees

The management of ATML must have developed their employees and also themselves through systematic training programs to upgrade the skills of its workers.

Question 3 (S-15)

An important part of functions of managers involve decision-making activities according to their status in the organisation hierarchy and their levels of authorities and responsibilities. Briefly describe the various roles which are performed by managers in their decision-making capacities in business organisations?

The various roles performed by managers in their decision-making capacities in business organizations are as follows:

(i) Roles of initiators of changes and improvements

In their entrepreneurial roles, managers initiate changes by exploiting opportunities or solving problems by taking actions to improve the existing situation. The managers themselves play a major part in seeking improvements or may delegate responsibilities to their subordinates.

(ii) Roles of disturbance handlers

Managers take actions to handle and correct unexpected disturbances and unpredictable events such as resolving conflicts and disputes both within the organization and with outside parties.

(iii) Roles of resource allocators

Managers exercise their authorities to decide and allocate the resources of money, time, materials and energies of staff to specific activities of the organisation's business.

(iv) Roles of negotiators

Managers participate in negotiations on behalf of their organisations with other individuals and parties. The managers reach mutually acceptable solutions through joint agreements with the other parties.

Question 4 (A-15)

Asif Ahmed, a management consultant appointed by Gohar Enterprise (GE), has stated in his report that a culture of inefficient time management is mainly responsible for the company's poor performance. Identify any five barriers which in your opinion may have been impediments to efficient time management in GE.

The barriers which may have been impediments in the efficient time management in GE are:

- Procrastination or devoting too much time towards planning without reaching a decision or doing the actual work.
- Inability to delegate work effectively resulting in being burdened with excessive work.
- Engaging in avoidable paperwork and documentation.
- Conducting unnecessary meetings which result in wastage of precious time and dissipation of energy.
- Inability to determine the priority of work activities.

Question 5 (A-15)

According to Max Webber, 'ideal' bureaucracy provides organisational structure to rationalise and coordinate various human activities in an organisation.

Discuss briefly the characteristics of 'ideal' bureaucracy as stated by Max Webber.

According to Webber the characteristics of 'ideal' bureaucracy in the rationalisation and coordination of human activities in the structures of large organisations are as follows:

- (i) A clearly defined hierarchy of top management positions with specific authorities that flow downwards to the workers at the lowest tiers in the organisation.
- (ii) Communication of directions and instructions are channeled from the top tiers of the management to the bottom and information is conveyed upwards through a chain of command.
- (iii) A well-conceived system of division of labour and specialization of roles of individual employees is prevalent in the organisation.
- (iv) An impersonal and impartial system of authorities, responsibilities, duties and procedures is formulated and communicated to the individuals at the various levels.
- (v) A set of written rules of appropriate conduct and behaviour is conveyed for information to all the concerned employees.
- (vi) High levels of efficiency are achieved in the operations of the organisation.
- (vii) Employees at various levels in the organisation are promoted and rewarded according to their achievements.

Question 6 (S-16)

According to Henri Fayol managers are delegated formal authorities within the organizational framework to enable them to perform the main functions/tasks of management.

Discuss the management functions in a typical business organisation as enunciated by Fayol.

According to Fayol the management functions in a typical business organisation are as follows:

- (i) **Planning** – The planning function involves determining the medium and long-term objectives/goals of the organisation and formulating strategies for their achievement. This function entails arranging resources required for achieving the objectives and allocating them in the organisation.
- (ii) **Organising** – The organising function involves defining lines of authorities and responsibilities in the organisation and managing flow of communication for optimal utilisation of human and other resources.
- (iii) **Coordinating** – Coordinating function involves determining the timing and sequencing of activities so that the functions are carried out in proper order to achieve the objectives.
- (iv) **Commanding** – Commanding function aims to ensure unity of directions. It involves obtaining insight in the human resources and assigning work to employees according to their skills.
- (v) **Controlling** – Controlling function entails confirming that all activities in the organization are proceeding according to the plan in accordance with the established principles and the issued instructions. This function involves taking timely corrective steps to remove or rectify weaknesses.

Question 7 (A-16)

State the important characteristics of Japanese companies as illustrated by William Ouchi in Theory Z.

The important characteristics of Japanese companies as illustrated by William Ouchi in Theory Z are as follows:

- (i) The managers have high degree of trust in their workers who in turn show strong loyalty towards the company.
- (ii) The employees are interested in working in a cohesive team environment.
- (iii) The employees look forward to long-term employment relations with the company.
- (iv) Decisions are made by consensus with workers participating in the decision making process.
- (v) Responsibilities for the outcomes of the decisions are shared collectively rather than individually.
- (vi) Promotions and prospects of career progress are rather slow.
- (vii) Scope for pursuing highly specialised career paths is moderate.
- (viii) Management shows concern for the employees as well as their families.

Question 8 (A-16)

The term bureaucracy may indicate negative connotations of excessive reliance on cumbersome rules and regulations and their strict implementation resulting in delays and frustrations. However, Rosemary Stewart states that bureaucracy is an essential feature of the present day work environment. Explain briefly the reasons why she considers bureaucracy to be an essential feature in all organisations.

According to Rosemary Stewart, bureaucracy is considered to be an essential feature in all organisations due to the following reasons:

(i) Growing size of organisations:

The various activities to be performed by an organisations have to be assigned to the individual members. For this purpose, the management cadres are developed and there are levels of hierarchy and ranks with specific authorities and responsibilities. These management cadres which represent the bureaucracy are necessary to ensure that the functions of the organisation are performed smoothly.

(ii) Greater complexity of work:

In complex work environments there is specialization of various work activities which the individuals are required to perform. A bureaucratic framework is necessary to enable the individuals to focus on the respective work/tasks to be completed by them and subsequently the activities of the various divisions/departments are co-ordinated in the organisation. The individuals are assigned to particular levels of jobs on the basis of their work skills and experience. An appropriate system of bureaucracy ensures continuity of the work of the organisation even if an individual leaves or is transferred from a particular job and another suitable person is appointed to fill the position.

(iii) Scientific management:

All organisations make concerted efforts to utilize their resources in the most efficient manner. An appropriate system of bureaucracy is essential to ensure that the work activities are segregated and performed in a scientific and rational manner with formal procedures for the smooth operations to achieve the objectives of the organisation.

(iv) Demand for equality of treatment:

All organisations are expected to treat their workers equitably and fairly. A system of bureaucracy is necessary to establish rules and procedures and provide the framework for impartial and impersonal implementation of the rules amongst the workers. The rules must be complied with to enable them to perform their jobs efficiently

Question 9 (S-17)

Explain briefly the salient features of the classical theories of management and the present-day behavioural studies of management.

Classical theories of management placed emphasis on:

- (i) applying scientific techniques of work analysis to improve work efficiency
- (ii) conducting experiments to analyze and measure movements of workers in the performance of their tasks through time and motion studies
- (iii) providing training to scientifically-selected workers to achieve high levels of efficiencies
- (iv) division of work activities in small units to achieve advantages of specialization and higher efficiencies
- (v) offering rewards to workers on the basis of their individual efficiencies and achievement of the standard work levels.

Present-day behavioural studies of management:

- (i) stress the need to create efficient organisational structures to rationalize and coordinate human efforts to achieve pre-determined objectives
- (ii) organise the work activities by creating hierarchies of authorities and responsibilities and systems of rules
- (iii) conduct appraisal of performance of employees and offer incentives to achieve high levels of motivation and commitment to achieve organizational goals
- (iv) develop and enhance leadership qualities in the top tiers of management and skills in employees through appropriate training programs
- (v) place considerable reliance on studies of social sciences to motivate and improve performances.

Question 10 (A-17)

Pak Bank Limited (PBL) is a traditional bureaucratic organisation established in 1959. Although PBL has been earning profits yet growth has been very slow. It has been noticed that PBL has added only limited number of new customers during the last 5 years.

- (a) In the light of Rosabeth Moss Kanter's (RMK) analysis of bureaucratic organisation, give reasons due to which organisations like PBL are unable to achieve reasonable growth in their operations.
- (b) Briefly describe the key success factors of business organisations as suggested by RMK.

As per RMK, the main reasons of stagnation in business growth of traditional bureaucratic organisations can be enumerated as follows:

- (i) **Slow decision making/Red tape / Rigid rules:** Adherence to rules and procedures may have taken precedence over effective and timely decision making. This also allows little room for individual initiative and creativity.

- (ii) **Protection of authority/Lack of empowerment:** Managers may have ignored issues of employee productivity while protecting and expanding their own authority, which may have resulted in demotivation.
- (iii) **Incompatibility with new technology:** PBL may have been slow in adapting new technology. New technology has made the 'old ways of doing things' too inefficient.
- (iv) **Long hierarchical chain of command:** Long chain of command means information is passed slowly through the organisation and a long time is taken in making decisions, which could have resulted in inefficiencies and failure to take advantage of emerging growth opportunities.

Question 11 (A-17)

Max Weber defined authority as 'getting things done by giving orders, and having those orders accepted as justified and legitimate'.

Briefly explain the different types of legitimate authorities identified by Max Weber.

Max Weber identified three types of legitimate authorities which are explained below:

- (i) **Traditional authority** is based on custom, gender, birth order and the like. Traditional authority is associated with the hereditary power of royal families and chieftains and the 'head of the household', with leadership passing from father to son when the father dies.
- (ii) **Rational-legal authority** refers to the use of established laws and rules that are applied uniformly. A superior is obeyed because of the position occupied within the organisation's hierarchy. This authority depends on employees' acceptance of the organisations's rules.
- (iii) **Charismatic authority** is evident when subordinates suspend their own judgment and comply voluntarily with a leader because of special personal qualities or abilities they perceive in that individual. Charismatic leaders often lead social, political and religious movement e.g. Quaid-e-Azam Mohammad Ali Jinnah.

Question 12 (A-17)

- (a) Briefly discuss the concept of mentoring.
- (b) A manager also plays the role of a mentor for his staff. Discuss what steps may be taken by a manager for effective mentoring of his staff.

(a) "Mentoring is a relationship between two people i.e. mentor and mentee with the objective of professional and personal development of the mentee.

(b) The steps which may be taken by a manager for effective mentoring include:

- (i) **Develop and manage the mentoring relationship** e.g. ensuring occasional informal interaction with the mentee.
- (ii) **Motivate and inspire** – Urging the mentee to improve performance and pursue excellence.
- (iii) **Interacting with mutual respect** –Mentor is responsible for creating a successful relationship and needs to be flexible, honest, open and receptive to feedback.
- (iv) **Responding to the mentee's needs** – Mentor has to play a broader role than that of a teacher which means not only imparting knowledge but also sharing own experiences and providing suitable personal advice/guidance/training.

Question 13 (S-18)

Henry Mintzberg carried out research into the activities of managers and suggested that in reality, role of managers in organizations is different than that of planning, organizing, commanding, coordinating and controlling as suggested by the classical theorists.

Required:

Describe the interpersonal and informational roles which managers perform in accordance with Henry Mintzberg.

Interpersonal role:

Managers spend much of their time performing interpersonal roles as follows:

- They perform a vital role as **figurehead** of organization while dealing with external stakeholders of the organization. They often play ceremonial role by representing organization at events as a 'public face'.
- They perform as **leaders** while dealing with internal stakeholders of the organization. They perform activities such as hiring, training, motivating, etc.
- Managers of groups with an organization act as a link or bridge with other groups/**liaison**. They often fulfill the role of communicating with other groups within an organization.

Informational role:

Managers perform following informational role:

- They develop an extensive knowledge of the organization by monitoring the information they receive/**monitor** from formal and informal sources.
- They **disseminate** information by acting as a channel of information within the group and with others.
- They act as a **spokesperson** for the group in a 'public relations' capacity.

Question 14 (A-18)

Operations research involves use of various types of analytical techniques. For each of the following organizations, suggest and explain the most appropriate operations research technique:

(a) Sky Rise is a real estate developer. It has successfully bid for construction of a new shopping mall. The project would involve various stages from obtaining permission to actual construction.

(b) Ring Limited (RL) is planning the production, sale and marketing of a new product line that would require investment at various stages. For this purpose, the management of RL is considering various financing options.

- (a) The most appropriate operations research technique for Sky Rise would be 'Network analysis'. It would involve identifying different components of the project and how much time each component would take to complete i.e. the earliest and the latest start and finish time and the order in which components would be completed. The key objective is the identification of critical path i.e. the series of components which sequentially represents the shortest potential duration of the project. This technique can also be used at the planning stage to identify potential bottlenecks and slacks, if any. The most appropriate operations research technique for Ring Limited would be 'Simulation'. It would involve building a model wherein experiments could be conducted to better understand the expected behavior to evaluate various potential strategies so that an informed decision could be made.
- (b)

Question 15 (S-19)

Scientific management is concerned with applying scientific techniques of analysis and experimentation to improve the efficiency of work.

Required:

Mention the four underlying principles of the theory of scientific management as suggested by Frederick Taylor. Also discuss the criticism on this theory.

The four underlying principles of scientific management

Taylor suggested that there should be four underlying principles in scientific management.

☐ There should be a science of work, based on the analysis of work methods and work times, with a view to finding the most efficient way of carrying out tasks. A fair level of performance or efficiency can be identified. Workers should be rewarded through higher pay if they succeed in performing more efficiently than the expected or standard level.

☐ Workers should be selected carefully. They should have the skills and abilities that are well-suited to the work. They should also be trained in how to do the work efficiently.

☐ The scientifically-selected and trained workers and the science of work should be brought together for the best results and greatest efficiency.

☐ There should be an equal division of work between the workers and management, and workers and managers should operate closely together. The management should take over all the work from the workers for which they are more capable.

Question 16 (S-19)

In each of the following situations, identify and briefly explain the managerial role (at function level) as suggested by Henry Mintzberg:

(i) Jamal Noor, finance manager, has been assigned the task of understanding and discussing the prospective quarterly budgets of various departments.

(ii) The board of directors has approved the revised whistle blowing policy and has asked Hina Khan, HR manager, to communicate the revised policy to all employees of the company.

(iii) A project has been suspended due to disagreements among project team members. Wasif Niaz, administration manager, has been assigned the task to resolve the disagreements and get the project back on track.

(iv) To achieve higher profitability, Sanya Shah has been guiding the department heads, how to improve the productivity of their subordinates.

(i) The managerial role of Jamal Noor is that of liaison. Under this role, manager acts as a link or bridge with managers of other groups for the purpose of gathering information.

(ii) The managerial role of Hina Khan is that of disseminator. Under this role, manager acts as a channel of information within the group and / or with others.

(iii) The managerial role of Wasif Niaz is that of negotiator. Under this role, manager resolves the conflicts and disputes, and deals with other similar unexpected problems.

(iv) The managerial role of Sanya Butt is that of leader. Under this role, manager provides leadership to individuals within an organization by means of guiding, training, motivating, etc.

Question 17 (A-19)

Bureaucracy is often condemned because of 'red tape' and 'pen-pushing' work. However, in spite of the criticisms, many large organizations today are bureaucracies. Rosemary Stewart has summarized the four main features of bureaucracy and suggested reasons for its growth.

Required:

Briefly explain the features and reasons for growth of bureaucracy as summarized by Rosemary Stewart. (06)

The features of bureaucracy as summarized by Rosemary Stewart are as follows:

(i) Specialization:

There is specialization of work, but this applies to the job, not to the individual who does the job. This means he can be replaced and that there is continuity.

(ii) Hierarchy of authority:

There is a distinction between 'management' and 'workers'. Within management, there is a hierarchy with clearly-defined levels of authority and 'ranks' of managers.

(iii) System of rules:

System of rules of a bureaucracy provides impersonal and efficient rules and procedures. Individuals within a bureaucracy must know what the rules are to perform their jobs successfully.

(iv) Impersonal:

In a bureaucracy, the exercise of authority and the system of privileges and rewards are based on a clear set of rules.

Following reasons for the growth of bureaucracy are summarized by Rosemary Stewart:

(i) Growing size of organizations:

Large organizations need some bureaucratic structure to function efficiently.

(ii) Greater complexity of work:

Complexity makes it necessary to have specialization of tasks within an organization. Job-holders often need to be 'experts' in their work to deal with the complex issues involved.

(iii) Scientific management:

A scientific approach to management is widely used. This approach supports a rational way of organizing work and having formal procedures for getting work done.

(iv) Demand for equality of treatment:

Citizens expect to be treated equally by organizations. Bureaucracies provide impartiality and should ensure equal treatment for all.

Question 18 (A-19)

Mindset Corporation (Mindset) is a multinational company that provides internet related products and services. Due to the dynamic and creative nature of work, it requires employees who are determined, smart, take responsibility for their work and enjoy what they do. Mindset promotes an open culture, less supervision and encourages expression of opinion and sharing of ideas across all levels of organization for better decision making. It rewards people who take initiatives and come up with better ways to do work.

Required:

(a) In the light of McGregor's Theory:

(i) identify the type of theory and the management style that applies to Mindset. (02)

(ii) use the scenario to explain the view that the theory, identified in (i) above, takes about people at work. (04)

(iii) briefly explain whether this theory can be applied in all management situations? (02)

(b) In the light of William Ouchi's Theory Z:

(i) state the essential features of Theory Z. (03)

(ii) identify any two features from the scenario that are in line with Theory Z. (02)

(a) (i) In the light of McGregor's theory, Theory Y applies to Mindset.

Participative Management Style applies to Mindset.

(ii) Putting effort into work is as natural as play.

Mindset employs people who enjoy what they do.

Individuals will apply self-direction and self-control to work towards the objectives of the organization, without the need for constant supervision or the threat of punishments.

Mindset promotes less supervision.

The strength of an individual's commitment to the organization's objectives is related to the rewards associated with achieving those objectives.

Mindset rewards people who take initiatives and come up with better ways to do work.

Individuals usually accept and then seek responsibility.

Mindset employs people who take responsibility for their work.

(iii) No because:

Theory Y is difficult to put into practice in certain environment. For example, in a factory environment.

☐ There may be some situations when the manager must exercise his authority, because this is the only way of getting results. For example, a manager must decide what to do when his subordinates cannot agree and are arguing amongst themselves.

(b) (i) The essential features of William Ouchi's Theory Z are as follows:

- ☐ Long-term employment
- ☐ Collective (or 'consensual') decision making
- ☐ Individual responsibility
- ☐ Slow evaluation of performance and slow promotion
- ☐ Implicit(informal) control, but with explicit (formal) control measures
- ☐ Moderately specialized career path
- ☐ Wider concern for the employee as a person, including concern for the family of the employee

(ii) Following are the features from the scenario that are in line with Theory Z:

- ☐ Collective (or 'consensual') decision making:
- ☐ Mindset encourages expression of opinion and sharing ideas across all levels of organization for better decision making.
- ☐ Individual responsibility:
- ☐ Mindset requires employees who are determined, smart and take responsibility for their work.

Question 1 (A-14)

According to Michael porter five activities in the primary value chain make the most significant contribution towards the success of any business enterprise. Identify and briefly explain the five constituents of primary value chain as enunciated by Michael porter? (08)

Primary value chain

Inbound logistics.

These are the activities concerned with receiving and handling purchased materials and components, and storing them until needed. In a manufacturing company, inbound logistics therefore include activities such as materials handling, transport from suppliers, inventory management and inventory control.

Operations.

These are the activities concerned with converting the purchased materials into an item that customers will buy. In a manufacturing company, operations might include machining, assembly, packing, testing and equipment maintenance.

Outbound logistics.

These are activities concerned with the storage of finished goods before sale, and the distribution and delivery of goods (or services) to the customers. For services, outbound logistics relate to the delivery of a service at the customer's own premises.

Marketing and sales.

These are the activities associated with the '4Ps' of marketing, namely; product, place, price, and promotion.

Service.

These are all the activities that occur after the point of sale, such as installation, warranties, repairs and maintenance, and providing training to the employees of customers. An important aspect of service is often the work of customer call centres or customer service centres.

Question 2 (A-14)

Explain briefly the factors which act as deterrent and make it difficult for new comers to enter and compete in such market? (08)

Threat from potential entrants

Economies of scale.

Economies of scale are reductions in average costs that are achieved by producing and selling an item in larger quantities. In an industry where economies of scale are large, and the biggest firms can achieve substantially lower costs than smaller producers, it is much more difficult for a new firm to enter the market. This is because it will not be big enough at first to achieve the economies of scale, and its average costs will therefore be higher than those of the existing large-scale producers. There are many examples of industries where the major companies have achieved a dominant market position through the size of their operations so that they can make their products cheaply and sell them at a low price.

Capital investment requirements.

If a new entrant to the market would have to make a large capital investment in assets such as factory premises and equipment, this will act as a barrier to entry, and deter firms from entering the market. This is because they would lose a substantial amount of money if their new business venture failed and they might not want this 'investment risk'.

Access to distribution channels.

In some markets, there are only a limited number of distribution outlets or distribution channels. If a new entrant will have difficulty in gaining access to any of these distribution channels, the barriers to entry will be high.

Know-how.

It be time-consuming and expensive for a new entrant to a market to acquire the 'know-how' and experience to be successful.

Switching costs.

Switching costs are the costs that a buyer has to incur in switching from one supplier to a new supplier. In some industries, switching costs might be high. For example, the costs for a company of switching from one audit firm to another might be quite high, and deter a company from wanting to change its auditors. When switching costs are high, it can be difficult for new entrants to break into a market.

Government regulation.

Regulations within an industry, or the granting of rights, can make it difficult for new entrants to break into a market. For example, it might be necessary to obtain a licence to operate, or to become registered in order to operate within an industry. Companies that already operate within an industry might have the benefit of patent rights that prevent new competitors from 'copying' the products that they make.

Question 3 (A-15)

There is a growing realisation of the adverse consequences of global warming and a number of companies are adopting measures towards improvement of the environment. State five different measures which companies may implement to make a positive contribution towards improving the environment. (05)

Companies may take the following steps to make a positive contribution towards improvement of the environment:

- (i) Improve energy efficiency through better insulation, heat recovery/co-generation.
- (ii) Investment in renewable energy schemes such as solar power and wind energy.
- (iii) Investment in more efficient production technologies to reduce wastages of raw materials and other input factors.
- (iv) Use of environment-friendly raw materials.
- (v) Investment in IT for more effective inventory management and control which would reduce wastages and spoilages of products.
- (vi) Sourcing of goods locally to reduce transportation.
- (vii) Prefer to use recyclable material and bio-degradable packaging.

Question 4 (A-15)

Companies strive to achieve competitive advantage by offering greater value to the consumers. Explain briefly the competitive strategies which enable some companies to earn superior returns on their investments vis-à-vis their competitors. (05)

The different strategic approaches which enable some companies to earn superior returns on their investments vis-à-vis their competitors are as follows:

(i) Cost leadership

- ☐ The company may pursue a cost leadership strategy to manufacture and sell its products at a cost which is significantly below the costs incurred by the competitors.
- ☐ This strategy enables the company to earn higher profit margins by selling its products at prices which are in line with the prices charged by the competitors.
- ☐ The company may sell its products at lower prices to capture a big share of the market and earn higher profits through larger sales volume and derive efficiencies through expansion of the scale of its operations.

(ii) Product differentiation

- ☐ The company may create and attach distinctive features and attributes to its products which are beyond the capabilities of its competitors.
- ☐ These features and attributes are discernible, preferred and valued by the customers who are willing to pay higher prices for the products.
- ☐ Value of the distinctive qualities can be enhanced by promotional marketing and advertising campaigns.
- ☐ To retain sustainable product differentiation advantages, the distinctive differentiation attributes should be beyond the capabilities and resourcefulness of the competitors.

(iii) Market penetration strategy

- ☐ The company may adopt a marketing penetration strategy to reach out to a large number of customers and capture a substantial portion of the aggregate market through aggressive promotional campaigns.
- ☐ This strategy acts as a deterrent to any threat by potential competitors who are not able to pursue such an aggressive strategy.

(iv) Niche Marketing strategy

- ☐ The company may pursue a strategic approach which seeks to cater to a distinctly identifiable segment of the market comprising of customers who are willing to pay a high price for the company's products.
- ☐ The customers in this niche market should be of sufficient size with distinct needs and values for which they are willing to pay higher prices for these benefits.
- ☐ The niche market should not be accessible to the competitors.

Question 5 (S-16)

Zenith Fertilisers Limited (ZFL) is a leading manufacturer of fertilisers in an industry dominated by four competitors. Two rival competitors are reported to be planning to increase their manufacturing capacities to produce fertilisers for cultivation of high yielding crops as they anticipate substantial growth in the future. ZFL firmly believes that it must also strengthen its capacities significantly to be able to retain its position as an important player.

Discuss the specific areas in which ZFL must focus to meet the challenges posed by the rival

ZFL should focus in the following areas to meet the challenges posed by its rival competitors :

- (i) Launch greater research and development efforts to formulate more effective fertilisers by making more investment in research facilities and hiring additional highly qualified staff.
- (ii) Acquire advanced machinery/equipment and other physical facilities to improve the quality and manufacture fertilisers according to the anticipated demand in the country.
- (iii) Appoint marketing personnel to approach the leading distributors of fertilisers and expand marketing network in the important agricultural regions.
- (iv) Revisit its marketing and advertising strategies.

(v) Seek patent rights for its new brands of fertilisers products to create and consolidate the brand recognition of its products.competitors.

Question 6 (A-16)

According to Michael Porter the activities of a business entity include primary value chain and secondary value chain.
Identify the activities performed by the secondary value chain and describe briefly how they add value for the business entity.

The activities performed in the secondary value chain and their roles in adding value for the business entity are as follows:

- (i) **Purchasing** – These activities pertain to the buying of resource inputs viz. materials, plant, equipment and other assets. Appropriate purchases of the requirements of the entity at low costs on favourable terms and ensuring a secure source of supply of key materials/components can add to the value chain and good performance of the business entity.
- (ii) **Technology development** – The activities relating to introduction of appropriate technological systems including research and development and IT systems are important activities for innovation and achieving sustainable competitive advantage.
- (iii) **Human resources management** – The activities concerning inducting and retaining a cadre of competent and motivated work force is of crucial importance for achieving the objectives of the business entity. Human resource management activities include recruiting, training, developing and rewarding employees. A motivated cadre of employees with knowledge-based skills adds to the value chain of the organisation.
- (iv) **Corporate infrastructure** – A well-planned organisation structure with appropriate systems of responsibilities and authorities and clear-cut assignment of duties and roles can add to the value chain.

Question 7 (S-17)

Business firms strive to achieve sustainable competitive advantages by pursuing various strategies. These include:

- (i) Cost leadership
- (ii) Product differentiation
- (iii) Focus

Explain briefly the main characteristics of the above competitive strategies. Give one practical example of any product/service in Pakistan in each case.

(i) **Cost leadership** – In this strategy the firm competes by providing products or services at a price which is lower than the competitors' prices to achieve growth and expand its share of the market. The firm strives to achieve efficiencies by reducing cost per unit through economies of scale, controlling overheads, and manufacturing and marketing costs.

Example: Bonus detergent powder, Fair and lovely skin whitening cream, Tiger Tikipack (small packages) biscuits.

(ii) **Product Differentiation** – Product differentiation strategy involves competing in a market by offering goods/services that the customers perceive to be unique and of particular value to them. This strategy involves access to resources/technology which is not available to the competitors and offering products/services which cater to the particular requirements of brand/image conscious customers who are less sensitive to prices.

Example: Mercedes cars, Chairman latha cloth, Caterpillar generators

(iii) **Focus** – This strategy is pursued if the firm is in a position to meet the requirements of a targeted niche market segment of sufficient size and avoid other potential customers comprising of the aggregate market. The focus strategy is pursued either as a cost leadership or a differentiation strategy within a narrow market segment to cater to the needs of those special customers who have distinctive preferences which cannot be met by the competitors.

Example: Junaid Jamshed sherwanis for bridegrooms, Bahria villas in exclusive housing schemes, Memberships in prestigious golf clubs.

Question 8 (S-18)

Organizations seek competitive advantage by attempting to attain a position whereby customers would be willing to pay higher prices for products or services that they perceive of higher value than those being offered by the competitors.

Required:

Discuss any four means that organization may adopt to add value to its products or services. Also give one example of each.

Organization may adopt following means to add value to its products or services:

1. Offering products with unique features in terms of design, packaging, meeting particular needs etc. that create high perceived value in the minds of customers. For example, Accu-Check is known for its accurate measure for diabetic patients.
2. Convenient systems for buying of products and/or services. Customers are often ready to pay high price if buying mechanism is convenient and/or time saving. For example, availability of products of multiple brands at Amazon with option of online payment.
3. Successful promotion of brand in terms of quality or certain uniqueness as it would encourage brand loyalty among customers. For example, PepsiCo. Has been branding its association with cricketers successfully.
4. Timely delivery of product or service as per convenience of customer. For example, Domino Pizza is known for quick order delivery.
5. High level customer services right from customer enquiry to after sales services. For example, Emirates Airlines is known for its excellent customer services.

Question 9 (S-18)

Flavorsome, a US-based fast food chain has gained worldwide recognition due to unique taste, exemplary ambiance and economy meals. It is considering to exploit an opportunity to expand its business in major cities of Xanata. Xanata is a developing country where demand for fast food is ever

increasing and during the last decade, local as well as international fast food chains have enjoyed substantial profits. Despite widening wealth gap, fast food has gained immense popularity among lower and middle class. However, social awareness groups are pressurizing health ministry to revise public health policy by introducing stringent regulations on food industry. The government is offering tax holiday to encourage foreign investment. This incentive is strongly being opposed by local business community. In the past few years, Xanata has seen high inflation rate and the government is considering to raise the minimum wage rate by 25%. Burger Buddy, a leading local fast food chain is gaining popularity because of its social contributions, advanced technologies, use of social media/mobile application for promotional activities, etc.

Required:

Identify the environmental factors relevant to the above situation and group them for the purpose of PEST analysis.

Relevant environmental factors for the purpose of PEST analysis:

(i) Political factors:

- Foreign investment is encouraged by government by offering tax holidays.
- Strong opposition of existing tax incentives may pressurize government to reconsider the policy.
- Government is considering to raise minimum wage rate which would increase costs and may affect the profitability of businesses.

(ii) Economic factors:

- Demand for fast food is growing and fast food chains are enjoying substantial profits.
- There is a widening gap in terms of wealth distribution and demand for fast food items is mainly from middle and lower class which might be affected as the gap further widens.
- Xanata is facing high rate of inflation which may have adverse impact on economy of the country and customers' ability to buy.

(iii) Social factors:

- There is an increased trend on habits of eating fast food among middle and lower classes that may comprise of major proportion of population of Xanata.
- There is a pressure on health ministry to revise health policy which may adversely impact the business prospects of fast food chains.
- Social contributions are appreciated by consumers.

(iv) Technological factors:

- There is a trend of using advanced technologies among fast food chains as reflected in the success of Burger Buddy.
- Use of social media and mobile application for promotional activities is also on rise.

Question 10 (A-18)

Eat Smart (ES), a family owned business is being managed by Mr. & Mrs. Khan. ES has been enjoying high profits and strong client base and is highly regarded for its premium quality diet food, energy drinks and low carb salads. The food is prepared under the supervision of Mrs. Khan, a foreign qualified nutritionist who has hired a team of qualified staff having sound knowledge and experience. Mr. Khan is a marketing graduate and looks after the supply chain activities i.e. from ordering and safe storage of ingredients to dealing with customer complaints and encouraging feedback.

At present, ES is offering take-away and delivery services. Dine-in service is not being offered due to the fact that Mr. & Mrs. Khan have been busy in managing routine work. ES relies on word of mouth and social media pages for promoting the business.

Given the low set-up costs and growing demand for healthy food, number of new online businesses have entered into the market. Some restaurants have also started to offer separate diet food menus. 'Be Fit' (BF), a chain of fitness center, has approached ES to partner with them in preparing diet plans and meals for its members. Partnering with BF would mean hiring of additional staff at various levels of operations and management.

Required:

- (a) Perform SWOT analysis for ES. (08)
(b) Identify the activities forming part of primary value chain as suggested by Porter and give two examples related to each such activity in ES.

(a) SWOT analysis:**Strengths**

Eat Smart (ES) has following strengths:

- It is being managed and operated by qualified persons with a team of qualified staff.
- It is enjoying high profit margins with strong client base.

Weaknesses

ES has following weaknesses to overcome:

- High reliance on family members for management of business.
- No dine-in service is being offered even though other restaurants are offering similar services.

Opportunities

ES has following opportunities to take:

- Partnership with 'Be Fit' to expand the business.
- Start offering dine-in service as client-base is already strong.

Threats

ES is subject to following threats:

- New online businesses are entering into the market because of low set-up costs.
- Existing competitors have also started to offer diet food on their menus.

(b)

Activities forming part of primary value chain with two examples:

Inbound logistics

- Procurement of ingredients.
- Safe storage of ingredients.

Operations

- Preparation of diet food, energy drinks and low-carb salads.
- Packaging of food for delivery.

Outbound logistics

- Direct sale by means of take-away.

- Delivery of food to clients.

Marketing and sales

- Marketing by means of word of mouth.
- Marketing through social media pages.

Services

- Responding to customer complaints.
- Encouraging feedback from customers.

Question 11 (S-19)

Muntaha Group (MG) is considering to introduce airline services in a developing country. The management of MG is in the process of analysing the airline industry to determine the intensity of competition.

Required:

Explain the competitive forces that may have shaped the airline industry, considering Porter's Five Forces Model. Your answer should clearly mention the strength of each force with related arguments.

You may assume necessary details.

(12)

Threat from potential entrants

Competition in a market is affected by the threat of new business entities coming into the market and adding to the competition. When new entrants are able to come into the market without much difficulty, prices of products in the market will be low. If prices went up and company profit margins improved, new firms would be tempted to come into the market in order to benefit themselves from the higher profits. The new competition would force down prices and profit margins. Because of this threat, firms that are already in the market keep their prices and profits low, and competition in the market is strong. Competitive forces are reduced when it is difficult for new entrants to break into the market – in other words, when the 'barriers to entry' are high.

Threat from substitute products

Competition within a market or industry will be higher when customers can switch fairly easily to buying alternative products (substitute products).

The threat from substitutes varies between markets and industries, but a few examples of substitutes are listed below:

- Transport. Customers might switch between air, rail and road transport services. This means that the competitive strength of a rail company is restricted by the threat of competitive actions by air transport companies or bus companies, and also by the costs of private motoring.
- Food and drink products. With many food and drink products, consumers might switch between similar products, such as rice, pasta and potatoes

Bargaining power of suppliers

In some industries, the competitive position of a business entity might be affected by the bargaining strength of its major supplier or suppliers. When this occurs, the suppliers might charge high prices to their business customers that these businesses are unable to pass on to their own customers (by charging higher prices for their own products). As a result, profitability in the industry is low.

Bargaining power of customers

Customers can reduce the profitability of an industry when they have considerable buying power. Powerful buyers are able to demand lower prices, or improved product specifications, as a condition of buying. Strong buyers also make rival firms compete to supply them with their products. In many countries, a notable example of buyer power is the power of supermarkets as buyers in the market for many consumer goods. They are able to force down the prices from suppliers of products for re-sale, using the threat of refusing to buy and switching to other suppliers. As a result, profit margins in the manufacturing industries for many consumer goods are very low. Porter suggested that buyers might be particularly powerful in the following situations:

- when the volume of their purchases is high relative to the size of the supplier
- when the products of rival suppliers are largely the same ('undifferentiated')
- when the costs of switching from one supplier to another are low.

Competitive rivalry

Competition within an industry is obviously also determined by the rivalry between the competing business entities. Strong competition forces rival firms to offer their products to customers at a low price (relative to the product quality) and this keeps profitability fairly low. Porter suggested that competitor rivalry might be strong in any of the following circumstances:

- when the rival firms are of roughly the same size and economic strength
- when there are many competitors in the industry or market
- when there is only slow growth in sales demand in the market, so that firms are competing for a fairly fixed total amount of sales and customers
- when the products of rival firms are largely the same ('undifferentiated')
- when the costs of withdrawing from the industry are high, so that even unprofitable companies are reluctant to leave the market.

Question 12 (A-19)

The following SWOT matrix is prepared by a management trainee for ProPharma (Private) Limited, a small company manufacturing pharma products:

Strengths

- _ Recent merger of two major competitors
- _ Highly-skilled scientists in the workforce
- _ New scientific discoveries have not yet been fully exploited

Weaknesses

- _ Slow progress with existing research projects
- _ Extensive research knowledge of employees
- _ Strong growth potential of the industry

Opportunities

- _ Poor record of converting research projects into new product development
- _ High investment in advanced equipment
- _ Patents on six products

Threats

- _ High profit margins
- _ Stricter regulation of new products
- _ Recent increase in employee turnover

Required:

Review the information provided in above matrix and re-classify the information under the correct heading where necessary. (06)

Strengths

- ☐ Extensive research knowledge of employees
- ☐ Highly-skilled scientists in the workforce
- ☐ High investment in advanced equipment
- ☐ Patents on six products
- ☐ High profit margins

Weaknesses

- ☐ Slow progress with existing research projects
- ☐ Poor record of converting research projects into new product development
- ☐ Recent increase in employee turnover

Opportunities

- ☐ Strong growth potential of the industry
- ☐ New scientific discoveries have not yet been fully exploited

Threats

- ☐ Recent merger of two major competitors
- ☐ Stricter regulation of new products

Question 1 (A-19)

Mohsin Javed (Mohsin) is taking part in a business planning competition. He has been asked to submit the likely structure of an entity that needs to continually change its business requirements to respond to dynamic market demands.

Required:

In the light of Burns & Stalker structures, what structure should Mohsin propose? Give five features of such a structure. **(06)**

In the light of Burns & Stalker structures, Mohsin should propose organic structure.

The features of an organic structure are as follows:

- ☐ There is a network structure of control. Individuals influence decisions on the basis of their knowledge and skills, regardless of their positions in the organization.
- ☐ Control that is cultural, not bureaucratic.
- ☐ There is much more horizontal communication and free-flow of information.
- ☐ Specialist knowledge and expertise are shared, and contribute to the 'common task' of the entity. Contributing to the common task is the main priority.
- ☐ Job descriptions that are less precise.

Question 2 (A-19)

Itihad eMarketers (leM) is a software house that develops and sells e-marketing products. It has three divisions namely SMS, email and social media marketing products. It maintains 5% market share in the domestic market and aims to grow its share. leM has a strong workforce of 15 highly technical individuals. It follows a divisional organizational structure where the decisions are made by the managers responsible for their respective products who are fairly democratic in their approach. leM values effective teamwork above all and believes in investing in its people to upgrade their skills. What decision making structure is followed at leM? State any three advantages of this structure. **(04)**

Decentralized decision making is followed at leM.

Advantages of decentralization decision making are as follows:

- ☐ In many situations, divisional managers have much better knowledge than senior management/CEO about operational conditions. Therefore, they can make better operational decisions.
- ☐ Giving authority to managers at divisional level and below helps to motivate the management team.
- ☐ Decisions can be taken more quickly at the divisional level because they do not have to be referred to the CEO/head office.

Question 2 (S-19)

Appetite Chocolates (AC) is a choco boutique specializing in chocolates. It has 3 outlets and the business is doing well. At AC, authority is concentrated in upper levels of management. The senior management makes strategies and policies which are handed down to lower level staff for implementation. AC has now started offering license to franchises across the country. These franchises bear the same name and basic concept but authority here is less concentrated. Lower levels in the hierarchy can make decisions. Each franchise is responsible for its own operations.

Required:

(a) Identify the type of decision making done at AC and its franchises. Provide reasons for your answer.

(02)

(b) List any three advantages for each types of decision making in (a) above.

(06)

(a) AC is practicing Centralized decision making.

Reasons:

☐ The higher ups make plans about strategies and policies which are handed down to lower level staff for implementation.

Franchises are following De-centralized decision making.

Reasons:

☐ Lower levels in the hierarchy can make decisions

(b) Centralization Advantages:

☐ Decisions are more likely to be taken with regard to the corporate objectives.

☐ In a crisis, it is easier to make (quick) important decisions centrally.

☐ Decisions are made by persons having better knowledge, skills or expertise.

De-Centralization Advantages:

☐ Due to availability of information, tactical and operational decisions are probably better when taken by local management, particularly in a large organization.

☐ Promotes motivation - giving authority to managers at divisional level and below helps to motivate the management team.

☐ Reduces the burden on top executives.

Question 3 (A-18)

Mintzberg argues that an organization structure is supposed to coordinate the activities of different individuals and work processes to implement plans into action. He suggests that there are five elements or building blocks in an organization and the way in which an entity is organized largely depends on which of these elements is dominant.

Required:

(a) Identify and briefly discuss Mintzberg's five building blocks/elements. Also discuss the type of organization in which each of these elements is expected to play a dominant role. **(10)**

(b) Give one example under each of the building blocks with regard to a university offering post graduate programs. **(02)**

Mintzberg's five building blocks / elements are identified and discussed as under:

(i) Strategic apex

This is the top management in the organization. It is likely to be dominant in an entrepreneurial organization or simple structure where leader gives the overall direction and makes most of the decisions.

(ii) Operating core

This comprises of individuals carrying out the basic work of the organization. It is likely to be dominant in a professional bureaucracy where operating core comprises of highly-skilled professional individuals.

(iii) Middle line

This comprises of managers who exist between strategic apex and operating core. It is likely to be dominant in a divisionalized form where each division is led by a divisional manager.

(iv) Support staff

This comprises of people who provide support to other building blocks such as secretarial staff, cleaning staff, IT staff, etc. It is likely to be dominant in adhocracy where there is an extensive use of team and project-based work.

(v) Technostructure

This comprises of staff who seeks to standardize the way organization works without having direct line management responsibilities. It is likely to be dominant in machine bureaucracy where the entity is controlled through regulations.

(b) Examples under each building block with regard to university offering post graduate programs:

☐ Strategic apex – Administrative cabinet

☐ Operating core – Professors

- ☐ Middle line – Dean
- ☐ Support staff – Cleaning and maintenance
- ☐ Technostructure – Education regulatory

Question 4 (S-18)

Describe the term 'connected stakeholders' and give an appropriate example. Discuss how management should handle the stakeholders who have considerable power but little interest in the performance or decision making of the organization. (03)

„**Connected stakeholders**“ can be individual or a group who is neither involved in the decision making process of the organization nor is part of permanent infrastructure of the organization. However, it can be very influential in shaping the course of actions of the organization and the decisions reached by its leaders. For example, non-executive directors/key customers/key suppliers/ government/ loan providers/ shareholders. For stakeholders having high power but low interest in the matters of organizations, the management should keep them satisfied by not taking any course of action that may raise their interest which would increase the likelihood of exercise of power by them.

Question 5 (A-17)

TJ Limited (TJL) was established 10 years ago as a small scale manufacturing concern. At that time the total number of employees was 18. Most of the employees were directly reporting to the CEO. With the growth in business, number of employees has increased to 55 but no significant change has been made in the reporting structure.

- (a) Name any four types of organisation structures. (02)
- (b) Identify and briefly describe the type of organisation structure which TJL should adopt. Discuss how the recommended organisation structure would enhance the efficiency and effectiveness of TJL's business operations and what other benefits can be achieved by adopting it. (05)

Four types of organisation structures:

- ☐ Entrepreneurial
- ☐ Machine bureaucracy ☐ Functional / Mechanistic
- ☐ Professional bureaucracy ☐ Divisional
- ☐ Adhocracy ☐ Matrix
- ☐ Missionary organisation ☐ Organic organization

(b)

TJL's growth has made it compulsory for the CEO to delegate some responsibilities to other staff so that he can focus on core business activities.

Functional/Mechanistic organizational structure seems most appropriate in the given situation. The functional structure would organize TJL according to the HR, IT, Accounting, Sales, Marketing and Administration functions. Each function will have its own management structure and its own staff. The individual employees who perform function-specific activities would report to the functional managers

and functional managers will report to CEO. Because of the functional orientation, employees and the managers would gain specialized knowledge and experience of their respective functions. In addition to the above, the delegation of authority would allow the CEO to focus his attention on core business functions, formulation and implementation of the company's business strategy, policies and procedures.

Question 6 (S-17)

(a) Describe briefly any five functions performed by senior management in a typical large size business organisation.

(05)

The functions performed by senior management in a typical large-size business organisation are as follows:

- (i) Determining objectives to be achieved by the organisation and making plans for achievement of these objectives.
- (ii) Mobilising resources for achievement of the objectives.
- (iii) Coordinating the different activities to be performed in the organisation by the employees and establishing systems of controls for the various activities.
- (iv) Implementing systems of internal communications in the organisation and also with the external individuals/organisations.
- (v) Establishing systems for training of employees, work motivation and rewards to achieve optimum levels of performances.
- (vi) Monitoring performances of the individual departments/divisions and also the employees and taking corrective actions in the event of any deviations.
- (vii) Reviewing actual achievements and pursuing new objectives due to changes in the business environment.

Question 7 (S-17)

What do you understand by the term flat organisational structure? Briefly describe any four factors which would be of critical importance for the management of a commercial bank in the implementation of a flat organisational structure.

(05)

A flat organisational structure is one which has a wide span of control and a large number of subordinates reporting directly to the manager/supervisor. The factors which would enable the management of a commercial bank in the implementation of a flat organisational structure are as follows:

- (i) install advanced technological systems so that relatively few managers are able to supervise the work activities of a large number of subordinates
- (ii) provide training for development of skills and competencies among the managerial level staff to enable them to supervise subordinates who perform diverse jobs

- (iii) induct a cadre of competent officers and provide them necessary training to be able to work with minimum supervision by their superiors
- (iv) delegate more authorities and responsibilities to the staff at the lower tiers in the bank.

Question 8 (S-16)

Discuss the salient features of a functional organisational structure and the main advantages that are associated with it. **(07)**

In a functional organisational structure, decision-making authorities and responsibilities are segregated and delegated in a formal arrangement according to the specific grouping of activities or functions. Each functional department has its own management structure and staff to perform activities that are relevant to the needs of the organisation.

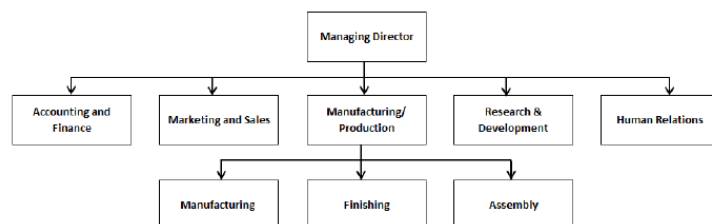
The main advantages of creating an organisational structure on functional lines are as follows:

- (i) development of skills/expert knowledge because the employees are able to concentrate within their particular areas of specialisation
- (ii) efficient utilisation of human and other resources because they are deployed in specialised activities
- (iii) facilitates smooth co-ordination of similar functions within the department and encourages sharing of knowledge and skills
- (iv) assessment of employee performance with clarity as the allocated functions are performed on a continuous basis.

Question 9 (S-16)

Present a chart (in basic form) of the functional organisational structure of a company engaged in the business of manufacturing of superior quality sanitary fittings. **(03)**

Diagram of functional organisation structure of a company engaged in the business of manufacturing superior quality sanitary fittings is presented below:



Question 10 (A-15)

Identify the salient features of an organic organisational structure.

(05)

The salient features of an organic organisational structure are as follows:

- (i) Decisions are made on the basis of knowledge and skills of individuals without absolute adherence to their job descriptions or positions in the organisational hierarchy.
- (ii) Controls are exercised through a flexible structural network rather than through bureaucratic orders by individuals.
- (iii) Communications are mainly horizontal and diagonal and flow freely as information and advice.
- (iv) Working relations are governed largely through a set of cultural or traditional practices rather than strict compliance with the chain of command.
- (v) Specialist knowledge and expertise is shared openly to accomplish the common task which carries a high degree of priority.

Question 11 (S-15)

Explain briefly the main features of a Matrix organisation structure.

(05)

Matrix organisation structure is a structure in which different functions in the entity have to work closely for purpose of completion of a specialised project to achieve the business goals. Matrix organisation structure employs a dual command system and breaks the principle of unity of command as employees in a matrix structure report to two supervisors. One supervisor is a project manager who is appointed with overall responsibilities for completion of the project within the scheduled time and budget. The second supervisor(s) is/are functional managers who also have responsibilities in their specific areas of expertise and retain their decision making authority.

Question 12 (A-14)

Identify and state briefly Mintzberg's five building blocks in a typical organisation structure.

(07)

The five elements or 'building blocks' in a typical organisation structure as suggested by Mintzberg are:

- (i) Strategic Apex – This is the top level management with overall responsibility for organisation.
- (ii) Operating Core – This comprises of those individuals who perform basic work of organisation.
- (iii) Middle Line – These are the managers who interact with the strategic apex and the operating core to achieve the objectives of the organisation.
- (iv) Support staff – These individuals render supporting services in the organisation, i.e. secretarial staff, repairs and maintenance personnel, cleaning staff, etc.
- (v) Techno structure – The staff which provides technical support services such as accountants and I.T. specialists who do not have line management responsibilities and are in staff positions.

Question 1 (A-19)

Itihad eMarketers (leM) is a software house that develops and sells e-marketing products. It has three divisions namely SMS, email and social media marketing products. It maintains 5% market share in the domestic market and aims to grow its share. leM has a strong workforce of 15 highly technical individuals. It follows a divisional organizational structure where the decisions are made by the managers responsible for their respective products who are fairly democratic in their approach. leM values effective teamwork above all and believes in investing in its people to upgrade their skills.

Required:

(a) Respond to the following in the light of McKinsey's 7S Model:

(i) Explain the difference between hard and soft factors. (02)

(ii) Identify the hard and soft factors in the scenario presented above. (03)

(iii) To achieve its aims, leM decides to hire three quality control consultants for each product division. Highlight the changes in the hard and soft factors due to hiring of consultants. (02)

- (i) **Hard Factors:** The hard factors are relatively easy to define and management can change them directly.

Soft Factors: The soft factors are harder to identify and define, less tangible and more influenced by company culture.

(ii) **Hard factors:**

Strategy	market penetration/expansion
Structure	divisional structure
Systems	developing and selling e-marketing products

Soft factors:

Staff	15 employees
Skills	highly technical skills
Style	de-centralized and democratic
Shared values	effective teamwork and investing in people

(iii) The changes are in the following factors:

Soft factors:

Staff	24 employees [15 + (3 × 3)]
Skills	new skills in the form of quality control measures/quality control skills are added to the highly technical skills.

Question 2 (S-19)

Professors at Star University (SU) mark all the examination papers of their courses by themselves. To maintain transparency, SU has hired an independent body, called Markers, to mark all the papers. Professors are reluctant to accept this decision as they fear doing so will reduce control over feedback to the students.

Required:

(a) In the above scenario, identify the 'forces' and 'states' mentioned in Lewin's Force Field Analysis. (03)

(b) According to Lewin, would it be appropriate to force the professors to comply with the required change? Justify your answer. (02)

(a) (i) Driving Forces: Management of Star University (SU)

(ii) Restraining Forces: Professors

(iii) Current State: Professors mark their own papers

(iv) Ideal/Target State: Markers marking papers

(b) No. Lewin argued that by increasing the driving forces, management run the risk that the restraining forces against the change will also grow stronger

Question 3 (A-18)

The Linguist (TL), a learning language institute, has been offering customized programs to the students. TL had gained recognition for its services in terms of highly qualified teachers and competitive pricing. However, in the past two years, student intake of TL has reduced significantly as more students have enrolled with a competitor who is offering online programs. To achieve cost efficiencies and to compete effectively, the management of TL is considering to discontinue the classroom teaching and to start offering online programs by connecting students and teachers through video conferencing.

Required:

(a) List any four reasons because of which TL's employees may resist the above change. (02)

(b) Suggest how management of TL can implement the above change in accordance with the change process suggested by Kurt Lewin. (06)

(a) The reasons because of which TL's employees may resist the change:

- ☐ They might believe that the change would put their jobs at risk.
- ☐ They might believe that their existing working skills (classroom skills) would no longer be required.
- ☐ They might fear that change (lack of physical presence) would make them less important for their employers.
- ☐ They might believe that the call for a change is a criticism of the way they have been working.

(b) The management of TL can implement the change in accordance with the change process presented by Kurt Lewin as follows:

(i) Unfreeze

In the first stage, management of TL would have to persuade employees that change is imminent. They should be encouraged to feel dissatisfied with the current system i.e. 'unfrozen' out of their acceptance of the current situation. Further, the management should also offer employees an attractive alternative for the future that can be reached by changing the current situation.

(ii) Movement (change)

In this stage, actual change is to be made. Management of TL should make sufficient resources available to implement the change. It should encourage employees affected by the change, to participate throughout the change process as it would help in reducing the resistance to change.

(iii) Re-freeze

This is the stage where change has been implemented. At this stage, management should ensure that employees continue to carry on with the new ways by rewarding them for performance based on the desired behavior and results.

Question 4 (S-18)

Briefly discuss three key attributes of highly change-adept organization. (03)

The three key attributes of a highly change-adept organization are:

- (i) The top management/leadership promotes innovation / new ideas.
- (ii) The management is competent at bringing the change and staff is well trained, developed and supports management in bringing the change.
- (iii) The organization collaborates and shares ideas with other entities and is capable of working well with other entities to bring changes.

Question 5 (S-18)

Human resource function of Shayan Limited (SL) has been outsourced to Talent Hunt Limited (THL) for past many years. However, the management of SL is not pleased with some of the newly hired personnel recruited on the recommendation of THL. Further, contract with THL is expiring in two months and THL has demanded 25% increase in fee on renewal of contract.

The management of SL is considering not to renew the contract with THL and intends to establish an in-house human resource function.

Required:

Identify and briefly discuss the seven factors mentioned in the 7S model presented by McKinsey, that SL may consider while implementing the above change. (08)

SL should take into account the following factors mentioned in 7S model:

Hard factors:

(i) Strategy

Goals, objectives and a plan for allocation of resources for in-house human resource function.

(ii) Structure

Assigning of responsibilities, lines of reporting and coordination among human resource function staff.

(iii) Systems

Specific processes, procedures and information systems for human resource function.

Soft factors:

(iv) Staff

Number of people needed for the human resource function and related factors such as rewards, training, motivation, loyalty, working conditions, etc.

(v) Skills

Capabilities and competences that staff must possess to perform the human resource activities.

(vi) Style

Leadership style and organization culture expected to be followed at human resource function.

(vii) Shared values

Sharing of norms and standards by human resource function that reflect the purpose of SL.

Question 6 (S-17)

Model Central Hospital (MCH) is currently experiencing serious problems resulting in overall poor performance of the hospital. These problems are attributable to the indifferent attitude and lack of commitment of a group of doctors and ancillary staff in the hospital.

The board of trustees of MCH is concerned with the gravity of the problems and has appointed Dr Mushtaq, a hospital management specialist, with far-reaching powers to implement change measures for improvement in the affairs of the hospital.

(a) Analyse the above situation in the context of Lewin's force field analysis model of change. (03)

(b) Discuss the measures that Dr Mushtaq should take in terms of Lewin's force field analysis model of change stating the actions to be taken at different stages of the change process. (06)

According to Lewin's force field analysis model of change there are two forces of change in MCH:

☑ the driving forces

☑ the restraining forces

The driving forces of change are those doctors and ancillary staff who favour

introduction of change to improve the affairs of the hospital. The restraining forces are the group of doctors and ancillary staff who oppose and resist the change due to their entrenched attitudes/existing relationships with other employees/pursuance of vested interests.

In terms of Lewin's force field analysis model of change, the measures to be taken by Dr Mushtaq at each stage of the change process should be as follows:

(i) **Unfreeze** - Dr Mushtaq should persuade individuals at all levels to accept the existence of serious problems in MCH and seek support of all the doctors and ancillary staff for the change.

(ii) **Movement (change)** - The stage of movement towards change should be supported by providing adequate resources to implement the changes. The resources can be the driving force for change. Participation by an increasing number of doctors and ancillary staff in the change process would reduce the resistance to change.

(iii) **Re-freeze** - Dr. Mushtaq should ensure that the changes which are implemented should be re-frozen by re-aligning the organizational systems in the hospital. The individual doctors and ancillary staff must be encouraged to adopt the change and not revert to their previous work habits. The new behaviours should be encouraged by appreciating and offering rewards to those individuals who adhere to the new norms of the change.

Question 7 (A-16)

Mintzberg identified six different types of Organisational Configurations with each having a different mix of building blocks depending on the nature and complexity of the activities performed by the organisations. Mintzberg's theory of Organisational Configurations includes the following:

- (i) Machine bureaucracy
- (ii) Professional bureaucracy
- (iii) Divisionalised form
- (iv) Adhocracy

Discuss briefly the salient features of the above Organisational Configurations as described by Mintzberg. (08)

(i) Machine bureaucracy

In a machine bureaucracy, the techno structure assumes the dominant role in the organisation. The organisation is controlled and regulated by a bureaucracy through well-defined procedures and systems and the emphasis is on control through compliance of the rules. This type of organisational structure is suitable for entities that operate in stable business environments but is not appropriate for entities which have to perform in conditions of frequent changes.

(ii) Professional bureaucracy

In this type of organisational structure, the core professional staff is the dominant element. It is found in entities engaged in specialized activities where the operating core comprises of highly-skilled professional staff, e.g. treasury managers in banks, programmers in IT firms and specialist doctors in hospitals.

(iii) Divisionalised form

In this type of organisational structure, the middle tier officials are the dominant element. Each division is led by a powerful divisional manager and as a group they play a major role in the organisational hierarchy. Because the divisional managers are vested with considerable powers, they are often in a position to exercise strong influence on the strategic apex at the top decision-making level. Divisionalised forms of bureaucratic structures are suitable for entities which function in stable/static business environments.

(iv) Adhocracy

An adhocracy type of organisation has a less formal structure and makes extensive use of teams to complete project-based assignments. This type of organisational structure functions effectively in complex and dynamic business environments, where innovation is of critical importance for success. Adhocracy oriented organisations often establish close working relationships with external consultants and experts. The internal 'support staff' element is therefore of considerable significance in an adhocracy type of organisational structure because it assumes leadership roles and responsibilities.

Question 1 (S-19)

Geert Hofstede suggested that there are five dimensions to differences in organization culture arising from differences in national culture.

Required:

In the light of Hofstede, define the term 'culture'. List and briefly explain five dimensions of culture. **(08)**

According to Hofstede, culture is the collective programming of the mind that distinguishes the members of one group from the members of another group.

(i) Power-distance

This refers to the way in which power is dispersed within the organization. When power-distance dimension is low, inequalities in the distribution of power within the organization are minimized and vice versa.

(ii) Individualism versus collectivism

In some cultures the interests of the individual come before the collective interests of the group and vice versa.

(iii) Uncertainty avoidance

This is the extent to which a group feels threatened and endangered by unexpected and unfamiliar happenings. When a culture of uncertainty avoidance is high, work behavior such as precision and punctuality are highly esteemed.

(iv) Masculinity versus femininity

In some countries there is a much stronger cultural acceptance of 'feminine' qualities such as modesty, intuition and quality of life, rather than aggressive 'masculine' qualities of aggressiveness and competitiveness and vice versa.

(v) Long-term orientation versus short-term orientation

In some countries, there is a greater focus on short-term goals and short-term results, whereas in other countries there is a greater willingness to consider the long term benefits.

Question 2 (S-18)

WeSolve, a software house, provides software solutions to small and medium sized businesses. It has following two divisions:

Finance

It comprises of 3 accountants reporting to the chief accountant. Each accountant has defined area of responsibility i.e. receivables, payments and general accounting.

Software Development

It comprises of 2 software development managers, 3 designers and 4 programmers. The designers and programmers are rotated on different assignments in accordance with the knowledge and skills required.

Required:

Identify the corporate cultures (as categorized by Charles Handy) being followed at finance and software development divisions of WeSolve. Also mention key characteristics of the corporate cultures identified by you. (07)

Corporate cultures being followed at WeSolve and their key characteristics are as follows:

Finance

This division is following 'Role Culture' which has following characteristics:

- ☐ There is a bureaucracy where responsibilities of each individual are defined.
- ☐ There is a traditional hierarchical structure and each role has a specific function.
- ☐ The reliance is on formal communications over informal communications.
- ☐ Business environment is fairly stable and initiatives have relatively less importance.
- ☐ People are 'managed' rather than 'led'.

Software Development

This division is following 'Task Culture' which has following characteristics:

- ☐ The focus is on the completion of task in the most efficient and effective manner.
- ☐ Team is formed for each task and on completion of task, the team is disbanded.
- ☐ Power is driven from skills and expertise rather than from official roles.
- ☐ Business environment is volatile and radical solutions are encouraged.
- ☐ People are 'led' rather than 'managed'.

Question 3 (A-17)

According to Johnson and Scholes, there is a cultural web within every organisation. The cultural web consists of six elements of culture. Link each of the scenarios presented below with any one of the cultural elements suggested by Johnson and Scholes:

- (i) The company logo is affixed on the entrance wall of the office building. Inside the office, plates are displayed on the walls displaying company's products and other motivational quotes.
- (ii) Company celebrates personal milestones e.g. birthday parties, retirement celebrations, last day parties, etc.
- (iii) CEO's personal assistant is influential enough to assign tasks to staff of all departments.
- (iv) It is a general belief in the company that the father of existing managing director has played the most vital role in the turnaround of the company.
- (v) Electronic attendance terminals are placed at the entrance and all the employees are required to mark time-in and time-out on daily basis.
- (vi) The entity is controlled and regulated by bureaucracy and the emphasis is on control through regulation.

(06)

- (i) Symbols
- (ii) Routine and rituals
- (iii) Power structure
- (iv) Stories and myths

- (v) Control systems
- (vi) Organisation structure

Question 4 (A-16)

(a) What do you understand by the term Organisational Culture?	(02)
(b) Explain the salient features of the following:	
(i) Power culture	
(ii) Role culture	
(iii) Task culture	(06)

- (a) Organisational culture is a pattern of shared attitudes, beliefs, values and norms of an organisation which guide the behaviour of individuals and groups in the organisation. It is widely believed that the organisational culture has worked well for the organisation and should be adopted by all new employees

(B)

Power culture: In a power culture, all the powers are vested in a single source at the centre of the organisation. The powers, authority and influence are distributed from this central point along functional lines or to the specialists. Those individuals who are close to the central point wield more influence than those who are further away from the centre.

Role culture: In a role culture, the roles and responsibilities of individuals are defined by their job assignments and their positions in the organisational hierarchy. In a role culture there are well-defined job descriptions and formal channels of communications. The roles, assigned according to the skills of the employees, assume overwhelming importance rather than individuals who fulfill the roles. Role cultures are suitable for large organisations.

Task culture: In a task culture, the tasks and their timely completion are of paramount importance. The organisation is flexible as work team are formed to undertake assignments and dissolved after their completion. A task culture is suitable for organisations operating in rapidly-changing environments. The inter-personal relationships among the team members are important and serve best in situations in which the individuals are skilled and are 'led rather than managed'.

Question 5 (S-16)

List and describe briefly the hard and soft factors as stated in the McKinsey's 7S model of change, which should be considered for successful implementation of strategic change.	(07)
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The factors which should be considered for successful implementation of strategic change are described by McKinsey as follows:

Hard factors

Strategy – Strategy consists of the formal goals and objectives of the entity and plans for allocating the resources to activities to achieve the goals.

Structure – Structure is the formal organisation structure of the entity. It aims to assign responsibilities and

authorities to divisions and departments for the achievement of the strategic goals.

Systems – Systems and procedures are designed within the organization to facilitate the various activities and ensure smooth flow of work

Soft factors

Staff – Staff comprises of the employees who work for the organisation and their attributes in terms of their strength, motivation, loyalty, pay scales, etc.

Skills – Skills reflect the capabilities and expertise of the key personnel available to the organisation.

Style – Style refers to the cultural characteristics of the entity and the individuals, including the leadership style of its top management.

Shared values – Shared values are the guiding beliefs of the purpose of the entity and reasons for its existence shared by the employees.

Question 6 (S-15)

According to Johnson and Scholes, corporate entities have ‘cultural webs’ which are unique to their particular working styles. Employees at various tiers of the organisational hierarchy imbibe the prevailing organisational culture which comprises of a set of beliefs, values and norms for day-to-day working and achievement of long-term goals. Identify and explain briefly any five inter-related elements which are unique and can be readily observed in the cultural web of a typical large corporate entity. (10)

The interrelated elements which are unique to a typical large business entity and are manifested in its cultural web comprise of the following elements:

- (i) **Organisational structure**– The organisation culture establishes relationships between the different work groups and portrays the importance/dominance of particular divisions/departments in achieving the overall objectives of the corporation.
- (ii) **Power structure**– Certain individuals occupy key positions of power and influence in the management hierarchy and exercise dominance in the day-to-day working and achievement of the long term objectives of the organisation. These personalities individually and collectively uphold the core beliefs and culture of the organisation.
- (iii) **Stories and myths**– Stories and myths describe the history of certain individual(s) who have played a critical role in the establishment of the business entity and made outstanding contributions towards the achievement of its present position in its particular line of business. The achievements of these individuals are legendary and are articulated and widely respected by all the internal stakeholders.
- (iv) **Routines and rituals**– Certain routines are established and accepted as standard practices. The rituals are accepted norms and deviations are considered to be out of place. Rituals mark the important events in the ‘history and life’ of the organisation and are observed with enthusiasm as important landmarks in the life of the organisation.

- (v) **Symbols**– Symbols depict the culture of the organisation by way of its particular logo, style and mannerisms, perquisites and unique characteristics by which it projects itself to both the internal and external stakeholders.
- (vi) **Control systems**- The criteria for evaluation of performance, recognition of efforts and offering of rewards are manifestations of the culture which considers what is of significance and what is not of much importance for the organisation.

Question 7 (S-15)

State the salient features of the following:

(c) Power distance dimension as suggested by Hofstede.

(02)

- Power Distance Dimension (described by Hofstede) is the manner in which power is dispersed within the organisation.
- In a low power-distance dimension there is comparatively lesser difference between the powers at different levels of management,
- whereas in a high power-distance dimension, the differences in the distribution of powers are pronounced and accepted by the subordinates.

Question 8 (S-12)

Fashion Planet was established as a one-person ladies dress boutique in 1995. Its founder, Ms. Humaira Haq, had a masters degree in fashion designing which meshed well with a deep passion to be a 'leader of fashion and trend-setter' whose unique designs would be emulated by the followers. Over the years, the business has grown considerably and it now has 50 employees on its payroll. Ms. Haq involved herself increasingly with her staff and a conducive work environment promoted both commitment and efficiency in the organisation. She was well aware of her employees' personal and professional needs and was always available with support and advice. However, during the preceding year some innovative fashion designs, introduced after mutual consensus of the key employees, failed to gain acceptance in the niche market and has left the company in a real fix. Fashion Planet has depleted a large proportion of its cash resources as it had purchased materials, most of which had to be sold at a substantial loss. Last Friday, Ms. Haq called a meeting of her staff and told them, either they would have to accept a cut in salaries by 30 per cent from the next month or Fashion Planet may have to wind-up its operations. Although ample employment opportunities were available in the area for the trained staff, the news left them in a state of complete shock. They never thought of Ms. Haq as a boss but as their mentor and family member. Almost 90 per cent of the employees expressed their willingness to accept the salary cuts until such time that the affairs of the company are stabilised once again. In order to bring the affairs of the business back on track, Ms. Haq has approached two ex-college friends who have adequate experience in fashion designing. They have agreed to make equity investment and participate actively in the affairs of the business. This would involve introduction of a more formal organizational structure in Fashion Planet and adoption of a workable business plan for future growth.

Required:

Identify **six** key elements of organizational culture presently prevailing in Fashion Planet.

(03)

The salient features of the organization culture prevailing in Fashion Planet are:

- (i) A highly informal and friendly work environment where the employees openly exchange and share information, both on professional and personal matters.
- (ii) The owner, Ms Haq, is considered to be a mentor or even a parental figure.
- (iii) Fashion Planet has a strong culture of group loyalty, cohesion and upholding of traditions.
- (iv) There is concern among employees about the long-term success of the company.
- (v) Deep-rooted concern for the welfare of individuals in the organisation.
- (vi) A premium is placed on teamwork, participation and consensus.

Question 9 (S-12)

- | | |
|---|------|
| a. Briefly explain the term organizational culture and its significance for an organization. | (03) |
| b. In your opinion, what characteristics are readily apparent in an organization with firmly entrenched positive cultural traits? | (06) |

(a) Organizational culture refers to a pattern of shared attitudes, beliefs, values and norms by the members of an organization which guide the behavior of individuals and groups in the organization. It is widely believed that the organizational culture distinguishes and sets an organization apart from all other organizations.

(b) The characteristics of an organization with firmly entrenched positive cultural traits are:

- (i) **Emphasis on planning and strategy formulation:** Pursuance of a carefully conceived strategy fully aligned with the organization's resources along with implementation of adequate control, monitoring and review systems.
- (ii) **Innovation and risk taking:** The employees are encouraged to be innovative and take calculated risks for achieving the objectives of the organization.
- (iii) **Attention to details:** Considerable emphasis on the employees' abilities and skills to exhibit precision, analysis and close attention to details in the performance of their work assignments.
- (iv) **Outcome orientation:** Commitment of the management on achievement of goals and targets envisaged in the corporate strategy.
- (v) **Employee orientation:** The degree to which management decisions take consideration of their impact on the employees in the organization.
- (vi) **Team work:** The work activities are organized around teams rather than individuals.
- (vii) **Motivation:** Employees are motivated and rewarded to be competitive and goal-oriented towards achievement of the organizational goals.
- (viii) **Sustained Growth:** The extent to which the work activities lay emphasis on progress and growth rather than maintenance of status quo.

Question 1 (A-19)

- (i) Mahad Sajjad has been recognized as ‘employee of the year’ on achieving the highest volume of sales. Zara Noor, sales director, is considering promoting Mahad to the management position. She believes that given Mahad’s last year achievement, he could manage a large sales team.
- (ii) Zymal Khan, CFO, is finding it difficult to select the candidate for the position of finance manager. He acknowledges that some candidates are qualified for the position. However, he views that these candidates lack the charismatic personality that previous finance manager had.

Required:

Identify and explain the type of perceptual problem from each of the above independent situations. Also discuss how the identified perceptual problem could impact the organization. (04)

- (i) The perceptual problem in this situation is ‘halo effect’. It occurs when someone draws a general impression about an individual based on either a single or very limited number of characteristics.

Mahad might be a good sales person but he may not necessarily be a person capable of managing a large sales team.

- (ii) The perceptual problem in this situation is ‘contrast effect’. It occurs when someone’s evaluation of a person’s characteristics is skewed by comparison with other people recently encountered who rank higher or lower on the same characteristics.

In this situation, a qualified candidate might not be selected because of not having charismatic personality similar to previous finance manager.

Question 2 (A-18)

- (a) Level of job satisfaction can be affected by various factors such as rewards, recognition, workgroup relationships, etc. High job satisfaction among the employees has positive impact on internal and external stakeholders.

Required:

List any two positive impacts of high job satisfaction among employees on:

- (i) organizations (ii) customers (04)
- (b) Attitude influences individual’s behaviour towards an object or situation in a favorable or unfavorable manner.

Required:

Identify and briefly explain the components of attitude. Give one example under each. (06)

- (a) High job satisfaction among employees would likely have the following positive impacts:

(i) Organizations

- ☑ Improved productivity and profitability.
- ☑ Greater retention of employees.

(ii) Customers

- ☑ Improved customer services.
- ☑ Availability of better quality products.

(b) Attitude comprises of following components:

(i) Knowledge or informational / cognitive component

This component consists of beliefs, perceptions and information that an individual has about an object.
Example: 'I believe crocodiles are dangerous'.

(ii) Feelings or emotional / effective component

This component consists of a person's feelings or emotions that may be positive, negative or neutral towards an object or situation. Example: 'I am scared of snakes'.

(iii) Behavioral component

This component consists of an individual's tendency to behave, respond or perform in a particular manner towards an object or situation. Example: 'I will run away if I see a lizard'.

Question 3 (S-18)

FundWise, a medium-sized financial advisory firm had enjoyed growth in terms of profitability and client portfolios during the past few years. The increased clientele portfolio resulted in hiring of Salman and Saniya who were very satisfied with the working environment of the firm and their emoluments. However, during the past six months, some of the firm's major clients have left resulting in significant decline in profitability of the firm. Persistent downward trend on stock exchange and introduction of new tax on trading of shares are the primary reasons for the decline. The firm has no plan to pay bonus for current year and there is an on-going rumour that if profitability of the firm does not improve, some of the staff may be laid off. This morning, the supervisor reprimanded Saniya openly for being late at work. She lives in a distant locality and this was not the first time she was late but she was never reprimanded like that before. Saniya is also concerned about increased work responsibilities. On the other hand, Salman is worried about payment of housing loan instalment which is due next month.

Required:

- (a) Identify the job stress triggers at FundWise under the appropriate headings of environmental, organizational and personal factors. (06)
- (b) Briefly discuss the tactics which Salman and Saniya may apply to reduce the stress. (04)

(a) Following are the triggers of job stress in the given situation:

(i) Environmental factors:

- ☑ There is persistent downward trend in stock exchange which is the major cause of low profitability of the firm.
- ☑ Imposition of new tax by government on trading of shares is also hampering firm's performance.

(ii) Organizational factors:

❑ The working environment of the firm is getting hostile as Saniya has never been reprimanded openly for being late at work.

❑ No bonuses are planned for the current year.

❑ There is a rumor that some employees may be laid off.

(iii) Personal factors:

❑ Salman is under financial stress as he is worried about instalment due shortly on housing loan.

❑ Saniya is stressed about reaching office on time and management of increased work responsibilities.

(b) Salman and Saniya may apply following stress tactics to cope with existing stress:

(i) Dispel stress by sharing it with someone close to them (colleague, close friend or family), look for humor in situations (sharing of random joke or funny story) or simply take a break (go out for a walk or visit the gym).

(ii) Eliminate self-defeating behaviors by understanding that they cannot control the uncontrollable circumstances (downward trend on stock exchange), avoiding negativity with positive attitude, accepting that perfectionism is not always realistic etc.

(iii) Prioritize and organize by appropriate time management (leave earlier for work to arrive on time) and task management (scheduling the tasks from most important to least one).

Question 4 (A-16)

Explain briefly what is job stress. List four behavioural symptoms of job stress.

(04)

Job Stress is a harmful physical and emotional condition in individuals arising from issues pertaining to their jobs. Job Stress forces individuals to deviate or behave differently from their normal behaviour and performance patterns.

Behavioural Symptoms of job stress:

- changes in eating habits
- procrastination
- inability to concentrate
- drug addiction
- sleeping disorders
- isolation
- smoking
- nail biting

Question 5 (S-16)

What is perceptual selectivity? List four external stimuli to which individuals tend to pay greater attention.

(04)

Perceptual selectivity seeks to explain how, and why, people select only a few stimuli out of the many stimuli they encounter at any given time. Perceptual selectivity is influenced by various internal and external factors which can also be thought of as characteristics of the perceiver (internal factors) and perceived (external factors).

External factors (characteristics of the perceived)

Novelty and familiarity

Either a novel object in a familiar situation or a familiar object in a novel situation will tend to attract attention.

Motion

Individuals attend to changing objects in their field of vision more readily than to static objects. This is seen in nature where the hunter remains motionless when attempting to catch prey. Advertisers also embrace this concept.

Repetition

Repeated stimuli have greater impact on performance than a single statement as it catches the attention. This is seen in advertising where the brand name is mentioned multiple times in each advert.

Contrast

Greater contrast also augments stimuli. For example a white object against a dark background will receive more attention than a white object against a yellow background.

Size

Size influences attention and recognition in a highly effective manner. Generally, the larger the object the more likely it will be perceived.

Question 6 (A-15)

PQR Mines Limited operates coal mines in the remote areas of the country. The workers in the mines are exposed to several environmental and work related stress factors. Identify and explain briefly any **five** environmental and work related stress factors that the mine workers may be facing. (05)

The environmental and work related stress factors faced by the mine workers of PQR Mines Limited are:

- (i) **Unhealthy working conditions** - entire work has to be performed in the underground mines with continuous exposure to coal ash, dust and heat. The miners have to work in crouched positions for long hours which adversely affects their posture and causes physical strains.
- (ii) **Work-related hazards** - workers have to work with drill machines and shovels and load the coal in trollies to transport coal to the mine heads and load them in trucks and rail wagons. Lapse of attention and care can result in serious injuries to the workers.
- (iii) **Repetitive nature of the work** - the entire process of coal mining does not offer any variety and is of a monotonous nature with very little scope for initiative for new learning and career progress.
- (iv) **Low compensation levels** - the miners are normally paid on the basis of quantity of coal mined. The rates are invariably on the low side as compared to the difficult nature of the work.
- (v) **Lack of entertainment activities** - the mines are located in remote areas and offer few opportunities for entertainment and amusement.
- (vi) **Home sickness** - the miners live away from their home and families for prolonged periods which results in loneliness and weak family ties

Question 7 (S-15)

- a) Define what is meant by the term “Attitude.”
b) Identify and explain briefly the different components of attitude.

(08)

(a) Attitude means a tendency in an individual to persistently feel and behave in a particular manner towards any object or situation with which it is related. Attitudes are subjective i.e. dependent on perception, personal experience and information and influence of other people; attitudes are not necessarily wholly objective.

(b) The components of attitude are:

(i) **Knowledge or informational/cognitive component**- This component of attitude consists of beliefs, perceptions and information that an individual has about an object. It does not matter whether the informational component is accurate or based on some assumed premise.

(ii) **Feelings or emotional/affective component**- A person’s feelings or emotions may be positive, negative or neutral towards an object or situation. In certain situations, individuals may be asked to show particular types of behaviour which may be different from their innate natural feelings.

(iii) **Behavioural component** - This attitude consists of an individual’s tendency to behave, respond or perform in a particular manner towards an object or in a particular situation. Unlike the other two components of attitude, the behavioural attitude can be observed directly.

Question 8 (S-15)

State the salient features of the following:
Job satisfaction

(02)

Job satisfaction refers to the attitudes and feelings that individuals have in relation to their jobs. The extent of positive and favourable attitudes towards the job indicates the level of job satisfaction

Question 9 (A-14)

Briefly describe the term ‘Perception’ and list the factors which influence an individual’s perception towards any object, situation or person.

(03)

Perception is the process which enables individuals to organise and interpret their sensory impressions in order to give meanings to their environment. Perception enables individuals to frame their responses towards objects and individuals. Perceptions may or may not be in accordance with the objective real situation.

Perception may be influenced by:

- (i) attitudes (ii) motives
- (iii) interests (iv) experience
- (v) expectations (vi) beliefs

Question 10 (S-15)

Briefly explain the following concepts:

- ☐ Perception
- ☐ Job satisfaction
- ☐ Organizational culture

(10)

Perception is the unique process by which an individual sees, organizes and interprets other persons, ideas and things in terms of his own beliefs, values and expectations. The perceptions of individuals are often quite different from the real situation and influence individual and organizational behaviour.

Job Satisfaction refers to the attitudes and feelings, individuals have in relation to their jobs. The extent of positive and favourable attitudes towards the job indicates the level of job satisfaction. The level of job satisfaction is affected by rewards, recognition, quality of supervision, social relationship with workgroup and extent to which the individual is successful in the performance of his duties.

Organizational Culture is the commonly held pattern of shared values, norms, beliefs and attitudes that exist in an organization. Organizational culture is the manner in which the people behave and perform their duties and carry out their responsibilities

Question 11 (A-11)

a) What is job stress? State apparent behavioural symptoms of existence of job stress.

(03)

b) State four factors which can cause job stress.

(04)

(a) Job stress is a harmful physical and emotional condition arising from interaction of individuals with their jobs.

Job stress manifests by changes within the individuals which force them to deviate or behave differently from their normal behaviour and performance patterns.

The behavioural symptoms of job stress are changes in eating habits, sleeping disorders, procrastination, isolation, smoking, drug addiction and nail biting, etc.

(b) Job stress can be caused by one or a combination of the following factors:

(i) Jobs which create multiple and conflicting demands on individuals or in which there is ambiguity or confusion regarding the individual's role in terms of duties, authority and responsibilities.

(ii) Jobs which do not offer much variety in their performance and are of a highly repetitive nature.

(iii) Jobs which require adherence to stringent working conditions, lack autonomy and have low opportunities for career growth.

(iv) Jobs which offer low remuneration resulting in difficult financial circumstances.

(v) Jobs which are performed in poor working environment, e.g. excessive noise, humidity or dangerous work conditions.

(vi) Jobs which are perceived to be of menial nature and are considered to be of low value by the society.

Question 1 (A-19)

- (i) Ahad Hassan, CFO, has vast knowledge and experience of operational and financial matters of the organization. However, he believes that his opinions are not being given due consideration by the CEO.
- (ii) Zoya Shah has recently joined a firm of accountants. She is concerned about continuing her employment with the firm as she believes that her supervisor has assigned an unrealistic deadline for her first assignment.
- (iii) Fatima Fawad, a managing director, is successfully running a leading advertising agency. She has always wanted to do social work for the cause of underprivileged communities. However, the busy schedule does not allow her to pursue the cause.

Required:

- (a) In each of the above cases, identify and explain the dominant need under Maslow's hierarchy of needs. Also suggest how each of these needs can be satisfied. (06)
- (b) Discuss the limitations of Maslow's hierarchy of needs. (03)

- The dominant need of Ahad Hassan falls in 'esteem needs' in the Maslow's hierarchy of needs. A person with this need seeks respect from others and to feel good about his own importance. This need can be satisfied by valuing or giving due consideration to Ahad's opinion by the CEO.
- The dominant need of Zoya Shah falls in 'security needs' in the Maslow's hierarchy of needs. A person with this need seeks security against the risks of unemployment. In the above case, this need can be satisfied by allowing realistic deadline to Zoya for her first assignment.
- The dominant need of Fatima Fawad falls in 'self-actualization needs' in the Maslow's hierarchy of needs. A person with this need seeks to achieve something worthwhile in life. In the above case, this need is difficult to satisfy as individual at this level in the hierarchy, needs continuing success and achievements.

(b) Limitations of Maslow's theory of hierarchy of needs:

- Individuals have different needs and these may not necessarily be in the hierarchical order as suggested by Maslow.
- Individuals may seek to satisfy several different needs at the same time instead of waiting for earlier needs to satisfy first.
- The same need may cause different reactions and responses from different individuals.
- This theory neither explains the strength of motivation nor the effect on motivation of people's perception.
- This theory fails to show any link between self-fulfillment and improved organizational performance.
- This theory fails to recognize that self-actualization is not always possible as the environment in which the organization operates may not be suitable for self-fulfillment.

Question 2 (A-19)

Shan Rehman is a newly appointed CEO of Pluto Limited (PL). He is known for strategic decision making and aggressive management practices. He notices that performance of departments can be radically improved. In his first meeting with department managers, he informs that he would communicate monthly targets and conduct a meeting at the end of each month. He would maintain a list of managers

whose department fails to achieve the desired performance. Managers of such departments would be questioned on lower than expected performance in these meetings. Managers have been striving hard to achieve the set targets.

Required:

- (a) Identify and explain the type of reinforcement being applied by Shan Rehman at PL. (02)
- (b) Mention how Shan Rehman is ensuring that type of reinforcement theory he is applying would remain the most effective. (02)
- (c) Mention three tactics that can be adopted to employ reinforcement theory in the business environment. Identify those tactics in the given scenario. (03)

(a) Shan Rehman has applied 'negative reinforcement'.

- ☐ This type of reinforcement involves the removal of a stimulus following a desired behavior.
- ☐ The objective is to make it more likely that the desired behavior will re-occur because of the removal of the negative reinforcement in future.

(b) Negative reinforcement is likely to be most effective:

- ☐ when it occurs immediately after the event; and
- ☐ when it occurs frequently

Shan Rehman is ensuring above factors by reviewing the monthly performance and that meeting is being conducted each month.

(c) The three tactics that can be adopted to employ reinforcement theory in the business environment are:

- (i) Set clear and reasonable expectations. Shan Rehman is communicating the expected performance each month.
- (ii) Identify strong motivators. The motivating factor among managers in the above scenario is to avoid questioning on performance in the meetings.
- (iii) Encourage desirable behavior. The desirable behavior in the above scenario is to strive hard to achieve performance targets.

Question 3 (S-19)

Goals can contribute to self-motivation as they often provide a justification to actions in the context of delivering a personal benefit associated with achieving the goal.

Required:

- (a) List any four matters that management should keep in perspective while setting organizational goals. (04)
- (b) List and explain the limitations that goals may create in an organization despite that these are realistically challenging. (04)

(a) The management should keep following matters in perspective while setting organizational goals:

- ☐ Goals should be SMART (specific, measurable, acceptable, realistic, time-bound).
- ☐ Goals should be stated in a positive statement.
- ☐ Employees should be encouraged to participate in the goal setting process.
- ☐ Employees' personal goals should be aligned with the organizational goals.

(b) Goals may create following limitations to an organization despite being realistically challenging:

- ☐ Inflexibility that can lead to a narrow focus. An opportunity that falls outside the scope of recorded and stated goals may potentially be overlooked.
- ☐ Stress through a constant pressure and reference needing to constantly perform at the highest levels in order to achieve or exceed stated goals. This can detract from taking enjoyment and interest from the task.

Question 4 (S-19)

(a) Ms. Khadija is concerned that her subordinates are dissatisfied with their work. Despite constant efforts such as empowering employees for making routine decisions, recognition of good performances and provision of ample growth opportunities, turnover in her department is still high.

Required:

In the light of Herzberg's two-factor theory, evaluate Ms. Khadija's efforts for eliminating job dissatisfaction with work among her subordinates. Also suggest probable approach Ms. Khadija should take. (04)

(b) Ms. Fatimah has recently joined as CEO of a medium sized entity. She has noted that organizational objectives are not clearly defined and communicated to employees. Therefore, she has decided to implement the system of 'management by objectives' (MBO).

Required:

- (i) State the steps that Ms. Fatimah should follow in implementing the MBO process in her organization. (06)
- (ii) Briefly discuss any two difficulties Ms. Fatimah may encounter in the implementation of MBO. (02)

(a)

According to Herzberg's two-factor theory, there are factors that cause dissatisfaction with work (hygiene) and factors that cause satisfaction with work (motivator).

(i) From the above situation, it is cleared that Ms. Khadija has been focusing on motivator factors such as empowering employees for decision making, recognizing good work and offering growth opportunities to eliminate the dissatisfaction among her subordinates. According to Herzberg, factors

causing dissatisfaction and factors causing satisfaction are not antonyms to each other. The opposite of dissatisfaction is not satisfaction rather it is 'not being dissatisfied'.

(ii) Ms. Khadija, therefore, needs to make sure that hygiene factors such as company policy, supervision, working conditions, salary and relationship with colleagues are given proper attention to eliminate dissatisfaction. If employees are content with their hygiene factors, they will not be dissatisfied.

(b)

(i) Ms. Fatimah should follow the following steps in implementing the MBO in her organization:

☐ Clearly and concisely express the organizational objectives in easily understood mission and vision statements which may necessitate revision.

☐ Translate organizational objectives at employee level. It would involve setting goals and objectives for each concerned employee.

☐ Encourage the participation of concerned employees to align their personal goals with that of the defined organizational goals/objectives.

☐ Once goals are communicated and agreed upon, Ms. Fatimah should monitor the performance of employees against the set goals/objectives.

☐ Performance should then be evaluated in terms of goals/objectives achieved and reward system should be designed accordingly.

☐ Repeat the above cycle.

(ii) Ms. Fatimah may encounter following difficulties in implementation of MBO:

☐ It would be challenging because of length of time involve.

☐ It would require commitment at all levels of employees and there could be likely resistance from them.

Question 5 (A-18)

(a) People with strong self-efficacy are regarded as capable of performing well as they are likely to view challenges as something to be accomplished rather than avoided.

Required:

What do you understand by 'self-efficacy'? Discuss any four attributes of a person with strong self-efficacy. (05)

(b) According to McClelland's motivational needs theory, need for achievement, need for power and need for affiliation significantly influence the behavior of an individual which is useful to understand from a managerial context.

Required:

Briefly discuss the characteristics of individuals who are motivated by each of the above three needs as suggested by McClelland. Also mention under which dominant need a person would most likely be a good leader. (05)

(a) Self-efficacy is the measure of the belief in one's own ability to succeed in various situations i.e. completing tasks, reaching goals, etc.

Attributes of a person with strong self-efficacy:

- (i) He/she is more likely to make efforts to complete a task and persist with those efforts.
- (ii) He/she would attribute failure to external factors.
- (iii) He/she would likely be stimulated by barriers and obstacles.
- (iv) He/she tends to take a broader overview of a task and embrace 'big-picture' thinking.

(b) Characteristics of individuals who are motivated by three needs as suggested by McClelland are discussed as under:

(i) Need for achievement person

This person seeks achievement and advancement in the job. He needs feedback on progress towards achieving a goal and has a sense of accomplishment by achieving those goals.

A person with dominant need for achievement would most likely make a good leader.

(ii) Need for power person

This person needs to be influential and effective and seeks to make an impact. He has a strong need to lead and seeks status and prestige/empire building where his ideas are accepted over others.

(iii) Need for affiliation person

This person needs friendly relationships and is motivated by interaction with other people. He needs to be liked and held in high regard. He makes a good 'team player'. He might be reluctant to make an unpopular decision.

Question 6 (S-18)

- (a) What do you understand by 'Positive Reinforcement' and 'Negative Reinforcement'? Give one example of each. (05)
- (b) Briefly discuss the tactics that managers may adopt to implement reinforcement theory in the business environment. (03)

Positive Reinforcement:

It involves the addition of a reinforcing stimulus following a desired behavior. The objective is to make it more likely that the behavior will re-occur in future. For example, public recognition or reward on achieving desired results.

Negative Reinforcement:

It involves the removal of a reinforcing stimulus following a desired behavior. The objective is to make it more likely that the desired behavior will occur because of the removal of the negative reinforcement in future. For example, seat-belt alarm warns annoyingly encouraging the driver to wear seat-belt in future in order to avoid the annoying sound.

(b) Managers may adopt following tactics to implement reinforcement theory in the business environment:

- (i) Setting tasks that are realistic and clearly defining the expected performance.
- (ii) Identification of factors that are source of motivation for employees by encouraging participative approach and mutually agreed reward on achieving the desired results.
- (iii) Encouraging desirable behaviors such as strong teamwork, quality production, punctuality, etc.

Question 7 (A-17)

- (a) MAG Electricity Company is a power generation and distribution company which was established 50 years ago. A recent study by an HR management consultant reveals that:
- _ Chief Financial Officer is driven by high need of power and influence. His priority is status and prestige.
 - _ Chief Information Officer seeks friendly relationship and wants to please everybody.
 - _ Head of Human Resource seeks situations in which he can attain personal responsibility for finding solutions to problems. He wants his efforts to be recognised and appreciated.
- Classify the 'needs' of the above individuals according to the McClelland motivational theory and explain how these needs affect their role in the organisation. **(08)**
- (b) Give four examples each of extrinsic and intrinsic rewards. **(04)**

(a)

Chief Financial Officer (CFO) (N-pow person) will always want to control and influence others. Mostly these types of employees are poor leaders. However, they are determined individual with strong work ethics and are committed to their organization and its goals. CFO can do well with goal-oriented projects or tasks. He can also be effective in negotiations or in situations which require convincing the other parties.

Chief Information Officer (CIO) (N-affil person) needs to be liked which may affect his objectivity and may prevent him from making unpopular but necessary decisions. He can act as a good team player rather than effective leader and can be more effective in group environment. Further, these types of employees don't like uncertainty and risk, therefore, less risky projects or tasks may be assigned to them.

Head of Human Resource (HHR) (N-ach person) is a type of person who considers achievement more important than financial rewards and sets goals that are realistic but challenging. Further, they like

immediate feedback on how well they have performed. They may have a tendency to seek challenges and demand high degree of independence.

(b)

Extrinsic rewards		Intrinsic rewards	
(i)	Basic pay / salary	(i)	Sense of achievement in doing the work
(ii)	Cash bonus and incentive payments	(ii)	Recognition for doing the work / Participation in decision making
(iii)	Share option schemes	(iii)	Enjoying the status and authority that the job provides
(iv)	Subsidised loans	(iv)	Personal satisfaction from doing the work
(v)	Promotion and commissions	(v)	Pride in doing the job
(vi)	Pension benefits	(vi)	Sense of responsibility
(vii)	Free medical insurance		
(viii)	Company provided vehicle		

Question 8 (A-17)

Management by Objectives (MBO) is a goal setting technique. Describe the activities which are involved in the process of MBO and state the benefits of MBO. **(09)**

MBO involves a continuous cycle of following interconnected activities:

- Determining overall objectives
- Establishing specific goals cascaded down to the departments and individual employees
- Agreeing on goals, targets, performance and improvement plans to enable subordinates to make the optimum contribution
- Formulating action plans
- Implementing the plans and creating effective control systems.
- Reviewing, evaluating and monitoring the progress at regular intervals.
- Appraising the performance

Benefits of MBO

- It ensures that team members have a clear vision about their work and how their role would benefit the whole organisation.
- MBO is an effective approach for improving performance and motivating employees.
- It enables employees and managers to distinguish between tasks that are necessary and those that do not contribute to the organisation's objectives.
- MBO helps managers to control teams and provides a robust reference point for team briefings, goal setting, performance appraisal, delegation and feedback.
- Past performance is reviewed and objectives (goals) for the future are identified.
- It provides a sense of purpose for individuals

Question 9 (S-17)

Samad is currently employed as Marketing Manager in Hamid Limited, a leading juice manufacturing and marketing company and is satisfied in his present position in terms of emoluments, work environment

and relationships with colleagues. Samad has recently been approached by Sigma Consultants, a firm of 'head-hunters' who have advised him of an opening at corporate management level position in Koonts Foods Limited (KFL). KFL is a renowned multinational company engaged in the manufacture of a wide range of food products and is in the advanced stage of implementing manufacturing facilities in Pakistan.

Identify and explain briefly any five motivator factors which may influence Samad's decision to accept a position in KFL in terms of Herzberg's motivation-hygiene theory. **(10)**

The motivator factors which may influence Samad's decision to accept a corporate management level position with Koonts Foods Limited in the context of Herzberg's theory of motivation-hygiene are as follows:

- (i) Achievement – KFL is a renowned multinational company and an appointment at the company's corporate management level would be considered as a significant personal achievement by Samad.
- (ii) Recognition – KFL is a leading manufacturer of a wide range of food products and the appointment would be a source of intrinsic satisfaction for Samad and fulfill his higher needs of recognition of his abilities to perform in a more diverse environment.
- (iii) The work itself – The work in KFL would create greater challenges for Samad's competencies as the company would manufacture a wide range of food products and be a source of satisfaction and motivation to prove that he has the requisite abilities to perform in a more challenging work environment.
- (iv) Responsibility – Involvement in formulation and implementation of corporate strategies of KFL which is implementing manufacturing facilities in Pakistan would entail carrying higher levels of responsibilities and provide an opportunity for Samad to prove his commitment to his profession.
- (v) Advancement – An appointment in KFL at corporate management level position would be a major step towards progress in Samad's career prospects which are not available in his present position.
- (vi) Growth – The position with KFL would provide Samad opportunities for further growth and prospects to achieve high management position in KFL's international operations.

Question 10 (S-17)

(a) Explain briefly the following concepts:

- (i) Distributive justice
- (ii) Procedural justice
- (iii) Interactional justice

(06)

(b) What do you understand by the term business goals? State any four reasons which may act as an impediment in the achievement of business goals.

(05)

(a) (i) Distributive justice ensures that individual employees are not treated differently by the management on the basis of arbitrarily defined characteristics. Distributive justice ensures that individuals who have similar skills, attributes and qualities are treated similarly and where there are differences among the individuals, they are treated differently in matters of allocation of resources and distribution of rewards.

(ii) Procedural justice refers to the fairness in the processes of conducting enquiries/investigations leading to fair outcomes in the dispensation of justice. Procedural justice can be achieved by ensuring consistency and accuracy and absence of personal biases in dealing with the employees.

(iii) Interactional justice refers to the interpersonal communication element of delivering news with sensitivity and respect once the decision has been made. Interactional justice is split into two streams:

▣ Interpersonal Justice – the perception of respect and propriety in one's treatment.

▣ Informational Justice – the adequacy of explanations given in terms of their specificity, truthfulness and timeliness.

(b) Business goals are broad intentions of performance targets expressed in narrative terms that a business entity seeks to accomplish during a particular time frame. Impediments in achievement of business goals may be due to the following reasons:

(i) The employees are not involved in the goal-setting process and therefore have no ownership interest in the goals.

(ii) The goals may not offer motivating work for the employees.

(iii) The goals are not specific, measurable or realistic.

(iv) The goals of the individuals and the business entity are not aligned.

(v) The goals are not expressed in positive terms.

(vi) There is absence of feedback system for timely monitoring of the achievements of the goals.

(vii) The goals are not set in logical sequence for their achievement

Question 11 (A-16)

What do you understand by the term positive reinforcement? Identify the situations in which positive reinforcement would be most effective. **(03)**

Positive reinforcement involves addition of a further stimulus following a desired outcome to influence future behavior. A positive reinforcement which has value for the person can be used to improve performance.

Positive reinforcement would be most effective when it is:

- 1) provided immediately after the desired event
- 2) delivered in an enthusiastic manner
- 3) expressed frequently.

Question 12 (S-16)

The board of OT Limited (OTL) is currently formulating strategy for achieving its business goals during the next four years. The board is of the opinion that the level of business activity in the country would increase significantly and OTL should achieve a fair share of the envisaged growth.

Explain the important matters which the board must keep in perspective while establishing its Goals.

(10)

The board of OTL should keep the following important matters in perspective while establishing its goals for the next four years:

(i) The goals should be based on realistic growth parameters and pose reasonable challenges for the employees. Over-ambitious goals or internal/external constraints may frustrate the employees. On the other hand, if the goals are too easy to achieve, the employees may adopt a complacent or laid back attitude and not put in their best efforts.

(ii) The employees should participate in the goal-setting process because their input and involvement would self-motivate them to make extra efforts to achieve the goals.

(iii) The commercial goals of OTL should be aligned with the personal goals of the employees. OTL should study the types of rewards and incentives which would motivate the employees to put in their best efforts and design the compensation packages to elicit optimum efforts from the employees.

(iv) OTL should be able to generate adequate resources to meet the goals and also ensure that the resources are allocated according to the requirements in order to achieve optimum utilization of the available resources.

(v) The goals should be flexible so that any new opportunities which are not envisaged in the original goal plan are also recognised and targeted.

(vi) A performance monitoring system should be implemented to ensure that the performance is in line with the goals/ targets and timely corrective measures are taken to rectify any unfavourable variances from the set goals.

(vii) A system of employees training and development should be implemented to enhance their work skills and ensure that they are fully conversant with the prevailing regulations.

Question 13 (S-16)

- (a) Identify and describe briefly the three factors which determine the strength of an individual's motivation as illustrated in Vroom's Expectancy Theory. (03)
- (b) Explain briefly the measures suggested by Vroom which managers should adopt to achieve optimum levels of motivation from their employees. (04)

(a) According to Vroom the three factors and their characteristics which determine the strength of an individual's motivation are:

- (i) Valence – Valence is the strength of an individual's need for particular rewards.
- (ii) Expectancy – Expectancy denotes the extent of an individual's belief that by making extra effort the performance level would improve.
- (iii) Instrumentality – Instrumentality refers to an individual's belief that by achieving a certain performance target, appropriate rewards would be received.

(b) According to Vroom's Expectancy Theory, managers should adopt the following measures to achieve optimum levels of motivation from their employees:

- (i) Provide resources to employees to enable them to complete their assignments and achieve the assigned goals.
- (ii) Provide training and employee development support to improve employees' competency levels.
- (iii) Provide supervision and guidance to the employees.
- (iv) Pay appropriate rewards on achievement of good performance.

Question 14 (A-15)

Identify the different types of motivational needs of employees as envisaged by David McClelland in his needs-based motivational model. Also discuss the characteristics of employees with these motivational needs and their impact on the employees' behaviour and attitudes. (09)

According to David McClelland, different types of motivational needs, the characteristics of employees with these motivational needs and the impact of these needs on their behavior and attitude are as follows:

(i) Need for achievement or ('n-ach')

- ☑ Individuals in this category want to achieve significant results and would prefer to set for themselves realistic but challenging goals.
- ☑ These individuals are determined to improve their performance through hard work.

- ☐ Basically, n-ach type of individuals have a strong sense of accomplishment and are committed to achieve goals in their selected professions.
- ☐ These individuals are keen to obtain feedback of their performance and consider progress in careers and rewards as a measure of success in achieving their goals.
- ☐ The n-ach type individuals attach greater importance to achievements than praise from others.
- ☐ They are expected to be good leaders.

(ii) Need for authority or power (n'-pow')

- ☐ Individuals with n-pow characteristics have strong urge to be influential and make impact on others.
- ☐ These individuals want to be acknowledged by others as effective leaders and enjoy their status and prestige.
- ☐ N-pow type persons want that their ideas should be accepted by others.
- ☐ They are reluctant to accept the ideas expressed by others.
- ☐ Usually they do not turn out to be good leaders.

(iii) Need for friendly relationship with others ('n-affil')

- ☐ Individuals with n-affil characteristics have an urge to be liked by others and have strong motivations to interact with others in congenial settings.
- ☐ These individuals are reluctant to make unpopular decisions even though these decisions may have positive consequences in the long run.
- ☐ N-affil type persons lack leadership qualities.
- ☐ They function as good team players.

Question 15 (A-15)

Management by Objectives (MBO) approach aims to align goals of an organization with the objectives of the employees. State two benefits each which would accrue to such an organisation and the employees by adopting the MBO approach. (04)

Adoption of MBO approach offers the following benefits to the organisation and employees:

Organisation

- (i) Managers are able to monitor and appraise performance of the individuals and teams by setting goals, delegating authorities and responsibilities and obtaining employee feedback.
- (ii) Management is in a position to identify and focus on achievement of essential activities which contribute towards achievement of objectives of the organisation

Employees

- (i) The employees have clarity of their roles and the manner in which their efforts are beneficial for the organisation.

(ii) The individual employees develop a sense of purpose and satisfaction by achieving their goals.

Question 16 (S-15)

- | | |
|---|------|
| (a) Define the term motivation. | (02) |
| (b) Although Maslow's Theory of 'Hierarchy of Needs' has wide acceptance among psychologists who study human motivations, the theory has certain limitations which should be kept in perspective while considering the motivational factors in business environments.
Briefly describe limitations of Maslow's Theory of Hierarchy of Needs. | (07) |

(a) Motivation describes the factors which affect the actions and behaviour of individuals to perform in a particular manner towards achievement of certain objectives.

(b) The limitations of Maslow's Theory of 'Hierarchy of Needs' are:

(i) Individuals have different needs and Maslow's theory assumes that the lower needs must be satisfied prior to the satisfaction of higher needs of self-actualisation. This premise does not necessarily hold true in all cases as stated by Maslow.

(ii) Many individuals strive to satisfy several different types of needs simultaneously and not in any particular sequence or order of events.

(iii) The same types of needs often trigger different reactions and responses in different individuals and may not be of same degree of importance for everyone.

(iv) The theory propounded by Maslow does not establish any linkages between self-fulfillment and improvements in organisational performance.

(v) The theory does not offer any explanation of the strength or intensity of motivation of individuals, nor the differences of perception among individuals on the various levels of motivation.

(vi) The theory does not recognize that self-actualisation is difficult to achieve in many situations because creating a conducive environment for achieving this high level of self-esteem is not an easy task.

Question 17 (S-15)

State the salient features of the following:

- | | |
|-------------------|------|
| (b) Self-efficacy | (02) |
|-------------------|------|

Self-efficacy is the measure of the belief in one's own ability to succeed in a situation by completing a task or achieving the goal. Self-efficacy influences the power an individual has to face challenges competently and the choices of actions one would make in difficult situations.

Question 18 (A-14)

Discuss the advantages which progressive organisations seek to achieve by implementing formal goal setting systems. **(10)**

There are different views about the extent to which the prospect of higher pay (through higher basic pay, bonuses, promotion or other forms of reward) acts as a motivator to individuals to put in more effort to their work, or to try to achieve performance targets.

Herzberg argued that pay is perhaps more likely to be a hygiene factor rather than a motivator factor.

Individuals need to feel that they are being paid fairly, and will be dissatisfied if they believe that their pay is unfair. Maslow argued that pay is important because it can satisfy needs at some levels (including status needs), but cannot satisfy the highest-level need for self-actualisation.

Many organisations, however, use reward systems and bonus systems, and obviously believe that these systems do motivate individuals to perform better. This is because money can satisfy many of the needs of individuals, particularly needs in their private life. If the money rewards are high enough, many individuals will probably be motivated to achieve the targets or performance levels they need to reach in order to obtain the rewards that might be available. Pay is therefore a significant element in many 'process' theories of motivation, such as those of Vroom and Handy

Question 19 (A-14)8

Describe the salient features of the two-factor theory of Motivation-Hygiene propounded by Herzberg. **(07)**

Progressive organisations seek to achieve the following advantages by implementing formal goal setting systems:

- (i) Achieve greater departmental coordination and co-operation which would lead to realisation of overall organizational goals.
- (ii) All the departmental heads and their subordinates would be fully aware of their responsibilities and duties which they would have to perform during the next 2-3 years.
- (iii) Strengthen the relationships between the departmental manager and subordinates because it would promote an environment of team effort and the manager would not be considered as an arbitrary decision maker.
- (iv) Incorporate self-correcting characteristics, as slippages in the performance, if any, would be identified immediately and corrective measures can be taken.
- (v) Help to identify deficiencies among the workers leading to development of appropriate training programs.
- (vi) Provide knowledge to employees to know in advance the basis on which their performance appraisal would be determined and they would therefore be able to perform in a more focused manner.
- (vii) Facilitate close monitoring of the market trends and adapt to the changes in the tastes and preferences of the consumers.

Question 20 (A-12)

Various studies in organisational behaviour have shown that the expectancy theory of motivation has considerable validity and is widely applied by managers to achieve high levels of performance from employees. Explain the salient features of the expectancy theory of motivation. (06)

According to the expectancy theory of motivation, there is a high probability that the employees will be motivated to exert high levels of efforts, if they believe that these efforts will lead to good performance appraisal and that good performance appraisal would lead to the desired outcome i.e. higher reward. Finally, the employee motivation would depend upon the extent of importance of the reward to the employees. The value placed on the potential outcome is the valence component. If the rewards are of greater interest to the employees, the valence would be high.

Question 21 (S-12)

Self-actualisation is a concept which has gained wide recognition in psychological and motivational theories after its enunciation in Maslow's Theory of Hierarchy of Needs. Explain the concept of self-actualisation. (04)

Self-actualisation is the highest order of human need of growth for achieving one's potential and self-fulfilment. Self-actualisation is a motivational need which arises after the lower order physiological, safety and esteem needs have been satisfied. The need for self-actualisation is satisfied internally while the lower order needs of food, shelter and security are satisfied externally. Self-actualisation need manifests in being able to be creative in specific pursuits and accomplishing an outstanding job. In practice, few individuals are motivated and able to reach the high level of satisfaction of self-actualisation needs.

Question 22 (A-11)

Employee motivation involves complex issues requiring insight in theories of rewards and compensation, human psychology and understanding of sensitivities of individual employees. List ~~ten~~ non-monetary factors which would help to create greater employee motivation in individuals towards extra efforts for superior performance.

Note: List only. Explanations are not required.

The non-monetary factors which would create greater employee motivation are:

- (i) Efficient organisational structure
- (ii) Committed and competent leadership
- (iii) Fair and merit-based promotion system
- (iv) Congenial work environment
- (v) Prospects of growth
- (vi) Recognition of performance
- (vii) Award of status
- (viii) Job satisfaction

- (ix) Job security
- (x) Job enrichment
- (xi) Efficient system of handling grievances
- (xii) Freedom of association and expression

FAHAD IRFAN

Question 1 (A-19)

- (i) Farzad Khan has set high performance standards for subordinates. He seeks efficiency among his subordinates by implementing strict rules and procedures. He views punishment as an effective way of motivating his subordinates.
- (ii) Hania Tahir sets achievable but not challenging targets for her team. She often listens to her subordinates before making key decisions by herself.
- (iii) Zafar Taj sets challenging targets for his team members and rewards them accordingly. He believes that his team members are highly competent and involves them in the decision-making process.

Required:

For each of the above independent situations, identify and explain the leadership style as per:

- (a) Blake and Mouton's grid
(b) Likert's leadership styles

(06)
(06)

(a)

As per Blake and Mouton's grid:

- (i) Farzad Khan is following 'Authoritarian' style of leadership (9,1). Under this leadership style, leader has:

- ☑ high concern for task as Farzad has set high performance standards
- ☑ low concern for people as Farzad views punishment as an effective way of motivating his subordinates

- (ii) Hania Tahir is following 'Middle of the Road' style of leadership (5,5). Under this leadership style, leader has:

- ☑ moderate concern for task as Hania sets achievable but not challenging targets.
- ☑ moderate concern for people as Hania listens to her subordinates before making key decisions by herself.

- (iii) Zafar Taj is following 'Team Management' style of leadership (9,9). Under this leadership style, leader has:

- ☑ high concern for task as Zafar sets challenging targets for his team members.
- ☑ high concern for people as Zafar encourages participation in key decisions and rewards them accordingly.

(b)

As per Likert's leadership styles:

- (i) Farzad Khan is following 'Exploitive Authoritative' style of leadership. Under this style:

❑ leader uses threats and other fear-based methods to get others to do what he instructs.

❑ communication is mostly downward process from the leader to subordinates.

(ii) Hania Tahir is following 'Consultative' style of leadership. Under this style:

❑ leader makes a genuine attempt to listen to his/her subordinates.

❑ he/she has substantial trust in his/her subordinates but not enough to let them make major decisions.

(iii) Zafar Taj is following 'Participative' style of leadership. Under this style:

❑ leader encourages subordinates to participate in the decision-making process as he has complete confidence in his subordinates who feel a responsibility for the organization's goals.

❑ people are psychologically close and work together.

❑ subordinates receive economic rewards based on achieving goals that have been set with their participation.

Question 2 (A-18)

Suggest and briefly discuss the leadership style that is likely to be most effective in an organization where subordinates have high level of competence with variable level of commitment. (03)

The most effective leadership style would be 'Participative' leadership style where leader plans high focus on developing a relationship with subordinates with low focus on task. As competence level of subordinates is high, leader should delegate day-to-day decision making to the subordinates and he should only participate in non-routine decisions. For variable commitment, leader should provide support necessary to boost confidence and motivation of subordinates.

Question 3 (A-18)

Mr. Inam had joined a company engaged in manufacturing and sale of consumer products as a sales person a decade ago. He has established a good reputation in the eyes of senior management and clients due to his charismatic personality and ability to gain new businesses/clients regularly. In recognition of his consistently good performance, he was given several promotions and has recently been promoted to the position of zonal sales manager. Mr. Inam would now be leading a large number of sales teams which would be a new experience for him.

Required:

Using the John Adair's action-centered leadership model:

(i) mention three aspects of leadership that Mr. Inam needs full command of. (03)

(ii) list the leadership skills he might require in respect of each of the three aspects discussed in (i) above. (08)

(i) According to John Adair's action-centered leadership model, Mr. Inam needs full command on following three aspects of leadership:

- ☐ Achieving the task and meeting the demands of the task.
- ☐ Managing and maintaining the team or group.
- ☐ Managing individuals within the group and meeting the needs of individuals in the group.

Mr. Inam would also need to keep each of the above three elements of leadership in balance.

(ii) Leadership skills required under each aspect is discussed below:

☐ Achieving the task

For achieving the task, Mr. Inam would need the following leadership skills:

- Defining the task and objectives i.e. what needs to be done.
- Making the plan for achieving the task and objectives.
- Identifying and acquiring the resources (people, processes, tools) to achieve the task.
- Establishing responsibilities for each individual group member.
- Setting performance standards in terms of expected performance, reporting deadlines, etc.
- Establishing reporting systems i.e. what, when and whom to report.
- Monitoring and controlling the performance by comparing actual performance with benchmarks.
- Reviewing the performance on completion of the task.

☐ Managing the team or group

For managing team or group, Mr. Inam would need the following leadership skills:

- Establishing the culture of the group by clearly defining and maintaining ethical standards and discipline among group members.
- Agreeing the standard of performance and accepted behavior.
- Monitoring the balance of the group by fixing gaps in the mix where necessary.
- Resolving conflicts between group members.
- Building team morale by ensuring team members remain motivated.
- Developing the collective skills and maturity of the team.
- Facilitating communications within the group as well as between the group and the external parties.
- Providing feedback on group's performance from time to time.

☐ Managing individuals

For managing individuals, Mr. Inam would need the following leadership skills:

- Understanding individual team member in terms of skills, weaknesses, personality traits, etc.
- Making adequate use of individual's strengths and skills.
- Communicating and agreeing on individual's roles and responsibilities.

- Providing appropriate support and guidance to individual team members.
- Understanding training and development needs of individuals and making appropriate arrangements thereon.
- Recognizing and rewarding individual's contribution by means of financial rewards, greater responsibilities, promotions, etc.).

Question 4 (S-18)

There is no defined best way of leading an organization. Leaders need to be adaptive and their optimal course of action is contingent upon the situation that they may encounter.

Required:

Discuss the circumstances under which leaders should adopt:

- (i) Telling leadership style (03)
- (ii) Participative leadership style (03)

(i) Telling Leadership Style:

This leadership style is most appropriate under the following circumstances:

- ☐ When the task is of routine and repetitive nature where primary focus is on timely completion of task whereas relationship with employees has no or low priority.
- ☐ When employees have comparatively high commitment towards completeness of task but lack experience or have low competence levels thereby needing guidance at each step.
- ☐ When quick and accurate decision making is essential for completeness of task and leader has expertise on it.

(ii) Participative Leadership Style:

This leadership style is most appropriate under the following circumstances:

- ☐ When employees have high competence levels where they may contribute with their knowledge and experience for improved decision making.
- ☐ When employees lack confidence and/or motivation thereby needing some support from leader to boost confidence and motivation.
- ☐ When task is of non-routine and/or complex/difficult in nature and focus is to gain employees' commitment by building good relationship with them.
- ☐ When task is not of great importance for the leader who wants to devote his/her efforts to attend other important tasks.

Question 6 (A-17)

Al Ghazal Trading (AGT) is a medium sized enterprise owned by Mr. Khalique with diversified portfolio of business activities. Although some of the staff members are associated with AGT since many years, they are rarely trusted with decisions and other important issues. On most of the occasions, decisions are imposed on the employees by Mr. Khalique.

Discuss the advantages and disadvantages of the leadership style which Mr. Khalique is practicing?

Mr. Khalique is practicing Autocratic/Authoritarian/ Tells /Exploitive authoritative style of leadership.

Advantages of autocratic leadership

- (i) As the decision making rests with a single authority, it helps in making a quick decision and in situations where quick decisions are needed, autocratic leader proves to be advantageous for the organisation.
- (ii) Autocratic leadership style is helpful where urgent short term results are required.
- (iii) Autocratic leadership style is effective in case of inexperienced new employees who need specific instructions and close follow-up until they learn the job.

Disadvantages of autocratic leadership

- (i) Due to lack of delegation of authority in autocratic leadership style, it seems that Mr. Khalique is extremely busy which can lead to stress and even health problems.
- (ii) Autocratic leaders may not take the best decisions as they do not take staff input or consult with staff who have experience and skills. This also badly impacts the moral and reduces the team's creativity/initiative.
- (iii) Employees feel frustrated as autocratic leader tends to impose decisions on them forcefully.
- (iv) Autocratic leadership style is most effective when the leader is present. When leader is not available, problems emerge. There is too much dependence on one person

Question 7 (A-17)

Mr. Alam is the CEO of a company which is known for its adoption of latest and modern techniques. The company usually takes the lead in adopting new ideas, be it new manufacturing equipment, information technology, marketing or human resource. Mr. Alam has also been able to develop a highly motivated and talented team of workers and managers.

Mr. Alam is excellent in terms of communicating new ideas and always receptive to creativity. He has also laid stress on staff development and training and has introduced policies which are helpful in identifying and grooming them. His vision is to provide opportunities for long-term growth of the company as well as its employees.

Identify the style of leadership followed by Mr. Alam and specify the characteristics of such style of leadership as enumerated by Warren Bennis.

(07)

Mr. Alam is a transformational leader as he guided his business through needed changes.

Transformational leaders inspire others with their vision, often promote this vision over opposition, and demonstrate confidence in themselves and their views.

Followings are the characteristics of transformational leadership enumerated by Warren Bennis:

- 1) They have a long-term vision.
- 2) They challenge the status quo.
- 3) They care about the needs of others and have a great capacity for empathy. They actively listen to the concerns of employees, customers, suppliers and the public.
- 4) They are always viewed as trustworthy. In addition, transformational leaders also show trust in their followers.
- 5) They are agents of thoughtful change and innovation. They always put maximum efforts to build on their vision by offering innovative solutions and new ideas. They encourage positive thinking and problem solving.

Question 8 (A-17)

Businesses today face the challenge of adaptive change. Changes in societies, markets, customers, competition, and technology around the globe are forcing them to clarify their values, develop new strategies, and learn new ways of operating.

Briefly explain the six principles of leadership for adaptive change suggested by Ronald Heifetz. **(08)**

Six principles of leadership for adaptive change suggested by Ronald Heifetz are as follows.

- (i) **Get on the balcony:** Leaders have to view patterns and situations as if they are on a balcony. Leaders have to identify struggles over values and power, patterns of work avoidance, and many other reactions to change.
- (ii) **Identify the adaptive challenge:** Businesses have to learn quickly to adapt to the new challenges. Leaders need to understand themselves, the people and the potential sources of conflict.
- (iii) **Regulate distress:** Adaptive work generates stress. Before putting the people to work on challenges for which there are no ready solutions, a leader must maintain a productive level of tension and motivate people without disabling them.
- (iv) **Maintain disciplined attention:** Different people in an organisation bring different experiences, assumptions, values, beliefs, and habits to their work. This diversity is valuable because innovation and learning are the products of differences. No one can learn anything without being open to contrasting points of view.
- (v) **Give work back to the people:** Change is a collaborative process. When people do not act on their special knowledge, businesses fail to adapt. Leaders should provide support and allow people to find the solutions to problems through their own efforts.
- (vi) **Protect voices of leadership from below:** Leaders should allow others (below in the hierarchy) to raise contentious issues.

Question 9 (A-16)

Consider the following situations:

- (i) Salman delegates some day-to-day decisions to subordinates. He also facilitates and participates in discussions about some of the decisions with subordinates who are competent in their work, but lack psychological confidence. He boosts their confidence and motivation from time to time.
- (ii) Ahmed defines the roles and tasks of subordinates and supervises them closely. Decisions are announced by him. Most of the communication is downwards.
- (iii) Hamid is involved in discussions about problem-solving and decision-making but control mostly vests with the subordinates. The subordinates can perform their work with little support. They refer to him only when they consider it necessary.
- (iv) Bashir defines the roles and tasks of subordinates. At times he seeks ideas and suggestions from subordinates. However, he makes most of the decisions but supports and praises the subordinates to boost their self-esteem.

In the context of Hersey and Blanchard's style of situational leadership, identify the leadership style in each of the above situations and state when these styles would be most effective. **(06)**

(i) Leadership style: Participating

This style is most effective when the subordinates have high competence levels but have varying degree of commitment.

(ii) Leadership style: Telling

This style is most effective when the subordinates have low competence levels but high degree of commitment.

(iii) Leadership style: Delegating

This style is most effective when the subordinates have high competence levels and also high degree of commitment.

(iv) Leadership style: Selling

This style is most effective when the subordinates have some competence levels and also nominal levels of commitment.

Question 10 (A-16)

Blake and Mouton's theory of Leadership/Managerial Grid classifies the different leadership styles in the following combinations:

- (i) 1,1 (ii) 1,9 (iii) 9,1 (iv) 5,5 (v) 9,9

Identify and describe briefly the different leadership styles depicted by each of the above combinations. **(05)**

The Leadership Grid or Managerial Grid classifies the different types of leadership styles as follows:

- 1,1 - Low concern for both production and people/Impoverished/Indifferent leadership style.
- 1,9 - Low concern for production and high concern for people/Country club/Laissez faire/Accommodating leadership style.
- 9,1 - High concern for production and low concern for people/Task oriented/Dictatorial/Controlling leadership style.
- 5,5 - Moderate concern for both production and people/Middle of the road/Status quo leadership style.
- 9,9 - High concern for both production and people/Team oriented/Sound leadership style.

Question 11 (S-16)

Warren Bennis has made a distinction between managers and leaders by discussing various characteristics of each. Link each of the following characteristics to managers or leaders:

- (i) focus on systems and structures
- (ii) short-range perspective
- (iii) challenging the status quo
- (iv) reliance on control
- (v) doing the right things
- (vi) inspire trust
- (vii) transactional leadership
- (viii) imitate
- (ix) administer
- (x) maintain
- (xi) develop
- (xii) visionary

(03)

According to Warren Bennis, the distinctive characteristics of managers and leaders are as follows:

Managers

Transactional leadership
Administer
Maintain
Focus on systems and structures
Short-range perspective
Imitate
Reliance on control

Leaders

Doing the right things
Develop
Inspire trust
Challenges the status quo
Visionary

Question 12 (A-14)

Identify and describe any six leadership styles enunciated by Tannenbaum and Schmidt. Identify the style of leadership that is best suited for an organisation which requires quick decision making and consists of highly competent staff at all levels. Give reasons for your choice. (08)

The leadership styles enunciated by Tannenbaum and Schmidt are:

- (i) Tells - The manager makes all the decisions and announces the decisions to the team.
- (ii) Tells and sells - The manager makes the decision and then 'sells' the decision to the group. The manager explains the reasons for the decision and emphasises its benefits for the team.
- (iii) Tells and talks - The manager makes the decision, presents the decision to the team with the background rationale that led to the decision and then invites comments. The team is able to appreciate reasons for the decision and offers its concurrence to the issues and implications involved in the decision.
- (iv) Consults - The manager announces a provisional decision and invites discussions from the group members. The manager then considers the viewpoints expressed by the members and may review or modify the decision. The team members are thus in a position to exercise influence over the decision
- (v) Involves - The manager presents the problem to the team and suggests certain options. The manager invites suggestions concerning the various alternative steps to resolve the problem. The manager makes the decision. The team members are therefore closely involved in the decision process.
- (vi) Delegates - The manager explains the situation to the team and defines the parameters and asks the team to reach a decision. The manager therefore delegates the decision-making function entirely to the team within the stated boundaries.
- (vii) Abdicates - The manager authorizes the team to identify the problem, discuss various options, reach a decision and develop action plans to implement the solution within the limits of the leader's own authority.

The Leadership style which may be best suited are:

Delegated style- The decision has to be reached quickly and the staff comprises of competent individuals who fully understand the issues and can offer valuable input.

OR

Abdicated style- Since the staff is highly competent and the leader is probably an extremely busy individual, he may pursue an abdicated style of leadership particularly because the situation warrants quick decision and any delay may result in missed opportunities.

Question 13 (S-12)

Explain briefly the participative and authoritarian styles of leadership. State the different situations in which each of these leadership styles would be most effective in achieving optimal results. (07)

Participative style of leadership uses both task-centred and people-centred approaches to leading subordinates. The decision-making process is decentralised and subordinates are expected to contribute

their knowledge and skills in solving problems which increases their motivation and interest in their work.

Authoritarian style of leadership uses only work-centred behaviour from subordinates to ensure the accomplishment of tasks. All the decision-making powers are highly centralised and ideas emanating from subordinates, if any, are discouraged. The subordinates are expected to carry out the orders given to them by the leader.

Participative style of leadership is most effective in situations in which the leaders:

- ☐ have confidence and trust in the subordinates to perform their assigned tasks
- ☐ are willing and interested in sharing their skills with the subordinates
- ☐ are interested in the personal development of the subordinates
- ☐ want to devote their own efforts to attend to other tasks which they consider to be of more importance.

Authoritarian style of leadership is effective in the following situations:

- ☐ the leaders want immediate implementation of their decisions
- ☐ the leaders do not have faith in their subordinates competence and/or reliability
- ☐ the jobs are of a highly repetitive nature
- ☐ the leaders believe that employee participation would not make any positive contribution to the overall results.

Question 14 (S-11)

- | |
|---|
| a. Discuss what transformational style of leadership is.
b. Identify and explain briefly six characteristics and traits which are most commonly observed in leaders who pursue the transformational style of leadership. |
|---|

(09)

(a) Transformational leaders inspire their followers to transcend their own selfinterest for the greater good of the organisation they serve. Transformational leaders create a profound effect on their followers and have the capability to inspire and motivate their followers to make extra efforts to achieve group goals. Transformational leaders recognise the developmental needs of their followers and help them to change their attitudes, to achieve group goals.

(b) Transformational leaders display the following characteristics and traits:

- (i) Sincerity –Transformational leaders are genuinely sincere towards the achievement of the goals of the organisation.
- (ii) Role models –Transformational leaders serve as role models and adopt lifestyles and code of ethics which they want their followers to pursue and emulate.
- (iii) Create bond –Transformational leaders develop organisations as a family and develop strong personal relationships, show concern for the problems of the followers and are readily accessible.
- (iv) Consultation and participation – Transformational leaders motivate their followers to openly express their viewpoints and opinions and also encourage their participation in matters concerning them.

- (v) Empowerment and supportive – Transformational leaders repose trust and confidence in their followers and delegate authority and powers to enable them to carry out their responsibilities.
- (vi) Team work – Transformational leaders encourage team work and are strong believers that best results can be achieved through joint efforts.
- (vii) Continuous change and innovation – Transformational leaders are creative individuals and are always open to new ideas and introduce changes for improved performance without causing abrupt disruptions in the organisation.

Question 15 (S-10)

- | | |
|---|-------------|
| a. What is autocratic style of leadership | (02) |
| b. Give four advantages and disadvantages each of autocratic style of leadership. | (06) |

- (a) In an autocratic style of leadership, the leader makes all the decisions independently and gives orders. The leader expects that the orders would be obeyed by the subordinates without any questions or resistance.
- (b) The advantages of autocratic style of leadership are:
 - (i) There is a strong motivation in the manager exercising this style of leadership to achieve results.
 - (ii) Prompt and effective decisions can be reached under autocratic style of leadership.
 - (iii) Subordinates with less competence do not have to participate in planning and decision making and are satisfied to carry out the orders given by the leader.
 - (iv) Some individuals prefer to work under a centralised authority in an environment of strict discipline.

Question 16 (S-10)

In all progressive organizations, managers have to delegate authorities to their subordinates for achieving the business objectives of the organization. Although the process of delegation of authority is a widely accepted phenomenon, yet managers are often not able to benefit from effective delegation of authorities. Identify eight barriers which generally create impediments in the process of effective delegation of authority.	(06)
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- The barriers which create impediments in the process of effective delegation are:
- (i) retention of maximum authority by the managers and lack of willingness on their part to transfer authority to subordinates.
 - (ii) delegation of inadequate authority and thereby restricting the ability of the subordinates to perform effectively.
 - (iii) lack of skills among the managers to direct and control the subordinates.
 - (iv) lack of confidence and trust in the subordinates.
 - (v) lack of skills and expertise among the subordinates.
 - (vi) scope of the authorities and responsibilities of the task are ambiguous to the subordinates
 - (vii) lack of resources to complete the task.
 - (viii) inadequate incentives and weak motivation on the part of the subordinates.

Question 17 (A-09)

Charismatic leaders by the force of their personality appeals and confidence are capable of having profound and extraordinary influence on their followers. Often, they are the role models and most admired visionaries and command deep respect and adulation amongst their followers. However, responsible and organization-oriented charismatic leaders are mindful of the pitfalls of their charismatic styles of leadership.

In your opinion, what steps should a charismatic leader of a highly successful business organization take to minimize the adverse effects of charismatic style of leadership?

The charismatic leader of a highly successful business organization should take the following steps to minimize the adverse effects of charismatic style of leadership:

- (i) Encourage dissent so that the subordinates can disagree without feeling of being disloyal to the leader.
- (ii) Establish systems in the organization that will be durable and outlast the tenure of the charismatic leader.
- (iii) Plan for a competent replacement to transfer the personal bonds of charisma attached with the present leader to the organization or to the new leader.
- (iv) Use charisma to overcome problems in the short-term. In the long-term, adopt measures to ensure that the power vests in the organization and not in the personality of the leader.
- (v) Assess the environmental conditions and take measures with a sense of awareness that although charisma creates safety in crisis situations, it is less effective in times of stability.

Question 1 (A-19)

Mention the stages of team development as suggested by Bruce Tuckman. Also, briefly discuss the expected role of leader in each stage. (03)

Following are the stages of team development with the expected role of leader in each stage:

- ❑ Forming – the role of the leader is to provide guidance and direction to team members.
- ❑ Storming – the role of the leader is to act as coach to the team members and to encourage them to focus on the team's tasks rather than on relationships and emotional issues.
- ❑ Norming – the role of the leader is to encourage participation of team members so that team members take on greater responsibility for decisions.
- ❑ Performing – the role of the leader is to delegate new tasks and oversee performance.

Question 2 (S-19)

Distinguish between 'distributive bargaining' and 'integrative bargaining' in terms of:
goals
focus
information sharing (06)

Distributive Bargaining	Integrative Bargaining
Goals Each party strives to obtain the maximum advantage for its own self-interest.	Goals Both the parties attempt to maximize the scope and size of the benefits for mutual advantage.
Focus The focus is on assuming a particular position and sticking to it to obtain the opponent's agreement to a specific target or as close to it as possible.	Focus The focus is on understanding the respective positions of each other and trying to reach a mutually acceptable outcome.
Information sharing Each party withholds information to out maneuver the other party.	Information sharing Both the parties share information to satisfy the interests of each other.

Question 3 (A-18)

Individuals in an organization form various formal and informal groups for the purpose of achieving similar goals or to simply exchange ideas, thoughts and attitude with other group members.

Required:

Briefly describe the differences between formal and informal groups in terms of:

- (i) formation (ii) purpose
- (iii) decision making (iv) termination of membership

(08)

Formal Groups	Informal Groups
Formation Formed by management to perform specific roles or functions.	Formation Formed through the social interactions of its members.
Purpose Combine the efforts of individuals working together to achieve a common goal.	Purpose Satisfy social and psychological needs (i.e. sharing of personal interests, thoughts and attitudes).
Authority Decisions are commonly taken by group leader (a manager or supervisor).	Authority Decision is reached through collective agreement./They follow decision of influential member in the group.
Termination Members continue to work in the group at the discretion of management unless they leave the job.	Termination There are no restrictions and members may join or leave the group at their own discretion.

Question 4 (S-18)

List the nine team roles as suggested by Belbin. Give one strength and one weakness of each team role falling under problem solving/thinking group. **(04)**

Belbin has prescribed following nine roles under three groups:

Doing/Acting:

- Implementer
- Shaper
- Completer/Finisher

Problem solving/Thinking:

- Plant
- Monitor/Evaluator
- Specialist

Showing concern for people:

- Coordinator
- Team worker
- Resource investigator

Problem solving/ Thinking	Strength	Weakness
Plant	▪ Solves difficult problems with original and creative ideas	▪ Poor communicator ▪ Impractical at times ▪ Often ignores details
Monitor/Evaluator	▪ Analyzes the issue accurately and carefully ▪ Sees the big picture	▪ Uninspiring
Specialist	▪ Expert in specific area ▪ Detail oriented	▪ Overly critical ▪ Disinterested in other areas of team activities

Question 5 (A-16)

- (a) Explain briefly what is meant by the term group dynamics. **(03)**
 (b) List the factors which contribute towards effective group cohesiveness. **(04)**

(a) Group dynamics is the study of interactions and forces operating within the groups. It is influenced by the internal structure and composition of the groups, the manner in which the groups are formed and function and the ways in which the group members interrelate to each other and towards other groups.

(b) The factors which create more effective group cohesiveness are:

- (i) Relatively small size of the group.
- (ii) Homogenous group members who share common goals.
- (iii) Effectiveness of the role of leadership of the group.
- (iv) Requirements of task cohesion among the group members.
- (v) Extent of competition with other groups.

Question 6 (S-16)

Belbin, in his team-role theory, identified the roles of individual team members as follows:

- (i) implementer (ii) shaper (iii) completer/finisher (iv) plant (v) monitor/evaluator (vi) specialist (vii) coordinator (viii) team worker (ix) resource investigator

Identify the strength(s) of any six of the above roles which contribute towards achieving the objectives of the team. **(06)**

According to Belbin, the strengths of the individual team members by which they contribute towards achieving the team building/teamwork efforts are as follows:

	Team Role	Strengths
(i)	implementer	capable of putting basic ideas to practical work in an organised and predictable manner
(ii)	shaper	actively strives to achieve group consensus and progress
(iii)	completer/finisher	assumes responsibilities to resolve minor problems and ensures that the task is completed
(iv)	plant	offers original and creative ideas to resolve difficult problems
(v)	monitor/evaluator	thinks accurately about issues and is able to visualise the issues in their entire perspective - 'see the big picture'
(vi)	specialist	contributes by knowledge and information and has the ability to attend to details
(vii)	coordinator	facilitates the team members to focus towards accomplishing their particular tasks
(viii)	team worker	cares for the team members by being a good listener and helps to resolve conflicts/social problems
(ix)	resource investigator	networks enthusiastically with team members to explore new ideas and possibilities for accomplishing tasks.

Question 1 (A-19)

Consider the following situations:

- (i) Deadline looms and the parties to negotiation are in deadlock.
- (ii) Achievement of optimum solution is necessary.
- (iii) An emergency condition which requires quick decision.

Required:

For each of the above, suggest the most appropriate conflict resolution style as mentioned by Thomas and Kilmann. Also mention how the suggested conflict resolution style would likely effect the satisfaction of the parties involved. (03)

- (i) Compromising – this style would likely result in keeping all parties only partially satisfied.
- (ii) Collaborative – this style would likely result in all parties satisfied.
- (iii) Competitive – this style would likely result in leaving one of the parties unsatisfied.

Question 2 (A-19)

Explain the role of a mediator in a conflict resolution. Also mention, when it would be most effective. (02)

The role of mediator is to facilitate a negotiated solution through reasoning and persuasion and by offering suggestions for pursuing different alternatives. It would be most effective when conflict is of moderate level and mediator is perceived to be neutral and not coercive.

Question 3 (S-19)

Distinguish between 'distributive bargaining' and 'integrative bargaining' in terms of:
_ goals _ focus _ information sharing (06)

Distributive Bargaining

Each party strives to obtain the maximum advantage for its own self-interest.

The focus is on assuming a particular position and sticking to it to obtain the opponent's agreement to a specific target or as close to it as possible.

Each party withholds information to out maneuver the other party.

Integrative Bargaining

Goals

Both the parties attempt to maximize the scope and size of the benefits for mutual advantage.

Focus

The focus is on understanding the respective positions of each other and trying to reach a mutually acceptable outcome.

Information sharing

Both the parties share information to satisfy the interests of each other.

Question 4 (A-18)

The ability to negotiate effectively requires a blend of interpersonal and communication skills. Negotiators tend to adopt number of tactics with varying degree of risks to carry out successful negotiation.

Required:

Briefly discuss any two high risk negotiation techniques.

(04)

High risk negotiation techniques are discussed below:

- (i) Take it or leave it – a highly aggressive strategy that may result in anger or frustration in the other party. An apparent unwillingness to compromise increases the probability of not reaching the deal and both parties risk ending up in a loss-loss situation.
- (ii) Wait until the final moment – involves using stalling tactics knowing that the deadline is near. A favorable offer is only made at the last moment leaving the counterparty with little choice but to accept. However, it may lead to take it or leave it approach and risk losing all.

Question 6 (S-18)

Group conflicts are inevitable part of organizational interactions and are often viewed as indicative of negative connotations. However, there may be some positive outcomes of the conflicts also.

Required:

Enumerate the situations in which group conflicts may be beneficial for an organization.

(04)

Under following situations, conflict may be beneficial for an organization:

- (i) Existing systems are challenged, which often brings about positive change based on new realities / improves customer service and product quality.
- (ii) Innovation and new ideas are encouraged / Group think attitude is eliminated.
- (iii) Constructive level of tension is established / Competitive atmosphere is created. It encourages individuals to put their best efforts.
- (iv) Emotions are opened out resulting in the release of long standing hostile feelings / Open communication and improved dialogue / Long standing problem is brought to surface and resolved

Question 7 (S-18)

The management of Unified Textile Limited (UTL) is concerned over increased conflicts between HR Director and Production Head. The situation has recently escalated when HR Director refused to approve overtime payment for certain production staff. HR Director is of the view that production department is not being efficiently managed and overtime can be reduced significantly by appropriate

assignment of duties. Production Head believes that his department is always dealt with heavy-handed dominating approach by HR Director and his request for recruitment of additional staff is still pending HR's approval.

Required:

Being the CEO of UTL, explain what steps you would take to resolve the conflict.

(08)

Being the CEO of UTL, I would take the following steps to resolve the conflict between HR Head and Production Head:

- (i) Collect information to understand the situation.
- (ii) Encourage both parties to understand each other's view point.
- (iii) Try to bring about a consensus on what the problem is.
- (iv) Establish ground rules for resolution of the dispute.
- (v) Discuss possible solutions in a joint session.
- (vi) Encourage a mutually acceptable solution.
- (vii) In case dispute exists on one or more issues, use my judgement to resolve such issues.

Question 8 (S-17)

Star Engineering Limited (SEL) is a successful manufacturer of a wide range of equipment for use by industrial enterprises. A culture of congenial and friendly relations prevails in the organisation. However, the management also encourages positive conflict as a means to achieve its business objectives. Explain briefly the importance of functional/positive conflict and its possible contribution towards the success of SEL.

(07)

Positive conflict may have contributed to the success of SEL in the following manners:

- (i) Better quality of the decisions – Positive conflict ensures thorough consideration of all aspects of the issues and viewpoints of the participants to arrive at better quality decisions.
- (ii) Creativity and Innovation – Positive conflict encourages creation of new ideas and innovations and better designs of products to meet the requirements of the customers and also help to achieve the objectives of SEL.
- (iii) Provide a forum for discussions of problems and release of tensions – Positive conflict encourages individuals to give vent to their tensions and inner feeling on any issues. Objective discussions enable individuals to reassess their own positions/viewpoints/perceptions.
- (iv) Encourage an environment of change and self-evaluation – Positive conflict increases the performance levels as compared to an environment in which everybody accepts the present methods and levels of efficiencies.

Question 9 (S-17)

In your capacity as manager of legal department of XYZ Limited you have been assigned to lead a team of two officers to conduct negotiations with the representatives of the workers union. The union is demanding a substantial increase in salary and fringe benefits.

Describe briefly the various stages of the negotiation process for conduct of meaningful negotiations with the representatives of workers union. (08)

The stages of the negotiation process for conduct of meaningful negotiations between the officials of XYZ Limited and the representatives of the workers union are as follows:

(i) **Preparation and planning:**

This would include understanding the nature of demand for increase in salary and fringe benefits and perceptions of the representatives of the union. The outcome of the negotiation process and its impact on the company should also be ascertained. The weaknesses and strengths of the workers union should be considered and a strategy should be developed for conducting the negotiations.

(ii) **Definition of ground rules:**

This would include agreement on procedures for conducting the negotiations, names of the union representatives, venue and timings for conduct and conclusion of the negotiations.

(iii) **Clarification and justification:**

After the union representatives have presented the list of their demand, XYZ officials would offer explanations of the company's viewpoints. This would bring into focus the impact of the demands on the company in terms of the practices followed by similar organisations.

(iv) **Bargaining and Problem Solving:**

The union representatives would be persuaded to yield from their initial position in order to reach consensus and move towards a mutually acceptable agreement.

(v) **Closure and Agreement:**

The consensus reached with the workers representatives would be stated in a formal agreement including the procedure for its implementation.

Question 10 (S-16)

Managers recognise that inter-group conflict is a phenomenon of group behaviour. Briefly explain the following approaches which managers may adopt in resolving inter-group conflicts:

- (i) Collaborative
- (ii) Compromising
- (iii) Avoiding

(06)

- (i) **Collaborative approach** – The manager attempts to find an integrative solution through open discussions and seeks to merge the viewpoints of the groups having different

- perspectives. The consensus facilitates in reaching an optimum solution to the conflict by clarifying their differences and arriving towards a win-win solution.
- (ii) **Compromising approach** – The manager seeks a middle ground and asks all the parties to give up something of value to keep them at least partially satisfied. Resolution of the conflict is important as prolonged conflict may lead to disruption of work and failure to meet deadlines
 - (iii) **Avoiding approach** – The manager withdraws from or suppresses the conflict and emphasizes the common interests of the parties to continue to perform their activities. Tactics in the avoiding approach may include delegating of controversial decisions and refraining from hurting the feelings of the parties. In this approach, the manager may seek to obtain more information or gain time to resolve the problem.

Question 11 (S-16)

Wahid Khan is a negotiator who believes in adopting a tough stance while conducting negotiations with the opposite parties. Briefly discuss any three techniques that Wahid Khan may adopt and state the inherent risks involved in adopting tough stances in such negotiations. (05)

Wahid Khan may tend to adopt the following techniques in negotiations with the opposite parties:

- (i) Delay making counter offer until the final stage of the negotiation process. The purpose is to obtain important concessions prior to making a final offer.
- (ii) Adopt threatening tactics of resorting to extreme measures although this is not the genuine intention.
- (iii) Adopt the highly aggressive strategy of 'take it or leave it' which may cause anger or frustration in the other party.

Adopting tough stances may result in breakdown of negotiations or prolong the negotiation process. Further, in case the other party does not get intimidated, Wahid Khan's bargaining position may be affected.

Question 12 (A-15)

Explain the key differences between distributive and integrative bargaining approaches in the conduct of negotiations. (04)

The differences between distributive and integrative bargaining approaches in the process of conduct of negotiations are as follows:

- I. In the distributive bargaining approach, each party attempts to obtain maximum advantage for itself and adopts a win-lose position, whereas in an integrative bargaining approach the parties strive to reach a win-win position for both the parties.

II. In the distributive bargaining approach, the interests of the parties are opposite, whereas in an integrative bargaining approach a convergence of interests of both the parties facilitates reaching a mutually acceptable position.

III. In the distributive bargaining approach, each party withholds information to out manoeuvre the other party, but in an integrative bargaining approach the parties share information.

IV. In the distributive bargaining approach, the duration of relationship between the parties is of a short-term nature, whereas in the integrative bargaining approach the relationship between the parties is of a long-term character.

Question 13 (A-15)

Although negative connotations are generally associated with conflicts, in certain situations conflicts can be constructive and contribute towards achievement of goals and objectives. Describe briefly how can conflicts play a constructive role and contribute towards improvement in performance and achievement of goals and objectives in organisational settings. (05)

Conflicts can play a constructive role and contribute towards improving performance and achievement of objectives in organisational settings by:

- (i) Highlighting the need to re-evaluate the prevailing situation on a continuous basis.
- (ii) Stimulating creativity and innovation by allowing individuals to express their opinions and views in an open and constructive manner.
- (iii) Introducing a culture in which 'groupthink' or blindly pursuing opinions/ decisions of the more articulate or dominating personalities is discouraged.
- (iv) Releasing of pent-up tensions because individuals consider that their opinions have received consideration.
- (v) Providing opportunities to the disagreeing individuals to evaluate their own abilities and expertise on any particular matter.

Question 14 (S-15)

Jupiter Industries Limited (JIL) is currently experiencing intense conflict between the Marketing Department and Procurement Department. The Marketing Department has not been able to achieve its revenue targets and blames the Procurement Department for its inability to understand the highly competitive business environment. The Marketing Department claims that customers are not willing to pay target prices due to poor quality of the products. The Procurement Department is of the opinion that it must procure raw materials from the most competitive sources. The CEO of JIL is most concerned about the situation as it is adversely affecting the overall performance of the company. You are required to advise the CEO about the steps that should be taken to resolve the conflict. (07)

The CEO of JIL should take the following steps to resolve the conflict between the Marketing Department and the Procurement Department:

- (i) Collect information – The CEO should collect information to ascertain the underlying interests, needs and concerns of both the departments and make efforts to understand their motivations and goals and how their actions impact the operations of JIL. The CEO should focus on business issues and remain objective and avoid discussing personalities.
- (ii) Set the scene – The CEO should listen actively to both the parties to ensure that they understand the situation and have adequate awareness of each other's perceptions. The CEO should establish ground rules for resolution of the problem.
- (iii) Develop consensus that there is a problem – The different underlying concerns and interests may mean that the Marketing and Procurement Departments perceive the problem very differently. It is essential to establish precisely where is the problem which needs to be resolved.
- (iv) Brainstorm possible solutions – As an effective facilitator, the CEO should encourage participative brainstorming to help ensure that both the parties feel that their viewpoints are considered objectively. This will significantly improve acceptance of the position of the parties and ensure commitment towards a mutually acceptable resolution.
- (v) Negotiate a solution – After both the departments have better understanding of their respective positions a mutually acceptable solution must be adopted.

Question 15 (S-15)

Assume that you have been appointed by Earnest Corporation Limited (ECL) to lead a three member team for conducting negotiations in a financial dispute with a firm of consultants representing the government organisation. The negotiations are expected to be highly contentious with representatives of both the parties defending strongly their respective client's position.

The outcome of the negotiations would have far-reaching implications for the future business prospects of ECL.

- i. Briefly describe the negotiating skills that members of your team should possess. **(04)**
- ii. Briefly explain the steps which the team should take before the conduct of negotiations and the approach it should adopt during negotiations. **(04)**

(i) Requisite skills for members of the negotiating team

☑ Active listening– It is necessary for ECL's team to engage in active listening to be able to understand the viewpoints of the representatives of the government organisation, and read their body language and also understand the underlying tone of their verbal communication.

☐ Verbal Communication– ECL team should be able to communicate effectively and make clear statement of the case supported by sound arguments. Good interpersonal skills also help to maintain a congenial working relationship with the other party.

☐ Ethics and reliability– ECL team should adopt high standards of ethical integrity and reliability to promote an environment of trust and confidence during the process of negotiations.

(ii) Steps and approach to be pursued in the negotiation process

☐ Preparations for the negotiations– It is necessary to make thorough preparations regarding the viewpoints of ECL prior to the commencement of the negotiations. The preparations should include determination of ECL's objectives, identification of areas of compromise and the alternative ways of achieving the stated objectives. The past history of relationships between the parties and precedents of negotiations, if any should also be kept in perspective.

☐ Analysis of the issues– ECL's negotiating team must be able to analyse the issues involved to determine the vital interests of both the parties and the extent of concessions which should be sought from the government organisation. The team must be able to anticipate the different solutions to the issues rather than focusing on the ultimate goal(s) without clear understanding of how to achieve them.

☐ Collaborative and amicable approach – It is important for ECL's team to retain a collaborative and amicable approach with the representatives of the government organisation to dispel any hostile feelings and work towards an agreeable solution for the benefit of the parties to the dispute.

Question 16 (A-14) 6

Negotiations involving high stakes often lead to situations in which the parties are reluctant to give up their present positions for achieving maximum advantages. In order to avoid situations which may result in deadlocks and complete breakdowns, the participants have to apply considerable tact and skills to conclude the negotiation process successfully. Explain briefly the measures that skilled negotiators may take to keep the negotiation process on track and achieve positive outcomes without creating deadlocks.

(06)

Skilled negotiators take the following measures to keep the negotiation process on track without creating deadlocks to achieve positive outcomes:

(i) They offer convincing explanations why they want to uphold their existing positions and the reasons why they cannot accede to the concessions sought by the other party.

(ii) They express their willingness to review the issues of concessions or benefits sought by the other party sometime in the future.

(iii) They make efforts to close the current deal by agreeing to offer benefits and concessions in any future contract or deal if the other party shows its willingness to finalize the present contract.

(iv) They mention discreetly the adverse consequences of a failure to reach an agreement and the benefits which would accrue to both the parties by finalizing the deal without any further loss of time.

Question 17 (A-14)

- | | |
|---|------|
| (b) State four reasons why conflicts are a common phenomenon in organisational settings. | (02) |
| (c) Although conflicts are often indicative of negative connotations, yet they may result in optimal performance in certain situations. Identify the situations in which conflicts may be advantageous for an organisation. | (05) |

(b) Conflicts are a common phenomenon in organisational settings due to the following reasons:

- (i) incompatibility of goals;
- (ii) differences over interpretation of facts;
- (iii) disagreements due to differences in expectations;
- (iv) rivalry among the departments/individuals for scarce resources.

(c) Conflicts may be beneficial for an organisation in the following situations:

- (i) Conflicts are instrumental in bringing about radical changes to alter existing power structures and entrenched attitudes which lead to complacency in the organisation.
- (ii) Conflicts encourage innovation and testing of new ideas and eliminate attitude of groupthink.
- (iii) Conflicts bring emotions and differences in the open and therefore result in release of internal hostile feelings.
- (iv) Conflicts result in constructive levels of tension within the organisation and motivate individuals to perform at their optimum capabilities

Question 1 (A-19)

An integrated IT system describes the scenario where all modules of the system are linked and function together as a system in a coordinated manner across various levels in an organization.

Required:

- (a) Briefly explain the 'types of information' that can be handled by an integrated system at various levels of an organization. Give one example of each type. (04)
- (b) Discuss how the information is generally used by the management in an organization. (05)
- (c) State any three advantages and three disadvantages of using an integrated system. (03)
- (d) List down any four underlying modules that would be linked to a typical Integrated Finance System. Give an example of how the modules could work simultaneously. (03)

(a)

(i) Strategic information

- ☑ These relate to long-term decision making.
- ☑ Strategic information is useful to senior management and directors for establishing the overall strategy of the business.
- ☑ e.g. over a 3-5 year time horizon strategy for the business.

(ii) Tactical/managerial information

- ☑ These assist managers in making short-term tactical decisions.
- ☑ Examples include:
- ☑ establishing a fee to quote on a particular order

(iii) Operational information

- ☑ Relates to the day to day activities of an organization.
- ☑ Examples include:
- ☑ daily sales reports

(b) Information may be used by the management in an organization by following ways:

(i) Planning:

Helping to establish appropriate resources, time scales and forecast alternative outcomes.

(ii) Controlling:

Ensuring processes are implemented as planned.

(iii) Recording transactions:

Recording transactions throughout a business e.g. sales, purchases, errors, returns, customer complaints and quality control inspections, deposits and cash movements.

(iv) Performance measurement:

Comparing actual versus planned activity to identify variances from planned activity and take corrective action as necessary.

(v) Decision making:

Assisting managers in making various kinds of decisions such as volume, price, whether to make a component internally or buy it from a supplier, whether to switch supplier etc.

(c) Advantages of integrated systems:

- ☑ Offer a more complete view
- ☑ Enable better informed decisions
- ☑ Likely lead to a more efficient operation resulting in greater customer satisfaction and hence profitability

Disadvantages of integrated systems:

- ☑ Greater risk that if one module fails the whole system could fail
- ☑ More complex and therefore prone to error
- ☑ More expensive than standalone systems

(d) Following are the modules that would be linked to an Integrated Finance System:

- ☑ Accounts payable control
- ☑ Accounts receivable control
- ☑ Inventory
- ☑ Sales

Example: A new sales order would be simultaneously reflected in the accounts receivable, sales and inventory modules.

Question 2 (S-19)

- (a) Mention any two differences between deterministic and self-organizing open systems. Also give one example of each. (03)
- (b) State four major components of personnel system. Also list any six types of information that can be obtained from a personnel system. (04)
- (c) The use of expert system is gaining popularity in modern business organizations.

Required:

- (i) Briefly explain the term 'expert system'. Also mention any three pre-conditions that need to exist for expert system to perform effectively. (05)
- (ii) List any four benefits that expert system may bring for an organization. (03)

(a)

Deterministic Systems

☐☐ These systems follow predetermined standard rules as defined in the rule book.

☐☐ Given the nature, these systems have predicted operations and therefore give predictable outputs.

Example: Computer Programs

Self-Organizing Systems

☐☐ These systems are complex that continually change to adapt to the environment.

☐☐ Given the nature, these systems are least likely to be computerized and therefore rely heavily on interaction with people.

Example: Trade Union Negotiations

(b)

Major components of personnel system are:

- ☐ Recruitment
- ☐ Redundancy
- ☐ Personnel management and control
- ☐ Personnel management reporting / personnel management information

Following information can be obtained from personnel system:

- ☐ Report on headcounts.
- ☐ Report of salaries and wages.
- ☐ Report of employee absences.
- ☐ Report of age profile of employees.
- ☐ Report of tenure profile of employees.
- ☐ Report of employee's disciplinary record.

(c)

(i) Expert System:

An expert system is a computer program that simulates the judgement and behavior of an organization or its executives having expert knowledge and experience in a particular field. It contains a database of accumulated experience and scenarios as well as a set of rules for applying the knowledge to each particular situation described by the program.

Following are the pre-conditions that need to exist for an expert system to perform effectively:

- ☐ The problem should be well-defined.
- ☐ The rules should also be clearly defined.
- ☐ The problem cannot be solved through conventional transaction processing system.

(ii) Expert system may bring following benefits for an organization:

- ☐ Allows non-experts to make expert decisions.
- ☐ Faster, more accurate and consistent decisions.
- ☐ Relieved experts who may concentrate on more complex issues.
- ☐ Reduce staff costs as less number of experts required.

Question 3 (A-18)

- | | |
|---|------|
| (a) What do you understand by 'Integrated IT system'? Also mention any three advantages that it may offer to an organization. | (04) |
| (b) List any six underlying modules that an integrated finance system would link. | (03) |

(a) An integrated system links all modules of the system to function together as a system in a coordinated fashion.

Advantages of integrated system:

- It offers a comprehensive view.
- It enables organization to reach more informed decisions.
- It assists in attaining more efficient operations by avoiding duplication of efforts.

(b) An integrated finance system would link following underlying modules:

- Bank and cash
- Purchases
- Inventory
- Sales
- Accounts receivable control/debtors
- Accounts payable control/creditors

Question 4 (A-18)

- | | |
|--|------|
| (a) Information systems have become an integral part of any organization. Discuss how management may use information systems for the purpose of planning, controlling and performance measurement. | (04) |
| (b) State any three key differences between batch processing and real time processing. | (03) |

(a) Management may use the information systems for the purpose of planning, controlling and performance measurement as follows:

Planning – determining of resources needed, setting of time schedules, forecasting of alternative outcomes, etc.

Controlling – ensuring that processes are implemented as planned.

Performance measurement – comparing actual activity with planned activity and taking corrective actions in the event of deviation.

(b)

Batch processing

It involves processing of similar transactions (carried out over a period of time) at a single time as a batch. It is inexpensive and easy to develop as less hardware is needed. It lacks timely updation and information available to management is often incomplete.

Real time processing

It involves processing of individual transactions as they occur without waiting to batch them together. It is expensive and more complex to run and develop because more hardware capacity is needed. It is updated instantaneously and provides updated information to the management at all times.

Question 5 (S-18)

(a) SavBig has recently been established as a large departmental store. It is in the process of introducing an inventory control system. List any seven functions/characteristics of an inventory control system to be used in a departmental store. (07)

(b) Data storage can be classified into four types. Identify and give any two characteristics of each storage type. (08)

(a) Functions / characteristics of inventory control system in a departmental store:

- Reporting of existing levels of inventory.
- Tracking exact location of inventory.
- Triggering a replenishment order specifying the number of units to be reordered as soon as inventory level reaches the defined threshold.
- Tracking the age of inventory and ensuring that inventory levels do not build up unnecessarily.
- Maintaining of suppliers' data in terms of pricing, lead time, etc.
- Maintaining a list of alternate suppliers in the event primary supplier fails to make supply on time.
- Managing trends and retrieving key historical data to predict the future inventory needs.
- Recording of expected inwards and outwards delivery dates.
- Showing individual and total cost of inventory.

(i) **Primary storage:**

- ☐ It temporarily stores data which is directly accessible by the CPU.
- ☐ It is volatile in nature and data is erased when power is turned off.
- ☐ It is much smaller in size as it has no mechanical parts but much quicker to access.

(ii) **Secondary storage:**

- ☐ It is used for data not currently being processed but may need to be accessed at later stage.
- ☐ It is non-volatile in nature and data remains intact even when the device is powered off.
- ☐ It takes longer to access as data is not directly accessible by CPU.

(iii) **Tertiary storage:**

- ☐ It typically involves a robotic mechanism that mounts and dismounts removable mass storage media into a storage device.

- ☐ It is useful for storing extremely large data.
- ☐ It is much slower and often used for archiving information that do not require frequent access.

(iv) Offline storage:

- ☐ It is used to increase general information security.
- ☐ It needs human intervention to re-connect for subsequent access.

Question 6 (A-17)

(a) Tib Labs (TL) has established diagnostic research centres and laboratories throughout the country. Its management has acquired an expert system to enhance the efficiency and accuracy in diagnostics and reduce dependency on human experts.

State any four measures that should be taken by TL to successfully implement the expert system. **(04)**

(b) In modern day businesses, computer networks are an important part of any organisation. Briefly explain their role in improving the office environment. **(04)**

(a) TL may consider following measures while implementing expert system:

- Identify the key challenges in implementation of the expert system and devise measures to address them.
- Consulting with other laboratories where such systems have already been implemented.
- Define alternative methods/procedures/contingency plan for continuity of business operations in case the expert system malfunctions/fails.
- Arrange users' training for effective and efficient use of the expert system.
- Train technical resources to provide first line technical support to users and make arrangements for 2nd line support with the product vendor for prompt resolution of complex issues.
- Devise strategies to manage probable resistance from senior employees and upkeep their moral and satisfaction level. Such measures may include job restructuring, transfer and training, etc.
- Devise policies to retain existing human experts to keep the expert system updated. Such measures may include providing long-term benefits to employees, additional perks and promotions, etc.

(b) The role of computer networks in improving the office environment is described below:

- They allow sharing of output devices like printers, fax machines, etc. which helps to save space and cost.
- They enable sharing of centralized data resulting in availability of consistent and updated information.
- They allow updating information with reduced efforts.
- They allow the organization to apply consistent security policies over the organization and facilitate in applying security controls more effectively.
- They provide faster and economical communication systems like email, voice over IP, etc., which results in cost savings.
- Due to computer network, paper work has been reduced.

Question 7 (A-17)

- (a) Briefly explain the elements of a control system. (05)
(b) State the key difference between open loop and closed loop control systems and give one example of each. (04)

(a) The elements of a control system are briefly described below:

- Input, Process, Output
- Sensor – measures the output from the system and determines a new value
- Standard – the predetermined limit set within the system
- Comparator – compares the new value with that of the standard
- Effector – provides feedback into the system which can be positive or negative.

Key differences between the two control systems are as follows:

Open loop control systems

They do not have in built control. The control comes from outside of the system.

Closed loop control systems

They do have in built control. Actual output is compared with the planned output and appropriate corrective action is taken

Examples of open loop control systems

- Pharmaceutical industry – if a license for a particular drug is withdrawn by the government (external influence/control), the pharmaceutical company will be forced to stop production of that drug.
- Automatic washing machine – runs according to preset time irrespective of whether washing is complete or not.
- Traffic light signal – changes signals on preset timing irrespective of traffic flow.

Examples of closed loop control systems

- Budgetary control systems through which results are monitored, deviations from plans are identified and corrective actions are taken.
- The Market Research department of a manufacturing company may monitor the demand and profitability of product lines and advise management to cease, decrease or increase production of certain product lines.
- Stock or credit control system where the system automatically checks responses.
- Air conditioner functions depending upon the temperature of the room.

Question 8 (S-17)

- (a) Explain briefly what is an Executive Information System (EIS). Identify any five characteristics of an efficient EIS. (07)
(b) Identify any four advantages of an Electronic Point of Sales system for a supermarket which has a high rate of daily sales turnover. (03)

(a) Executive Information System (EIS) is a computer-based system which facilitates and supports the information needs of senior executives for decision making. EIS provides access to both internal and external information of strategic significance to the executives for achievement of corporate objectives.

The characteristics of EIS are as follows:

- (i) It incorporates both internal and external data.
- (ii) It tends to be more forward looking rather than historical-based.
- (iii) It typically emphasizes graphical displays and simple user interface with a high-level executive summary styled dashboard.
- (iv) Executives can drill-down into various components of the dashboard to extract further requirements of information.
- (v) It helps senior managers to make unstructured decisions.
- (vi) It tends to be expensive and real-time.

(b) The advantages of an Electronic Point of Sales system for a supermarket which has a high rate of daily sales turnover are as follows:

- (i) the transactions are processed instantly with savings in time and effort
- (ii) the system reduces risks of human errors
- (iii) the system generates up-to-date record of balances of inventories on a continuous basis
- (iv) the system allows reading of debit and credit cards for instant payments of goods by customers
- (v) the system supports signals from mobile phones to identify customers for making payments
- (vi) the system provides for accurate reporting of sales.

Question 9 (S-17)

- | | |
|---|-------------|
| (a) Distinguish between Local area network (LAN) and Wide area network (WAN). | (04) |
| (b) Explain briefly the differences between batch processing and online processing from the standpoints of: | |
| (i) processing of transactions | |
| (ii) updating of files and | |
| (iii) management information | (03) |

	LAN	WAN
(i)	It covers small geographic area such as an office, school or a group of buildings.	It covers a broad area, i.e., it communicates across regional, metropolitan or national boundaries over long distances.
(ii)	Due to its localized nature, the speed of transfer of data is high.	Data transfer speed is slow as the information/data has to travel greater distances.
(iii)	Typically owned, controlled and managed by one person or a single organization.	It exists under collective or distributed ownership and management covering long distances.
(iv)	It offers advantages of low set-up and maintenance costs.	Set-up costs are typically higher due to the need to connect to remote areas. Due to wider coverage, it is difficult and expensive to maintain the system.
(v)	Relatively low rate of data transmission errors.	The data transmission error rate is relatively higher than LAN.

(b)		Batch processing	Online processing
(i)	Processing of transactions	Data is accumulated into batches and processed periodically.	Data is processed as soon as it is generated.
(ii)	Updating of files	Data is updated after the batch has been processed.	Data is updated simultaneously with the processing of the transaction.
(iii)	Management information	Updated management information is not readily available.	Updated management information is available instantly.

Question 10 (A-16)

(a) Identify any six data input devices/methods other than the keyboard. State one advantage/benefit and limitation/shortcoming of each of these input devices/methods. (06)

(b) What do you understand by an inventory control system? State five characteristics/features of a typical inventory control system. (07)

	Input devices/methods	Advantages/benefits	Limitations/shortcomings
(i)	Touch-sensitive screens and touch pads	- Saves space - Integrated graphical interfaces are user-friendly	- Difficult for accurate data entry - Labour intensive and slow - Relatively expensive
(ii)	Magnetic ink character recognition (MICR)	- High speed - High degree of accuracy	- Documents are expensive to produce - Risk of damaged documents
(iii)	Optical mark readers (OMR)	- High speed - High degree of accuracy	Documents are expensive to produce
(iv)	Scanners/optical character recognition (OCR)	- Handles inputs of graphics and texts - Quick results	- Slow to scan multiple images - Unable to scan large files - Not suitable for low quality input images
(v)	Mouse and trackball devices	- Easy to use - Not expensive	- Slow - Prone to errors
(vi)	Voice data entry (VDE)	- Convenient application - Simple to use	- Questionable accuracy - Affected by external interference (noise)
(vii)	Barcodes and EPOS	- Accurate - Instant application	- Not possible to read damaged barcodes - Incompatible in cases of different types of barcodes
(viii)	Digital cameras	- Versatile application - Accurate - Instant results - High quality image editing	High quality images are expensive and difficult to manage.
(ix)	Facial recognition system	- Crime fighting tool - Prevent voters/time fraud	- Identity theft / privacy concerns - Not always accurate / in case of 2D-systems accuracy may be affected by glasses, long hairs, etc.
(x)	Joystick	- Easy to use - Comfortable/less taxing on hands	- Limited compatibility - Applicable to only few types of games
(xi)	Light pen	- Accurate - Suitable for artistic and design work - Saves space	- Awkward positioning / Long usage may cause wrist strain - Specialised monitors are required - Expensive to deploy on a large scale

(b) Inventory control system

An inventory control system ensures that the business maintains an appropriate amount of inventory at all times. The inventory control system indicates accurate levels of inventory for all the lines maintained by a business and trigger the ordering of replacement inventory when inventory levels fall to a certain level.

The characteristics/features of an inventory control system are as follows:

- The system can report accurately the current inventory level at any time.
- A rule should be associated with each item that will trigger a reorder such as minimum inventory level.
- The age of the inventory can be tracked. This will assist sales managers in identifying ageing stock and employ tactics to reduce it. This is particularly important with perishable inventory.
- The system should be able to highlight shortages.
- The system should be able to show individual and total cost of inventory items.
- The system should maintain supplier details.
- Both inward and outward delivery dates must be maintained to enable the warehouse manager to manage receipts and dispatches of goods.
- The location of the inventory should be recorded to ensure it can be found easily and efficiently.

Question 11 (S-16)

- (a) Briefly describe the components of an Expert system and state the advantages of such a system. (07)
(b) Describe briefly the salient features of network analysis. (04)

Expert system

The major components of an expert system are:

Knowledge base: It is a database of human experience, scenarios and detail information about the subjects, gathered from various resources.

Inference rules: These are set of logical judgements applied to the knowledge base each time a user describes a situation to the expert system.

User interface: It permits the end user to describe the problem or goal.

The advantages of an expert system are as follows:

- It enables individuals who lack expertise in any subject to be able to make expert decisions.
- It is accurate and offers advice on a consistent basis.
- It has flexibility to change input details to explore alternative solutions.
- It can handle several problems simultaneously through a multi-access system.
- Staff costs are reduced because less expert staff is required.
- It gives the opportunity to capture expertise before it is lost.
- Improved allocation of human resources as experts is able to concentrate on more complex issues.
- Expert advice is available all the time.

- (c) **Network analysis** – Network analysis involves identifying the different components of a project, the time required for completion of each component, the earliest and latest starting and completion time for each component and the order in which the components can be completed. A key objective of network analysis is to identify the critical path which comprises of a series of components whose timely completion is essential for completion of the entire project according to the schedule. The remaining components have a certain degree of flexibility as far as their time of completion is concerned. The time required to complete components of critical path is the minimum duration of the project.

Network analysis can be used as a foundation for planning resources in a cost-effective manner and identifying where bottlenecks and slack (periods of extra time where the delay in completing a component would not impact the overall completion time of the project) exist.

Question 12 (S-16)

- (a) What is meant by the term online processing? Give two examples of situations in which the operations are processed online. (03)
- (b) Information systems make valuable contributions by providing vital information inputs at the strategic, tactical and operational levels. Give examples of the different types of information that is generated for each of these levels. (04)

(a) Online processing – Online processing is an automated way of entering and processing the information through equipment that operates under the control of a central computer usually from a different location through a terminal.

Examples:

An ATM machine of a bank – the ATM is linked to the bank's central computer system and instantly updates the user account after the transaction.

Flight booking system of airlines linked with their travel agents which confirms the availability and booking of seats on specific flights.

Bar code scanning – when an item is purchased at a departmental store, the bar code is scanned at the payment counter. This item (source document) is immediately updated in the inventory system.

(b) Information requirements at the different levels are as follows:

Strategic information

- data about the size and composition of the market
- data of competitors
- data about availability of highly skilled workers/employees
- data about availability of key raw material inputs

Tactical information

- data of competitors participating in the tenders for a major contract
- data of performance of suppliers of raw materials
- data of slow moving inventory items for offering discounts
- data of resourcefulness for appointment of new dealers

Operational information

- daily report of sales
- daily report of customer complaints
- daily report of absent employees
- daily report of fuel consumed

Question 13 (A-15)

Computer data storage or memory is a technology consisting of computer components and recording media used to retain digital data.

Define the following types of computer data storage and give two examples of each. Also identify one advantage of each type of data storage.

- (i) Primary storage
- (ii) Secondary storage
- (iii) Offline storage (09)

Primary storage

Primary storage, also known as internal memory, is the area in a computer in which data is stored for quick access by the computer processor.

Examples:

ROM (Read Only Memory)

RAM (Random Access Memory)

Advantages:

☑ Internal storage allows the data and applications to be loaded very rapidly into memory. OR

☑ Internal memory data can be accessed faster than data stored on an external storage device.

Secondary storage

Secondary storage device refers to any non-volatile/permanent storage that is internal or external to the computer.

Examples:

☑ Hard disk

☑ Compact disk

☑ USB

☑ Cloud drive

Advantages:

☑ A number of these devices are portable and therefore data can be easily moved from one location to another. OR

☑ Possess memory capacity of storing large amount of data.

Offline storage

Offline storage is any storage that is not currently online, live or connected to the computer.

Examples:

Storage of data on portable devices at:

☑ offsite locations

- ☐ offline web server OR
- ☐ offline portable devices

Advantages:

- ☐ In case of a disaster, e.g. fire which may destroy the original data, a remotely located medium which is unaffected can enable disaster recovery. OR
- ☐ Offline storage from the computer can be used to increase security of data, e.g. retaining a copy of important data in a separate building.

Question 14 (A-15)

- (a) What do you understand by the term system architecture? (02)
(b) Define Integrated IT system. List three advantages and disadvantages of an Integrated IT system. (05)

(a) The term system architecture refers to the configuration by which the different components of a computer system such as PCs, storage devices and printers are linked together and interact with each other.

(b) In an Integrated IT system all the modules of the system are linked and function together as a system in a coordinated fashion. Advantages:

- ☐ offers more comprehensive view
 - ☐ improves information consistency
 - ☐ enables agile business models with the capacity to quickly adapt to changing business processes
 - ☐ enhances productivity with access to information across the enterprise
 - ☐ streamlines maintenance to optimize resources. Disadvantages:
 - ☐ greater risk because failure of one module would result in failure of the entire system
 - ☐ more complex and is therefore prone to error
 - ☐ more expensive than stand-alone systems
- require a greater level of support as the system would have to be adapted specifically to the organisation

Question 15 (S-15)

What is meant by 'Decision Support Systems' (DSS)? Identify the characteristics of a typical DSS. (04)

Decision Support Systems (DSS) are set of related computer programs and data required to facilitate analysis and decision-making within an organization.

Characteristics of a typical DSS

- (i) They assist tactical level managers in making intelligent guesses
- (ii) They apply formula and equations to facilitate mathematical modeling
- (iii) They enable real-time-systems to solve problems through queries and modeling

- (iv) They use inputs and variables for the model through the user interface
- (v) They contain a natural language interpreter for querying the system
- (vi) They integrate user interface with data management and modeling software from the key components
- (vii) They create spreadsheet packages as tools for the development of a decision support system.

Question 16 (S-15)

- (a) Briefly define Batch Processing and Real Time Processing. State two advantages of each of these types of data processing. (04)
- (b) What do you understand by the term computer network? Specify any two important advantages of a computer network. (03)

(a) Batch Processing is a group of similar transactions generated over a period of time which are processed at one time as a batch.
Real time processing is the processing of individual transactions immediately as they actually occur.

Advantages of Batch Processing:

- (i) relatively easy to develop
- (ii) less processing power is required as the process handles similar updates
- (iii) more checks can be put into place
- (iv) less and relatively simple hardware is required and is therefore economical.

Advantages of Real Time Processing:

- (i) information is up to-date; therefore generation of timely management information
- (ii) increase in ability to have access to online data.

b)

A computer network comprises of computers linked via a medium such as copper wire, fiber optic cable or wireless media to enable them to share/exchange data and communicate with each other.

The important advantages of a computer network are as follows:

- (i) Sharing of resources such as printers, scanners, storage space, etc.
- (ii) Efficient and economical means of communication such as emails, instant messaging, video callings, etc.
- (iii) Implementation of uniform security measures through the server.

Question 17 (A-14)

- (a) What do you understand by the term 'Server' in a Client-server computing environment? Briefly describe 'File Servers' and 'Network Servers'. (03)
- (b) LAN and WAN are two popular types of computer networks. Briefly describe LAN and WAN and state their distinguishing features. (06)

(a) Server: A server is a computer that has been optimized to facilitate other computers over a network. Servers usually have powerful processors as well as large memory and hard drives.

File Servers are used to manage the data files that are accessible to the users of the network. All the shared data files of the system are held on a file server or are accessible through a file server. Network Servers are used to route messages from terminals and other equipment in the network to other parts of the network. Network servers therefore manage and control the routing of messages within computer networks.

(b)

LAN – Local area network A LAN is a computer network covering a small geographical area such as a home, office, group of buildings, etc.

WAN – Wide area network A WAN is a computer network that covers a broad area i.e. a network that communicates across regional, metropolitan or national boundaries over a long distance. The distinguishing features of LAN and WAN are:

LAN	WAN
Due to its localised nature, the data transfer speed are high	Data trasger speeds are much lower than with LANs due to the greater distance that information must travel.
Due to its localised nature, the data transfer speed are high	WANs exist under collective or distributed ownership and management covering long distance
Due to its localised nature, the data transfer speed are high	Setup costs are typically higher due to the need to connect to remote areas
Due to its localised nature, the data transfer speed are high	Maintaining a WAN is more difficult (and expensive) than maintaining a LAN due to its wider coverage
Due to its localised nature, the data transfer speed are high	In contrast to LANs, the data transmission error rate tends to be significantly higher.

Question 18 (A-14)

List different types of information which management can obtain by implementing a sound Personnel Management Reporting System in an organisation employing a large number of employees. Also specify the importance of maintaining data security and access to such a system. **(05)**

A sound Personnel Management Reporting System would enable the management to obtain the following information:

- (i) Report of headcount, i.e. number of employees in the organisation.
- (ii) Report of salaries and wage expenses during a specific period.
- (iii) Report of employee absence and leaves availed and accrued.
- (iv) Report of age profile of employees.
- (v) Report of tenure profile of employees.
- (vi) Report of medical benefits availed by the employees during a particular period.
- (vii) Appropriate security around a Personnel Management System is important because it contains significant amount of sensitive and confidential information